

1 SAN FRANCISCO, CALIFORNIA, JUNE 7, 2004 - 10:00 A.M.

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3 ADMINISTRATIVE LAW JUDGE MALCOLM: Come to order.

4 Mr. Buchsbaum, present PG&E's next witness.

5 MR. BUCHSBAUM: Your Honor, we're pleased to  
6 present our first witness of the morning, Mr. David  
7 Rubin.

8 DAVID E. RUBIN, called as a witness  
9 by Pacific Gas and Electric Company,  
having been sworn, testified as follows:

10 DIRECT EXAMINATION

11 BY MR. BUCHSBAUM:

12 Q Mr. Rubin, do you have before you PG&E Exhibit  
13 Nos. 12, 13, and 14 marked for identification purposes  
14 only?

15 A Yes, I do.

16 Q What portions of those exhibits are you  
17 sponsoring this morning?

18 A I'm sponsoring the Executive Summary and the  
19 Policy chapter, Chapter No. 1, of Exhibit 12. Then I'm  
20 also sponsoring Chapter No. 1 of Exhibit 14.

21 Q Were these exhibits prepared by you or under  
22 your supervision, these portions?

23 A Yes, they were.

24 Q Do you have any changes, corrections, or  
25 additions to these portions of the exhibits at this  
26 time?

27 A None that I'm aware of, no.

28 Q Are the facts contained therein true and

1 correct to the best of your knowledge?

2 A To the best of my knowledge, yes.

3 Q Do the opinions expressed therein represent  
4 your best professional judgment?

5 A They do.

6 MR. BUCHSBAUM: Your Honor, Mr. Rubin is available  
7 for cross-examination.

8 ALJ MALCOLM: Thank you.

9 Mr. Reiger.

10 MR. REIGER: Thank you, your Honor.

11 CROSS-EXAMINATION

12 BY MR. REIGER:

13 Q Good morning. My name is Jason Reiger, I'm  
14 representing ORA in this matter.

15 A Good morning.

16 Q I just have one or two quick little questions  
17 for you. In the beginning of your testimony, actually  
18 page 1.2 -- excuse me, 1-2, in the first sentence, you  
19 talk about a foremost responsibility being the avoidance  
20 of cost shifting. Do you have that in front of you?

21 A Yes, I do.

22 Q My question to you is: Do you think avoiding  
23 cost shifting and making CCA's cost effective are  
24 mutually exclusive?

25 A I don't believe that they are mutually  
26 exclusive. I believe that there is obviously a  
27 balancing involved.

28 Q And also on page 1-7, lines 10 through 12, you

1 talk about a "basic minimum level" of CCA  
2 implementation. I was just wondering if you could  
3 expand on what is and what isn't basic level?

4 A There is still plenty of opportunity to  
5 provide definition. What I intended by this statement  
6 was a basic level is generally consistent with the straw  
7 man proposal that the utilities have put together for  
8 purposes of defining the implementation of community  
9 choice aggregation.

10 MR. REIGER: Thank you, your Honor. I have no  
11 further questions.

12 ALJ MALCOLM: Thank you, Mr. Reiger.

13 Mr. Como.

14 MR. COMO: Thank you, your Honor.

15 CROSS-EXAMINATION

16 BY MR. COMO:

17 Q Good morning, Mr. Rubin. I'm Joe Como from  
18 the City and County of San Francisco.

19 A Good morning, Mr. Como.

20 Q Let's turn to page 1-3 of your opening  
21 testimony. Starting on line 18 you say:

22 Capping would also violate the no  
23 cost-shifting direction AB 117  
24 insofar as bundled customers would  
25 be required to finance the  
26 undercollection.

27 Do you see that?

28 A Yes, I do.

1           Q    With regard to direct access customers, isn't  
2 it true that they are financing an ongoing  
3 undercollection due to the direct access cost  
4 responsibility surcharge cap at this time?

5           A    I'm sorry. To clarify, when you say "they are  
6 financing," you are starting your sentence with direct  
7 access customers are financing?

8           Q    Yes. Are direct access customers financing an  
9 undercollection at this time?

10          A    It is my understanding that bundled customers  
11 are financing the direct access customers'  
12 undercollection.

13          Q    Thank you. That is correct.

14          A    Yes.

15          Q    Is there any place in CCSF's testimony that  
16 does not support that CCSF customers would be financing  
17 or would be willing to finance any undercollection?

18          A    I apologize, I'm not clear on the question.  
19 If you could direct me to a particular part of CCSF's  
20 testimony, it might help.

21          Q    What I'm asking you to answer is: If you  
22 believe that CCSF would not be willing to finance an  
23 undercollection? Is there anything in our testimony,  
24 from your knowledge of reading it, that would indicate  
25 to you that CCSF would not be willing to finance an  
26 undercollection?

27          A    Let me respond in two parts. One is I would  
28 have to go back again and refresh my recollection of

1 CCSF's testimony to see if there is anything in there or  
2 not that supports your presumption.

3 On the presumption itself, when you refer to  
4 CCSF itself financing undercollection, are you referring  
5 to some mechanism by which CCSF would seek some external  
6 financing capability to be able to essentially address  
7 the undercollection?

