

Application No.: A.10-04-XXX

Exhibit No.: \_\_\_\_\_

Witness: Yvonne M. Le Mieux

Expedited Application of SAN DIEGO GAS &  
ELECTRIC (U-902-E) under the Energy  
Resource Recovery Account Trigger Mechanism.

**PREPARED DIRECT TESTIMONY OF**  
**YVONNE M. LE MIEUX**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

**APRIL 30, 2010**



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1 **PREPARED DIRECT TESTIMONY OF**

2 **YVONNE M. LE MIEUX**

3 **ON BEHALF OF SDG&E**

4

5 **I. INTRODUCTION**

6 The purpose of my testimony is to address San Diego Gas & Electric Company's  
7 ("SDG&E's") overcollection recorded in its Energy Resource Recovery Account ("ERRA").

8 My testimony:

- 9 • describes SDG&E's ERRA Trigger mechanism;
- 10 • provides SDG&E's recorded February 28, 2010 ERRA overcollected balance of  
11 \$62.813 million<sup>1</sup>, which exceeds both the four percent (4%) trigger point and the  
12 five percent (5%) threshold mandated by Assembly Bill ("AB") 57; and
- 13 • sets forth SDG&E's proposal to transfer the undercollected balance in the Non-  
14 fuel Generation Balancing Account ("NGBA")<sup>2</sup> to the ERRA to offset the ERRA  
15 overcollection and amortize the remaining overcollected balance over a 12-month  
16 period beginning on September 1, 2010.<sup>3</sup>

17 **II. BACKGROUND**

18 **A. Trigger Mechanism**

19 In accordance with Decision ("D").02-10-062, which implemented the provisions of AB  
20 57, SDG&E's ERRA is subject to a trigger mechanism that requires the filing of a rate change

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<sup>1</sup> The actual numbers upon which the February 28, 2010 balance is based were first available on March 19, 2010. At the time of this filing, the recorded March 31, 2010 ERRA overcollected balance is \$58.685 million or 5.29%.

<sup>2</sup> Adjusted for amortization currently approved in rates. Per AL 2126-E, the Commission approved SDG&E to amortize a \$17.255 million NGBA undercollection in rates of which approximately \$4 million has been recorded to the NGBA as of March, 31, 2010.

<sup>3</sup> The date of SDG&E's next scheduled electric rate adjustment.

1 application when the recorded monthly balance (undercollection or overcollection) exceeds a 4%  
2 trigger point and when the balance is forecasted to exceed a 5% threshold. The trigger  
3 mechanism considers the relationship between the ERRA balance and the prior year's recorded  
4 electric commodity revenues, excluding the revenues collected for the California Department of  
5 Water Resources ("CDWR"). Under the provisions of the trigger mechanism, the required rate  
6 change application is to be expedited so as to obtain approval within 60 days from the filing date.  
7 The application should also include a projected account balance in 60 days or more from the date  
8 of filing, depending upon when the balance will reach AB 57's five percent threshold. Finally,  
9 the application must propose an amortization period for the balance of not less than 90 days and  
10 an allocation of the over or under collection among customers for rate adjustment based on the  
11 existing allocation methodology recognized by the Commission.<sup>4</sup>

#### 12 **B. Self-Correction Mechanism**

13 In D.07-05-008, the Commission authorized SDG&E to notify the Commission by advice  
14 letter, rather than application, if SDG&E's forecasts show that the triggered ERRA balance  
15 would self-correct below the trigger within 120 days of the filing, thereby obviating the need for  
16 a rate change. In such an advice letter, SDG&E is required to provide the necessary  
17 documentation supporting its proposal to maintain its rates.

18 Pursuant to D.07-05-008, on December 10, 2009, SDG&E filed Advice Letter ("AL")  
19 2131-E to notify the Commission that SDG&E's ERRA balance exceeded its 4% trigger and 5%  
20 threshold.<sup>5</sup> At that time, SDG&E projected that the balance would self-correct below the 4%  
21 trigger within 120 days (by February 28, 2010) and that a rate change was not needed. On

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<sup>4</sup> D.02-10-062 at pages 65-66.

<sup>5</sup> At the time of the Advice Letter 2131-E filing, SDG&E's approved 4% trigger and 5% threshold amounts were \$41.2 and \$51.5 million, respectively. The amounts were approved in Advice Letter 2068-E, effective March 6, 2009.

1 January 4, 2010, the Division of Ratepayer Advocates (“DRA”) protested AL 2131-E, requesting  
2 that the Energy Division postpone approval until DRA had the opportunity to review SDG&E’s  
3 projections and comparisons submitted with its 2010 ERRA forecast (A.09-10-003). In response  
4 to DRA’s request, the Energy Division suspended AL 2131-E on January 7, 2010. Additionally,  
5 on January 20, 2010, DRA requested continued suspension of AL 2131-E to allow for review of  
6 actual balances. On February 28, 2010, SDG&E’s ERRA balance did not self-correct below the  
7 4% trigger primarily due to unforeseen decreases in expenses and higher than anticipated FERC  
8 refunds. Accordingly, on April 22, 2010, SDG&E withdrew AL 2131-E.

### 9 **C. Current Trigger Amount**

10 Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each  
11 year to establish the current year’s trigger amount. In Advice Letter 2147-E<sup>6</sup>, dated February 16,  
12 2010, SDG&E reported that its 2009 electric commodity revenue, excluding CDWR revenue,  
13 was \$1,109 million. Consequently, SDG&E’s currently approved 4% trigger point is \$44.4  
14 million and the 5% ERRA threshold is \$55.4 million.

