

Proceeding No.: A.13-09-
Exhibit No.: _____
Witness: Yvonne M. Le Mieux

DIRECT TESTIMONY OF
YVONNE M. LE MIEUX
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

September 27, 2013



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1 **DIRECT TESTIMONY OF**
2 **YVONNE M. LE MIEUX**
3 **ON BEHALF OF SDG&E**

4 **I. OVERVIEW AND PURPOSE**

5 The purpose of my testimony is to present San Diego Gas & Electric Company's
6 ("SDG&E") rate recovery proposals for the portfolio of resources addressed in this proceeding,
7 specifically, (1) to present the rate and bill impacts associated with the cost recovery of the 2014
8 Energy Resource Recovery Account ("ERRA"), On-going Competition Transition Charge
9 ("CTC") and Local Generation Balancing Account ("LGBA") revenue requirements; (2) to
10 propose rates for the non-bypassable charges, including (a) the 2014 Power Charge Indifference
11 Adjustment ("PCIA") component of the cost responsibility surcharge ("CRS") applicable to
12 departing load customers and (b) the Local Generation Charge ("LGC") applicable to all benefiting
13 customers; and (3) to present the 2014 market price benchmarks ("MPBs") necessary for
14 determining the CTC revenue requirement and vintage PCIA rates. Rate and bill impacts
15 associated with the forecasted Greenhouse Gas ("GHG") cost presented in this Application are
16 addressed in SDG&E's Greenhouse Gas Forecast Application ("A.")13-08-005 consolidated into
17 A.13-08-002 et al.

18 My testimony is organized as follows:

- 19 • **Section II – 2014 ERRA, CTC and LGBA Rate Impacts:** presents the rate
20 impacts associated with the 2014 ERRA, CTC and LGBA revenue requirements;

- 21 • **Section III – Non-Bypassable Charges**

22 A. PCIA applicable to departing load customers:

- 23 1. provides background on the non-bypassable PCIA component of the
24 CRS;

1 2. presents the Indifference Amount methodology including:

2 a) the methodology for the 2014 MPBs;

3 b) the methodology for the vintage 2014 Indifference Amounts
4 and resulting PCIAs.

5 B. LGC applicable to bundled, direct access (“DA”) and community choice
6 aggregation (“CCA”) customers:

7 1. provides background on the LGC;

8 2. presents the methodology for the 2014 LGC;

9 • **Section IV – Summary:** summarizes the items SDG&E is requesting for
10 California Public Utilities Commission (“Commission”) approval; and

11 • **Section V – Qualifications:** presents my qualifications.

12 **II. 2014 ERRA, CTC AND LGBA RATE IMPACTS**

13 SDG&E’s 2014 ERRA, CTC and LGBA revenue requirement forecasts,¹ as set forth in the
14 direct testimony of SDG&E witness Sheri S. Miller, are approximately \$1,213.259 million,
15 \$14.382 million and \$5.111 million, respectively. This represents an increase of \$209.580 million
16 from the 2013 ERRA revenue requirement forecast and a decrease of \$27.156 million from the
17 2013 CTC revenue requirement forecast. The LGBA revenue requirement associated with local
18 reliability resources is new for 2014; therefore, SDG&E did not have a 2013 LGBA revenue
19 requirement. The combined ERRA, CTC and LGBA revenue requirement reflects an increase of
20 approximately \$187.535 million from the 2013 forecasted procurement levels.

21 As of the date of this filing, a final decision has not been issued in SDG&E’s 2013 ERRA
22 revenue requirement forecast proceeding (A.12-10-002) for recovery of 2013 calendar year costs.

¹ Revenue requirements do not include franchise fees and uncollectible expenses (“FF&U”).

1 Until a decision is approved, SDG&E will continue to recover the ERRA and CTC costs based on
2 the authorized 2012 ERRA and CTC calendar year revenue requirements currently in rates of
3 \$811.883 million and \$48.617 million, respectively, which combined are \$372.253 million lower
4 than the combined forecasted 2014 revenue requirements for the ERRA, CTC and LGBA. The
5 proposed 2014 revenue requirements would increase the current system average rate from
6 17.770 cents per kWh² to 19.914 cents per kWh, or an increase of 2.144 cents per kWh or 12.07%.
7 Included as Attachment C to this application is a table summarizing the illustrative rate impacts by
8 customer class.

