

1 SAN FRANCISCO, CALIFORNIA -- JUNE 8, 2004 -- 9:03 A.M.

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3 ADMINISTRATIVE LAW JUDGE MALCOLM: Good morning.
4 We'll please come to order.

5 Mr. Reiger has more questions for Mr. Bell.

6 ANDREW BELL

7 resumed the stand and testified further as follows:

8 MR. REIGER: Thank you, your Honor.

9 CROSS-EXAMINATION resumed

10 BY MR. REIGER:

11 Q Good morning.

12 A Good morning.

13 Q I'd like to ask you a question about load
14 profiles. And it's a simple question, but it's a long
15 setup, so hopefully we can walk through it.

16 My question is, wouldn't an individual
17 ratepayer in a CCA be more likely to pay a CRS that is
18 close to their individual load shape if that CRS --
19 excuse me, did I say pay CCA -- I meant, pay a CRS that
20 is close to their individual load shape if that CRS is
21 based on a sample population that shares
22 the geographical and climate characteristics of
23 the individual CCA-paying customer as opposed to paying
24 a CRS that is based on a load profile that takes its
25 shape from a sample of the whole systemwide average?

26 Did you get that?

27 A I'm sorry. You're going to need to break that
28 up.

1 Q Okay. Certainly.

2 There's two load profiles in this theoretical
3 situation: one is a systemwide load profile and the
4 other load profile is a CCA-specific load profile. An
5 individual customer is a customer of that CCA. They're
6 paying a CRS. Wouldn't that CRS be more accurate to
7 their individual load usage if that CRS is based on
8 the CCA load profile as opposed to the systemwide load
9 profile because the CCA load profile is based on a
10 sampling population that shares more characteristics
11 with the individual customer?

12 A I don't agree. I think it could really go
13 either way.

14 Q Could you explain why?

15 A Surely.

16 You could certainly have a customer within a
17 nonaverage CCA district that had a nonaverage load
18 profile. You could certainly have a customer within
19 that CCA who matched that hypothetical system average
20 load. So it could be, for that hypothetical customer,
21 that the system average load profile matched that
22 customer's load exactly while it was different than --
23 it might be average -- you can have a customer who could
24 be average for the system. And if they were average for
25 the system under the hypothesis you have given me, they
26 clearly would not be average for that CCA zone. And so
27 under that hypothetical, you would actually have a
28 system-average CRS be more accurate than a CCA-specific

1 CRS.

2 Q Your answer dealt with a nonaverage customer.
3 Was that correct?

4 A I mean, every customer is going to be not
5 average in some sense or another.

6 Q If you take the CCA load profile, and let's
7 say it looks like a standard bell curve with your mean
8 and a standard deviation on one side, isn't an
9 individual -- any individual customer within that CCA
10 likely to fall close to the mean?

11 A Well, if it's a bell curve, there's going to
12 be people far away from the mean on either side.

13 ALJ MALCOLM: Are you talking about probabilities
14 here?

15 MR. REIGER: Correct.

16 Q Are you familiar with the term standard
17 deviation?

18 A Yes, I am.

19 Q Would you explain it for me.

20 A Standard deviation is a measure of the average
21 dispersion of a sample population about the mean. For
22 example, you -- if you describe a population of men in
23 San Francisco who have an average height of 5 feet
24 10 inches, if the standard deviation of that population
25 is 2 inches, that means that approximately two-thirds of
26 the people will be between 5-foot 8 and 6 feet tall.

27 Q So instead of --

28 ALJ MALCOLM: Good explanation.

1 (Laughter)

2 MR. REIGER: Q Instead of talking --

3 ALJ MALCOLM: I think.

4 MR. REIGER: Q -- the size of men in
5 San Francisco, we were to talk about the size of load
6 profiles of customers, energy customers in
7 San Francisco, would not the majority of them fall
8 within one standard deviation of the mean or average
9 load profile?

10 A By the definition of a standard deviation,
11 yes. But that assumes that a load profile can be
12 paramatized, if you will, described by a single
13 variable. And I take it that a load profile is more
14 complicated than that.

15 I was here yesterday when Mr. Rubin was
16 talking about the load shape in San Francisco that might
17 have flatter peaks throughout the year but larger
18 shoulder loads. That's an example where you really
19 can't just use one variable to describe a load profile.

20 MR. REIGER: No further questions, your Honor.

21 ALJ MALCOLM: Thank you Mr. Reiger.

22 Mr. Como.

23 CROSS-EXAMINATION

24 BY MR. COMO:

25 Q Hello, Mr. Bell.

26 A Good morning.

27 Q Actually, I wanted to follow-up on
28 Mr. Reiger's question without getting into a detailed

1 discussion of statistics.

2 If the standard deviation -- does the standard
3 deviation change with the shape of the load profile, if
4 you assume a normal distribution?

5 A I don't know what you mean a normal
6 distribution of.

7 When I spoke about the height of men in
8 San Francisco, that's a single variable: how tall
9 somebody is. It doesn't say how fat they are. It
10 doesn't say how expensive their suits are. It's just
11 one variable.

12 A load profile is essentially a picture of
13 load through 8760 hours of the year and it can't be
14 described with a single variable. So talking about a
15 standard deviation becomes much more difficult.

16 Q Well, actually, I'm getting to -- his
17 hypothetical was very simple. And your answer,
18 I believe, said that the shoulders -- the height of
19 the shoulders will affect the percentage of let's say
20 men that are less than 6 feet tall or over six feet tall
21 that fall within one standard deviation, the percentage.
22 And I would ask you if that's true or not.

23 A I don't think that the height of my shoulders
24 has anything to do with how tall I am.

25 What I'm saying is that if you are going to
26 describe a population -- in this example, a load profile
27 which is the whole load curve through the whole year --
28 I don't know of a single number that can adequately

1 describe that load profile.

2 Q I don't want to belabor the point, but I think
3 it's important to distinguish what Mr. Reiger's talking
4 about in terms of his hypothetical.

5 Let's assume that the load profile is a bell
6 curve. Will you assume that? Would you agree that a
7 bell curve is a normal distribution?

8 A It's a normal distribution of some underlining
9 variable; a single variable, like height. So if you
10 talk about the load profile, I don't know what variable
11 you're talking about as being normally distributed.

12 Q I'm just talking about statistics; a bell
13 curve. I'm asking you to tell me whether you believe
14 that a bell curve represents a normal distribution.

15 A A bell curve represents a normal distribution,
16 that's correct.

17 Q And --

18 A But it's a normal distribution of some
19 variable, and I haven't had somebody explain to me, when
20 you are talking about load shapes, what the variable
21 that you're talking about is.

22 Q I understand. But I'm just talking about a
23 bell curve at this point.

24 A Okay.

25 Q And based on your statement to Mr. Reiger, one
26 standard deviation of a bell curve represents about
27 two-thirds of the population under that curve?

28 A Plus or minus, that's correct.

1 Q Plus or minus.

2 If the shoulders were higher on this bell
3 curve, would that not, in fact, be an even distribution
4 on both sides of that bell curve?

5 A Well, if you are talking about a probability
6 distribution of a random variable, what the wider
7 shoulders would represent would be a population with
8 a larger standard deviation. If you had a group, a tall
9 men's club with everybody being between 6 feet 2 and
10 6 foot 4, you might have a very narrow standard
11 deviation, and in an ordinary population, you might have
12 a broader -- a broader distribution of heights. So in
13 that case, the standard deviation would be larger.

14 But that's a different concept than what
15 Mr. Rubin was talking about yesterday, where he talked
16 about both peak load and the load shape off the peak.
17 And we used the same word there: shoulders.

18 But in the case of a load curve where you're
19 talking about higher loads during the shoulder period,
20 often when people are trying to talk about load
21 profiles, you'll see that simplifies your discussion of
22 load factor, which is the ratio of total energy, total
23 energy during the period to the peak load.

24 And what Mr. Rubin talked about yesterday is
25 how you could have two customers with the same load
26 factor but one could have a much broader load shape than
27 the other did, just depending on how the peak is
28 distributed. That's why a load profile -- why I'm

1 trying to explain that a load profile, I can't
2 characterize with a single variable.

3 Q In terms of the broader shoulders, you agree
4 that what that affects is the size of the standard
5 deviation?

6 A That's -- in a normal distribution curve, yes.

7 Q And it still encompasses two-thirds of
8 the customers?

9 A We were talking about a normal distribution.

10 Q Let me correct myself.

11 A Were you moving from customers --

12 Q I'm sorry. Let me correct myself.

13 It still encompasses two-thirds of
14 the population, whatever it is measuring, under
15 the curve?

16 A Correct. And when you have a more widely
17 dispersed population, to capture two-thirds of
18 the population, you may need a broader error bar, so to
19 speak, or a broader standard deviation.

20 Q I wanted to ask you if you believe that
21 the CPUC should adopt a uniform CRS rate designed for
22 all the utilities?

23 A What I've presented is a means for taking
24 the CRS revenue responsibility based on the Navigant
25 runs that are incorporated according to the methodology
26 that Ms. Burns modeled, and how to reflect that in
27 rates.

28 If Navigant was able to produce a common

1 statewide CRS, I could take that and use the methodology
2 that I'm sponsoring to design that rate for PG&E's
3 customers. But that's not what I've been given. I've
4 been given a PG&E-specific CRS.]

5 That is what I have designed rates for.

6 Q Could you turn to your rebuttal testimony, the
7 question and answer to No. 9. I don't have a page
8 number for that.

9 A I have that at page 3-4 of my testimony.

10 Q You are saying that the CCSF approach would
11 require that CCAs to do rate design work; is that
12 correct?

13 A Any CCA is going to have to do some rate
14 design to decide how much it is going to charge
15 customers for its power. And it will presumably need to
16 take the CRS into account when it makes its rate design
17 decisions, yes.

18 Q But CCSF's approach is to put that CRS in the
19 commodity component; is that correct?

20 A As I understood CCSF's testimony, it was that
21 Witness Barkovich prefers the flat CRS, which is PG&E's
22 primary recommendation, and that to the extent there are
23 distortions like those we discussed yesterday in the
24 existing utility's rates for generation by tier or
25 across classes, that CCSF would prefer to take on the
26 burden itself of competing against those prices modeling
27 essentially reflecting those prices in its commodity
28 price.

1 Q What kind of rate design work would the CCAs
2 have to do under that approach?

3 A If they were going to try to ensure that the
4 prices they were offering were going to be broadly
5 competitive across all customer classes and usage
6 levels, they would need to monitor how utilities' rates
7 were changing, how the generation components of
8 utilities' rates were changing, monitor how the utility
9 generation rates compared to the CRS and essentially
10 look at their pricing on a differential basis presumably
11 between the utilities' generation rates and the CRS that
12 is adopted here.

13 Q You believe the CCAs are incapable of doing
14 that?

15 A No, not at all. In fact, your witness has
16 submitted testimony saying that she thinks that is an
17 appropriate activity for that to engage in. And Witness
18 Barkovich is certainly qualified to perform that kind of
19 work. She has done rate design work in California for a
20 number of years.

21 Q Thank you for that endorsement.

22 Could I turn to your rebuttal testimony, page
23 3-7. This is the question and answer to No. 16. You
24 discuss the rate impacts of PG&E's alternative CRS
25 proposal.

26 Am I correct that the examples you presented
27 here show that an undercollection from the CCA customers
28 amounts to \$148,000? That refers to the table.

1 A Under the assumptions that I was working from,
2 as best I could from the example presented in LGC
3 Witness Monson's reply testimony, what this table shows
4 is that the equal percent alternative CRS that I am
5 sponsoring as an alternative rate design would collect
6 approximately \$148,000 less than the amount, taking
7 Monson's cost responsibility surcharge rate level, would
8 collect if it was assigned on a uniform basis.

9 Q That difference of \$148,000 is an
10 undercollection that would have to be borne by somebody,
11 I assume? If that is an incorrect assumption, who would
12 bear that cost?

13 A I will note first of all that that
14 undercollection is, under these hypotheses, is a little
15 bit less than 2 percent of the total amount assigned to
16 the cost responsibility surcharge. In my prepared
17 testimony, my direct testimony, in Exhibit 12, in
18 Footnote 5 at the bottom of page 3-5 I stated that PG&E
19 would also be open to consideration of balancing account
20 mechanisms for undercollections of this type.

21 This is the kind of undercollection that
22 Footnote 5 is referring to where there might be
23 differences between rates paid by the pool of customers
24 under the alternative proposal, the specific pool of
25 customers from a CCA, versus the system average load
26 assumption.

27 Certainly we would want to monitor that kind
28 of amount.

1 For \$148,000, I don't think that PG&E would
2 probably want to go through litigating a balancing
3 account recovery for undercollections of that size. It
4 is something we would want to monitor as implementation
5 developed and would want to consider.

6 Presumably it would need to go back to CCAs to
7 avoid cost shifting if it exceeded some threshold level.

8 But I was actually quite pleased when I looked
9 at Mr. Monson's example to see that the equal percent
10 approach and the fixed CRS approach came so very nearly
11 close to matching.

12 MR. COMO: That's all I have, your Honor. Thank
13 you.

14 ALJ MALCOLM: Thank you, Mr. Como.

15 Mr. Fenn.

16 MR. FENN: Thank you, your Honor.

17 CROSS-EXAMINATION

18 BY MR. FENN:

19 Q Mr. Como asked you a question I just wanted to
20 follow up on, which was a question about whether you
21 will support a statewide CRS. You answered that PG&E
22 would not support a statewide CRS; is that correct?

23 A Actually, I think in a long way I answered
24 that I wasn't prepared to take a position on that.

25 I really think that would have been a question
26 more appropriately directed to Mr. Rubin and Ms. Burns.
27 That is really outside the scope of my testimony.

28 Q Okay. Well, given that the operative language

1 in the statute is that cost reasonably attributable to
2 the CCA customer would be borne, do you believe that
3 cost for peak load requirements of a customer in Palm
4 Springs or, let's say for hearing, in Pleasanton and the
5 obligations, the CRS obligations, to provide for those
6 peak loads are reasonably attributable to customers in
7 San Francisco?

8 MR. BUCHSBAUM: Your Honor, I have to ask which
9 code section again is being referred to.

10 MR. FENN: Sure.

11 ALJ MALCOLM: Let's go off the record.

12 (Off the record)

13 ALJ MALCOLM: Let's go back on the record.

14 MR. FENN: I am not sure how to proceed. Perhaps
15 you could help me with how you think I should proceed.

16 ALJ MALCOLM: What's the question?

17 MR. FENN: I stated question, but it's been
18 objected to. So now I am not sure where to go with it.

19 ALJ MALCOLM: I'm sorry. Let's go off the record.

20 (Off the record)

21 ALJ MALCOLM: Back on the record.

22 MR. FENN: Q Do you believe that the peak load
23 requirements of a customer in Pleasanton are reasonably
24 attributable to a customer in San Francisco?

25 ALJ MALCOLM: Let's go off the record a minute.

26 (Off the record)

27 ALJ MALCOLM: Back on the record.

28 MR. FENN: Q PG&E and you have proposed a common

1 CRS load profile for all customers within your service
2 territory, correct?

3 A That's correct.

4 Q Within PG&E's service territory there are very
5 diverse weather zones with diverse load profiles,
6 correct?

7 A That's also correct.

8 Q Do you believe that the peak load requirements
9 of a customer in Pleasanton are attributable to a
10 customer in San Francisco?

11 A That's a question that goes to ratemaking in
12 general as it is practiced in California. For as long
13 as I have been doing rates at PG&E, which is nearly 15
14 years now, and I think an equal amount of time before
15 that PG&E has not had zoned rates. PG&E and all three
16 large utilities in California have had rates that are
17 set based on system average costs and system average
18 load shapes.

19 To that extent people in San Francisco do pick
20 up a share in their total rates of the peak costs in
21 Pleasanton. And for that matter people in Pleasanton do
22 pick up a share of the costs of the different load
23 shapes and the different costs of service associated
24 with service in San Francisco.]

25 The alternative would be to essentially set
26 one geographical area against another geographic area
27 and proving in utility rate cases that their service
28 territory was cheaper to serve or some other bad service

1 territory was more expensive to serve. That's a fight
2 that we've chosen not to pursue in California.

3 I do believe that setting the systemwide rates
4 on a -- the basis of system average cost of service is
5 a reasonable thing to do. And my proposal for the CRS,
6 which essentially carves out one small component of
7 total rates, is reasonable in that it's consistent with
8 that.

9 Q What's so special about PG&E's system, though?
10 I mean, why not -- if PG&E's systemwide rates are
11 appropriate for anyone in Northern California, then why
12 not -- what would be inappropriate about having same
13 rates throughout the state?

14 A Well, each utility has a separate revenue
15 requirement based on its separate cost of service.

16 Q Doesn't each CCA or prospective CCA have
17 different requirements as well?

18 ALJ MALCOLM: Do you mean does a CCA have a
19 distinct revenue requirement?

20 MR. FENN: No. I mean associated with their own
21 load factor. They are varying different load factors.

22 Q I mean, isn't the designation of a service
23 territory of a utility arbitrary relative to a CCA
24 that's formed within the service territory?

25 ALJ MALCOLM: First of all --

26 Let's go off the record.

27 (Off the record)

28 ALJ MALCOLM: Back on the record.

1 Do you understand the first question?

2 THE WITNESS: Could you ask it again now that
3 we're back on the record?

4 MR. FENN: Q Well, you said -- yes -- that
5 different utilities have different revenue requirements
6 and therefore that a statewide approach would be
7 inappropriate. But wouldn't the same criterion apply to
8 the appropriateness of imposing a systemwide load factor
9 CRS to specific CCAs?

10 A When I was referring to a utility revenue
11 requirement, I was referring to the combined revenue
12 requirement for providing generation service,
13 transmission service, distribution service, and all
14 other costs that go into a Phase 1 of a general rate
15 case.

16 What we're talking about here is establishing
17 cost responsibility surcharge rates which are designed
18 to meet the prescriptions against cost shifting to --
19 back to bundled service ratepayers associated with
20 community choice implementation. I don't see that as
21 involving the same set of issues that establishing a
22 total utility revenue requirement established.

23 Q You said cost shifting and that those costs
24 under the section are supposed to be attributable to a
25 specific customer.

26 So my question is, while you might have
27 certain revenue requirements --

28 MR. BUCHSBAUM: I have to object. You're saying

1 those costs are supposed to be attributable to a
2 specific customer.

3 MR. FENN: Well, I'll read the section then rather
4 than just saying it. Does that work?

5 MR. BUCHSBAUM: Please.

6 MR. FENN: Given that under 366.2(f) subparagraph
7 (2), the recoverable CRS costs:

8 Any additional costs of
9 the electrical corporation
10 recoverable in commission-approved
11 rates, equal to the share of
12 the electrical corporation's
13 estimated net unavoidable
14 electricity purchase contract
15 costs attributable to the
16 customer, as determined by the
17 commission, for the period
18 commencing with the customer's
19 purchases of electricity from the
20 c[ommunity c[hoice] a[ggregator],
21 through the expiration of all then
22 existing electricity purchase
23 contracts entered into by
24 the electrical corporation.

25 So the word here -- the words "net
26 unavoidable electricity purchase contract costs
27 attributable to the customer" -- the customer.

28 So while you might have certain

1 revenue-specific service-territory specific revenue
2 requirements, doesn't -- isn't your ability to recover
3 your costs restricted to those costs which are
4 attributable to, say in the case of Pleasanton versus
5 San Francisco, only those costs that San Francisco's
6 aggregating to San Francisco customers and not to
7 Pleasanton customers including their peak load
8 requirements?

9 A The section that we've just been discussing is
10 subpart 2 of Section 366 (f) --

11 Q Yes.

12 A -- from the Legislation. And I do read that
13 section as -- subpart (1) describes that community
14 choice aggregation participants will be responsible for
15 paying DWR bond charge costs. And in PG&E's case,
16 what's being referred to is the regulatory asset or
17 historic procurement charge costs.