8 Q I'm not referring to a particular mechanism.  
9 I'm just referring to the principle that, to the best of  
10 your knowledge, is there anything in the testimony of  
11 CCSF's witnesses that would lead you to believe that,  
12 however the mechanism would be put in place, the CCSF  
13 would not be willing to finance an undercollection if  
14 one were to happen?

15 A Okay. Then, again, in response to first part,  
16 I would have to go back and refresh my recollection.

17 On the second part, if CCSF itself would be  
18 financing undercollection, I'm not sure that that would  
19 constitute the type of cost shift that I've expressed a  
20 concern about in the testimony. The cost shift I'm  
21 addressing having bundled customers essentially  
22 underwrite the cost of caring and undercollection  
23 associated with a CRS cap.

24 So CCSF itself is able to finance the  
25 undercollection, again, if the mechanism were to work in  
26 a manner consistent with the basic principle articulated  
27 here, we wouldn't be concerned. I would need more  
28 details around how that mechanism would work.

1           Q    So is it fair to say that from PG&E's point of  
2 view if bundled service customers were to subsidize  
3 community choice aggregation customers, even if CCA  
4 customers were to finance that undercollection, that  
5 would still be a cost shifting in your mind?

6           MR. BUCHSBAUM:   Excuse me, your Honor.   It seems  
7 to me that we might have a misunderstanding about the  
8 word "financing."

9           ALJ MALCOLM:   I was going to ask for a  
10 clarification myself.

11          MR. BUCHSBAUM:   I would just ask for a  
12 clarification of what you mean by the word "financing."

13          MR. COMO:   Q   Financing.   What I mean, Mr. Rubin,  
14 is that where there might be the possibility of an  
15 undercollection, where in fact bundled rate customers  
16 are subsidizing a cost responsibility surcharge, that at  
17 some point there would be, let's say, a true-up, then a  
18 finance charge would be assessed against that  
19 undercollection and would be paid to the bundled rate  
20 customers that would be financing.

21          ALJ MALCOLM:   So it is not like a loan, it is a  
22 subsidy?   When you say "financing" you are not  
23 considering the direct access customers would pay back  
24 the undercollection?

25          MR. COMO:   I am, your Honor.   The cost  
26 responsibility -- excuse me, the CCA customers would be  
27 paying back the bundled rate customers that would be  
28 financing.

1 ALJ MALCOLM: It is not a subsidy that is now and  
2 for ever?

3 MR. COMO: No. I'm trying to get clarification on  
4 what PG&E's position is on that.

5 Q In the case of a, say, hypothetical  
6 undercollection where a true-up happens and then the  
7 bundled rate customers are essentially paid back with  
8 interest and made whole, do you consider that to be a  
9 subsidization?

10 MR. BUCHSBAUM: My problem continues to be in the  
11 word "financing." Normally a financing would be  
12 provided by the party providing the cash or the loan, if  
13 you will, or lender. It seems to me perhaps I have that  
14 inverted in this case, and maybe Mr. Como could help me  
15 on that.

16 MR. COMO: I think -- we could actually leave the  
17 word "finance" out of the equation and just ask a  
18 simpler question.

19 Q If bundled rate customers were to subsidize a  
20 hypothetical undercollection, and then were to be made  
21 whole, would that violate AB 117?

22 ALJ MALCOLM: Made whole by whom?

23 MR. COMO: By the CCA customers at some future  
24 point.

25 Q Would that violate AB 117's cost-shifting  
26 rule?

27 A It is my understanding that in fact the direct  
28 access cap works in exactly the same fashion that you've

1 described. If there is an undercollection that is  
2 carried by bundled customers in -- I don't know to what  
3 extent there is interest applied to that  
4 undercollection, but over time direct access customers  
5 are supposed to pay those amounts back. We do believe  
6 that is, again, consistent with the no cost-shifting  
7 intent of AB 117.

8 Q As applied to AB -- as applied to CCA, then,  
9 your opinion is that my hypothetical would violate the  
10 cost-shifting rule?

11 A Yes, I do believe that is true.

12 Q If we go also to page 1-3 on line 15, you say:  
13 Capping the CRS would distort  
14 rates and impair informed consumer  
15 choice by artificially lowering  
16 CCA charges initially...

17 Do you see that?

18 A Yes, I do.

19 Q Does PG&E support one year-ahead forecast of  
20 the CRS rate? ]

21 A We do. I believe that is consistent with the  
22 testimony of Ms. Burns.

23 Q So isn't that effectively a rate cap for that  
24 first year?

25 A I don't believe I would consider that to be a  
26 cap because it -- to the extent that the forecast is  
27 developed based on the best available information  
28 without any constraints -- a cap, in our view, is

1     constraining the number below what the best estimate  
2     would be for the forecast period.

3             Q     So if a cap was developed without the  
4     constraints that you allude to, then you wouldn't have  
5     an issue with -- with a cap; or are we just talking  
6     semantics here?

7             A     I think there might be a semantic issue.

8                     We define "cap" as being putting a ceiling in  
9     place on top of a number that otherwise would be higher.

10            Q     Is there a particular forecast that you have  
11     in mind for the first year?

12            A     No idea.

13            Q     But given that there is a forecast for the  
14     first year, then at the end of the year there would  
15     either be an undercollection or an overcollection;  
16     wouldn't you agree?