9 **III. NON-BYPASSABLE CHARGES**

10 The Commission has authorized two different non-bypassable charges: (1) the PCIA
11 applicable to departing load customers to preserve bundled customer indifference and (2) the LGC
12 applicable to all benefiting customers including bundled, DA and CCA customers, for resources
13 determined to be needed for local reliability purposes.

14 **A. POWER CHARGE INDIFFERENCE ADJUSTMENT**

15 **1. BACKGROUND**

16 In Decision (“D.”)06-07-030, as modified by D.07-01-030, the Commission established
17 authority for the PCIA component of the CRS to preserve bundled customer indifference and
18 ensure departing load customers pay their share of the cost responsibility associated with the
19 above-market costs, or indifference amount, of the utilities’ total procurement resource portfolio.³

20 In D.08-09-012, the Commission continued to refine the indifference amount
21 methodology to ensure bundled customer indifference by introducing the requirement to vintage
22

² Effective September 1, 2013 per Advice Letter (“AL”) 2396-E.

³ In D.07-01-025, the Commission adopted the PCIA methodology for CCA customers.

1 departing load customers, based on their departure date, when determining the customers' cost
2 responsibility for the total portfolio of resources. Assigning customers to a vintage ensured that
3 departing load customers pay their fair share of above-market costs associated with the specific
4 vintage portfolio of resources that were acquired to serve them prior to their departure from
5 bundled load service in order to preserve bundled customer indifference. Subsequently, the
6 departing load customers are not required to pay for above-market costs associated with utility
7 procurement commitments after that load departs.

8 D.11-12-018 adopted further reform to the indifference amount methodology in recognition
9 of regulatory and industry changes that impacted energy procurement practices. Changes to the
10 MPB methodology, used to determine the market value of electricity, included the additional of a
11 renewable portfolio standards adder ("RPS adder") to more accurately reflect the market value of
12 renewable resources and a revised resource adequacy capacity adder ("CAP adder") which results
13 in vintage MPBs. The vintage portfolio of resources calculation was revised to better reflect
14 time-of-use load variations and also removed load-related costs incurred by the California
15 Independent System Operator ("CAISO") that are then charged to the utilities.

16 My testimony takes into account these various decisions and directives of the Commission.

17 **2. INDIFFERENCE AMOUNT METHODOLOGY**

18 Under Commission rules, departing customers are responsible for their fair share of above-
19 market costs, or indifference amount, incurred by the utility on behalf of those customers when
20 electric generation costs exceed the current market price, or market price benchmark. To maintain
21 bundled customer indifference to the departure of SDG&E's customers to non-utility service,
22 SDG&E calculates the indifference amount to determine the cost responsibility for DA, CCA and
23 other departing load, specifically:

1 Indifference Amount = CTC + PCIA

2 **a) 2014 MARKET PRICE BENCHMARK (“MPB”)**
3 **METHODOLOGY**

4 The above-market costs for both the CTC and PCIA are determined using a MPB, a
5 calculated proxy, which represents the market value of electricity. This methodology is consistent
6 with Commission directives, specifically D.11-12-018 and Resolution E-4475. The Energy
7 Division provides the utilities with input factors for the MPB’s Utility Retained Generation green
8 (“URGreen”) component of the RPS adder and the CAP adder for the current forecast year. In
9 calculating the above-market costs for the CTC, SDG&E used a MPB of \$54.41/MWh which was
10 calculated using SDG&E’s forecasted 2014 total portfolio of resources based on the 2013 Energy
11 Division input factors since the 2014 input factors are not available. Once the updated 2014
12 Energy Division input is available, SDG&E will amend this Application to reflect the revised 2014
13 MPB for calculating the CTC and the vintage 2014 MPBs for calculating the PCIA.

14 **b) 2014 INDIFFERENCE AMOUNT AND PCIA**
15 **METHODOLOGY**

16 As of the date of this Application, SDG&E has not received a decision authorizing the
17 vintage 2013 PCIA rates⁴ and continues to bill DA customers⁵ the vintage 2012 PCIA rates
18 authorized in D.12-07-006. In this Application, SDG&E is proposing to update the currently
19 effective vintage PCIA rates and to calculate the vintage 2014 PCIA rates to account for
20 customers’ departing load in the second half of 2014. With respect to this 2014 ERRA
21 proceeding, SDG&E’s portfolio of resources to calculate the vintage 2014 indifference amounts
22

⁴ Proposed in SDG&E’s 2013 ERRA Forecast Proceeding (A.12-10-002).