18 Subpart (2) relates to the unavoidable
19 going-forward procurement costs that are determined as a
20 result of the Navigant runs that DWR's witness is
21 sponsoring. At some point, I think the Commission will
22 need to make a determination as to whether the way that
23 the DWR modeling is done is a reasonable way of
24 attributing costs as determined by the Commission to
25 individual participants.

26 I think it would be well nigh impossible to go
27 to a specific address in Pleasanton or a specific
28 address in San Francisco and say, This is what the share

1 of unavoidable purchase costs are associated with
2 the usage of this particular household. What the
3 Commission needs to do in this proceeding is find a
4 reasonable way, consistent with ratemaking practices
5 that it's used, of attributing those costs across a
6 broad body of customers.

7 Q Okay. The -- yet, an aggregation CCA involves
8 specific customers, and they're customers on which PG&E
9 has very -- has peak load data. So that the peak load
10 requirements, the aggregate peak load requirements of
11 San Francisco are calculable; are they not?

12 A I don't know that they are in isolation. And
13 I don't think that the costs that are referred to in
14 subpart (2) are necessarily peak load costs.
15 The contracts are not contracts to serve load at the
16 peak hour. They are contracts that affect power
17 provided 8760 hours of the year.

18 There are some unavoidable costs associated
19 with loads in the winter season. There are other
20 unavoidable costs associated with loads during the
21 summer season. I think that providing power is much
22 more complicated than meeting a peak, and the costs
23 involved are much larger than just those costs
24 associated with the peak load.

25 Q How many -- oh. Well, so you're saying that
26 you are physically unable to measure the peak load
27 requirements of San Francisco?

28 A I can -- I know what the peak load or I can

1 determine what the peak load is in San Francisco.

2 I don't know how many customers in San Francisco or what
3 share of that peak load will enroll under community
4 choice if San Francisco chooses to offer a community
5 choice program.

6 And while I know what the peak load in
7 San Francisco -- for that matter, I know what the
8 off-peak load is and what the shoulder period load is
9 for San Francisco, I don't know what those shares will
10 be for the community choice participants. And even if
11 I did, I wouldn't really know how to determine
12 specifically what the commodity cost alone is of serving
13 just that portion of load in isolation.

14 We have to go back to a reasonable method,
15 which I believe witness Burns is sponsoring; is that
16 the DWR Navigant runs provide is a reasonable method of
17 attributing what the unavoidable share of costs are if a
18 block of load goes to community choice.

19 Q On -- in your reply testimony on page 3-6, you
20 indicate that -- this is lines 14 to 20 on the subject
21 of a common CRS rates for all customers -- that you
22 don't understand why it would be necessary or even
23 desirable to further complicate PG&E's bundled service
24 rates for the purpose of facilitating such comparisons;
25 that is, separating the CRS charge from the energy
26 charge. Potential CCA customers will already be able to
27 compare their current bundled service generation rates
28 with the proposed supply rates offered by a CCA,

1 together with a CRS rate.

2 Would that not involve a CRS rate that's
3 tagged to the kilowatt-hour charge?

4 A I'm sorry. You got ahead of me partly because
5 I had the wrong exhibit out.

6 You're referring to Exhibit 13, the reply
7 testimony?

8 Q Yeah.

9 A And you are referring to question -- are you
10 referring to question and answer 9 --

11 Q Yes.

12 A -- at page 3-6?

13 Q Yes.

14 Potential CCA customers will
15 already be able to compare their
16 current bundled service generation
17 rates with the proposed supply
18 rates offered by a CCA, together
19 with the CRS rate.

20 Do you mean by this that the CRS rate would
21 be tagged to the per kilowatt-hour charge?

22 A What I'm explaining there is that if,
23 presumably, a customer gets a mailing or some other
24 contact from their city and the city is going to be
25 forming a community choice aggregation program, that
26 the city will be able to tell the customer this is what
27 the CRS rate will be and the customer can -- and this is
28 what your commodity charges will be, and the customer

1 will be able to compare that with what his total charges
2 would be if it remained with the utility and make an
3 informed decision of what's the best value for them,
4 possibly considering both price and non-price factors.

5 Q So what would be the difficulty if you knew
6 the peak load requirements of San Francisco, just
7 tagging the charge to the per kilowatt-hour and then
8 whatever is within the rate design of the aggregator is
9 paid according to use? Wouldn't that be a better way to
10 establish a CRS as opposed to a system average load?
11 Wouldn't that be more attributable to the customers
12 within a CCA than a system average?

13 A I don't understand the question. I don't
14 understand what I would do just with the knowledge of
15 what the peak load in San Francisco is.

16 Q But you have more specific knowledge than just
17 what the peak load requirement is, as you say. You have
18 far more detailed knowledge of what the load
19 requirements are, particularly the aggregate; am I
20 wrong? You have knowledge -- you have interval meters
21 and aggregate meters. It's not that you have no data;
22 right? You stated that you have the data?

23 ALJ MALCOLM: Whoa, whoa, whoa, whoa.

24 Let's go off the record.

25 (Off the record)

26 ALJ MALCOLM: Go ahead.

27 MR. FENN: Q Let's presume that you have enough
28 data to establish what the real-time aggregate load

1 requirements of a CCA are not merely the peak load or
2 the shoulder, but you have -- let's assume that you have
3 the data, based on your metering systems that you have,
4 the data that you have in the company. If you have that
5 information, doesn't that provide the basis for a more
6 accurate customer-attributable CRS?

7 A I honestly don't know. I know with --
8 I personally know what the loads are or can find out
9 what the loads are. I don't have a whole lot of
10 information and I'm not sponsoring any information about
11 what the unavoidable costs per subpart (2), 366, section
12 (f) are.

13 As I understand it, Ms. Burns is relying on
14 the DWR Navigant modeling runs to integrate the -- to
15 determine what the unavoidable costs that should be
16 reflected in the CRS are.

17 I don't know whether it would be more accurate
18 or less accurate if different load shapes were fed into
19 that modeling. That's not -- you're getting out of my
20 bailiwick there.

21 Q And were a CCA, like San Francisco, to fulfill
22 their implementation ordinance of removing a significant
23 amount of peak load from San Francisco over the next ten
24 years therefore dramatically changing the specific load
25 requirement -- physical specific load requirements of
26 San Francisco, you believe that there should be -- that
27 change, that contribution should not be reflected in
28 the CRS?

1 ALJ MALCOLM: Well, you're presuming facts you
2 haven't established, I think.

3 MR. FENN: Really?

4 ALJ MALCOLM: First, I think you are presuming
5 that energy costs during peak periods is higher than
6 during other periods, and I don't think you've
7 established that.

8 MR. FENN: Okay.

9 ALJ MALCOLM: And I don't know if this witness is
10 the one who can answer that question. But is that what
11 you are presuming?

12 MR. FENN: Yes. I thought that was common
13 knowledge, but I can ask if you like.

14 MR. BUCHSBAUM: In addition, your Honor, Mr. Fenn
15 is not referring to the actual computation in the
16 Navigant model and how that would work at the peak time
17 as opposed to the nonpeak time going back to
18 the testimony of DWR. So --

19 ALJ MALCOLM: Well, I think, you know, he can ask
20 about conceptual ideas without going into the Navigant
21 model right now, but --

22 MR. BUCHSBAUM: But he made statements about the
23 peak circumstances and the price and the CRS that may or
24 may not be accurate.

25 ALJ MALCOLM: Well, yeah. And what may be common
26 knowledge or what might have been five years ago may not
27 be anymore. I mean, the world's change. I don't know.

28 I believe peak is more expensive than

1 off-peak, but --

2 MR. BUCHSBAUM: It might be, but the CRS might --
3 the CRS can move differently than the price and --

4 ALJ MALCOLM: Right, because of the DWR contracts.

5 MR. BUCHSBAUM: And it needs to be broken down
6 unless the record is going to be -- I am concerned that
7 the record can be very confused.

8 So I guess what I'm saying is if we are going
9 to make a statement that the CRS is higher on-peak, it
10 needs to be --

11 ALJ MALCOLM: You need to establish that.

12 MR. BUCHSBAUM: It needs to be established. It
13 can't just be stated.

14 MR. FENN: Okay. Then I'll ask.

15 Q Does peak power cost more than off-peak?

16 A Under ordinary circumstances, one does expect
17 on-peak costs to be higher than off-peak costs.
18 Extraordinary circumstances do occur from time to time.
19 And in fact, at the height of the energy crisis three
20 years ago, some of the worst prices were prices that we
21 saw at 3:00 in the morning in the middle of winter.
22 Those were extraordinary circumstances that we certainly
23 hope will never be repeated. But the correlation
24 between peak load and the total cost of power is not
25 perfect.

26 Q Would you say then that -- I mean, given that,
27 the crisis of '01 - '02, would you agree that that
28 involved manipulation of the gas supply to California?

1 I mean, the question is -- because you are
2 stating it as an exception as if the exception were to
3 invalidate the rule, does the rule stand even though
4 there are exceptions that peak power is more expensive
5 than off-peak?

6 ALJ MALCOLM: Well, let's go off the record.

7 (Off the record)

8 ALJ MALCOLM: Back on the record.

9 MR. FENN: Q All right. Given that there's
10 a general correlation of between peak load and
11 increasing price, and that that correlation results in
12 higher costs to provide for peak loads, wouldn't a
13 CCA-specific load profile more accurately provide a
14 reasonably attributable cost as described in
15 366.2(f)(2)?

16 A I really don't know that it would. 366(f)
17 subpart (2) refers to net unavoidable electricity
18 purchase contracts, which implies a division of total
19 power costs between an avoidable portion and unavoidable
20 portions thereof.

21 I do believe that there's a general, if not
22 perfect, correlation between the total costs of power
23 required to serve peak load and the total costs of power
24 required to serve off-peak load. But I really don't
25 know how those shares of -- how the total costs divide
26 between avoidable costs and unavoidable costs, and how
27 that division might change between the peak period and
28 the off-peak period.

1 I know that there's the work that DWR's
2 witness is sponsoring to try to quantify that division
3 between avoidable shares and unavoidable shares of
4 generation costs. And I just -- I really don't know how
5 that modeling would play out if you try fading smaller
6 and smaller load profiles associated with smaller and
7 smaller shares of the load into it. And I certainly
8 don't know that higher peak loads in one area or another
9 area might translate into more avoidable costs or more
10 unavoidable costs. I really don't know.

11 MR. FENN: Okay. Thank you.

12 No further questions, your Honor.

13 ALJ MALCOLM: Thank you, Mr. Fenn.

14 Is there any redirect?

15 MR. BUCHSBAUM: Could I have a few minutes?

16 ALJ MALCOLM: Yeah.

17 We'll be in recess until 10:10.

18 (Recess taken)]

19 ALJ MALCOLM: Back on the record.

20 Mr. Buchsbaum.

21 MR. BUCHSBAUM: No further. No redirect.

22 ALJ MALCOLM: Thank you.

23 Mr. Szymanski, you may present San Diego's
24 witnesses.

25 MR. SZYMANSKI: Thank you, your Honor.

26 SDG&E calls Mr. James Magill to the stand.

27 JAMES MAGILL, called as a witness by
28 San Diego Gas & Electric Company, having
been sworn, testified as follows:

1 MR. SZYMANSKI: Your Honor, SDG&E would like to
2 mark Mr. Magill's direct, reply and rebuttal testimonies
3 as the next three exhibits in order in this proceeding.

4 ALJ MALCOLM: All right. We will mark the opening
5 testimony as Exhibit 15, the reply as Exhibit 16, and
6 the rebuttal as Exhibit 17.

7 (Exhibits Nos. 15, 16 and 17 were
8 marked for identification.)

9 MR. SZYMANSKI: Thank you.

10 DIRECT EXAMINATION

11 BY MR. SZYMANSKI:

12 Q Mr. Magill, were these documents prepared by
13 you or under your supervision?

14 A Yes.

15 Q Do you have any changes, corrections, or
16 additions to any of these three documents?

17 A Yes, I do.

18 To my direct testimony, on page 2, in
19 Footnote 4, it says Section 366.218(d)1. Strike the 18.

20 And in Footnote 5 it says PUC Code
21 Section 336.(d)2. It needs to be 366.2.

22 On page 5 of my direct testimony, again,
23 Footnote 10, need to strike the 18. It should be
24 366.2(d)1.

25 In my rebuttal testimony, Exhibit 17 --

26 MR. HUARD: Could you repeat that.

27 THE WITNESS: My rebuttal testimony, Exhibit 17,
28 on page 10, line 3, it says: "Correctly allocated to

1 CCA customers rather," and you need to insert the word
2 "than" remaining bundled customers to subsidize.

3 And in my rebuttal on page 12, line 2, the
4 word "utility" is misspelled.

5 Also with respect to my rebuttal testimony,
6 the references to the other witnesses' testimony, unless
7 I specifically addressed a direct testimony, it is
8 implied that I am referring to their reply testimony.

9 MR. SZYMANSKI: So in other words, in his rebuttal
10 testimony only there are some references to the prior
11 parties' testimonies that he is rebutting. And if there
12 is no reference to whether it's the parties' direct or
13 reply testimony, it should be presumed that he is
14 referring to the reply rather than the direct testimony
15 of those parties.

16 ALJ MALCOLM: All right.

17 MR. SZYMANSKI: It is just a citation matter.

18 THE WITNESS: And also with respect to my
19 testimony, SDG&E received Witness Chicchetti's reply
20 testimony after we had filed our reply testimony. I
21 believe other parties had the same circumstances. So
22 rather than having to deal with another round of
23 rebuttal testimony, I just want to read a general
24 statement with respect to that reply testimony.

25 With respect to the reply testimony filed on
26 May 7th, 2004 by Cal-CLERA Witness Chicchetti, SDG&E
27 generally adopts SCE witness Jazayeri's position stated
28 in his rebuttal testimony pages 3 through 5.

1 SDG&E would add, if the Commission ultimately
2 requires in a net resource planning proceeding that the
3 utility be the provider of last resort and defines that
4 as including an obligation to obtain capacity to serve
5 load that might return, then the utility might be
6 compelled to obtain resources regardless of whether CCA
7 provider is deemed resource adequate or not.

8 ALJ MALCOLM: All right.

9 MR. SZYMANSKI: Q Thank you, Mr. Magill.

10 Do those changes and that addition comprise
11 your testimony in this proceeding so far?

12 A Yes, it does.

13 Q Is this the testimony that you adopt as your
14 sworn testimony in this proceeding?

15 A Yes.

16 Q Is it true and correct to the best of your
17 knowledge?

18 A Yes, it is.

19 Q To the extent it reflects opinion or judgment,
20 does it reflect your best opinion or judgment?

21 A Yes, it does.

22 MR. SZYMANSKI: Thank you.

23 Mr. Magill is now available for
24 cross-examination.

25 ALJ MALCOLM: Thank you, Mr. Szymanski.

26 MS. GRUENEICH: Your Honor, I have one procedural
27 matter with regard to this testimony that I wanted to
28 raise.

1 And, Mr. Szymanski, it is a point of
2 clarification.

3 On the opening testimony on page 12 and 13, at
4 the bottom under relief requested, as I understand it,
5 states that in this phase of this case the Commission
6 should take the following actions.

7 And then if we turn to the next page, there is
8 the request on line 17 that the AB1X residential cap
9 should apply to DA customers. And that would be a new
10 charge on direct access customers.

11 I do believe that is outside of the scope of
12 this phase of this case.

13 I am wondering if we, to avoid a lot of
14 controversy, might be able to have it be a
15 recommendation from SDG&E that the Commission consider,
16 but if it is to actually impose a charge on direct
17 access customers in this phase of the case, I am going
18 to move to strike it because I don't believe that this
19 particular phase in this particular case is looking at
20 imposing new charges on direct access customers. And I
21 really only focused on this when I was reviewing it last
22 night. Otherwise, I would have brought it up earlier.

23 So my first question I guess is is there any
24 clarification as to what is the specific relief that
25 you're asking, because if not, then I will move to
26 strike not only the references in this testimony, but
27 your subsequent witness, Mr. Hansen, that there be
28 charges imposed on direct access customers in this phase

1 of this case.

2 MR. SZYMANSKI: Could we go off the record for a
3 moment, your Honor?

4 ALJ MALCOLM: Yes. Off the record.

5 (Off the record)

6 ALJ MALCOLM: Back on the record.

7 Off the record we discussed this witness'
8 recommendation on DA charges, direct access charges.

9 Mr. Szymanski, you clarified that that was
10 just a recommendation and you don't have any expectation
11 of the Commission actually resolving that issue in this
12 proceeding.

13 MR. SZYMANSKI: That's correct, your Honor.

14 With respect to DA issues and policies, that
15 would be a recommendation for another proceeding. We
16 are stating it here as a recommendation to be complete
17 among all different types of customers.

18 As to nonDA customers, though, the relief
19 requested would still be applicable and appropriate for
20 this proceeding.

21 ALJ MALCOLM: All right. And I will just confirm
22 that that would be outside the scope of this proceeding
23 because those customers haven't been notified of that
24 issue being included in this proceeding.

25 MR. SZYMANSKI: Right. Those DA customers have
26 not been noticed.

27 ALJ MALCOLM: Or the ESPs or anyone else.

28 MR. SZYMANSKI: Right. Very good.

1 MS. GRUENEICH: Thank you.

2 MR. SZYMANSKI: We will thus note now this would
3 also apply to Mr. Hansen's testimony, in the interest of
4 moving through that same qualification, shall we say, to
5 what Mr. Hansen is recommending.

6 ALJ MALCOLM: All right.

7 Anything else?

8 (No response)

9 ALJ MALCOLM: Mr. Reiger, do you have questions
10 for this witness.

11 MR. REIGER: Thank you, your Honor.

12 CROSS-EXAMINATION

13 BY MR. REIGER:

14 Q Good morning.

15 A Good morning.

16 Q I am Jason Reiger, and I am representing ORA.

17 Your opening testimony talked a little bit
18 about guiding principles, starting on page 2, moving
19 over to page 3. My question is you think making CCAs
20 economically viable should be a guiding principle of
21 this proceeding?

22 A I think with respect to the guiding principle
23 and cost recovery mechanisms and looking at AB 117, it
24 speaks to ensuring there is no cost shifting such that
25 remaining bundled customers are held neutral or held
26 harmless.

27 I don't remember seeing in the statute that
28 the legislation addressed the issue of cost

1 effectiveness for CCAs.

2 Q Do you think as a matter of policy as opposed
3 to referencing AB 117 that making CCAs economically
4 viable should be a guiding principle for the Commission?

5 A Again, I think that's a mutually exclusive
6 area with respect to cost recovery. I think with
7 respect to CCAs and however they deal with recovering
8 the costs that are assigned to them, then that is an
9 issue for the CCA.

10 Q For the purpose of overall policy and not
11 necessarily switching rules implementation, when do you
12 think a CCA customer becomes a CCA customer?

13 A I believe our recommendation is that a CCA
14 customer becomes a CCA customer at the time that the CCA
15 begins procuring power or delivering power to that
16 customer.

17 Q Were you here when Mr. Rubin testified for
18 PG&E?

19 A Yes.

20 Q And have you read his testimony?

21 A I am generally familiar with it.

22 Q Do you recall that on the stand he stated, and
23 I am going to paraphrase, that the basic implementation
24 costs were equal to the costs included in the straw man
25 proposal?

26 A I am not generally familiar with the straw man
27 proposal.

28 Q Do you have a problem with the lack of clarity

1 in PG&E's proposal regarding basic implementation costs
2 or supposed lack of clarity?

3 A Yes. As I state, I believe, in my rebuttal
4 testimony, I believe that it could lead to disputes in
5 terms of what is minimal and what is basic.

6 Q And when you indicated that with the straw man
7 proposal, you are not sufficiently aware of the terms of
8 the straw man proposal to alleviate your concerns; is
9 that correct?