17            A     I think -- I would agree that certainly the  
18     forecast is likely to be wrong in one direction or  
19     another.

20            Q     And to the degree that it's an undercollection  
21     or overcollection, wouldn't you say that that also  
22     distorts rates?

23            A     I don't know that I would necessarily agree  
24     with that given the fact that a significant enough  
25     portion of our rates and in particular those that are  
26     the subject of the CRS are based on a forecast as well  
27     that ultimately is reconciled.

28            Q     But if a cap is based on a forecast which is

1 reasonable, then certainly the forecast is not going to  
2 exactly pin the CRS amount; isn't that true?

3 A I would say that to the extent that a forecast  
4 is developed and then a cap is imposed in order to  
5 essentially replace the outcome of the forecast, you  
6 would be departing from your best estimate, and the  
7 forecast is the best estimate; so, as a general matter,  
8 I believe the cap again departs from the efforts of all  
9 parties to come up with the best forecast that they can.

10 Q Okay.

11 Well, regardless of whether you call it a cap  
12 or a forecast in the first year, if the cap is based on  
13 a forecast, let's say, then to the extent that there is  
14 an undercollection or overcollection, regardless of  
15 whether it's a cap or a forecast, you would still have  
16 some distortion of rates and impaired customer choice,  
17 wouldn't you?

18 A If I can clarify the question.

19 Your question, if I understand it correctly,  
20 is that even a forecast is going to be wrong, and to the  
21 extent the forecast is wrong, there would be a  
22 subsequent true-up, assuming there is a true-up, a  
23 reconciliation, and then, then isn't a cap essentially  
24 introducing the same dynamic of being wrong relative to  
25 what actuals end up actually being and calling into play  
26 a need to reconcile; and my response to the question is  
27 yes, but I think it's matter of degree.

28 Once you develop a forecast. It's based on

1 the parties and the Commission's best estimate of the  
2 actual events that are likely to unfold.

3 To the extent that the forecast is wrong,  
4 there would need to be a true-up.

5 Imposing a cap, though, ends up again  
6 distorting the extent to which there would need to be a  
7 true-up.

8 Q Okay. Let's go to page 1-5. On-line 16 you  
9 say:

10 A cap requires a loan or  
11 subsidy from bundled customers,  
12 and could produce incentives for  
13 the CCA or individual customers to  
14 terminate during the "recovery"  
15 period, when actual costs are  
16 lower than the cap;

17 Would you explain what you mean by "the recovery  
18 period"?

19 A By "the recovery period" I am referring to the  
20 period of time on which any underrecovery that would  
21 have been created during the early years essentially  
22 then be paid back by the community choice aggregation  
23 customers.

24 Q So essentially the same model as what is put  
25 forth for direct access customers?

26 A That's correct.

27 Q From San Francisco's testimony, are you aware  
28 that we are proposing a two-year CRS which would include

1 an assessment of the undercollection some time during  
2 the second year?

3 A I believe I remember having seen that in  
4 Dr. Barkovich's testimony, yes.

5 Q So that in the third year, then, we would  
6 begin the year with a new CRS? Would you -- do you  
7 understand the way that works?

8 A I would have to refer back to the testimony to  
9 refresh my recollection on the specifics. I'll take it  
10 subject to check that that's your proposal.

11 Q Okay.

12 So understanding that the City only -- or  
13 San Francisco only proposes a two-year CRS, do you  
14 foresee this termination that you referred to by the CCA  
15 as being a realistic possibility?

16 A I would say that to the extent that you adjust  
17 on a more or closer to a real-time basis any  
18 underrecovery amounts, you do head in the direction of  
19 mitigating the possibility that there would be the type  
20 of termination that I am referring to. I don't believe  
21 you eliminate it.

22 Q During a two-year period, though, what would  
23 be the -- what would be the risk of a -- the kind of  
24 termination you're talking about?

25 A If I understand CCSF's proposal, the cap would  
26 be in effect for two years, at which point, in year 3,  
27 you would establish potentially a new, higher cap in  
28 order to be able to recover any of the unrecovered

1 amounts that occur during the first two years; is that  
2 correct?

3 Q That's correct.

4 A And if that's correct, I could certainly see,  
5 again under a hypothetical set of circumstances, a  
6 situation where there's a significant underrecovery in  
7 the first two years, and the amounts that are then put  
8 in place in year 3 are significantly above the amounts  
9 that bundled customers are paying, and there could be  
10 pressure, based on the magnitude of the difference, for  
11 the City to consider that this isn't the business it  
12 wants to be in. Where customers put pressure on the  
13 City in response to what they are perceiving as much  
14 higher rates than their neighbors as bundled customers  
15 pay.

16 Q And at that point, if PG&E's recommendations  
17 on reserve margins is adopted, how -- wouldn't  
18 San Francisco be obligated under long-term contracts for  
19 it past that third-year period for a considerable amount  
20 of time?

21 A I will defer to Ms. Burns for the details  
22 around our reserve margin proposal. But if I could --  
23 if the question you're asking me is to the extent that  
24 San Francisco has long-term contractual commitments that  
25 extend beyond year 3 in the scenario that you have  
26 described, I would say, without knowing the specific  
27 details, that certainly contracts can be liquidated in  
28 some fashion, so I don't believe that that would, in and

1 of itself, stand as a bar.