### 15 **III. RECORDED/FORECASTED ERRA BALANCES**

16 SDG&E’s recorded February 28, 2010 ERRA balance is a \$62.813 million  
17 overcollection, or -5.66% of the prior year’s electric commodity revenues, excluding CDWR.  
18 This overcollection exceeds both the 4% trigger point and the 5% AB 57 threshold. Therefore,  
19 pursuant to California Public Utilities Code 454.5(d)(3), as mandated by AB 57 and D.02-10-  
20 062, SDG&E is required to file an expedited application addressing the disposition of the  
21 overcollected ERRA balance. The projected balance at June 30, 2010, 60 days or more from the  
22 date of the filing, is \$100 million overcollected.

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<sup>6</sup> Approved by the Commission April 13, 2010, effective February 16, 2010.  
243430

1 **IV. PROPOSED DISPOSITION**

2 As noted above, SDG&E is required to propose an amortization (of not less than 90 days)  
3 of the ERRA balance when it forecasts the balance to exceed the 5% threshold. In an effort to  
4 maintain rate stability and lessen the impact that such an amortization will have on ratepayers,  
5 SDG&E proposes to apply the undercollected balance<sup>7</sup> in the NGBA as an offset to the  
6 overcollection in the ERRA. The purpose of the NGBA is to provide recovery of approved non-  
7 fuel electric generation costs not being recovered by another component of SDG&E's rates.  
8 Both the ERRA and NGBA are components of SDG&E's electric commodity rate that is applied  
9 to its bundled service customers. The disposition of the balance in the NGBA is addressed in  
10 SDG&E's annual consolidated electric rate change filing in December, which is effective  
11 January 1 of the following year. Coordinating the impacts of the ERRA overcollection  
12 (commodity fuel) with the NGBA undercollection (commodity non-fuel) will mitigate overall  
13 electric procurement rate fluctuations.

14 Additionally, SDG&E proposes to amortize the remaining ERRA overcollected balance<sup>8</sup>  
15 in rates over a 12-month period beginning in September 2010. By implementing the rate change  
16 on September 1, 2010, SDG&E can consolidate the rate impacts of this amortization with the  
17 Federal Energy Regulatory Commission's ("FERC's") transmission rate change that is scheduled  
18 to be implemented on September 1, 2010. This approach will minimize the number of  
19 ratechanges customers would be subject to over the course of the year.<sup>9</sup>

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<sup>7</sup> Adjusted for amortization currently approved in rates. Per AL 2126-E, the Commission approved SDG&E to amortize a \$17.255 million NGBA undercollection in rates of which approximately \$3 million has been recorded to the NGBA.

<sup>8</sup> SDG&E intends to amortize the latest recorded balance in the ERRA, net of approved transfers to the NGBA, upon Commission approval of this application.

<sup>9</sup> SDG&E is required to implement its FERC-approved transmission rates, adjusting for Base Transmission Revenue Requirements, annually on September 1<sup>st</sup>.

1 The following chart shows how SDG&E's proposal would be applied.

PROJECTED ERRA AMORTIZATION (\$ in millions)	Transfer NGBA to ERRA	ERRA Amortization
Forecasted June 30, 2010 ERRA Balance		\$(100)
Forecasted June 30, 2010 NGBA Balance	\$35	
Forecasted June 30, 2010 Unamortized NGBA Balance Currently in Rates <sup>10</sup>	\$(9)	
NGBA Balance Adjusted for Amortization	\$26	\$26
Forecasted September 1, 2010 ERRA Amortization		(\$74)

2

3 **V. CONCLUSION**

4 In compliance with D.02-10-062, which implemented the provisions of AB 57, SDG&E  
5 hereby notifies the Commission that the recorded balance in the ERRA of \$62.813 million  
6 overcollected as of February 28, 2010 has exceeded both the 4% trigger point and the 5%  
7 threshold set forth by AB 57. SDG&E requests that the Commission authorize SDG&E to  
8 transfer the balance in the NGBA, net of amortization currently in rates, to the ERRA and  
9 amortize the remaining overcollected balance (forecasted to be \$74 million as of June 30, 2010)  
10 recorded in the ERRA at the time of Commission approval in rates over a 12-month period  
11 beginning September 1, 2010.

12 This concludes my prepared direct testimony.

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<sup>10</sup> On January 1, 2010, SDG&E included the projected NGBA undercollected balance of \$17.255 million in rates to be amortized over a 12-month period which is approximately \$1.5 million per month. The \$9 million represents the unamortized balance as of June 30, 2010 that will be amortized and collected in rates for the remaining six months of 2010 (July-December).

1 **VI. QUALIFICATIONS OF YVONNE M. LE MIEUX**

2 My name is Yvonne M. Le Mieux. I am employed by San Diego Gas & Electric  
3 Company (“SDG&E”), as a Regulatory Accounts Analyst, in the Regulatory Accounts  
4 Department. My business address is 8330 Century Park Court, San Diego, California 92123.  
5 My current responsibilities include the development, implementation and analysis of regulatory  
6 balancing and memorandum accounts. I assumed my current position in January 2009.

7 I received a Bachelor of Science degree in Business Administration with Distinction in  
8 Accounting from San Diego State University in 2003. I have been a Certified Public Accountant  
9 (CPA), licensed in the State of California, since 2005 and a Certified Internal Auditor (CIA)  
10 since 2006.

11 I have been employed with SDG&E and Sempra Energy since 2003. In addition to my  
12 current position in Regulatory and Finance, I held a Senior Auditor position in the Audit Services  
13 department under the Financial and Operational discipline (July 2004 – January 2009) and a  
14 Staff Accountant position in the Sempra Energy Global Accounting department (June 2003 –  
15 July 2004) at Sempra Energy’s corporate offices.

16 I have previously testified before this Commission.  
17