10 A That's correct. Witness Osborne is sponsoring
11 the straw man proposal.

12 Q Is there anything short of total CCA payment
13 of all implementation costs that you will support?

14 A No. I think CCA should be responsible for all
15 costs, whether it be DWR, utility procurement, AB1X,
16 costs associated with rules. I think as I read the
17 statute, that's what I have read as meaning no cost
18 shifting.

19 Q Are you familiar with what percentage of San
20 Diego Gas & Electric's load is Chula Vista load?

21 A Not specifically. Generally, I know.

22 Q Are you familiar with the percentage of
23 San Diego's load that is due to the City of San Diego?

24 A Generally, yes.

25 Q Do you know what would happen to San Diego's
26 profits in absolute numbers -- I am not looking for a
27 specific number, but a range of numbers -- if Chula
28 Vista and San Diego became CCAs?

1 A I can't give you a range of numbers because I
2 am not familiar with the revenue requirement in that
3 great of detail to be able to do that.

4 I can tell you that if you had that much load
5 leave, that if you, for example, had generation that had
6 been built and is in rate base, I believe, but I will
7 have to defer to Witness Hansen on this, that the
8 calculation for the CRS would pick up the energy
9 component. But the capacity portion of that generation
10 would then be needed to be picked up by the remaining
11 bundled customers, which will increase their rates.

12 I don't think, with respect to the utility, as
13 long as it is in rate base, that it would impact their
14 profits.

15 Q How would that change, if at all, if San Diego
16 and Chula Vista after becoming CCAs then municipalized
17 and took over other aspects of energy delivery?

18 A It is hard for me to say because I am not
19 sure. There is a lot that would go into that. You will
20 have to make assumptions as to what we got for whatever
21 the parts of the system that they were condemned.

22 I am assuming that we have made sure the
23 utility would be made whole for any condemnation in
24 terms of costs. So it is hard for me to speculate in
25 terms of exactly what would happen.

26 MR. REIGER: No further questions, your Honor.

27 ALJ MALCOLM: Thank you, Mr. Reiger.

28 Mr. Como.

1 MR. COMO: I have no questions, your Honor.

2 ALJ MALCOLM: Ms. Grueneich.

3 MS. GRUENEICH: No questions, your Honor.

4 ALJ MALCOLM: Mr. Huard.

5 MR. HUARD: Thank you, your Honor.

6 CROSS-EXAMINATION

7 BY MR. HUARD:

8 Q Good morning, Mr. Magill. My name is David
9 Huard. I am representing the City of Chula Vista and
10 the County of Los Angeles.

11 One follow-up question, if I could, on
12 Mr. Reiger's question.

13 First, if you will accept subject to check
14 that Chula Vista is approximately 9 percent of SDG&E's
15 load.

16 A I was thinking ten.

17 Q Same ballpark.

18 Second, in response to his question about
19 forms of municipalization and whether that would affect
20 profits of SDG&E, this is pretty much outside the scope
21 of this case, but one form it would affect is a green
22 field development in which SDG&E no longer is building
23 out in undeveloped areas? Would that be one form of
24 municipalization that would affect profits?

25 A I don't know. I haven't done the analysis.

26 Q If you did not get the growth within a
27 municipality, and that is, you were limited to your
28 previous investment in plant and your existing growth

1 and all new load went to someone else, wouldn't that
2 effectively limit your upward profits associated with
3 the city in comparison to serving growth yourself?
4 There is an element of profit per customer, isn't there?

5 A Yes. But I am not sure whether you are
6 assuming we had to build to serve that load. If it is a
7 new green field and we are not building distribution,
8 then we are not making the investment.

9 Q But you are also not making any profit on the
10 investments if you haven't made the investment?

11 A That is true, but that wouldn't change
12 existing profits.

13 Q No. Thank you. Again, that is pretty much
14 outside the scope of this, but it was brought up so I
15 figured I might as well.

16 Is it fair to say that your testimony is
17 really sort of a summary of SDG&E's overall position,
18 and you touch on pretty much everything but on the
19 details you defer to other witnesses?

20 A That's correct.

21 Q I am going to ask you some questions on a high
22 level, and please, if it is something that you feel
23 uncomfortable with and you want to defer, let me know.

24 A All right.

25 Q The first one is I would like to refer you to
26 your prepared direct testimony, Exhibit 15, at page 6.
27 Actually, page 8 instead would be a better one, at lines
28 12 through 14.

1 You have got: In sum the Commission will need
2 to ensure that the rules established for CCAs are
3 coordinated with utilities' resource planning process.

4 Have you thought of how that is going to
5 actually function from just a mechanical standpoint?

6 A No. I pretty much in my testimony have said
7 that is primarily a Phase 2 issue.

8 Q Would you also believe that if there was long
9 term resource planning, it is not just in a single
10 docket but also applies applications for facilities that
11 may be pending, that that would need to be coordinated
12 as well if they could affect long term resources?

13 A Well, my reference here is to the procurement
14 planning proceeding. In order for a utility to plan
15 accurately, we have recommended that there be a binding
16 commitment on the CCAs' part such that we can ensure
17 again limiting potential stranded costs for CCAs. To
18 the extent that we can plan better, the more we will be
19 able to do that.

20 So the commitment in planning I have here with
21 respect to procurement is intended to kind of benefit
22 all customers, CCAs and bundled as well.

23 Q If I can have the answer to my question.
24 There are other applications -- there are other matters
25 that are pending, in particular an application to
26 build -- to buy generation assets, to build
27 transmission, and to purchase long-term contracts. Do
28 you think that since they are long term resources as

1 well they need to be coordinated with a knowledge of
2 what CCA load may be?

3 A Again, I am speaking directly to the
4 procurement. I would imagine that as we file
5 procurement plans and they are reviewed by the
6 Commission those elements would be in that procurement
7 plan.

8 Q And if they are not?

9 A I'm not that familiar enough with the process
10 to understand why they wouldn't be.

11 Q On costs, I am trying to --

12 A Is there a particular reference?

13 Q Basically page 9.

14 You indicate the first time costs on page 9
15 that would be borne by -- effectively the first CCA in
16 pays all costs subject to some sort of diminution or
17 credit back from later CCAs. That is what you proposed,
18 correct?

19 A Correct.

20 Q In trying to identify all of the costs areas
21 that a CCA would be responsible for, I would like to
22 sort of try to identify them by category and then find
23 out whether or not they are subject to a true-up later
24 on. Is that something that you would be able to respond
25 to?

26 A No. That would be -- I am assuming if you are
27 talking something like what is in the straw man
28 proposal, that would be Witness Osborne.

1 Q I am not talking that.

2 A The calculation of the CRS, that would be
3 Witness Hansen.

4 Q What I am trying to do is if you are the
5 overall witness, then I am trying to get the categories
6 that each of the individual sub people are talking about
7 or those individual drill-down, as Mr. Szymanski calls
8 it, so that I have a picture or we have effectively a
9 picture of what SDG&E proposes in total from, again, a
10 category standpoint, not a particular methodology, that
11 a CCA would be responsible for. That's what I am trying
12 to just basically identify.

13 A With respect to my testimony, I do mention
14 some categories now. I won't say I mentioned every
15 single one because I know with respect to the
16 implementation costs there are a lot of different areas
17 that are captured under the term implementation or
18 transition or transaction costs.

19 Q If it helps any, I don't want to go beyond
20 implementation or transaction. I think you are
21 following where I'm going. You are just assuming I am
22 going the next step, and I'm not. If you could bear
23 with me on this.

24 So you have mentioned two of them. One is the
25 transaction costs. And they are subject to
26 Ms. Osborne's testimony, specifically what they are?

27 A Yes.

28 Q Then two, there is an implementation cost?

1 A Correct.

2 Q And that is effectively -- and you have talked
3 about that first time as responsible for implementation,
4 then, all program implementation when you talk about
5 implementation?

6 A I am talking about I guess all system billing
7 changes and whatever is captured by Witness Osborne that
8 would fall under implementation.

9 Q And then the next category is CTC costs, and
10 that is Mr. Hansen?

11 A That would be Mr. Hansen.

12 Q And then the charges associated -- the charges
13 associated with a CRS, which would be what?

14 A Are you talking about what would go into the
15 calculation of the CRS?

16 Q Which components?

17 A The specifics are dealt with by Mr. Hansen. I
18 believe what is captured in the CRS calculation is the
19 DWR costs, the utility procurement costs.

20 I know I think there is an element of utility
21 procurement in there. I think -- again, I don't want to
22 speak for Mr. Hansen on this because he is the expert on
23 the calculation. But with respect to the category cost,
24 for example, DWR, there is the bond charge as well.
25 There is also with respect to utility procurement prior
26 undercollections. There is also procurement that's
27 already been procured.

28 I think there's future procurement that needs

1 to be considered as well. And I'm not sure to the
2 degree and how those are all captured in the CRS.

3 Q And that, you say, is Mr. Hansen, then?

4 A Correct.

5 Q Do you know which ones of these you are
6 proposing be either subject to later determination or
7 true-up of the various categories such as transaction
8 costs?

9 A No. I'm not -- I don't want to speak to the
10 proposals that are Witness Osborne's or Hansen's
11 testimony.

12 I do know, for example, that with respect to
13 the CRS there is a proposal for true-up. But again,
14 that is general. Not with respect to the individual
15 components.

16 Q So let me maybe cut to the quick. Issues on
17 rate design, Mr. Hansen?

18 A Correct. I would just like to add, though,
19 when you were talking categories of costs, another
20 category of cost that we haven't mentioned yet is the
21 AB1X, and also rules.

22 Q When you say AB1X, do you mean the 130 percent
23 of baseline allowance, that issue?

24 A That's correct.

25 Q AB1X --

26 A Yes. We are speaking with respect to what is
27 in this proceeding.

28 Q Thank you.

1 Were you here during the testimony yesterday
2 of the PG&E witnesses?

3 A Yes.

4 Q Do you remember the statement that PG&E
5 considers a CCA provider to be a competitor?

6 A A market participant I think is a good term.

7 Q But in competition with PG&E?

8 A Competing in a market for power, I believe is
9 what she said.

10 Q Do you think that a CCA is competing in the
11 market with SDG&E?

12 A As I read the other witnesses' testimony, for
13 example, she quoted LGCC Witness Monson, the impression
14 I get is they intend to be out there procuring power in
15 the same markets that SDG&E is.

16 Q So the answer is yes?

17 A Yes.

18 Q You also discuss in general the 15/15 Rule and
19 the 500 Rule and deferred the details of that to
20 Ms. Keilani; is that correct?

21 A I don't think I have ever addressed the 15/15
22 Rule in my testimony.

23 Q How about customer confidentiality?

24 A That is generally mentioned, yes.

25 Q I will just call it customer confidentiality.

26 A Okay.

27 Q In that regard you are proposing that certain
28 customer-specific information not be made available to

1 CCAs due to Commission rules?

2 A Our proposal is to basically provide customer
3 information under the current rules and regulations that
4 exist today.

5 Q If I could direct you to page 12 of your
6 prepared direct testimony, basically lines 15 through
7 17.

8 A Hm-hmm.

9 Q You basically argue that CCA implementation
10 should not be phased, and in that you say under a
11 phased-in approach CCAs can potentially cherry pick, end
12 quote, which customers to switch first and essentially
13 delay switching the other customer groups.

14 Is that correct?

15 A Yes.

16 Q SDG&E currently has all of the information on
17 those customers who may be the most desirable, is that
18 correct, since you have all customer information?

19 A I will agree we have all customer information.

20 Q And under the Commission's rules, the reasons
21 for the protections of the identity and other
22 information associated with certain select customers is
23 to prevent competitive advantage going to an ESP, as an
24 example; would you agree with that?

25 A I'm sorry?

26 Q That the reasons for confidentiality of
27 certain large customers is to prevent a competitive
28 advantage being given to one energy service provider or

1 another under the direct access rules; would you agree
2 with that?

3 A No. I will say the reason why we are
4 protecting the information is because we are required
5 to. I think, as Witness Keilani has testified to, it is
6 a customer expectation that we will protect that
7 information.

8 Q But that protection of information is not as
9 to all customers, is it?

10 A Well, again, I don't want to get into
11 testifying what Witness Keilani has already testified
12 to. But we are providing information in active form as
13 required under the 15/15 Rule and the 500 kW rule.

14 Q If the Commission has determined that
15 information related to certain select customers provides
16 a competitive advantage and you are in competition with
17 the CCA, what steps is SDG&E proposing that would limit
18 SDG&E's use of that material in approaching customers to
19 ask them to opt out?]

20 MR. SZYMANSKI: Your Honor --

21 MR. HUARD: Can he answer the question, unless you
22 have a specific evidentiary objection?

23 MR. SZYMANSKI: Can I address the judge, please?

24 MR. HUARD: Sure.

25 MR. SZYMANSKI: Mr. Magill stated at the outset
26 that he's talking -- he addresses SDG&E's customer
27 confidentiality issue at a high policy level, and that's
28 the scope of his testimony. Ms. Keilani, who testified

1 already, testified to some of these issues in much
2 greater detail. At a certain point, if it's falling
3 within Ms. Keilani's testimony, I'm going to have to
4 object to say that this is out of the scope of
5 Mr. Magill's testimony.

6 I'm willing to let -- have Mr. Huard restate
7 the question. To the extent Mr. Magill feels
8 comfortable that it's within his testimony, I will let
9 him testify. But there is the reality that most of
10 the details and specifics about SDG&E's customer
11 information policy testimony has been addressed by
12 Ms. Keilani.

13 MR. HUARD: Your Honor, the question was fairly
14 simple; and that is, does SDG&E propose any limitation
15 on itself for use of information which would otherwise
16 be precluded from being turned over under Commission
17 regulation.

18 ALJ MALCOLM: I'll allow that question.

19 I understand your concern, Mr. Szymanski.

20 THE WITNESS: Not that I'm aware of.

21 MR. HUARD: Thank you.

22 Q On phase-in, were you here during
23 the cross-examination of Mr. Evans for PG&E?

24 A No, I wasn't.

25 Q Let me paraphrase something that I believe he
26 said, and Mr. Buchsbaum can correct me, but that phasing
27 is if one uses normal billing dates to switch, that
28 there will be a certain element of phasing since no

1 one -- not every one customer has the same billing date.

2 Do you agree with that?

3 A Well, with respect to SDG&E, I believe our
4 proposal is to do a mass switch. So from our
5 perspective --

6 Q On a single day?

7 A Yes.

8 Q So you are not proposing to do a switch as you
9 have done with direct access on the billing dates?

10 A No. The details of this are addressed by
11 witness Osborne, but my understanding, again, is that
12 it's a mass switch.

13 Q On your reply testimony, at page 5, you
14 discuss utility procurement of renewable resources and
15 levels. Can you tell me what SDG&E's current portfolio
16 level is of renewables?

17 A I only know generally. I think it's like 7,
18 8 percent; I'm not sure. Again, I'm not procurement.

19 MR. HUARD: Your Honor, that's all the questions
20 I have of this witness.

21 ALJ MALCOLM: Thank you, Mr. Huard.

22 Mr. Fenn?

23 MR. FENN: Thank you, your Honor.

24 CROSS-EXAMINATION

25 BY MR. FENN:

26 Q Hello. I'm Paul Fenn from Local Power.

27 You have indicated to Mr. Huard that SDG&E
28 believes that community choice aggregators are

1 competitors for procurement.

2 A I called them market participants.

3 Q If I'm not mistaken, you did say that CCAs
4 would be competing against SDG&E for purchasing the same
5 power that --

6 A Well, to the extent that they are in the same
7 energy market and there's a limited amount of energy to
8 be procured, then I would imagine that they would be,
9 quote, competing for that power.

10 Q I want to direct you to Section AB 117 dealing
11 with the definition of a CCA, 366.2(a)(1):

12 Customers shall be entitled to
13 aggregate their electric loads as
14 members of their local community
15 with community choice aggregators.

16 Customers may aggregate their
17 loads through a public process
18 with community choice aggregators,
19 if each customer is given an
20 opportunity to opt out....

21 A Okay. I'm not seeing that. You said (a)(1)?

22 Q This is -- yes, 366.2 (a)(1) and (a)(2).

23 A Okay.

24 Q

25 Customers shall be entitled to
26 aggregate their electric loads as
27 members of their local community
28 with choice aggregators.

1 And then under subparagraph 2:

2 Customers may aggregate their
3 loads through a public process
4 with community choice aggregators,
5 if each customer is given an
6 opportunity to opt out....

7 Would you not have to conclude from this
8 that if a CCA is a competitor and CCAs are under this
9 construction, are formed by customers, that you are
10 competing with your customers?

11 MR. SZYMANSKI: Your Honor, a couple of things.

12 First, I just want to note that I think
13 Mr. Fenn has paraphrased the statute and the provisions
14 that he's asking I believe some detailed questions about
15 the interpretation of the word "customer." I don't
16 object if the goal is to have Mr. Magill provide a
17 general understanding of how SDG&E is applying this
18 language in a general fashion, but if the line of
19 questioning is going to lead to an analysis of whether
20 a CCA is essentially customers or market participants,
21 I believe this is going to fall outside of the scope of
22 Mr. Magill's testimony.

23 ALJ MALCOLM: Well, let's let him ask his
24 questions. And then if you have a problem with him, you
25 may raise your objection.

26 MR. SZYMANSKI: Would you please briefly restate
27 your question?

28 MR. FENN: Sure.

1 Q Given that -- under the construction
2 366.2(a)(1), customers shall be entitled to aggregate
3 their electric loads as members of a community choice
4 aggregator, and SDG&E regards community choice
5 aggregators as competitors, would it not follow that
6 they regard their own customers as competitors?

7 A No, I disagree with that.

8 As I read the statute, I guess I go back to
9 Section 331.1(a) and (b) where my understanding is they
10 kind of define what a community choice aggregator means
11 and they are talking about "following entities" and
12 the entities are, for example, a city or a county or a
13 combination thereof.

14 So I would think, as I read this -- again, I'm
15 not making a legal interpretation here, I'm just reading
16 this in general -- it would seem to me that that is
17 the entity which is really the community choice
18 aggregator and customers are a member of the associated
19 with that entity. But it's not the actual customer
20 doing the community choice aggregation.

21 Q If they are members of it -- you said they're
22 members. If they're members of it, doesn't that make
23 them competitors as members?

24 A No. It's the entity is what I'm looking at,
25 and that entity has members. Just like the utility has
26 customers, the CCA has customers.

27 Q You don't have members. You are not a
28 cooperative. In this case, the CCA has members.

1 A Well, I don't want to get into a discussion of
2 what the term "member" means.

3 A As I'm reading the statute, I'm seeing the CCA
4 in a similar fashion as a utility in that it has
5 customers it's going to provide power for and it has to
6 go out there and procure the power to serve those
7 customers.

8 Q Do you regard a CCA as a utility?

9 A No. I said in general. I didn't call it a
10 utility. In general, I see it in a similar fashion.

11 Q Like a municipal utility?

12 A Well, again, a CCA is not a municipal. I can
13 say that it's something different than a community
14 choice aggregator.

15 Q Thank you.

16 I'll go to the next question, your Honor.

17 Under 366.2(C)(f), subparagraph (2), any
18 additional -- I'll read the whole thing.

19 A retail end-use customer
20 purchasing electricity from
21 a community choice aggregator
22 pursuant to this section shall
23 reimburse the electrical
24 corporation that previously --

25 A Isn't that (d), not (C)?

26 Q Oh, is it? Let me have a look. One second.

27 MR. SZYMANSKI: Can we go off the record?

28 ALJ MALCOLM: Off the record.

1 (Off the record)

2 ALJ MALCOLM: Back on the record.

3 MR. FENN: I'll read the whole thing:

4 A retail end-use customer
5 purchasing electricity from
6 a community choice aggregator
7 pursuant to this section shall
8 reimburse the electrical
9 corporation that previously served
10 the customer for all of
11 the following: The electrical
12 corporation's unrecovered past
13 undercollections for electricity
14 purchases, including any financing
15 costs attributable to that
16 customer, that the commission
17 lawfully determines may be
18 recovered in rates.