2 Q Are you aware that PG&E is suggesting five-  
3 year contracts for reserve margins?

4 A I believe PG&E is advocating a five-year  
5 reserve margin -- a reserve margin set in advance for a  
6 five-year period. I'm not familiar with the lengths of  
7 the contracts that would necessarily be required in  
8 order to produce that reserve margin.

9 Q I'd like to turn to your rebuttal testimony,  
10 page 1-3.

11 One moment, your Honor.

12 On line 5 of that page you state that:

13 ... PG&E believes that any effort  
14 to address load profiling as a  
15 technical (and practical) design  
16 matter masks the more fundamental  
17 policy issue that is, or should  
18 be, in question.

19 Do you see that?

20 A Yes, I do.

21 Q Just some clarification.

22 Are you recommending that cities not be  
23 allowed to use city-specific load profiles for purposes  
24 of scheduling and settling power transactions with the  
25 ISO?

26 A That's correct. Our position is to use system  
27 average.

28 Q And would PG&E also require or recommend that

1 CCAs, in meeting the future resource adequacy, use the  
2 system average load profile as well?

3 A I believe that's correct. Again, I'd have to  
4 go -- refer to Ms. Burns for the details.

5 Q Would you also agree that it's likely that in  
6 terms of aggregate load that City of San Francisco would  
7 likely have a flatter load profile than PG&E's system  
8 average load profile?

9 A I don't have the specific details on CCSF's  
10 load characteristics.

11 I do recall a study that was commissioned by  
12 the City and was performed by R.W. Beck, and, if my  
13 memory serves me well, concluded that CCSF's peak load  
14 was, again, on a relative basis, flatter than PG&E's  
15 system average but that the shoulder peak periods were  
16 higher.

17 So, on net, I'm not sure what the balance of  
18 that would produce.

19 Q Well, then, given that your understanding is  
20 that we have a flatter load profile, then if  
21 San Francisco were required to use a PG&E system average  
22 load profile, then the City would be required to  
23 actually meet a higher resource adequacy requirement  
24 when compared to our true forecast load profile?

25 A If -- if I may clarify, just to be sure that  
26 we're speaking the same language.

27 When you refer to "a flatter load profile"  
28 again, with the caveat that I mentioned, based on my

1 understanding of the Beck study, potentially flatter  
2 peak, higher shoulders; and I don't know for a fact what  
3 the balance of those two different considerations are,  
4 but if -- if your question then is specifically to the  
5 extent that CCSF would need to meet system average load  
6 characteristics and that hypothetically CCSF's load  
7 characteristics are more favorable, by that, meaning  
8 lower cost on average than what a system average might  
9 produce, our response would be that today, as a group of  
10 bundled customers, CCSF and, for that matter, all other  
11 cities pay according to the same averages; so the  
12 purpose of my comments in this testimony is to point out  
13 the fact that allowing communities to use their own  
14 local load characteristics essentially represents a  
15 de- -- an unraveling of the average that is currently  
16 used for ratemaking purposes, and we're highlighting  
17 that point to the Commission in order to identify it as  
18 a more significant policy issue than just simply a  
19 technical one. ]

20 Q Well then, subject to the your understanding  
21 of the RW Beck report, wouldn't it be true that if fact,  
22 our load profile was flatter, then at times we would be  
23 overscheduling for power because we are using the PG&E  
24 load profile, average load profile?

25 A I'll have to at this point defer to Ms. Burns  
26 for the details. I'm not myself an expert in how  
27 the scheduling occurs for power deliveries.

28 I will, though, make a general comment which

1 is, today as I understand it, system average load  
2 profiles are used and that the system arguably seems to  
3 work well enough with everybody, and I'll use  
4 the expression "adhering to the same fiction" somewhat  
5 loosely. But as long as all parties are abiding by  
6 the same set of rules, I don't believe it necessarily  
7 introduces a distortion.

8 MR. COMO: That's all I have. Thank you,  
9 Mr. Rubin.

10 ALJ MALCOLM: Thank you, Mr. Como.

11 Mr. Fenn.

12 MR. FENN: Thank you, your Honor.

13 CROSS-EXAMINATION

14 BY MR. FENN:

15 Q Hello, Mr. Rubin. I'm Paul Fenn.

16 A Good morning.

17 Q Just one moment. I'm sorry.

18 I'm wondering, if you would be able to --  
19 trying to understand your position on the use of  
20 true-ups. And in particular, I'm interested in  
21 understanding how many true-ups are involved in your  
22 proposal. There's the true-up of the DWR commitments  
23 which are in existence already. There is true-ups,  
24 potential true-ups as I understand for new world  
25 procurement. Is that true, are you proposing true-ups  
26 for new world procurement?

27 A If the line of questioning you're heading down  
28 goes into the specific level of detail, my inclination

1 would be to defer to Ms. Burns.

2 Q Ms. Burns?

3 A Yes.

4 Q So you are prepared, though, to answer  
5 questions related to the relationship between utility  
6 procurement and the CRS, correct, or not?

7 A It depends on what level of detail you're  
8 looking for. It may well be that those questions are  
9 better suited for Ms. Burns.

10 Q I see. Well, I'll just try, then.

11 AB 117 says that the Commission can make a CCA  
12 wait in order to accommodate the annual electric utility  
13 procurement plan of the utility.