⁵ There is no CCA load, large MDL or CGDL customers subject to the PCIA on SDG&E’s system.

1 and the resulting 2014 PCIA's will include applicable costs from SDG&E's forecasted 2014
2 ERRA, CTC and LGBA revenue requirements, authorized 2014 Department of Water Resources
3 ("DWR") costs allocated to SDG&E, and SDG&E's authorized 2014 Non-Fuel Generation
4 Balancing Account ("NGBA") revenue requirement. However, since the 2014 DWR and NGBA
5 revenue requirements as well as the vintage 2014 MPBs are not currently available,⁶ it is not
6 possible at this time to provide the vintage 2014 PCIA rates. Once the information is available,
7 SDG&E will provide its vintage 2014 PCIA rates applicable to DA and CCA customers.⁷

8 **B. LOCAL GENERATION CHARGE ("LGC")**

9 **1. BACKGROUND**

10 In D.13-03-029, the Commission authorized SDG&E to implement the LGC rate
11 component, which is designed to recover new generation costs for local reliability that are deemed
12 to be subject to the Cost Allocation Mechanism ("CAM") policy adopted in Commission
13 D.06-07-029 and D.11-05-005, as a per kilowatt hour non-bypassable charge from all benefiting
14 customers.⁸

15 **2. 2014 LGC METHODOLOGY**

16 As discussed in Ms. Miller's testimony, SDG&E forecasts a 2014 LGBA revenue
17 requirement of \$5.1 million for its approved new generation resources. SDG&E intends to recover
18 the costs through the LGC consistent with the Commission's CAM policy. The revenue
19 requirement will be allocated among all customer classes based on the 12-month coincident peak
20 ("12 CP") demand methodology and then dividing the customer class allocated revenues by the
21

⁶ As described above in the vintage 2014 MPBs section III.A.2.a.

⁷ Although there is no CCA load on SDG&E's system, SDG&E is required to provide PCIA rates for potential CCA customers.

⁸ Includes all bundled service, DA and CCA customers.

1 authorized sales by customer class. The proposed resulting per kilowatt hour rates by customer
2 class to be charged to all benefiting customers through the LGC rate component are presented in
3 Attachment A of my testimony.

4 **IV. SUMMARY**

5 Consistent with the rate recovery proposed in my testimony, SDG&E requests that the
6 Commission:

- 7 • Approve the 2014 MPB of \$54.41/MWh for determining the CTC revenue requirement;
- 8 • Approve the vintage 2014 MPBs, when available, for determining the vintage 2014 PCIA
9 rates;
- 10 • Authorize the vintage 2014 PCIA rates, when available; and
- 11 • Authorize the 2014 LGC rates included as Attachment A to this testimony.

12

13 This concludes my prepared direct testimony.

14

1 **V. QUALIFICATIONS**

2 My name is Yvonne M. Le Mieux. My business address is 8330 Century Park Court, San
3 Diego, CA 92123. I am a Project Manager II in the Electric Rates section of the Electric Rates &
4 Analysis department. My current responsibilities include implementing electric rate changes and
5 analytical support for cost recovery and rate design.

6 I have been employed with SDG&E and Sempra Energy since 2003. In addition to my
7 current position in Electric Rate Design, I have held various positions with increasing
8 responsibility including a Senior Regulatory Accounts Advisor position in the Financial Analysis
9 department, a Senior Auditor position in the Audit Services department under the Financial and
10 Operational discipline and a Staff Accountant position in the Sempra Energy Global Accounting
11 department at Sempra Energy's corporate offices.

12 I received a Bachelor of Science degree in Business Administration with Distinction in
13 Accounting from San Diego State University in 2003. I have been a Certified Public Accountant
14 ("CPA"), licensed in the State of California, since 2005. I have held the Certified Internal
15 Auditor ("CIA") designation since 2006 and the Chartered Global Management Accountant
16 ("CGMA") designation since 2012.

17
18 I have previously testified before this Commission.

ATTACHMENT A

**SAN DIEGO GAS & ELECTRIC COMPANY - ELECTRIC DEPARTMENT
2014 ERRR Forecast**

Attachment A

LGC - LOCAL GENERATION CHARGE

	Proposed LGC Rate (\$/KWhr)
Residential	0.00027
Small Commercial	0.00027
Med&Lg C&I	0.00023
Agriculture	0.00027
Lighting	0.00018
System Total	0.00025