19 And then under subsection -- or subparagraph
20 (2):

21 Any additional costs of
22 the electrical corporation
23 recoverable in commission-approved
24 rates, equal to the share of
25 the electrical corporation's
26 estimated net unavoidable
27 electricity purchase contract
28 costs attributable to

1 the customer, as determined by the
2 commission, for the period
3 commencing with the customer's
4 purchases of electricity from
5 the community choice aggregator,
6 through the expiration of all then
7 existing electricity purchase
8 contracts entered into by
9 the electrical corporation.

10 So in both of these subparagraphs, you have
11 the words "attributable to that customer." In
12 subparagraph 1 and subparagraph 2 you have net
13 unavoid- -- for the utility's procurement, you have
14 net unavoidable electricity purchase contract costs
15 attributable to the customer. The customer.

16 Do you believe that the term "unavoidable"
17 would include overprocurement by an electric utility?
18 Is overprocurement by an electric utility avoidable?

19 A I read the term "net unavoidable" as being
20 the utility's costs -- I'm assuming that if CCA leaves
21 and that there is some stranded costs or procurement,
22 then there may be an opportunity for the utility to make
23 an off-system sale or sale into the market, and those
24 revenues that you will get from that sale would be
25 offset against the otherwise stranded costs.

26 I believe I'll defer to witness Hansen because
27 this really gets into the calculation of CRS, but
28 that -- I think what's captured in the CRS calculation

1 is the fact that you do wind up with a net unavoidable.

2 Q Right now, what I'm speaking to is that
3 you're -- SDG&E has a -- currently a proposal and it's
4 awaiting approval by the Commission, which would include
5 10 years of power contracts and acquisition of a power
6 plant.

7 ALJ MALCOLM: Is that a question?

8 MR. FENN: Well, it's a setup for a question.

9 ALJ MALCOLM: Okay.

10 MR. FENN: Q That given that Mr. Huard, as he has
11 indicated, Chula Vista is now preparing to implement
12 community choice aggregation and has been pursuing it
13 for a considerable amount of time, would -- and in
14 that -- would the notice given through their activity or
15 knowledge of that activity, familiarity with that
16 activity, not limit the CRS obligations associated with
17 the current procurement efforts?

18 MR. SZYMANSKI: Your Honor, I think that his
19 question is presuming some facts that are not in
20 evidence at this point, and it may be beyond the
21 witness's scope of knowledge and his testimony, in any
22 event.

23 So if you want to have the record establish
24 the facts that you would like him to opine about,
25 I would ask that you please do so.

26 MR. FENN: I could state the question
27 hypothetically so it would remove any specific content.

28 THE WITNESS: That's fine.

1 ALJ MALCOLM: What's the hypothetical?

2 MR. FENN: Q It is, were a -- were SDG&E to win
3 approval of long-term power contracts and the URG, new
4 URG from the Commission after it has been informed of
5 a -- efforts by a municipality or other potential CCA to
6 implement CCA, would that potential CCA's CRS obligation
7 be the same for those facilities and contracts as if
8 there had been no such knowledge of the formation or
9 efforts to pursue CCA?

10 A Let me see if I can restate your question.

11 I think what you are asking is since Chula
12 Vista has informed us that they are looking at this
13 potentially and we're -- we have an RFP out there, that
14 by having that information that they informed us, that
15 should somehow limit Chula Vista's CRS with respect to
16 the RFP? Is that what you are asking?

17 Q For those assets, were they approved under
18 AB 57?

19 A I don't agree. On what basis do we have any
20 knowledge that that's actually going to go through?

21 That's the whole idea behind this open season
22 concept that we've presented here. And the binding
23 commitment is that if the CCA wants the utility to stop
24 procuring for them, then they ought to make a commitment
25 such that the utility knows that it's not going to need
26 to serve those customers. Given where the utility
27 stands as provider of last resort, at this point Chula
28 Vista has informed us, we have no idea what's going to

1 happen, when it's going to happen, we haven't even
2 established the rules or costs associated with CCA at
3 this point.

4 So to assume that we're not going to need to
5 procure to those customers going forward, I don't see
6 any basis for that.

7 Q Given that you have identified a CCA as a
8 competitor, would you not, as a company, do anything in
9 your power to block them from departing?

10 MR. SZYMANSKI: Your Honor, I think we went
11 through some of this issue before, but it -- maybe it's
12 one of terminology, but I think Mr. Magill's testimony
13 was that the CCA would be viewed as a market
14 participant. And without splitting hairs right now
15 about the legal definitions of these terms as they may
16 be defined in this or some other proceeding, I'll let
17 the question go forward. But I do caution that his
18 testimony didn't go to the issue of who's a competitor
19 of whom.

20 ALJ MALCOLM: I'm sorry. I object to the question
21 because "wouldn't you do anything in your power." It's
22 an open-ended question and it's not a reasonable
23 question for me.

24 MR. FENN: Okay. Shall I restate?

25 ALJ MALCOLM: I'm sorry. Yes.

26 MR. FENN: Q Given --

27 ALJ MALCOLM: Be more specific.

28 MR. FENN: Q In response to Mr. Huard's question,

1 you indicated that CCAs are competitors for purposes of
2 procurement. Would you not potentially have recourse to
3 overprocurement as a means of blocking the loss of
4 departing customers?

5 A Well, I'm not in procurement, but my general
6 understanding is that all of SDG&E's procurement plans,
7 which are done I guess on an annual basis, some annual
8 procurement filing, are reviewed and approved by
9 the Commission.

10 So is what you are asking, is SDG&E going to
11 do something that is unreasonable and the Commission is
12 going to approve something that's unreasonable, I guess
13 I just don't agree with your premise that somehow the
14 utility is going to be able to do something unreasonable
15 when it's fully under regulation by the CPUC for those
16 issues.

17 Q Given that the Commission now just in this
18 time period has not completed regulations for community
19 choice, wouldn't any long-term procurement contracts or
20 URG acquisitions prejudice the ability of jurisdictions
21 to implement community choice after the regulations are
22 complete?

23 ALJ MALCOLM: Is that an argument or a question?

24 MR. FENN: I'm asking -- yeah.

25 Q Would it not -- I mean, is your ability now to
26 overprocure before the regulations are complete --

27 A Well, at least --

28 MR. SZYMANSKI: I object. Mr. Fenn's question,

1 again, presumes something that is not in evidence and
2 it's a very argumentative.

3 Mr. Magill has not said that SDG&E has
4 the ability to overprocure. What Mr. Magill has just
5 testified to is that in another proceeding, there is
6 Commission evaluation of SDG&E's resource plan and that
7 is the scope of his knowledge about the resource plan.
8 And so there's not a presumption -- or there should not
9 be a presumption in your question about overprocurement.

10 MR. FENN: I don't mean to presume that you are
11 overprocuring. That is not the intention of my
12 question.

13 What I'm concerned -- the question is
14 concerned with the ability to overprocure, not --

15 ALJ MALCOLM: I think he answered your question to
16 the best of his ability.

17 MR. SZYMANSKI: Your Honor, I would note that
18 Mr. Magill is not a procurement expert. It may well be
19 the case that a previous company's witness may have some
20 additional knowledge of procurement that Mr. Magill may
21 not have and so therefore he can only testify as to what
22 he knows with regards to his testimony and what limited
23 information he may have --

24 ALJ MALCOLM: Right.

25 MR. SZYMANSKI: -- of the procurement proceeding.

26 ALJ MALCOLM: I understand. I understand.

27 And Mr. Fenn, he answered your question with
28 regard to --

1 MR. FENN: Okay, your Honor.

2 ALJ MALCOLM: -- the Commission's review of
3 the annual portfolio for procurement.

4 MR. FENN: Okay. Thank you.

5 Q In your reply testimony, JRM-11, you're
6 responding to LGC witness Monson and CCSF witness Fulmer
7 who stated that the initial CCAs are required to pay all
8 the first time costs; CCAs will not be a competitive
9 viable alternative. And they recommend that
10 implementation costs be amortized over a 36-month period
11 through a utility memorandum account.

12 Your response was there's no reason why
13 bundled customers should be required to finance a loan
14 for CCAs.

15 Is that really true? I mean, given that under
16 AB 117 the customers -- I won't paraphrase. I'll go
17 back again and quote. That under 366(a), customers
18 shall be entitled to aggregate their electrical loads,
19 and also under 366(2)(a)(1) the customer shall be
20 entitled to aggregate.

21 Is it not in the interest of ratepayers to
22 have CCA, to have this as an option?

23 A With respect to my testimony, I've clearly
24 stated I believe in my rebuttal testimony that for those
25 customers that are in a CCA, they should pay for
26 the CCA; and bundled customers who aren't in the CCA
27 shouldn't have to. This is the argument for why I'm
28 arguing CCA requests need to pay all upfront costs.

1 ALJ MALCOLM: Wait, wait, wait. You're going
2 beyond the question, I think.

3 THE WITNESS: Okay.

4 ALJ MALCOLM: I think he just asked you whether
5 ratepayers benefit from having CCAs.

6 THE WITNESS: I would say then the one --
7 that customers that are in the CCA are likely the ones
8 to benefit and the bundled customers are not deriving
9 any benefits from the CCA.

10 MR. FENN: Q But don't the bundled customers
11 benefit from having the permanent option in the future,
12 to have recourse to CCA?

13 A And to -- I would argue that to the extent
14 they choose to be served by CCA, then they would pay
15 those costs. But there may be bundled customers that
16 will never have that option or never choose to take that
17 option. So I don't see --

18 Q Why would they never have the option?

19 A Because, potentially, wherever they're located
20 decides not to go to CCA.

21 Q But I'm just saying, under the construction of
22 the statute, customers shall be entitled to aggregate
23 their electrical loads as members of their local
24 community -- with community choice aggregators, their
25 entitlement is permanent; is it not?

26 MR. SZYMANSKI: Your Honor, I have just a
27 question. Mr. Fenn started this line of argument --
28 questioning with respect to some testimony that

1 Mr. Magill sponsored in Exhibit 16 I believe, lines 13,
2 14, dealing with financing alone. I'm not clear what
3 the questions Mr. Fenn has asked have to do with
4 the financing of a loan.

5 MR. FENN: Well, I was just responding to
6 the statement "There is no reason why bundled customers
7 should be required to finance a loan for CCAs."

8 Q My point is that bundled customers, though in
9 a specific case not involved in a specific CCA, yet
10 under statute, have a permanent entitlement to
11 aggregate. So if it is in their interest to have that
12 resource, to have that option permanently even though
13 they are bundled service customers, doesn't that give
14 them an interest in financing a loan for CCAs? And
15 having other -- should they choose one day to aggregate
16 their loads, to have recourse to this entitlement that
17 they would have these costs covered in order to
18 facilitate the process?

19 THE WITNESS: Well, I don't want --

20 MR. SZYMANSKI: I just want to make sure I'm clear
21 on what question is pending for this witness. I heard a
22 multiple-part question in what you've just indicated.

23 If you'd like the witness to respond to it,
24 I would like to be clear on what question that is. So
25 if you would frame it, I will ask him to answer for you.

26 ALJ MALCOLM: Assuming bundled customers have a
27 permanent entitlement to aggregate, then....

28 MR. FENN: Q Then wouldn't even bundled service

1 customers have an interest in preserving their own right
2 to form a community choice aggregation in the future as
3 a permanent recourse?

4 A I think as I just responded previously --
5 again, I don't want to get into what "entitlement"
6 means. I know that there's other requirements within
7 the statute that the city has got to pass an ordinance
8 and there's a lot of other issues that have to be dealt
9 with prior to forming a CCA. But if a customer is in a
10 CCA, then I think they should pay. And I think bundled
11 customers who are not in the CCA shouldn't be required
12 to pay. And again, they are not benefiting from
13 the CCA.

14 Q But are they benefiting from the recourse to
15 CCA?

16 ALJ MALCOLM: You know, I think you've asked this
17 question, Mr. Fenn. You could argue in your brief if
18 you believe there's a benefit derived from the statute
19 that's worth this financing provision. You can argue
20 that.

21 MR. FENN: Okay. All right, your Honor. I'll
22 move on.

23 Q Under statute, I guess it's 366.2 (c)(17):
24 An electrical corporation shall
25 recover from the community choice
26 aggregator any costs reasonably
27 attributable to the community
28 choice aggregator, as determined

1 by the commission, of implementing
2 the section, including, but not
3 limited to, all business
4 information system changes, except
5 for transaction-based costs as
6 determined [sic] in this
7 paragraph. Any costs not
8 reasonably attributable to a
9 community choice aggregator shall
10 be recovered from ratepayers, as
11 determined by the commission.

12 On the subject -- in this same subject of
13 first time costs, aren't first time costs inherent
14 costs to forming a permanent recourse for ratepayers
15 to implement CCA?

16 A I guess --

17 Q I mean, that is, the changes --
18 You don't understand the question?

19 A Can you -- if you could rephrase it.

20 Q Well, here in the statute, it has indicated
21 any costs not reasonably attributable to a community
22 choice aggregator shall be recovered from ratepayers.
23 Not from a community choice aggregator, but from all
24 bundled service customers.

25 A So am I to understand that as you read this,
26 you're inserting your -- I don't want to say
27 interpreting, but you're taking a CCA to mean a
28 particular CCA?

1 Q Yes.

2 ALJ MALCOLM: The only question I heard was are
3 start up costs inherent.

4 MR. FENN: To create a permanent -- a system to
5 facilitate a permanent entitlement to aggregating.

6 MR. SZYMANSKI: I don't understand, your Honor,
7 the term entitlement to an aggregate- -- because I don't
8 understand those -- that terminology, I'm having trouble
9 understanding the question that is pending with this
10 witness.

11 ALJ MALCOLM: Can you rephrase the question? Can
12 you just say, Are there costs that San Diego must incur
13 in order to implement CCA -- a CCA program. Is that
14 what you want to know?

15 MR. FENN: Well, yeah. Yes, your Honor.

16 THE WITNESS: Yes, I think is the answer, if I --
17 there are costs that we need to incur to implement a CCA
18 program.

19 MR. FENN: Q So these first time costs, doesn't
20 someone have to go up first time -- I mean, why are
21 the first time costs attributable to one CCA if the law
22 doesn't limit when the CCA could be formed? It could be
23 formed any time in the future unless --

24 A Well, our proposal is for the first CCA to
25 pay. Because, from our perspective, if there's only
26 one CCA, then they should pay.

27 Our proposal then goes on to say as other CCAs
28 form, we will credit back to the original CCAs those

1 costs.]

2 Q So if Chula Vista forms a CCA, you will regard
3 that as having nothing -- as making no contribution to
4 the remaining bundled service customers in San Diego,
5 say?

6 A What --

7 MR. SZYMANSKI: Your Honor, objection. I don't
8 understand the question.

9 ALJ MALCOLM: Are you going back to the issue of
10 benefits to bundled customers?

11 MR. FENN: Well, yes, I am. I am not leaving that
12 point. I am just approaching it from a different angle,
13 which is on the subject of the first time costs, the
14 idea that only one might be formed and therefore those
15 customers should pay.

16 MR. SZYMANSKI: If that is his question, he may
17 certainly state that to this witness, what would happen
18 if there were only 1 CCA. And I will happily have my
19 witness answer it. But if he has something else to ask,
20 I am not sure what that would be.

21 MR. FENN: I think I will drop it and move on,
22 your Honor.

23 MR. SZYMANSKI: Your Honor, I would just like a
24 due process check. If I understood Mr. Fenn, he had
25 zero to 5 minutes for my witness. And I would like to
26 have a revised estimate if that is not the case.

27 ALJ MALCOLM: It's been half an hour.

28 MR. FENN: Okay.

1 ALJ MALCOLM: I am trying not to enforce anybody's
2 estimates because then everyone plays games with the
3 estimates, but I do need to manage the proceeding, and I
4 would like to move along here.

5 MR. FENN: Okay. In fact, I believe that that
6 would conclude my questions. Thank you, your Honor.

7 ALJ MALCOLM: Thank you, Mr. Fenn.

8 Is there any redirect?

9 MR. SZYMANSKI: May I please have a moment off the
10 record?

11 ALJ MALCOLM: Off the record.

12 (Off the record) off

13 ALJ MALCOLM: Back on the record.

14 Mr. Szymanski, we had a discussion about
15 attorneys consulting with the witnesses on redirect
16 while you were kibitzing.

17 MR. SZYMANSKI: Next time I would like to kibitz,
18 too.

19 Very briefly, your Honor.

20 REDIRECT EXAMINATION

21 BY MR. SZYMANSKI:

22 Q Mr. Magill, ORA asked you a question that had
23 to do with the topics of both cost shifting and making
24 CCAs economically viable. Do you remember a question
25 that sort of involved those two different concepts?

26 A Yes.

27 Q Isn't it your testimony, as indicated in your
28 marked exhibits, that at a very minimum there must be no

1 cost shifting to bundled customers?

2 A That's correct.

3 Q Thank you. I have two other quick
4 clarifications.

5 You were asked by Mr. Huard, I believe, when a
6 customer becomes a CCA customer. Do you recall that
7 question?

8 A Yes.

9 Q And isn't it the case that Ms. Osborne's
10 testimony deals much more fully with that particular
11 issue?

12 A Yes, it does.

13 MR. HUARD: Your Honor, if I could clarify. That
14 was Mr. Fenn, not me.

15 MR. REIGER: I think it was me.

16 MR. HUARD: It wasn't me, anyway.

17 MR. SZYMANSKI: Thank you.

18 Q Ms. Osborne deals with questions dealing with
19 the transfer of customers and when customers become
20 customers of record of the CCA; is that correct?

21 A That's correct.

22 Q So the issues regarding the event of procuring
23 or delivering power for a potential CCA customer, the
24 clarification of when a customer becomes a CCA customer
25 is similarly an issue that Ms. Osborne deals with with
26 regards to when a customer becomes a customer of record;
27 is that correct?

28 A Yes. She deals with that in much greater

1 detail.

2 MR. SZYMANSKI: Thank you. That's all I had.

3 ALJ MALCOLM: Thank you, Mr. Szymanski.

4 Anybody recross?

5 (No response)

6 ALJ MALCOLM: Thank you, Mr. Magill. You're
7 excused.

8 I think we will break now and reconvene at
9 1:00 o'clock. This is a good stopping place.

10 (Whereupon, at the hour of
11 11:30 a.m., a recess was taken until 1:00
12 p.m.)

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AFTERNOON SESSION - 1:02 P.M.

* * * * *

ALJ MALCOLM: Please come to order.

Mr. Szumanski, will you present your next witness.

MR. SZYMANSKI: Thank you, your Honor. SDG&E calls to the stand Mr. Robert Hansen.

ROBERT HANSEN, called as a witness by San Diego Gas & Electric Company, having been sworn, testified as follows:

MR. SZYMANSKI: We would like to mark Mr. Hansen's direct testimony, reply testimony, and rebuttal testimony as the next three exhibits in this proceeding.

ALJ MALCOLM: All right. We will mark Mr. Hansen's direct testimony as Exhibit 18.

(Exhibit No. 18 was marked for identification.)

ALJ MALCOLM: His reply testimony as Exhibit 19.

(Exhibit No. 19 was marked for identification.)

MR. SZYMANSKI: And his rebuttal testimony as Exhibit 20.

(Exhibit No. 20 was marked for identification.)

MR. SZYMANSKI: Thank you, your Honor.

DIRECT EXAMINATION

BY MR. SZYMANSKI:

Q Mr. Hansen, were these three documents prepared by you or under your supervision?