14 A I'm sorry. Could you refer me to the specific  
15 section of AB 117?

16 Q Yes. It's Section 366.2 (c)(13)(B) which  
17 reads that the Commission shall establish the earliest  
18 possible date for implementation of a community choice  
19 aggregation program, taking into consideration  
20 the impact on any annual procurement plan of  
21 the electrical corporation that has been approved by  
22 the Commission.

23 Do you see that?

24 A I'm sorry. It was subsection 13?

25 Q (B), yes. Subparagraph (B). Commission shall  
26 establish. This is a --

27 A Which page of the bill?

28 Q Let's see if I can find it for you.

1           It's page 7. Oh, wait a minute. Is that  
2 right?

3           MR. BUCHSBAUM: Excuse me. Can we go off  
4 the record?

5           ALJ MALCOLM: Yes. Let's go off the record.  
6           (Off the record)

7           ALJ MALCOLM: On the record.

8           Thank you, Mr. Fenn.

9           MR. FENN: Q This section is dealing with the  
10 Commission's certification of a CCA's implementation  
11 plan and specifies that,

12           The commission shall designate  
13           the earliest possible effective  
14           date for implementation of a  
15           community choice aggregation  
16           program, taking into consideration  
17           the impact on any annual  
18           procurement plan of the electrical  
19           corporation that has been approved  
20           by the Commission.

21           So my question is, do you believe that the  
22 Commission can delay implementation of a CCA  
23 implementation plan based on multi-year procurement  
24 plans or utility retained generation?

25           Do you believe that this section limits  
26 the authority to delay to annual procurement plans of  
27 electric utilities or does it -- is there a basis to  
28 argue that the delay could include multi-year

1 procurement plans of the utilities or URG?

2 THE WITNESS: Your Honor, I'm not sure that I'm  
3 qualified to answer.

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

5 (Off the record)

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

7 Let's go off the record.

8 (Off the record)

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

10 Try again.

11 MR. FENN: Q In developing your CRS model, do you  
12 believe -- reflecting on this section of code, 366.2 --  
13 sorry -- it is 366.2(c)(8), that the CRS would include  
14 multi-year procurement and utility retained generation  
15 or might in some way be limited to annual procurement by  
16 a utility?

17 A In developing PG&E's proposal, we do not read  
18 the particular section of AB 117 that you referred to,  
19 366.2(c)(8), as representing a limitation on the lengths  
20 of say a particular procurement contracts that we would  
21 have executed on the CRS.

22 And I would refer to a different section of  
23 AB 117 as being more relevant for that consideration  
24 from PG&E's perspective, and that is section  
25 366.2(f)(2). And I'll read that for the record.

26 "Any additional" -- I'm sorry. (f) itself  
27 begins with:

28 A retail end-use customer

1 purchasing electricity from  
2 a community choice aggregator  
3 pursuant to this section shall  
4 reimburse the electrical  
5 corporation that previously served  
6 the customer for all of  
7 the following:

8 And then skipping on to subsection 2:

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

26 So we read that section as establishing  
27 the fact that any contracts we would have executed  
28 prior to the community choice aggregator serving

1 the customers as being eligible for recovery on an  
2 ongoing basis through the life of those contracts.  
3 And the subsection that you cited refers to  
4 coordination of the CCA's plans.

5 ALJ MALCOLM: Thank you.

6 MR. FENN: Thank you.

7 Q Are you able to speak to the whole issue of  
8 CCA notifications, or is that off subject for you?

9 A That's not the topic of my testimony.

10 Q It's not.

11 I'd like to go to the language, the statute  
12 that refers to the assignment of a CRS and ask you a  
13 question about that language. So if you don't mind,  
14 I'll refer you to -- this is 366.2(c)(7).

15 Within 90 days after the community  
16 choice aggregator establishing  
17 load aggregation files its  
18 implementation plan,  
19 the commission shall certify that  
20 it has received the implementation  
21 plan, including any additional  
22 information necessary to determine  
23 the cost-recovery mechanism.

24 After certification of receipt of  
25 the implementation plan and any  
26 additional information requested,  
27 the commission shall then provide  
28 the C[ommunity] C[hoice]



1           Q    I understand that is your belief.  But I'm not  
2 so much asking about your belief as much as an  
3 explanation.  Seems to me here the Commission shall  
4 then -- it is 90 days at -- 90 days the Commission shall  
5 provide CCA with its findings regarding any cost  
6 recovery that must be paid by customers.

7                    You are telling me that the findings need not  
8 be specific?  The findings could just be -- we find that  
9 you shall pay whatever is necessary, according to future  
10 conditions, that would qualify under the statute?  There  
11 is no -- any cost recovery.  Maybe I'm -- that must be  
12 paid, shall then provide.

13                   Does that require that they shall then provide  
14 its findings?  The Commission shall provide its  
15 findings?  Does that not require that they disclose what  
16 the CRS should be?

17           A    It was a long question.  There were a couple  
18 of points where I would disagree with your  
19 characterization.  My prior answer, setting those aside,  
20 I'll answer it again, is that I believe that this  
21 particular section does not bind the Commission to have  
22 to, upon certification and issuance of its findings  
23 under the subsection, to specifically identify the  
24 number that would be applicable to a particular set of  
25 CCA's customers.