1 A Yes, they were.

2 Q Do you have any changes, corrections, or
3 additions to any of these three documents?

4 A Yes, I do. I do have several minor numerical
5 corrections I need to make to my rebuttal testimony. In
6 Table A, as shown on page 4 of the rebuttal, I would
7 like to change the numbers shown in Column G for small
8 commercial and large C/I to reflect SDG&E's currently
9 effective PPP rates. So replace the number .00522 with
10 .00670 and replace --

11 MR. HUARD: Sorry, we are on Table A?

12 THE WITNESS: Column G, Small Commercial.

13 MR. HUARD: On RWH-4, Exhibit 20?

14 THE WITNESS: Yes.

15 MR. HUARD: So 00522 becomes?

16 THE WITNESS: .00680, and replace the number
17 .00456 with .00614. Those rates would then reflect
18 SDG&E's currently effective.

19 ALJ MALCOLM: I'm sorry, could you do the second
20 one again?

21 THE WITNESS: It goes from .00456 to .00614.

22 ALJ MALCOLM: Thank you.

23 THE WITNESS: I have a similar change on Table B
24 on page RWH-6 of the same exhibit. In those same two
25 number areas, I would like to replace the number .00982
26 with .01140, and replace the number .00916 with .01074.

27 The last numerical changes are Table C, a
28 similar change as shown on page RWH-8 of the same

1 exhibit. Replace the number .00522 with .00680, and
2 replace the number .00456 with .00614.

3 In my direct testimony at page RWH-3, I would
4 like to delete the words on line 8, delete the words
5 "pro rata share of..."

6 Those are all the corrections I have.

7 MR. SZYMANSKI: Q Thank you, Mr. Hansen.

8 With those various changes, or corrections, do
9 these three documents comprise your prepared testimony
10 in this proceeding?

11 A Yes.

12 Q To the extent the material contained therein
13 contains factual material, is it true and correct to the
14 best of your knowledge?

15 A Yes.

16 Q And to the extent the material contained in
17 this prepared testimony is -- reflects your opinions or
18 judgements, does it reflect your best opinions or
19 judgements?

20 A Yes, it does.

21 Q You adopt this testimony today as your sworn
22 testimony in this proceeding?

23 A Yes. Yes, I do.

24 MR. SZYMANSKI: Thank you. The witness is
25 available for cross-examination.

26 ALJ MALCOLM: Thank you, Mr. Syzmanski.

27 Mr. Reiger, do you have any questions?

28 MR. REIGER: Yes, I do. Thank you, your Honor.

1 CROSS-EXAMINATION

2 BY MR. REIGER:

3 Q Good afternoon. My name is Jason Reiger. I'm
4 representing ORA in this manner.

5 A Good afternoon.

6 Q I would like to start off by paraphrasing your
7 position, and tell me if I'm correct, regarding
8 implementation costs. San Diego Gas & Electric's
9 position is that the first CCA pays the implementation
10 costs up front, and the that CCA is reimbursed by
11 following CCAs to a share of those costs; is that
12 correct?

13 A Yes, that is generally correct.

14 Q My question is: Would San Diego Gas &
15 Electric be in charge of determining which CCA owes
16 which CCA money in that situation?17 A I would think the utility has the information
18 to do that calculation, because the utility knows which
19 CCAs reimburse the utility initially, and they know
20 which CCAs have subsequently been formed.21 Q What role of oversight do you see for the
22 Commission, if any?23 A I think the Commission would have to approve
24 the methodology in that process. It would probably also
25 be tariff language that would have to be developed and
26 approved.27 Q Can I ask you about load profiles generally.
28 And take a hypothetical situation where there is a CCA

1 formed in Inland Valley with a peak year load profile
2 than the utility system average, but they still use that
3 system average in calculating the CRS. My question is:
4 Would the remaining bundled ratepayers be subsidizing
5 the CCA's costs?

6 A I wouldn't call that a subsidy. I think that
7 is the way current rates are designed today. So unless
8 there is some specific goal of having more cost-based
9 rates for each CCA and each customer type, I wouldn't
10 call that a subsidy or any more subsidy than exists in
11 current rates.

12 Q Were you here when Mr. Bell took the stand?

13 A Yes, I was.

14 Q Do you recall his discussion about Southern
15 California Edison and San Diego Gas & Electric's
16 treatment of baseline and rate design?

17 A Yes, I generally recall that discussion.

18 Q And, as I recall, correct me if you recall it
19 this way, he was -- generally he looked at it favorably
20 that they were moving away from generation rates in
21 regards to having that baseline treatment. Do you
22 recall that?

23 A Yes. He mentioned that in their future filing
24 they will be making such a proposal.

25 Q Do you support that trend?

26 A Yes. That is consistent with SDG&E's proposal
27 in this proceeding to eliminate rate distortions, or
28 price signals, that don't need to be in generation rates

1 that could instead be in other rate components.

2 Q How do you foresee SDG&E's proposal being
3 implemented in that area?

4 A I think it is best described in my rebuttal
5 testimony where I describe how generation rates could be
6 modified with the current rate differences by tier, and
7 subsidies removed from generation and instead placed in
8 the PPP charge. So, if you would like, we can go
9 through that testimony in more detail. But that is
10 really where it is described.

11 Q Do you have a view on how the technical
12 aspects of it that is in your testimony would be
13 implemented through Commission procedure?

14 A Procedurally I think the Commission needs to
15 adopt the concept, and it would require a tariff filing
16 ultimately that the Commission would have to approve.
17 SDG&E's proposal wouldn't cause any overall rate changes
18 to bundled service rates. It still would have the same
19 total rate, but require recategorization of certain rate
20 differences in transmission -- not transmission, excuse
21 me, in generation and PPP. So it would require several
22 tariff changes that we would have to make to our tariffs
23 and file with the Commission.

24 MR. SZYMANSKI: Just so the record is clear, would
25 you explain what PPP means?

26 THE WITNESS: Public purpose program costs.

27 MR. SZYMANSKI: Thank you.

28 MR. REIGER: Q Do you object to using PG&E's

1 scaled CRFs in the short term and then in the long term
2 have each IOU be slightly different?

3 A I don't disagree with the idea that utilities
4 can implement the concept differently. I think because
5 of utility-specific circumstances it might be advisable
6 to do it differently. But for SDG&E in particular, I
7 don't think we need to use PG&E's interim methodology.
8 It would actually be more complicated for us to go with
9 a tiered CRS-type rate structure.

10 Q How quickly do you think you could implement
11 your proposal?

12 A It is probably more of a procedural issue than
13 a system issue, because I think we've got systems that
14 are relatively flexible and can implement our proposal
15 quite quickly. It is more of a procedural question of
16 how quickly we can get tariffs modified and changed.

17 Q Do you think you can implement that before the
18 first CCA is ready to depart?

19 A Yes.

20 MR. REIGER: No further questions, your Honor.

21 ALJ MALCOLM: Thank you, Mr. Reiger.

22 Mr. Como.

23 MR. COMO: Your Honor, if it is all right with
24 you, we thought we could go in different order, and
25 Mr. Huard could go first?

26 ALJ MALCOLM: Okay.

27 MR. HUARD: Thank you, your Honor.

28 CROSS-EXAMINATION

1 BY MR. HUARD:

2 Q Good afternoon. My name is David Huard. I'm
3 appearing on behalf of the County of Los Angeles and the
4 City of Chula Vista.

5 A Good afternoon.

6 Q You were here during the cross-examination of
7 Mr. Magill, weren't you?

8 A Yes.

9 Q And you heard his deferring of basically
10 general rate design issues to you?

11 A Yes.

12 Q So what I would like to do is to get a one
13 time and one place from you an understanding of
14 basically the types of charges, the types of
15 proceedings, whether they are set now or set in the
16 future, so that we have a picture of what at least your
17 proposal would look like from a procedural standpoint
18 for assessing of costs, effectively rate design.

19 The first one is -- let me just make sure I've
20 got the categories of costs. I believe that we've
21 talked about transaction costs, we've talked about
22 implementation costs. If you could instead of nodding
23 say yes?

24 A Yes.

25 Q Thank you.

26 And the breakdown into another category which
27 was basically the CRS; is that correct?

28 A I remember that discussion.

1 Q The CRS has a number of subcategories?

2 A That is right.

3 Q And I believe it was deferred to you to give
4 the specifics as to what those subcategories are. Could
5 you recite them, please?

6 A Yes. Under SDG&E's proposal, we are proposing
7 to use Navigant's CCA-in/CCA-out methodology, and that
8 methodology would be used to identify two components.
9 The first component would be the DWR power charge that
10 is associated with the DWR contracts, in a general
11 sense. There is also a component that would be
12 associated with the utility procurement cost. And it
13 would be separately identified under SDG&E's proposal
14 through this CCA-in/CCA-out methodology.

15 The third component would be a component to
16 identify any over- or under- -- excuse me, any over- or
17 undercollections that are due to the CCA customers at
18 the time they migrate from bundled service customer.

19 Q In that latter category is that vintaging, or
20 is that your annual sort of open-season situation?

21 A The last category is really which type of
22 over- or undercollections that exist in our normal
23 balancing accounts.

24 Q Okay.

25 A For example, the ERRA account.

26 Q That is the true-up, then, that they've talked
27 about euphemistically?

28 A That is different. The ERRA account is

1 associated with our procurement cost. That is always
2 either an over- or undercollection. We true that up
3 annually. And to the extent there is a true-up, those
4 costs should be assigned to a CCA customer also.

5 Q You left off bond costs within that category.
6 You have DWR power charge, URG, over- and
7 undercollection, and ERRA. Are you substituting CTC and
8 the bond charge from CRS?

9 A Yes. The bond charge we are proposing as a
10 nonbypassable charge. It is currently an unbundled rate
11 component. Under our proposal it would simply be
12 applied to a CCA customer, so the applicability of the
13 bond would be simply changed to include CCA customers.

14 The CTC charge would be designed in the
15 CCA-in/CCA-out methodology in total using a total
16 portfolio methodology. And currently SDG&E has a CTC
17 charge that would be used as a reduction of the
18 indifference amount.

19 Q That is an annual proceeding as well that is
20 included in the ERRA?

21 A In the future it will be an annual proceeding.
22 Currently -- we have not changed our CTC for several
23 years.

24 Q When will that annual proceeding begin, is
25 that effective for 2005?

26 A I'm not sure of the timing of that. I believe
27 it is a late-year proceeding that starts annually.

28 Q For implementation, is the implementation

1 charge, or charges, are they intended to be basically
2 those charges we referred to what the first mover or
3 first CCA would pay for program implementation as
4 separate from transactions involving customers?

5 A The actual components of what are included in
6 the up-front costs are probably better described by
7 witness Osborne.

8 Q I know the details, but just from the
9 standpoint of conceptually, what is that intended to
10 coral in or otherwise include?

11 A I might miss some of the categories, but
12 conceptually it is the system changes associated with
13 billing changes.

14 Q So effectively start-up of the program?

15 A Generally I believe that is correct.

16 Q Under your proposal that would be assessed on
17 the first CCA that goes into operation, then
18 subsequently reduced, as you described in responses to
19 Mr. Reiger?

20 A That is correct.

21 Q If I remember correctly, on the transaction
22 costs, the rebuttal testimony again, you probably may
23 want to defer to Ms. Osborne on this, but if I remember
24 correctly, you are now not proposing specific charge
25 levels for them other than just categories in
26 methodology. So you don't have a specific sense that
27 you are asking to be approved in this phase?

28 A I believe that is correct, and Ms. Osborne

1 would be the better witness to ask that question.

2 Q So what I'm trying to -- if a CCA is looking
3 at what charges it may face, or forms of charges, and
4 then what proceedings those would be set in, it is
5 looking at transaction costs that would be subject to a
6 later phase of this proceeding, presumably?

7 A Presumably, that is correct.

8 Q Secondly, it is looking at implementation
9 costs that would be subject to, again, a final
10 determination of what the cost methodology would be in a
11 later phase of this proceeding?

12 A I believe that is correct.

13 Q And then on those, if it were in your service
14 territory, on those costs it would also then be looking
15 at some sort of true-up or proceeding at which time
16 another CCA enters the scene?

17 A I don't know that it would require a
18 proceeding, but just a methodology would be established
19 to be able to flow back funds that are remitted from
20 other CCAs to the initial CCA.

21 Q Do you think it would be reasonable that the
22 first CCA wants to make sure it wasn't subsidizing the
23 second CCA.

24 A Certainly. You want the tariffs to explain
25 that methodology.

26 Q Then as to the DWR power charge or the
27 indifference charge that we've talked about with regard
28 to the CRS, that would be subject to the annual

1 proceeding associated with looking at DWR's power
2 charge?

3 A Yes. That is our proposal to look at that
4 annually.

5 Q And that proceeding would also include the URG
6 costs and the over-, undercollection that you referred
7 to separate from the CTC?

8 A The over- or undercollection, which is really
9 a review of the utilities' accounting status, may not
10 need to be a part of that proceeding.

11 Q So that is potentially another proceeding
12 that -- I mean equivalent to basically account balancing
13 type proceeding?

14 A That is right. It may not be a proceeding,
15 but more advice letter filing to provide information.

16 Q Then the CTC has an annual proceeding for
17 resetting, which at this time you don't know when that
18 is going to begin, but that is set to begin sometime?

19 A That is correct.

20 Q The bond charge you propose to be
21 nonbypassable, will the bond charge be adjusted at any
22 time?

23 A Yes. Annually the DWR looks at the bond
24 charge and it potentially can be adjusted annually.

25 Q Did I miss anything?

26 A Probably.

27 (Laughter)

28 ALJ MALCOLM: I object.

1 MR. HUARD: Q Part of this process is to
2 determine for the potential CCAs what it has to look at
3 for considering. So all that was a very good response,
4 can you answer it? Do you know of any others that I
5 would have deleted?

6 A Not specifically.

7 Q How does open season and vintaging then affect
8 these categories of expenses and proceedings that we've
9 just talked about?

10 A Well, under SDG&E's proposal, the open season
11 process would be the means of acquiring the data from
12 the CCA and the commitment of the CCA regarding the
13 timing and the load that would, I believe, flow into the
14 procurement proceeding.

15 Q That would go into the utility procurement
16 proceeding?

17 A I believe so.

18 Q Would that have an impact on the establishment
19 of the CRS for DWR power charge and URG costs?

20 A That data would also be used, I believe, to
21 establish the assumptions for doing the CCA-in/CCA-out
22 calculations.

23 Q That gets us to vintaging. How does
24 vintaging -- is vintaging still involved if you have an
25 annual open season or how does that then get
26 superimposed over all of this?

27 A If the details are certainly not all resolved,
28 yet we propose the open season details be addressed in

1 Phase 2, and also be coordinated with the procurement
2 proceeding. So certainly I would be speculating how it
3 would all fit together.

4 Q Bear with us; this is a rulemaking. I think
5 we are all speculating here.

6 Vintaging, you refer to vintaging as being
7 inevitable under the assumption that new utility
8 procurement contracts are included in the CRS
9 application. That is, I believe, in your rebuttal
10 testimony at page 4?

11 A Yes.

12 Q Your reply testimony?

13 A Yes, I recall that statement.

14 Q What I'm trying to figure out is if it is
15 inevitable, where is it going to hit?

16 A I think the vintaging piece would be in the
17 CCA CRS calculations. So each year CCA-in/CCA-out
18 calculations would be conducted, and the results would
19 be applicable to the CCA groups that are involved during
20 that open season process. So the open season process
21 each year and subsequent vintaged rates would be
22 established each year, if there were CCAs that formed
23 that year.

24 Q Okay. So to go back a little bit, the open
25 season then would affect both the annual procurement
26 proceeding and then the CRS for the CCA-in/CCA-out
27 calculation. Would either or both of them then also be
28 subject to some form of true-up or reconciliation?

1 A Yes. Under SDG&E's proposal, the CCA CRS
2 would be trued-up annually as part of the annual DA CRS
3 proceeding.

4 Q But the annual procurement proceeding, since
5 it is not setting rates, would not necessarily have that
6 kind of true-up, would that be correct?

7 A That could be correct. I'm not quite sure
8 what the scope of those proceedings might be in the
9 future.

10 Q If we get into the vintaging, then we have the
11 CRS, which is subject to an annual true-up, would also
12 then be subject to vintaging based on when a CCA comes
13 on. Would it also be affected by the change in load of
14 the CCA, I assume? Let's say the CCA grew, would that
15 also affect vintaging?

16 A Potentially. I'm not quite sure how the
17 details of the open season process might be developed.
18 But potentially the CCA might submit some type of
19 revision to his proposal to reflect load growth.

20 Q Aren't there now multiple categories of CRS
21 charges for different types of departing load customers?

22 A I'm not quite sure what you are referring to.

23 Q Let me try again.

24 Isn't there now a calculation of CRS charges
25 for departing load associated with distributed
26 generation, municipal departing load, and direct access?

27 A I believe that is correct. There are slight
28 variations among the calculation methods for those types

1 of customers.

2 Q So we are effectively adding then a fourth
3 category of, I guess, departing load customer, for lack
4 of a better term?

5 A Certainly it is a different category and a
6 different calculation process.

7 Q Now we are talking about in the proceeding in
8 which a CCA CRS would be determined associated with the
9 CDWR estimations, or the Navigant calculation. We would
10 have four separate forms of calculation of charges for
11 four different categories of departing load customers?

12 A There may be commonality among these types of
13 customers that could be used to simplify the
14 calculations. But I suspect there would be differences
15 that would have to be reflected in the calculations
16 annually.

17 Q But you don't know what they are and you
18 haven't suggested any particular differentiation then?

19 A Not at this time point.

20 MR. HUARD: Your Honor, those are all the
21 questions of this witness.

22 ALJ MALCOLM: Thank you, Mr. Huard.

23 Mr. Como.

24 CROSS-EXAMINATION

25 BY MR. COMO:

26 Q Good afternoon. I'm Joe Como with the City
27 and County of San Francisco.

28 A Good afternoon.

1 Q I would like to turn to your rebuttal
2 testimony, page RWH-1. On line 16 where you say that:
3 SDG&E's position is that the cap
4 benefits should be applicable to
5 bundled service customers as well
6 as CCA customers.
7 Do you see that?]

8 A Yes, I do.

9 Q The benefits are already applicable to the
10 bundled service customers, are they not?

11 A Yes, they are, and they are also applicable to
12 all bundle customers. That includes current CCA
13 potential customers.

14 Q Then are you in any way suggesting that the
15 CCAs can adjust their own generation rate to give their
16 customers the same benefit as the bundled service
17 customers currently enjoy?

18 A No, that's not -- we are not envisioning that
19 a CCA could design its own generation rates. But
20 SDG&E's proposal is intended to provide a price signal
21 that is easier to compare to.

22 So if we remove commodity or
23 generation-related subsidies and rate distortions, it is
24 easier for a CCA or customers to compare their options.

25 Q Let's talk about rate distortions. On page
26 RWH-5 of your rebuttal testimony -- I apologize, I think
27 some of my line numbering is messed up -- but the
28 sentence says that if allowed by the Commission, this

1 level of commodity rate distortion will provide
2 significant price incentive for customers to bypass
3 SDG&E bundled service in favor of CCA service.

4 A Yes, I see that sentence.

5 Q Aren't you just moving a distortion from a
6 generation rate to a public purpose charge under your
7 proposal? Isn't that just a different distortion?

8 A Yes. It is the same price signal overall, but
9 it takes it out of the generation component, which is
10 the basis of comparison for CCAs versus bundled.

11 So when that component is that distortion is
12 removed from generation, it doesn't change the overall
13 subsidy amounts or distortions. It just simply removes
14 it from the generation component.

15 Q Do you know what proportion of residential
16 consumption is in Tiers 1 and 2 within SDG&E's service?

17 A Approximately 70 to 75 percent.

18 Q And how much total revenue requirement comes
19 from Tiers 1 and 2 as a percentage of their total
20 revenue requirement? Do you have any idea, roughly?

21 A I don't have a particular number in mind for
22 that estimate.

23 Q Under your proposal in terms of shifting or
24 putting this surcharge in the public purpose program,
25 that would actually drive the Tier 1 and Tier 2 rates
26 for that component actually negative, wouldn't it?

27 A That's correct. It is simply providing the
28 subsidy in that rate category.

1 Q On page RWH-3, line 4, you indicate that SDG&E
2 has not yet recovered all capping shortfalls other than
3 the AB1X capping shortfall associated with SDG&E's 6.5
4 cent commodity rate cap. Undercollections are currently
5 being accrued and tracked.

6 Do you see that?

7 A Yes.

8 Q How much is that total at this point that is
9 being accrued and tracked?

10 A I believe I provide an estimate of that in
11 testimony I think on page RWH-5 in Footnote No. 9. I
12 note that the current AB1X amount is approximately
13 \$59 million per year. And with the current subsidies
14 that are being provided, rates are undercollecting by
15 approximately \$80 million per year.

16 Q Is there a total of the undercollection at
17 this point, though, roughly?

18 A Roughly, I think it's 50 or \$60 million.

19 Q And is this an undercollection that applies to
20 SDG&E, or does it apply to PG&E or Edison?

21 A I think the extent of it is much greater for
22 SDG&E just because of the unique situation that SDG&E
23 had with these particular rate changes that have been
24 implemented and have been rolled back since February 1,
25 2000. So I think SDG&E is in a unique situation
26 compared to the other utilities.

27 Q Does either Edison or PG&E have a similar
28 account, an undercollection for AB1X surcharge funds?

1 A I am not sure if they have a similar account,
2 but they probably have methods of tracking
3 undercollections if one were to occur.

4 Q But you don't know of any undercollections for
5 either of the other utilities at this point?

6 A That's right.

7 Q So in terms of SDG&E's unique situation, this
8 is a problem that's more severe for SDG&E?

9 A That's correct.

10 Q In terms of this undercollection, why would
11 SDG&E propose that all the utilities adopt this
12 methodology?

13 A This is really a way to address it in the
14 longer term. As I note, the duration of the AB1X cap is
15 not certainly clarified. It could be until 2013 or one
16 assumption might be 2022.

17 So in the long run if rates were capped at
18 current levels, it is likely that the same situation
19 could occur with other utility rates also, not just
20 SDG&E's.

21 Q But it is currently not occurring with other
22 utility rates?

23 A That's right. I think it is particular to
24 SDG&E at this point, and I think that is another reason
25 why utility-specific circumstances should be considered.

26 Q You are suggesting putting this shortfall into
27 the public purpose program rates; is that correct?

28 A That's correct.

1 Q And do any of the other utilities have
2 shortfalls like that recovered in public purpose program
3 rates?

4 A Currently, I am not sure if they do. I know
5 another category that we include with public purpose
6 programs is the energy procurement charge that is
7 layered in with PPP charges currently. So it is not
8 unheard of to add additional components to the PPP
9 charges in tariffs separately identified, but for
10 billing purposes it is included with the PPP category.

11 Q Explain to me philosophically why the PPP
12 category versus a separate line item, for instance.

13 A A separate line item would be another
14 possibility to have a column of rates in our tariffs
15 that would have a new nonbypassable charge associated
16 with these type subsidies. But for administrative ease,
17 it seemed appropriate to include the PPP category, which
18 as I described, is entitled public purpose program
19 costs, even though it is not an AB 1890 type program
20 cost. Its purpose seems similar to the PPP category
21 compared to other rate categories.

22 Q In terms of your concern with distortion of
23 price signals, the distortion of rates, I should say,
24 wouldn't the least distortion be a separate line item if
25 your proposal was to be accepted?

26 A Overall it would provide the same price
27 signal. As we show in our tables, the price signal
28 remains unchanged from current rates. So on customer

1 bills they would still see the same total rate per
2 kilowatt-hour per tier level. It is just really a
3 categorization of the cost in with PPP.

4 But as you mentioned, it could be described on
5 a separate line item, but that would just be an
6 additional line item that may or may not be useful.

7 Q If you are adjusting under your proposal, if
8 you are adjusting either distribution component or the
9 public purpose charges component and applying that to
10 bundled customers and community choice aggregation
11 customers and potentially direct access customers but
12 not in this proceeding --

13 A That's correct.

14 Q -- wouldn't you in essence be raising rates
15 for all the customers to make up for this shortfall?

16 A No, because we haven't changed total rates for
17 bundled customers. So when you add up the noncommodity
18 piece with the generation component, you still have the
19 total rate that is unchanged.

20 So in sum we still would collect the same
21 revenue from bundled customers.

22 Q Let me ask you, do you understand the issue of
23 cost shifting with regard to AB 117? We have discussed
24 it ad nauseum.

25 A Yes.

26 Q Is that shortfall that was caused by AB1X,
27 say, treatment by SDG&E, what did you say, \$60 million
28 approximately at this point, was that caused by AB 117

1 noncost-shifting direction?

2 A I am not quite sure I understand that
3 question.

4 Q Let me break it down.

5 AB1X passed and therefore under SDG&E's rate
6 treatment that resulted in a shortfall of AB1X surcharge
7 funds, correct?

8 A That's correct.

9 Q And you stated that the amount was at this
10 point a shortfall of about 60 million?

11 A It is approximately \$80 million per year, but
12 I think the actual accrued amount up to this point is in
13 that neighborhood of approximately 60 million.

14 Q Would you say that shortfall is caused by
15 AB 117?

16 A No.

17 MR. SZYMANSKI: Clarification. Do you mean AB1X?

18 MR. COMO: No. AB 117.

19 THE WITNESS: No. Those customers are currently
20 bundled. So it's been accrued, as those customers are
21 bundled customers, not CCA-type customers.

22 MR. COMO: Q Under AB 117, depending on
23 definitions, I don't know how it is interpreted, the
24 basic gist is that there should not be cost shifting to
25 bundled rate customers as a result of either community
26 choice aggregation or some activity in general?

27 A In general, that's correct.

28 Q And, of course, we will decide that as this

1 proceeding goes on. But do you see this shortfall being
2 part of that cost shifting? Do you see this cost
3 shifting being implicated by that \$60 million or
4 \$80 million?

5 A I believe it is important to correct current
6 price distortion so it doesn't cause additional upward
7 pressure on bundled rates, but it hasn't necessarily
8 caused any cost shifting up to this point.

9 But rates need to be structured appropriately
10 to avoid any distortions or uneconomic implications due
11 to CCA.

12 Q But that is a situation that already exists
13 and is not as a result of community choice aggregation?

14 A That's right.

15 Q In terms of putting the AB1X surcharge into
16 bundled rates design, even though you are not changing
17 the overall cost to bundled service customers, wouldn't
18 you have to go through, say, a general rate case or some
19 rate design window to do that?

20 A Yes. I believe for SDG&E it would be
21 appropriately addressed in a rate design window. But I
22 think we need guidance from the Commission in this
23 proceeding to authorize us to make such a proposal so it
24 is not highly contested in a future rate design window
25 where we would propose the actual tariff changes.

26 Q So I am not sure I follow what the connection
27 is with community choice aggregation for that piece, for
28 the bundled service customers rate design change.

1 A I think in this proceeding the Commission
2 should acknowledge that rates in their current form
3 could cause uneconomic decisions by CCAs because of the
4 generation distortions. So I think it is important that
5 the Commission acknowledge that and address it in this
6 proceeding giving guidance on removing of those
7 generation price distortions.

8 Q But you couldn't -- in this proceeding you
9 couldn't affect the rate change and bundled service
10 customers' rates at this point?

11 A We couldn't change rates in this proceeding
12 without affecting total rates, as I mentioned. It is
13 just a recategorization of those costs to another
14 category.

15 Overall, it would have no impact on bundled
16 rates. So potentially the Commission could adopt that
17 procedure and that process of moving those costs to a
18 PPP category.

19 Q Aren't there customer groups like UCAN, for
20 instance, that would be interested in a rate design
21 change that are not part of this proceeding?

22 A I don't think they would be interested in this
23 aspect because it has no impact on rates in total. It
24 is just a categorization and more of an accounting
25 process moving it from generation to PPP.

26 Q In terms of the nonbypassable nature within
27 your proposal of the public purpose program with
28 surcharge put in there, is that a bypassable charge to

1 distributed generation customers?

2 A I think it is nonbypassable only to the extent
3 other charges are nonbypassable. So certainly with
4 reduced usage, if it is not specifically identified as a
5 charge that must continue, it would be bypassable. I
6 think as it is today, if a customer reduces usage today,
7 he is bypassing the ABlX cost.

8 MR. COMO: Thank you, your Honor. That's all I
9 have.

10 ALJ MALCOLM: Thank you, Mr. Como.

11 Ms. Grueneich.

12 MS. GRUENEICH: Thank you.

13 CROSS-EXAMINATION

14 BY MS. GRUENEICH:

15 Q I am Dian Grueneich with the Local Government
16 Commission Coalition. I do have a few questions.

17 I would like to follow up on some of the
18 questions that you were just asked.

19 As I understand it, under your proposal, what
20 you said was that you anticipated that UCAN would not
21 care about what's being done in this case because while
22 there would be a shift for bundled customers in their
23 charges from generation to the public purpose program
24 charge, there will be no impact on total rates. Did I
25 understand your testimony?

26 A That's correct. It would have no impact on
27 customer bills, but it would impact the amount of
28 dollars shown in the generation category versus the PPP

1 category.

2 Q Let me ask as a hypothetical. If in fact UCAN
3 did care about not just the total rates but the split in
4 charges between generation and PPP, does that mean they
5 should be here today questioning you on it because, if
6 not, if your proposal were adopted as you put forth in
7 your testimony in this case, that would be a decision?

8 MR. SZYMANSKI: Your Honor, I would like to state
9 a concern, if not an objection.

10 This witness clearly doesn't know what and
11 doesn't have personal knowledge regarding UCAN's
12 particular interest in any particular rate design
13 matter.

14 MS. GRUENEICH: That is why I stated it as a
15 hypothetical.

16 MR. SZYMANSKI: If we are talking about UCAN in a
17 kind of general hypothetical sense and not a particular
18 party, then I think we can let the question go forward.

19 But certainly I don't want to have any
20 misunderstanding about whether this witness knows
21 anything about UCAN's positions.

22 MS. GRUENEICH: Q Let's say if a party, so let
23 me modify, not have UCAN. If a party were concerned
24 about not just the total rate but the split between
25 generation and PPP, should they be in here today
26 addressing those concerns in questions to you because
27 you are recommending in your testimony that in this
28 case, in this phase, the Commission implement the change

1 between generation and PPP?

2 A Procedurally, I am not sure why they wouldn't
3 be here. But certainly it seems like if they are
4 interested in how we categorize our recovery of
5 revenues, that would be a point of interest.

6 Q So that the actual relief that you are
7 recommending be adopted is a change on the bundled
8 customer side. As you said, not changing the total
9 rates, but in the modification between the generation
10 and PPP charges?

11 A That's right. It would change how we
12 categorize recovery of certain costs.

13 Q And to go back to what I heard the rationale
14 for why it is in this case is because your belief is
15 that currently the generation portion of bundled rates
16 is inappropriately -- I want to make sure I get this --
17 too high and therefore gives a distorted cost signal to
18 potential CCAs?

19 A Certainly rates are subsidizing and other
20 rates are being highly subsidized in the generation
21 category. So if you are a small use residential
22 customer you are seeing a very small generation charge
23 currently. That's due to offsetting cap mechanism
24 adjustments being reflected in generation rates.

25 Q So I think the clarification you made is that
26 the current generation -- the current generation charge
27 in the rate is set artificially too low and that could
28 give an improper cost signal to potential CCAs, and that

1 needs to be corrected in terms of the AB 117 rules?

2 A It's both: Current generation rates have a
3 very low charge for baseline and a higher than average
4 charge for other nonexempt usage. So it's a combination
5 of low rates and high rates. That's giving a price
6 signal that's maybe giving an uneconomic price signal to
7 CCA customers.

8 Q Would you say the principle that you have just
9 espoused that the Commission should review rates for
10 bundled customers to see if they are giving
11 inappropriate cost signals to potential CCA should
12 extend beyond looking at the AB1X situation?

13 A I think it extends to all the generation
14 issues, certainly, because the generation category is
15 what's omitted from a CCA customer's bill. So to the
16 extent there's other generation rate distortions, I
17 think they are all important in this proceeding.

18 Q And that is something that should be reviewed
19 in the context of this phase in the case?

20 A I believe it is important to have a correct
21 generation price signal before CCA is implemented
22 because if you implement with distortions in the
23 generation rates, it could cause uneconomic decisions by
24 CCAs and CCA customers.

25 Q For some of these I think you have said that
26 no matter what the Commission would set as policy in
27 this case it might take another proceeding, say a
28 general rate case, to implement that policy; is that

1 correct?

2 A I mentioned either a rate design window or
3 maybe an advice letter filing that would address the
4 detailed tariff changes.

5 Q And is it SDG&E's position that prior to
6 commencement of CCA, those changes in the other cases
7 need to be implemented?

8 A I think it is important to correct the
9 generation price signals prior to implemented CCA. So I
10 believe that is important.

11 Q Could we end up with fairly significant delay
12 in the implementation of CCA if we have to go through
13 essentially another round of cases?

14 A Potentially it could be quite quick, at least
15 in SDG&E's circumstance, an advice letter filing or a
16 rate design window that would be filed in November of
17 this year and implemented early '05. So potentially it
18 is on a faster track than the CCA proceeding.

19 Q But conversely, if we ended up with changes in
20 generation rates that were contested, could it also end
21 up delaying things?

22 MR. SZYMANSKI: Your Honor --

23 MS. GRUENEICH: As a hypothetical.

24 MR. SZYMANSKI: This witness is reasonably
25 knowledgeable with Commission procedures and delays, but
26 I don't really understand the importance of asking my
27 rate design witness about Commission procedures and what
28 might cause a delay and how much of a delay.

1 I can understand that there are other
2 proceedings involved. And if the point is simply if
3 there are other issues that need to be considered before
4 CCA is implemented, that's a reasonable scope of the
5 question to ask about whether or not that needs to be --
6 whether or not certain other proceedings need to take
7 place before our proposal is adopted. But on the other
8 hand, asking about prospective delays and what might
9 cause a delay I don't think is -- and how that delay
10 might be managed in terms of Commission procedures,
11 advice letters, whatnot, I don't see that that is
12 particularly relevant and within the scope of our
13 witness' testimony.

14 MS. GRUENEICH: I do believe my question was
15 relevant, that he gave as one example an advice letter
16 or rate design window that would institute a generation
17 change.

18 And my question was a clear follow-up to that,
19 which is could there be other -- he has testified that
20 in his mind one of the things the Commission should look
21 at in this proceeding is changing generation charges
22 within rates, that they are sending an improper cost
23 signal to potential CCAs. So my question went directly
24 to that testimony which is in his mind with his
25 knowledge of PUC proceedings is it possible that there
26 could be a delay in implementation of CCA if in order to
27 accomplish those other proceedings they were disputed.

28 ALJ MALCOLM: It is an okay question. If he

1 doesn't understand some piece of Commission procedure he
2 can say so.

3 MR. SZYMANSKI: Okay, that's fine, your Honor.
4 Just when we talk about delay of this proceeding, I
5 don't know what a delay of this proceeding means. If it
6 contemplates an expected issuance date or an
7 implementation date, it would be a delay. An extension
8 beyond some anticipated implementation date, then I
9 don't think this witness nor his counsel know about it
10 at this point. So I don't understand --

11 ALJ MALCOLM: It is a reasonable hypothetical. I
12 think she wasn't referring to a proceeding, a procedural
13 delay, but a delay in implementation.

14 MR. SZYMANSKI: I see.

15 THE WITNESS: Generally, I think rate design
16 windows occur on schedule quite quickly usually. But if
17 this issue were to become contentious, certainly there
18 could be other proceedings or issues that might become
19 involved. But I don't know what kind of delay that
20 might cause.

21 MS. GRUENEICH: Q If I could turn to your
22 opening testimony on page 7.

23 And on this page, particularly I think in
24 lines 18 through 21, you describe SDG&E's proposal for
25 the open season and how that might -- how the results of
26 that might then be reflected in the CCA CRS. And I had
27 a couple of questions that I wanted to understand what
28 the proposal was.]

1 So I'm going to give you what I hope is an
2 easy hypothetical.

3 A Okay.

4 Q I'm going to start with CCA 1 and there's CCA
5 2.

6 A Okay.

7 Q And both of them give, during the open season,
8 a forecast of when they will begin CCA and what their
9 forecasted load is. And each of them predict -- make it
10 easy -- they're going to each have a load of
11 100 megawatts and they're each going to begin on January
12 1, 2006. So in my hypothetical, CCA 1 and CCA 2 are
13 identical: hundred megawatts each, January 1, 2006.

14 A Mm-hmm.

15 Q CCA 1 follows through on their commitment and
16 their actual results say at the end of 2006 are
17 consistent with what their forecast was. They've ended
18 up with a peak demand of 100 megawatts and they started
19 on January 1st.

20 A Yes.

21 Q Okay. For CCA 2, they did start on
22 January 1st, but it turns out that their loads were
23 half: 50 megawatts, to make it easy.

24 A Okay.

25 Q Could you, using that hypothetical, take me
26 through, under SDG&E's proposal, what would happen to
27 the CCA CRS if you can.

28 A Certainly. The details of the true-up process

1 and the open season have not been fully resolved. But
2 SDG&E's proposal is relatively simple in that we're
3 proposing to treat all CCAs that were participants in
4 that open season as a group. So it's a CCA group.

5 Q And I apologize for interrupting. But to make
6 this very easy, let's assume that the only participants
7 were CCA 1 and CCA 2.

8 A Yes. So under SDG&E's proposal, it's treated
9 from -- as a group from the beginning. So the true-up
10 process would treat the load as one group of load and
11 the nominations would be aggregated into one nomination
12 for that CCA group. So SDG&E's intent is primarily to
13 determine the revenue requirements for that CCA group
14 that would flow into the CRS calculations. It's not to
15 distinguish among -- one CCA versus another CCA within
16 the group.

17 To the extent there needs to be a more
18 complicated true-up mechanism among the CCA participants
19 in the group, that's beyond the scope of our proposal.

20 Q If I could just have one minute. I thought
21 that there was something on this page that had me
22 cause -- made me pause.

23 Let's assume in my hypothetical that instead
24 of CCA 2 being only 50 megawatts, it was 150 megawatts
25 in actuality.

26 A Okay.

27 Q And that SDG&E had 50 megawatts of surplus
28 power then. This is very simplistic. But if you think

1 about -- its forecast had been only a hundred megawatts
2 of customers would leave; for whatever reason, 150 left.
3 SDG&E had procured 50 megawatts. Let's further assume
4 that SDG&E sold it on the market and there was a loss.
5 So we've ended up with an additional cost as a result of
6 a misforecast by the CCA -- by CCA 2. In my
7 hypothetical, CCA 1 was right on the money.

8 When it comes time to do the CRS calculations,
9 under SDG&E's proposal, would CCA 1 and CCA 2 end up
10 paying the same CRS, even though one was on the money
11 and one had a significant difference in their
12 calculations?

13 A Yes. Certainly, the details are not resolved,
14 but under the most simplified proposal that we're
15 presenting, yeah, it's treated as a group. So it
16 doesn't matter that one CCA was higher than the other.
17 They're treated as a group for purposes of the true-up.
18 And that ensures that we can still recover the amount of
19 revenue that we need to keep bundled customers whole.
20 But as I think you're alluding, it doesn't necessarily
21 true-up one CCA to another CCA.

22 Q Do you believe that AB 117 requires any
23 protection against cost shifting as between CCA
24 customers?

25 A I'm not quite sure how it would require
26 the cost shifting interpretation for CCAs. But the way
27 we've interpreted it for our purposes in our proposal is
28 the avoided cost shifting to bundled customers. So

1 we're ensuring the revenue that we need to collect from
2 CCAs is flowed back to bundled customers. But
3 certainly, we haven't addressed the potential for
4 cost-shift from one CCA to another.