26                   I read this section as standing for the  
27 proposition that the Commission could in fact issue a  
28 finding that says that the CCA customers will owe the

1 amounts as determined in the ongoing proceedings that  
2 really have been established for purposes of coming up  
3 with the CRS, generally.

4 Q Do you think that it has the same meaning as  
5 under Subsection 8, no entity -- the following section:

6 No entity proposing CCA shall act  
7 to furnish electricity to  
8 electricity consumers until the  
9 Commission determines the cost  
10 recovery that must be paid by the  
11 customers.

12 Do you believe that also means that if --  
13 that the cost recovery --

14 MR. BUCHSBAUM: Excuse me. If you are going to  
15 quote a section, can you please read the entire  
16 sentence. Because it is very important, particularly if  
17 you are going to ask my witness about statutory  
18 interpretation. It says:

19 The cost recovery paid by the  
20 customers of that proposed  
21 community choice aggregation  
22 program, as provided for in  
23 Subdivisions D, E, and F.

24 MR. FENN: Q Did you get all that?

25 A I did. Thank you.

26 Q Do you believe that this provision, Section 8,  
27 also would define the Commission's responsibility to  
28 determine the cost recovery that must be paid? Can it

1 just be an open ended you pay whatever we tell you to  
2 pay next year, and the year after that? Is that what  
3 that means?

4 A If I could. I don't go along with your  
5 characterization of my previous answer, so I want to  
6 just correct.

7 I'm not suggesting that the Commission's  
8 determination is going to be pay whatever we determine  
9 to pay next year. It is not open ended. What I believe  
10 this particular language refers to, consistent with my  
11 answer on the previous one, is that the Commission could  
12 determine that the amounts owed by CCA customers would  
13 be as a result of an annual proceeding in which the  
14 information would be available to all parties and offer  
15 their opinions on. If the Commission would issue a  
16 decision indicating CCA customers' responsibility for  
17 2006 would be the following.

18 So I don't agree with your characterization  
19 that that is necessarily an open-ended determination,  
20 but in fact would be specific in many respects. I don't  
21 believe though that it necessarily costs for them to  
22 issue a number at a point in time that would no longer  
23 be subject to additional consideration by the  
24 Commission.

25 Q What would you say are the variables? What  
26 are the factors that this cost recovery determination of  
27 cost recovery, what change, what costs change?

28 A They would be those that are identified as the

1 language in the statute that refers to Subsections D, E,  
2 and F, Subsection 366.2.

3 Q Do you -- are you -- do you believe that  
4 procurement, utility procurement, following the transfer  
5 of customers, would be included?

6 A This gets a little bit more into the subject  
7 area for Witness Burns. But I will answer generally,  
8 which is that our position is that if a CCA in fact  
9 adheres to specific resource adequacy requirements,  
10 which I understand are being developed in another  
11 proceeding, that at the point of -- point in time in  
12 which the CCA begins serving the customer, any  
13 subsequent utility procurement would not be included in  
14 the CRS. But, again, it is with that very careful  
15 caveat around resource adequacy obligations.

16 Q Okay. Thank you.

17 Do you believe that it would include URG? I  
18 guess one question in my mind is --

19 ALJ MALCOLM: Do you want him to answer the  
20 question?

21 MR. FENN: I'm sorry?

22 ALJ MALCOLM: Do you want him to answer the  
23 question?

24 MR. FENN: I wanted to explain it a little bit.

25 Q Yeah. If you could answer it with that  
26 explanation.

27 A My understanding is that the indifference  
28 calculation, which we agree would be a basis for

1 determining the CRS, does include utility-retained  
2 generation as part of the calculation.

3 Q So if you buy a power plant, you are on a  
4 30-year pay back, you are locking in CCA's exit fees 30  
5 years into the future; is that correct?

6 A Could I have the question asked perhaps in a  
7 less judgment- --

8 Q You are creating stranded costs, and you are  
9 creating exit fees de facto simply by the act of  
10 acquiring, or constructing, a power plant for 30 years;  
11 is that not true?

12 A Your Honor, can I answer the question in a way  
13 that I see suited? And that is that were we to acquire  
14 a power plant, it would be incorporated as part of the,  
15 as I understand it, the ongoing procurement proceedings  
16 that the Commission will be conducting. And it will be,  
17 as I understand it, again, deferring to Ms. Burns for  
18 the details, that at that point in time there would need  
19 to be consideration given by the Commission around to  
20 what extent the cost associated with that decision would  
21 be applicable to CCAs.

22 The dynamics that are established is that we  
23 need to make decisions to serve bundled load. And so  
24 there is clearly a need to have some form of  
25 coordination between those decisions that we make and  
26 decisions around communities to ultimately serve that  
27 load.

28 So I don't think it is quite as black and

1 white as you portrayed it in terms of us making a  
2 decision to procure power plant, therefore, establishing  
3 exit fees for 30 years for CCAs.

4 Q Would URG fall under the annual procurement  
5 plan of electric utility?

6 A I believe so. But, again, for those details,  
7 I will defer to Ms. Burns.

8 Q Is there any specific reference to URG in this  
9 statute as far as the applicability of the CRS? Which  
10 is the -- is your belief that the CRS should include  
11 URGs to be found in this statute, or is it from  
12 somewhere else, from some other source?