5 Q I have a question about your rebuttal
6 testimony, and I think it's table B on page 6.

7 A Okay.

8 Q As I understand it, under the proposal --
9 looking at column G which is the PPP, or public purpose
10 program, what SDG&E is proposing, looking at Footnote 12
11 on that page, is that in addition to the current PPP
12 rate and the current procurement energy efficiency
13 surcharge that would also be included within that PPP
14 surcharge would be the AB 1X credits and surcharges; am
15 I correct?

16 A That's correct. It includes the credits and
17 surcharges that were shown in table A in Column J.

18 Q Wouldn't you need, at a minimum, a new name
19 for that to distinguish it that it was no longer just
20 the public purpose program charge?

21 A There might be a more descriptive name. But
22 as we -- as I noted, we also added procurement energy
23 efficiency surcharge rate to it and we didn't change
24 the name.

25 Q Actually, I had a question on that. Where is
26 the current procurement energy efficiency surcharge rate
27 shown?

28 A It's shown on each rate schedule as a

1 footnote, but it's included with the PPP surcharges.

2 Q So it's currently included in the PPP charges
3 on the customer bill?

4 A Yes, as a separately identified surcharge.

5 Q In making this proposal where the AB 1X
6 credits and surcharges would be rolled in with the PPP
7 charge, did you do any research as to whether the
8 Commission in its decisions or legislation requires
9 the PPP charge to be identified separately on customer
10 bills?

11 A I think there is a requirement to identify a
12 line item PPP Charge. And I think the Commission's also
13 decided that other components can be included with it
14 with the recent implementation of other surcharges along
15 with it. But it does need to be as a separate line item
16 called PPP.

17 Q Would SDG&E have any objection to having a --
18 the AB 1X credit and surcharge separated out so that
19 customers could clearly distinguish between one portion
20 of their bill is for the public purpose programs and
21 what portion might be for the AB 1X?

22 A That would be an additional line item on
23 a customer's bill, but it's possible. But I'm not sure
24 what type system changes that might entail.

25 Q I guess what I'm trying to get to, was there a
26 specific policy reason why -- is there a specific policy
27 reason that SDG&E has for why it would not itemize
28 separately the AB 1X and the PPP charges?

1 A No. I don't think there's any particular
2 policy reason. It's just for administrative purposes,
3 it was included with that category. That seemed most
4 appropriate.

5 Q If I could ask you to turn to page 16, also in
6 your rebuttal testimony. And on lines 12 through 16 you
7 state the CCA customer will be subject to the CCA CRS
8 that includes the following components: the DWR power
9 charge component, the utility procurement charge
10 component, and the undercollection component; those
11 three items.

12 Could you clarify for me what you mean when
13 you refer to the undercollection charge component?

14 A Yes. As I described earlier, it's the over-
15 or undercollections that exist in SDG&E's balancing
16 accounts at the time a CCA customer migrates from
17 bundled service customers.

18 So it's -- an example would be SDG&E's ERRA
19 account, which would either have an over- or an
20 undercollection at the time a customer migrates.

21 Q So would this be a specific customer charge or
22 would this be a charge that SDG&E had determined was
23 applicable to the universe of CCA customers?

24 A This charge, again, I think would need to be
25 vintaged because it depends on when the customer
26 migrates from utility service. The ERRA could be
27 overcollected one year or it could be undercollected in
28 subsequent years, so that component could be either a

1 credit or a charge.

2 Q For each --

3 A For each --

4 Q -- CCA customer?

5 A Each CCA group that elects to migrate from
6 bundled service in a particular year.

7 Q Okay. I apologize. I may have missed this
8 entirely.

9 Is this the charge that's established as
10 a result of whatever end up being rules on what we've
11 referred to in this proceeding as new world procurement
12 and vintaging?

13 A No.

14 Q Okay.

15 A No. This is simply account balances that
16 exist at the time a customer migrates from utility
17 service.

18 Q Then could you just give me an example of what
19 might have led to these account balances, just one
20 example.

21 A Yes. In our ERRA account, which is our energy
22 account that's associated with energy procurement, it's
23 almost always going to be either an over- or
24 undercollection at the end of the year. And to the
25 extent it is an over- or undercollection, that amount is
26 carried forward to subsequent calculations. And if a
27 customer migrates from bundled service at a particular
28 time, that customer is either credited or should be

1 charged if there's an undercollection in that account.

2 So it's simply an account that currently
3 exists that tracks over- or undercollections that CCA
4 customers should be either responsible for as a credit
5 or charge.

6 Q Have you had a chance to review the DWR
7 testimony in this proceeding that we've marked as
8 Exhibit 1? And that's the prepared testimony of James
9 McMahon.

10 A Yes.

11 Q Do you happen to have a copy with you?
12 I'm looking at page 14 which is their Table 1.

13 A I don't seem to have a copy of it.

14 MS. GRUENEICH: By any chance, Mr. Szymanski, is
15 there a copy around? I myself am borrowing one.

16 ALJ MALCOLM: Let's go off the record.

17 (Off the record)

18 ALJ MALCOLM: Back on the record.

19 MS. GRUENEICH: Q I'm looking at Exhibit 1, page
20 14. Do you recall having seen this table before?

21 A Yes.

22 Q And if I could direct your attention to
23 Footnote 7, down at the bottom of the page, it states
24 that these indifference rates include only CTC and DWR
25 power components.

26 A I see that.

27 Q And I'd like to, with that in mind, have you
28 recall your testimony in your rebuttal testimony on page

1 16, where you had said that the CRS would include
2 the following components of the DWR power charge
3 component, the utility procurement charge component, and
4 an undercollection charge component.

5 Am I correct that in SDG&E's proposal you
6 would put the CTC in the unbundled rate category and
7 that in contrast under DWR's proposal they would include
8 the CTC in the indifference rate?

9 A Under SDG&E's proposal, the currently
10 effective CTC would be subtracted out from
11 the indifference amount. But the amount that remains
12 would be the impact on CTCs that would be pertinent to a
13 CCA customer. So if the CCA migration had an impact on
14 CTCs, that would be contained in the indifference amount
15 but the CCA would continue to pay the current
16 nonbypassable CTC charge that exists on tariffs today.

17 Q And when you say it would be in
18 the indifference amount, which of the charges that are
19 listed on page 16 of your testimony would that item show
20 up in? The CRS charges, as I understand.

21 A I believe it would be in the utility
22 procurement component. In the calculation of
23 the CCA-in/CCA-out methodology, it would look at the
24 total cost differences in that category. And after
25 subtracting out our current CTC rates, what is left
26 would be the procurement cost that would include
27 the impact on CTCs.

28 It's not specifically identified, but it's

1 part of the total portfolio methodology.

2 Q So a CCA customer would be paying the same CTC
3 that a bundled customer would be paying and it would
4 also pay the CTC impact portion as calculated in
5 the in/out methodology and that would be included under
6 the utility procurement charge?

7 A Yes.

8 Q Do you know if SDG&E's proposal for
9 the treatment of CTC that we've just described is
10 the same as the treatment of CTC in DWR's indifference
11 rate?

12 A I believe it is consistent. Even though it's
13 not separately identified in that proceeding as a
14 utility procurement component, it's all handled as one
15 calculation. And then SDG&E's current CTC rate is used
16 in that calculation.

17 Q I understand you just said consistent. My
18 question was, is it the same. And specifically, under
19 the methodology that DWR has, do you know whether they
20 have both a CTC that's included within the indifference
21 rate and the CCA customer being charged a separate CTC
22 charge?

23 A I believe it's the same because they use a
24 total portfolio methodology in determining the total
25 indifference rates, and the SDG&E's current CTC rate is
26 then subtracted.

27 MS. GRUENEICH: Okay. Those are all the questions
28 I have, your Honor.

1 ALJ MALCOLM: Thank you.

2 We'll be in recess until 2:30.

3 (Recess taken)

4 ALJ MALCOLM: Back on the record.

5 Mr. Fenn.

6 MR. FENN: Thank you, your Honor.

7 CROSS-EXAMINATION

8 BY MR. FENN:

9 Q Hello. I'm Paul Fenn with Local Power.

10 A Good afternoon.

11 Q You mentioned in your reply testimony RWH-2,
12 lines 1 to 9, in response to the ORA's recommendation
13 that CCAs should pay the full CRS every year and further
14 contending that by paying the full CRS every year there
15 would be no need for true-up amounts, you indicated that
16 a true-up would nevertheless be required.

17 Do you believe that there's any inconsistency
18 with the true-up and the provisions authorizing or
19 requiring that a CRS be established prior to any CCA
20 furnishing electricity?

21 I'll refer to you the statute which is
22 366.2(c)(8):

23 No entity proposing community
24 choice aggregation shall act to
25 furnish electricity to electricity
26 consumers within its boundaries
27 until the commission determines
28 the cost-recovery that must be

1 paid by the customers of that
2 proposed community choice
3 aggregation program, as provided
4 for in subdivisions (d),(e), and
5 (f).

6 So my question to clarify my question,
7 doesn't this language require that prior to initiation
8 of service, that the cost recovery must be paid --
9 that the Commission must determine the cost recovery
10 to be paid?

11 A I think the Commission does need to clarify
12 how that process will work. But I think the true-up
13 process satisfies another aspect of AB 117 regarding
14 cost shifting. So certainly they need to weigh all
15 the provisions of AB 117.

16 Q I understand that there are other provisions
17 of that statute that are relevant, but this is
18 the section that introduces subdivisions (d), (e), and
19 (f), and those are the sections in the code that deal
20 with undercollections, DWR, and then utility
21 procurement. And here it's saying that a CCA cannot
22 furnish electricity until the Commission has determined
23 the cost recovery that must be paid.

24 I guess what I'm asking you is doesn't that
25 mean that a specific charge -- or does that -- do you
26 believe that it does not require that a charge be
27 identified by the Commission?

28 A I think the only way it can work is if the

1 Commission approves a -- maybe an initial charge and a
2 process for truing-up.

3 Q Thank you.

4 The second question relates to the whole
5 subject of CCA-specific load factors and adjustments to
6 the CRS. And we have had substantial discussion of
7 variations from weather. I don't really want to go back
8 to that subject about whether or not the weather-based
9 load factors should be used to adjust the CRS. But
10 another permutation arises among cities that are now
11 attempting to implement community choice, particularly
12 that pursuant to Section 381.1 within AB 117, community
13 choice aggregators are authorized to implement energy
14 efficiency programs. In those programs, the peak loads
15 are the first target for energy efficiency programs.

16 So let's say for example in San Francisco,
17 they're proposing the 360-megawatt project that will
18 have a very significant impact on their peak loads.

19 So the question is, apart from weather
20 variations, if a CCA were to establish a community
21 choice program under one CRS that was, say, based upon
22 your system average load factor, but then go through a
23 10-year process of dramatically reducing their peak load
24 requirements, and at the termination of that contract,
25 then initiated a second contract under now significantly
26 changed conditions, do you believe that CRS load factors
27 that have been shaped through the policies of a CCA
28 should not be reflected in the subsequent CRS?

1 A I'm not sure I understand the entire question.
2 But under SDG&E's proposal, the same load factor would
3 be used because I think our intent is that we need to
4 keep bundled customers indifferent.

5 So if we would continually modify the load
6 profiles, that could have an impact on bundled rates,
7 which wouldn't be allowed under AB 117 either.

8 Q But in this case, wouldn't there also be a
9 savings in the sense that -- and San Francisco has a
10 peak load of 850 megawatts and a baseload of 650
11 megawatts. So if they removed all their peak and they
12 were just straight-based, 650 all the way around,
13 wouldn't that reduction which they have caused create a
14 benefit to bundled service customers that should be
15 reflected in the CRS?

16 A That's not our proposal that we would
17 incorporate those type of benefits.

18 Q But do you believe that that benefit would be
19 palpable; would recognize?

20 A It may flow through in the CCA-in/CCA-out
21 methodology. To the extent there is reduced cost based
22 on future load shapes, there could be benefits passed
23 through that means to CCA customers.

24 Q But you would propose that a CCA like
25 San Francisco that had virtually perfected its load
26 profile should not receive any CRS benefit as a result
27 of achieving that outcome?

28 A At least in this proceeding, we haven't

1 proposed any methodology, more refinement to
2 cross-subsidies that might exist among customers with
3 different type load profiles. So at least in SDG&E's
4 proposal, we haven't proposed methods to address them.

5 MR. FENN: Thank you, Mr. Hansen. I have no
6 further questions.

7 ALJ MALCOLM: Thank you, Mr. Fenn.

8 MR. SZYMANSKI: May I just have a moment off the
9 record?

10 ALJ MALCOLM: Sure. Off the record.

11 (Off the record)

12 ALJ MALCOLM: Back on the record.

13 MR. SZYMANSKI: Your Honor, SDG&E has just a
14 couple of redirect questions, please.

15 REDIRECT EXAMINATION

16 BY MR. SZYMANSKI:

17 Q Your Honor -- excuse me.

18 Mr. Hansen, you were asked a hypothetical a
19 little bit earlier that dealt with the issue of cost
20 shifting between CCAs. Do you recall that hypothetical?

21 A Yes, I do.

22 Q Does the outcome of that hypothetical affect
23 SDG&E's proposal regarding the open season?

24 A No, it doesn't.

25 I think our open season proposal was intended
26 to establish commitments and load forecasts from CCAs,
27 and it doesn't impact that proposal.

28 Q That proposal deals squarely with the

1 protecting of bundled customers from procurement
2 decisions that can be made outside of the utility; is
3 that correct?

4 A That's correct.

5 Q And isn't it true that issues of cost shifting
6 between CCAs could be potentially dealt with in Phase 2
7 along with other aspects of the open season proposal?

8 A That's correct.]

9 Q Thank you.

10 Next I wanted to discuss with you some issues
11 that were raised regarding the contents of your
12 testimony, and whether certain proposals regarding the
13 location of a nonbypassable charge were within the scope
14 of this proceeding. And I wanted to ask you about a
15 couple of aspects of the November 26th, 2003, scoping
16 memo in this case.

17 Specifically there is the following language
18 on page 5 it says -- pardon me, it is page 3. It says:
19 Phase 1 will address the following
20 issues, number one, the cost
21 responsible surcharge, cost
22 elements that should be included
23 in this surcharge in fulfillment
24 of AB 117; allocation of
25 responsibility for the cost and
26 whether they are nonbypassable.

27 Is it your view that your proposal, as it
28 relates to nonbypassable charges in avoidance of

1 economic distortions in generation rates, falls within
2 the scope of this proceeding as it relates to the
3 language I just read?

4 A Yes. I think it is related to that aspect of
5 removing generation distortions into nonbypassable
6 components.

7 Q Furthermore, on the same page it continues, it
8 says:

9 Phase 1 will address the following
10 issues, number two, the CRS
11 exemption for baseline residential
12 customers - whether the utilities
13 should pass along these subsidies
14 to CCA customers and, if so, how
15 to accomplish that.

16 Mr. Hansen, doesn't your proposal propose
17 exactly how to accomplish the issue of subsidies and
18 the location of the nonbypassable charge so as to
19 avoid various economic distortions to SDG&E customers?

20 A Yes, it does.

21 Q So it is your view as an expert in this matter
22 that these matters are squarely within the scope of this
23 proceeding?

24 A Yes.

25 Q And that your proposal falls within the scope
26 of this proceeding?

27 A Yes.

28 Q And last you were asked some questions by

1 Mr. Como regarding the nature of the nonbypassable
2 charge and reasons why the nonbypassable charge would be
3 associated with the SDG&E PPP charge. Do you recall
4 some of those questions?

5 A Yes, I do.

6 Q Is it your proposal that the location of the
7 nonbypassable charge be applied to any other utility
8 other than SDG&E?

9 A It is specific to SDG&E, since we may be in a
10 unique situation regarding AB 1X, and certainly not
11 required to be applied to the other utilities.

12 Q And is it the case that avoiding the economic
13 distortions that you talk about in your testimony can be
14 addressed most efficiently by associating those
15 nonbypassable charges with other nonbypassable charges,
16 or separately listing them so that we remove the effect
17 of an economic distortion in SDG&E's generation rates?

18 A Yes. That is SDG&E's proposal to move it from
19 generation category to the PPP category, which is
20 typically called nonbypassable component.

21 Q But the location of that nonbypassable charge
22 associated with the AB 1X subsidy need not be applied to
23 Edison, or PG&E, and yet should be applied generally --
24 let me start over.

25 Isn't it the case that the nonbypassability of
26 that charge is a separate question from where that
27 charge should be located in customers' rates?

28 A That is correct. It is not as important where

1 it is located as it is that it be a nonbypassable
2 component.

3 MR. SZYMANSKI: Thank you. That concludes my
4 redirect.

5 ALJ MALCOLM: Thank you, Mr. Szymanski. Is there
6 the any recross? No.

7 Thank you, Mr. Hansen, you are excused.

8 THE WITNESS: Thank you.

9 ALJ MALCOLM: Mr. Szymanski, you may present San
10 Diego's next witness.

11 MR. SZYMANSKI: Thank you, your Honor. SDG&E
12 calls to the stand Ms. Dawn Osborne.

13 ALJ MALCOLM: Good afternoon.

14 DAWN OSBORNE, called as a witness by
15 San Diego Gas & Electric Company, having
16 been sworn, testified as follows:

17 ALJ MALCOLM: Thank you.

18 MR. SZYMANSKI: Thank you, Judge Malcolm.

19 At this time SDG&E would like to mark Ms.
20 Osborne's testimony, reply testimony, and rebuttal
21 testimony served in this proceeding.

22 ALJ MALCOLM: All right. We will mark
23 Ms. Osborne's direct testimony as Exhibit 21.

24 (Exhibit No. 21 was marked for
25 identification.)

26 ALJ MALCOLM: Her reply testimony as Exhibit 22.

27 (Exhibit No. 22 was marked for
28 identification.)

ALJ MALCOLM: And her rebuttal testimony as

1 Exhibit 23.

2 (Exhibit No. 23 was marked for
3 identification.)

4 MR. SZYMANSKI: Thank you.

5 DIRECT EXAMINATION

6 BY MR. SZYMANSKI:

7 Q Ms. Osborne, was the testimony just identified
8 prepared by you or under your supervision?

9 A Yes.

10 Q Do you have any changes, corrections, or
11 clarifications you would like to make to any of these
12 documents?

13 A Yes, I do have a few.

14 Q Please proceed.

15 A Okay. In my direct, on page 6, line 4, I
16 would like to take out parenthetical "(also referred to
17 as recurring)." So the sentence would just read
18 "transactional costs."

19 On page 7, line 14, I would like to add the
20 word "a" so the sentence would read:

21 Provide this information for any
22 customer account with a demand
23 over 500 kW.

24 Page 9, line 16, I would like to replace
25 "applicable" with "estimated." So after the comma it
26 would read "then the estimated charge."

27 MR. HUARD: You are on page 9?

28 THE WITNESS: I am.

1 MR. HUARD: Line 16?

2 THE WITNESS: I'm sorry, line 6.

3 MR. HUARD: Can you try again, because you said
4 "16."

5 THE WITNESS: I'm sorry. After the comma I'm
6 going to replace "applicable" with "estimated." So
7 after the comma it would read, "then the estimated
8 charge."

9 My next change would be on page 19, line 3,
10 after the word "aggregated," add "and account specific."
11 So that would read:

12 A one-time fee to provide the
13 aggregated and account-specific
14 data...

15 In my testimony, page 1, line 17, replace
16 the word "cost" with "activities." So that line would
17 read:

18 Necessary to provide or respond to
19 CCA activities and exclude any
20 activities that are already
21 included.

22 And the last change is in my rebuttal, page
23 5, line 16, and I would like to replace "passed onto"
24 to read "shared with." So it would be:

25 Revenue requirement would
26 ultimately be shared with all
27 ratepayers.

28 MR. HUARD: I'm sorry to do this to you again,

1 that was your rebuttal at page 5, line 16?