13 A It is our belief that in fact utility-retained  
14 generation would be eligible for recovery as part of the  
15 CRS. Again, depending upon the specifics with respect  
16 to how those decisions are coordinated with CCA  
17 decisions to serve load.

18 Q Isn't it true that when this legislation was  
19 passed that utilities were not authorized to build URG,  
20 nor were you in the procurement business yet, except for  
21 on a year-to-year basis; isn't that true?

22 A It was true that when this legislation was  
23 passed, PG&E was not creditworthy. And, as I  
24 understand, not able to engage in longer term  
25 procurement or utility power plant acquisition, I don't  
26 believe.

27 ALJ MALCOLM: I'll testify that there has never  
28 been a prohibition on either.

1 MR. FENN: Prohibition, but during AB 1890 the  
2 utilities were required to divest and did divest.

3 ALJ MALCOLM: No, they were not required to  
4 divest. I think we are getting far afield of this  
5 proceeding.

6 MR. FENN: I'm talking about legislative intent.

7 ALJ MALCOLM: I don't think he is prepared to  
8 discuss legislative intent of AB 1890. It is beyond the  
9 scope of this proceeding.

10 MR. FENN: I'll move on.

11 ALJ MALCOLM: Can you let me know when we can stop  
12 to take a break?

13 MR. FENN: Sure. Now would be fine.

14 ALJ MALCOLM: Recess until 11:20.

15 (Recess taken)

16 ALJ MALCOLM: Back on the record.

17 Mr. Finn.

18 MR. FENN: Thank you, your Honor.

19 Q One last question, it has to do with the  
20 true-up again.

21 Would any of the true-ups proposed by you  
22 impact a CCA customer? Could a true-up, whether it is a  
23 new world procurement, URG, any form of true-up that you  
24 proposed, impact CCA's customers differently than it  
25 would impact bundled service customers?

26 A To clarify the question, when you indicate the  
27 true-up could be as a result of URG or new world  
28 procurement or DWR power, are you referring in that case

1 to an annual or some other form of a true-up where there  
2 has been a specific estimate of costs associated with  
3 the CRS that then subsequently are re-estimated based on  
4 new actuals? Or are you referring to new costs being  
5 included into the CRS calculation? Because I'm not  
6 clear which of the two you are referring to.

7 Q New costs being included, the latter category  
8 could you explain, I don't quite understand.

9 A Well, for example, again, if a particular CCA  
10 takes on the responsibility to procure power for its  
11 customers in 2006, under our proposal, assuming that the  
12 CCA takes on the appropriate resource adequacy  
13 obligations, that those CCA customers would not see any  
14 procurement decisions entered into beyond that point.  
15 But that a CCA making a decision and taking on the  
16 responsibility for 2008, these customers could have  
17 within their CRS procurement decisions that the  
18 utilities would have made during the intervening  
19 two-year time period.

20 So I'm not sure if your use of the term  
21 "true-up" means an ongoing population of the CRS  
22 difference in calculation based on utility procurement  
23 decisions that are undertaken up to the point where the  
24 CCA takes on the obligations, or if you are talking  
25 about a true-up in the sense of a particular group of  
26 customers there would have been a forecast for CRS for a  
27 given year, and after the fact there would have been a  
28 true-up based on known actuals.

1           Q    The former is what I had in mind when I asked  
2 the question.

3           A    Which is the annual true-up as we've defined  
4 it?

5           Q    Yes.

6           A    The question, again, is whether the changes to  
7 the CRS -- or changes in the various elements of the CRS  
8 would also impact bundled service customers --

9           Q    Yeah.

10          A    -- in the same manner?

11          Q    Yes.

12          A    -- as they impact CCAs?

13                   And my general understanding is that that  
14 would be true, but I would have to defer to Ms. Burns  
15 for the specifics.

16          MR. FENN:   Thank you.  No further questions.

17          ALJ MALCOLM:  Thank you, Mr. Fenn.

18                   Is there any redirect?

19          MR. BUCHSBAUM:  No, your Honor.

20          ALJ MALCOLM:  Thank you, Mr. Rubin.  You are  
21 excused.

22          THE WITNESS:  Thank you.

23          ALJ MALCOLM:  Mr. Buchsbaum, would you present  
24 PG&E's next witness.

25          MR. BUCHBAUM:  Yes.  PG&E calls Ms. Sandra Burns  
26 to the stand.

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

28                   (Off the record)

1 SANDRA J. Burns, called as a witness  
2 by Pacific Gas and Electric Company,  
3 having been sworn, testified as follows:

4 ALJ MALCOLM: Mr. Buchsbaum.

5 DIRECT EXAMINATION

6 BY MR. BUCHSBAUM:

7 Q Good morning, Ms. Burns.

8 A Good morning.

9 Q Do you have exhibits marked for identification  
10 purposes only Nos. 12, 13, and 14 before you?

11 A I do.

12 Q And can you tell us which portions of these  
13 exhibits you are sponsoring here today?

14 A I'm sponsoring Chapter 2 of Exhibit 12,  
15 Chapter 2 of Exhibit 13, Chapter 2 of Exhibit 14.

16 Q Were these portions of the exhibits prepared  
17 by you or under your supervision?

18 A Yes, they are.

19 Q Do you have any corrections, changes, or  
20 additions to make to those portions at this time?

21 A Yes, I have two changes.

22 In Exhibit 12, on page 2-4, lines 22 to 32,  
23 there is a quotation from a Commission decision. I  
24 would like to delete that quotation, but leave the  
25 parenthetical reference to Decision 02-11-022, page 34  
26 to 35.