2 THE WITNESS: Yes.

3 ALJ MALCOLM: That is what I have.

4 Let's go off the record.

5 (Off the record)

6 ALJ MALCOLM: Back on the record.

7 MR. SZYMANSKI: Q Do those changes conclude the
8 changes that you propose to make to your prepared
9 testimony?

10 A Yes.

11 Q And to the extent these documents contain
12 factual assertions, did these assertions reflect -- are
13 they true and correct to the best of your knowledge?

14 A Yes.

15 Q And to the extent these documents contain
16 judgments, do they contain your best professional
17 judgments?

18 A Yes.

19 Q And you adopt this prepared testimony as your
20 sworn testimony in this proceeding?

21 A Yes.

22 MR. SZYMANSKI: Thank you. Ms. Osborne is
23 available for cross-examination.

24 ALJ MALCOLM: Thank you.

25 Mr. Reiger.

26 MR. REIGER: Thank you, your Honor.

27 CROSS-EXAMINATION

28 BY MR. REIGER:

1 Q Good afternoon. I'm Jason Reiger. I'm
2 representing ORA.

3 A Good afternoon.

4 Q I have a simple question: When does a person
5 or business become a CCA customer?

6 A We would agree with SCE and PG&E that the
7 customer becomes a CCA customer at the time that the
8 account switches over. So that would be at the point
9 that the CCA starts providing energy to that customer.

10 Q Is that before, during, or after the opt-out
11 period?

12 A The opt-out period actually extends both
13 before and after. There are two notifications required
14 before the account switches or before the account can
15 automatically be enrolled and notifications contain
16 opt-out requirements. After the account switched, there
17 is an additional two notices required by AB 117 that
18 also include opt out requirements.

19 MR. REIGER: Thank you. No further questions.

20 ALJ MALCOLM: Thank you, Mr. Reiger.

21 Mr. Como, would you like Mr. Huard to go next?

22 MR. COMO: I'm sorry, I was talking over here.

23 MR. REIGER: We're done.

24 MR. COMO: Mr. Reiger is done. I don't have any
25 questions for Ms. Osborne, your Honor.

26 MS. GRUENICH: No questions, your Honor.

27 ALJ MALCOLM: Mr. Huard.

28 MR. HUARD: Thank you, your Honor.

1 CROSS-EXAMINATION

2 BY MR. HUARD:

3 Q Ms. Osborne, how are you?

4 A Good afternoon.

5 Q I'm David Huard. I'm representing the County
6 of Los Angeles and the City of Chula Vista?7 Could I get you -- first of all, in your reply
8 testimony on page 1 --

9 A Yes.

10 Q -- in a sentence that you've now revised at
11 the beginning of line 16 you define incremental costs.
12 And you go on to say at line 18 that:13 No such incremental costs are
14 associated with the implementation
15 of CCA currently in SDG&E's rates.

16 A Yes.

17 Q Is that then inconsistent with the rebuttal
18 testimony at page 1, line 17, that talked about SDG&E
19 currently reads meters each month, et cetera, so that
20 there are certain activities that are not incremental
21 that would be associated with CCA customers?22 A No, I don't see it as inconsistent. The reply
23 testimony on page 1 was speaking of incremental costs.
24 Those are the costs that basically the transactional
25 fees are based on. The rebuttal testimony on line 17 is
26 talking about the activities that are currently included
27 in SDG&E's base rates, such as reading meters.

28 Q So the -- in your Attachment A that has been

1 revised, you have transactional charges then the
2 differences, at least as I understand it, if there are
3 no transactional charges associated then with meter
4 reading, unless there is special meter instructions, and
5 that is part of your base rate?

6 A For SDG&E that is the case.

7 Q Going back to your direct testimony at page 5,
8 basically line 1, you've got:

9 An important element of an
10 exception fee is that it be higher
11 than the CCA's own cost so the CCA
12 is discouraged from considering
13 the fees as merely an acceptable
14 cost of doing business.

15 Did you vary your methodology in
16 establishing fees, exception fees, with that sentence
17 in mind?

18 A When we look at our exception fees that have
19 been identified in our fee worksheet attachment, those
20 fees, for the most part, represent the cost for SDG&E to
21 supply the service to the customer. And there is one
22 fee in particular which is the late fee, that is based
23 not on the actual cost, but based on basically market
24 price, as I've indicated in this testimony, which is a
25 commonly charged late fee.

26 So the intent is to ensure that CCAs, or ESPs,
27 are not inclined to be late on their payments in essence
28 using the utility's funds which could be cheaper than

1 their own funds of going out and accruing financing.

2 Q Is there only then that one exception fee that
3 is designed in that regard? I assume that there are
4 more than one exception fees, based on your table?

5 A Uh-huh.

6 Q Are any others affected similarly that is
7 pegged to market to discourage what you consider
8 activities?

9 A Right. This is the only one that is pegged
10 market.

11 Q Are there any others that vary from costs to
12 add an element of discouragement that you phrased there?

13 A They are based on our costs. All exception
14 fees do have an exception fee overhead built into the
15 calculation. And that overhead is to take into
16 consideration the unexpected nature of the activity. It
17 creates inefficiency. Quite often things need to be
18 handled out of the normal routine, which may require
19 overtime. So that overhead is to basically compensate
20 for those additional costs. We still -- it is a
21 cost-based activity.

22 Q How did you project then the special cost or
23 the special overhead for the exception fees? What kind
24 of methodology did you use to come up with that? Did
25 you measure, for instance, the number of overtime hours
26 that were spent on exception fee areas for direct access
27 customers?

28 A It is extremely hard to quantify that. So we

1 used proxy based on our authorized rate of return.

2 Q Do you want to explain that? What do you mean
3 you used proxy?

4 A We used a proxy overhead which is based on
5 authorized rate of return.

6 Q I didn't understand that at all. How does
7 your rate of return relate to a fee charge?

8 A It was just an estimate that, in fact, we felt
9 that that was an appropriate proxy as far as those
10 are -- those are -- those particular activities create
11 extra costs for the company. It is very hard to track
12 those types of costs. So the proxy is basically our --
13 the dollars that we would expect to have on hand for
14 doing business, that in fact the exception activities
15 have imposed an extra cost on us. So we felt it was
16 probably just an appropriate proxy.

17 Q Is it a multiplier, is it a percent per
18 activity?

19 A It is a percent on the cost.

20 Q So you take the cost and multiply it by your
21 authorized rate of return?

22 A Yes.

23 Q Is that overall rate of return, rate of return
24 equity, rate of return -- which one of your rates of
25 return did you use?

26 A Let me look for you. It is the before tax
27 weighted cost to capital.

28 Q Thank you.

1 A I should probably clarify that our exception
2 fees are for activities that are basically within the
3 ESP or CCA's control. If it is -- usually these types
4 of fees would only be charged when a CCA is asking us
5 to -- is asking us to send a report that we've already
6 sent to them.

7 Q Ms. Osborne, I understand what the exception
8 charges are. I didn't ask for a explanation of that. I
9 asked for an explanation for the calculation. If you
10 can confine your response to that.

11 A Okay.

12 Q On page 5 you also discuss at line 15 that a
13 CCA approved by the Commission must deposit with SDG&E
14 sufficient funds to cover the cost to developing the CCA
15 program prior to SDG&E commencing any work.

16 A Uh-huh.

17 Q First, let's just assume that a CCA is the
18 first CCA in your territory. What do you anticipate to
19 be the -- what should the deposit cover, in your mind?

20 A Basically we are looking for -- this is in
21 relationship to the implementation cost. And that as we
22 have testified before, this implementation cost would be
23 paid, or shared, among the CCAs doing business, and the
24 first CCAs doing business would be charged that cost
25 initially. We are looking at a deposit of the
26 implementation cost being made in advance of any work
27 being done.

28 We haven't -- that can be handle in several

1 different ways. They could deposit all of the estimated
2 costs for -- implementation cost, then we would conclude
3 our work. Or if they wanted to deposit, let's say, half
4 of it, then when we get to a halfway point, deposit the
5 other part. But, in essence, it would be basically
6 having cash on hand from the CCA as work -- or in
7 advance of any work being completed.

8 Q How would you determine how much they should
9 deposit if you haven't done any work at all?

10 A Before we do any work we will have an
11 estimated implementation cost that would be provided to
12 the CCA. And I think probably the most straight forward
13 and cleanest is that they would deposit that amount. If
14 the CCA felt that they wanted to look at other payment
15 alternatives, such as paying a smaller amount, or, let's
16 say, 25 percent of the amount, then we would do work up
17 until the time that we felt that we had exhausted that
18 level of funds.

19 Q Is this somewhat consistent with your, let's
20 say, the way that you charge parties for studies for,
21 let's say, wholesale distribution tariff interconnect
22 studies?

23 A I'm not familiar with how we charge
24 interconnection studies. It is very similar to the way
25 that any distribution line extensions are handled within
26 the company.

27 Q Would you be also charging as part of this
28 advance payment the cost associated with coming up with

1 the estimate?

2 A In -- as far as the implementation cost of the
3 CCA program, this would be the cost of basically to
4 implement the full program based on the rules and
5 regulations. We would, of course, actually expect to
6 have that cost estimated and filed with the Commission
7 when we file our final tariffs. And so there would not
8 be a charged estimate of that cost.

9 If a particular CCA is looking for customized
10 services, then we would basically sit down, discuss what
11 services the CCA would want, and we would provide an
12 estimate. But that estimate may be out of charge,
13 depending on how complex that request is.

14 Q That is basically the time and materials
15 proposal?

16 A Right.

17 Q To go back to the process by which the first
18 CCA would even know how much it was supposed to deposit?

19 A Uh-huh.

20 Q So you would anticipate that as part of the
21 process at the Commission this phase, or the next, that
22 you would come up with a stated amount that would be
23 required to implement the first CCA. Is that what you
24 said?

25 A At least at this point that is what we were
26 anticipating that, in fact, with Phase 2 the final rules
27 will be established. When the final rules are
28 established, we feel at that point we will have the

1 necessary information to both update our transactional
2 fees as well as establish an implementation cost.

3 Q You also -- have you considered any other
4 forms of assurance that you will be paid rather than
5 cash up front, such as letters of credit?

6 A Yes. We would be open to any type of
7 security. Basically our normal business type of
8 securities would be bond, letter of credit.

9 Q As you do with other --

10 A Exactly.

11 Q Sorry. I didn't get the question out before
12 you gave the answer.

13 A I'm sorry.

14 Q As you do with other types of changes like
15 this where you ask for up-front assurances?

16 A Yes. In particular what I'm thinking about is
17 with creditworthiness. If a customer needs to secure
18 their account, there are various forms of security that
19 are recognized within the utility. We would look to
20 those same ones.

21 Q And you would be proposing, as part of, I
22 assume, the implementation rules, that kind of
23 creditworthiness or alternative forms of payment then?

24 A Yes.

25 Q Customer confidentiality, I believe that
26 Ms. Keilani, as well as Mr. Magill, have deferred to you
27 on one of your proposals, as I understand it. In your
28 rebuttal you are proposing that on page 10 at line 8.]

1 You are proposing that, I assume from this,
2 that you have the opportunity to review any notification
3 that is drafted by the utility itself? By the CCA
4 itself. I'm sorry.

5 MR. SZYMANSKI: Your Honor I think that may appear
6 on line 6 on the versions that we have.

7 THE WITNESS: Thank you.

8 MR. HUARD: Q sorry. It is on my line 8.

9 Let me read you the sentence rather than give
10 you the line: SDG&E disagrees with CCSF and agrees with
11 SCE that, quote, the utility should have the opportunity
12 to review any notification to identify unclear
13 communications that might impact the utility business.
14 Certainly, all potential customers would benefit from
15 clear and accurate opt-out notices, period, end quote.

16 Do you believe the utility then has
17 effectively a veto power over the context of the
18 notification by the CCA?

19 A You know, I don't know if I would phrase it as
20 a veto power.

21 I think that, as it is stated here, it is to
22 all of our advantages to make sure the notices are clear
23 and accurate. I actually would probably envision that
24 maybe even the Commission may want to have one of their
25 divisions review the notices as well.

26 So I would hope that between the CCA and the
27 utility we could come to agreement as to perhaps content
28 to ensure that customers are providing clear and

1 accurate information.

2 I think if there was a disagreement we would
3 certainly perhaps seek Commission oversight.

4 Q Do you think that as part of an implementation
5 plan submitted to the Commission for its review that the
6 form of the letters could be submitted by way of that
7 implementation plan to eliminate the issue of who has
8 review rights?

9 A I think that would be a good idea.

10 Q On page 12, it is my line one, but I will read
11 you the sentence: In advance of the CCAs' program
12 notification and release of any private customer
13 information SDG&E will send a letter to all potentially
14 impacted customers.

15 A It's on page 11, line 20, of those that have
16 the other version.

17 Q Do you know of any section of the statute that
18 anticipated that the utility would be sending out
19 notices about data other than the notices that are
20 provided by the CCA for communication?

21 Is this just a good idea from your standpoint,
22 or is it something you particularly point to as a burden
23 that you may have?

24 A This in particular is in regards to our
25 concern about a change in releasing customer-specific
26 data without the customer's written permission.

27 And AB 117 clearly sees consumer protection as
28 an important issue. It requires certain requirements in

1 the CCA plan. It requires consumer protection to be
2 addressed in the CCA plan. It requires the CCA to be
3 registered with the Commission, and the Commission can
4 have additional input into the consumer required
5 additional requirements from the consumer protection
6 area.

7 And so even though AB 117 may not specifically
8 identify that in fact this notice should go out to
9 customers, it does not limit the Commission from
10 requesting it.

11 And in fact, even in the area where AB 117
12 talks about notifications, it talks about a minimum of
13 two notifications, both before the account switches and
14 a minimum of two notifications after the account
15 switches. So I think AB 117 anticipates that there
16 could be more.

17 Q The sections you refer to, those were the
18 requirements of the CCA notifications; is that correct,
19 "the CCA shall," et cetera?

20 A Well, it is the notification requirement in
21 order to ensure that the customer -- that we basically
22 automatically enroll all customers who have not opted
23 out.

24 Q Would you consider that if you sent that out,
25 that that would be an implementation cost that the CCA
26 would pay for?

27 A We feel that the cost for that letter in fact
28 would be consistent with the CCA program requirements to

1 prevent -- AB 117 requirements -- to prevent cost
2 shifting.

3 It is a result of a change in business
4 practice that is being made related to the CCA program.

5 So yes, I do feel it is a legitimate CCA cost.

6 Q To go back to the previous question, I'm
7 looking at basically page 7 of the statute. It says --
8 unfortunately the nomenclature, the numbering, maybe a
9 little difficult, but under mine it is listed as 13-A.
10 It says the community choice aggregator shall fully
11 inform participating customers within two calendar
12 months or 60 days in advance of the date of automatic
13 enrollment.

14 That doesn't say the community choice
15 aggregator or somebody else, does it?

16 A No. It does indicate that the community
17 choice aggregator is responsible for that notification.
18 I don't know if it prevents the community chase
19 aggregator from having someone else provide that
20 notification.

21 Q But I think if you look at the next section
22 down under B, these community choice aggregators may
23 request the Commission to order it but it is up to the
24 CCA; would that be a fair statement?

25 A If they choose to order the utility to make
26 that notification?

27 Q If they choose to request the utility be
28 ordered, to be totally accurate.

1 A Yes.

2 Q So to get back to this notification, do you
3 anticipate that the notification text would be reviewed
4 by the CCA for confirmation of accuracy?

5 A Yes. In fact, I think even in my rebuttal I
6 indicated that I would expect some concerns from CCAs
7 and that SDG&E at this point in my testimony indicated
8 that I would expect that the content of this letter to
9 be established during Phase 2, which will have input
10 from parties. And as well, before the letter would be
11 mailed out it would be reviewed by the Commission.

12 Q Do you think it would be an acceptable
13 alternative to have the letter come from the CCA with
14 approval by the Commission of the text, or from the
15 Commission itself in lieu of coming from the utility?

16 A I think in this particular case it needs to
17 come from the utility. The utility has been tasked with
18 keeping the customer information private.

19 The utility, basically -- we have been
20 advising customers that their information would not be
21 released except under certain conditions with their
22 authorization or legal conditions.

23 So if there's a change in the business
24 practice, I think it's important for the utility to let
25 the customer know that there has been a change, being
26 the party that would be releasing the information and
27 the party that has advised the customer in the past that
28 it would not.

1 Q I actually asked you a compound question and
2 you answered the second part. The first part was would
3 you agree that the text of your letter should be subject
4 to review by the CCA and potentially approval by the
5 Commission to make sure that it was giving the proper
6 information?

7 A We are open to that. When I talked about that
8 the letter would be -- that I anticipated that the
9 letter would be developed during the second phase, I
10 actually did anticipate that CCA parties would have
11 input to that.

12 In this case I think you are asking me the
13 specific CCA that would be involved in, I guess it would
14 be, the specific CCA, and we would be open to that as
15 well.

16 Q Let me ask you to turn to your reply testimony
17 at page 6, line 2. In that you say that neither a pilot
18 program nor a phase-in approach is needed or authorized
19 by AB 117.

20 A Yes.

21 Q I would like to basically ask you the is
22 needed because I am assumed that authorized involves a
23 statutory interpretation which is subject to the
24 Commission's determination, not your mind.

25 But as to needed, let me ask a slightly
26 different version of that, and that is whether it would
27 be easier -- were you here during the cross-examination
28 of Mr. Evans from PG&E?

1 A Yes.

2 Q Do you remember in his testimony that he
3 talked about using billing dates the same way that you
4 do on direct access to switch a customer?

5 A Hm-hmm.

6 Q Would you agree that using a billing date
7 switchover of a customer may be easier from an
8 accounting standpoint and an operational standpoint than
9 doing the all-at-one-time approach that you espouse?

10 A No. Actually, from our standpoint, it really
11 does not matter whether or not the account switchover is
12 in a one-month period on the customer's regular read
13 date or on a specific date.

14 The reason why we went back and actually --
15 the result of a specific date recommendation came out of
16 the workshop that we had on the detailed processes. And
17 the CCA parties that were there actually indicated that
18 they thought that it would be easier to be able to
19 enroll all of their customers on a specific date so that
20 they were not working with having to determine how much
21 procurement they would need on each day as the accounts
22 moved over.

23 We went back and we looked at that, and based
24 on SDG&E's systems, we were able to accommodate that. So
25 we actually put that forward.

26 So SDG&E is open to either whether or not the
27 Commission authorizes one date or to have the accounts
28 move over on the regular billing date. We can

1 accommodate either one. We would just want to be able
2 to plan for one or the other.

3 Q I appreciate that.

4 Second part of that is which one is more
5 expensive, getting down to the bottom line? Is it more
6 expensive to switch over on a single day? Do you have
7 more implementation costs, system changes for that, or
8 would you have more -- just from an SDG&E standpoint,
9 your costs, or is it more expensive to go with the
10 billing cycle?

11 A The cost was, for us, looking at the
12 implementation cost, it was pretty consistent either
13 way.

14 The one reason why we like the one date is we
15 felt from a customer standpoint -- well, the CCA seemed
16 to think that would help to facilitate their change.
17 And from a customer standpoint we thought the
18 communications may be easier if it was based on a
19 particular date rather than trying to explain the
20 billing cycle to the customer.

21 So it really doesn't matter.

22 ALJ MALCOLM: Mr. Huard, can you tell me when you
23 are at a good stopping place.

24 MR. HUARD: Your Honor, if you can give me about
25 five more minutes, and then I have a suggestion as to
26 how we can handle the remainder of my questions without
27 actually -- basically, by way of written submittal
28 rather than questions.

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ALJ MALCOLM: Let's go off the record.

(Off the record)

ALJ MALCOLM: Back on the record.

We are in recess until tomorrow morning at
9:00 a.m.

(Whereupon, at the hour of 3:30 p.m.,
this matter having been continued to
9:00 a.m., June 9, 2004 in San Francisco,
California, the Commission then
adjourned.)

* * * * *