27 And my second change is to Exhibit 14, page  
28 2-7, line 17. I would like to delete the sentence that  
begins in the middle of page 17, and runs into line 18,

1 "The Commission ended this practice by granting SCE's  
2 Emergency Motion (Decision 99-06-058)." Delete that  
3 sentence.

4 Those are all my corrections.

5 Q And, Ms. Burns, with these changes, are the  
6 facts contained in these exhibits true and correct to  
7 the best of your knowledge?

8 A Yes.

9 Q And are the opinions stated therein your own  
10 personal opinions and your best professional judgment?

11 A Yes.

12 MR. BUCHSBAUM: Ms. Burns is available for  
13 cross-examination.

14 ALJ MALCOLM: Thank you.

15 Mr. Reiger.

16 MR. REIGER: Thank you, your Honor.

17 CROSS-EXAMINATION

18 BY MR. REIGER:

19 Q Good morning. My name is Jason Reiger, and  
20 I'm representing ORA here.

21 A Good morning.

22 Q I would like to start by asking you a question  
23 I believe Mr. Como asked Mr. Rubin about the ISO  
24 settlement, which he deferred to you. I have a  
25 follow-up question. Perhaps you can give me some  
26 background about how the ISO settlement interacts with  
27 system average load profiles.

28 A Well, in general, all the load-serving

1 entities used in system average load profiles for  
2 customers where there is not individual metering to do  
3 scheduling and settlements.

4 Q So when you say "load-serving entity" there,  
5 are you talking about a load-serving entity-wide system  
6 average or an IOU system average?

7 A IOU system average.

8 Q On a different subject, do you object to a cap  
9 or to just having bundled ratepayers finance any  
10 undercollection caused by a cap?

11 A That is really how I'm defining a cap, as  
12 setting a limit on the cost-based level of the CRS, such  
13 as bundled customers would pay for it. So bundled  
14 customers would finance keeping the CRS low in the short  
15 term.

16 Q Do you have any opinion on a cap that wasn't  
17 so financed?

18 A Do you mean if it was financed directly by the  
19 CCA?

20 Q That would be one example.

21 A As long as bundled customers were paying rates  
22 so that they weren't -- so that bundled customers  
23 weren't subsidizing CCA customers by keeping the CRS  
24 low. I think the Commission's -- or the legislation's  
25 coefficient against cost shifting would be satisfied.

26 Q When direct access customers return to bundled  
27 service they pay spot prizes for a period of time; is  
28 that correct?

1           A    That is correct, yes, for six months, I  
2 believe.

3           Q    That is done to protect bundled ratepayers,  
4 correct?

5           A    Yes.

6           Q    Now, if that situation works for direct  
7 access, couldn't it also work for community choice  
8 aggregation?

9           A    I believe you are talking about switching  
10 rules that are probably more part of Phase 2 of this  
11 proceeding. The rates customers would pay when they  
12 return to --

13          Q    I'm not so much talking about how the  
14 switching rules would be implemented, but whether or not  
15 the theory, theoretical basis behind them of protecting  
16 bundled ratepayers, and how that works for direct  
17 access, if that is applicable to community choice  
18 aggregation, as a theory?

19          A    I think certainly the theory would be the  
20 same. That returning customers who pay spot rates, to  
21 the extent that allows bundled customers to not see any  
22 change in their rate, that theory would keep bundled  
23 customers indifferent. Our concern with that is in  
24 times of resource constraints, if that is when customers  
25 are returning, the price may be very high or the power  
26 may not be available.

27          Q    So if there was a resource constraint it would  
28 be more difficult to charge a spot price in that

1 circumstance; is that correct?

2 A It could be, yes, if the spot price is very  
3 high.

4 Q If you were to put in those sorts of rules  
5 such as they have to purchase spot price energy, would  
6 you need new meters?

7 A I don't believe so, no. I think we would just  
8 charge them a higher procurement ratebase on whatever  
9 metered data we had.

10 Q For instance, based upon a monthly average  
11 spot price; is that correct?

12 A You know, I'm not sure exactly the fine points  
13 of how the calculation is done for DA customers. I  
14 think they use a daily price that is then somehow  
15 averaged depending on the group of customers. ]

16 Q If I can go to Exhibit 12, page 2-9.

17 Do you believe that vintaging -- regarding  
18 vintaging of a CRS, do you believe that a CCA that  
19 departed in, say, 2006, should pay the same CRS as one  
20 that departed in 2010?

21 A Not necessarily.

22 The way the section is written, it really  
23 depends on whether or not the Commission adopts a long-  
24 term resource adequacy requirement and whether CCAs are  
25 meeting that requirement.

26 To the extent that CCAs are planning for and  
27 acquiring resources for their customers so the utility  
28 does not have to do that, then I can see -- I can

1 envision a situation where a customer that departs in  
2 2006 would not be paying for procurement that occurred,  
3 say, between 2006 and 2010, whereas the CCA customer  
4 that departed in 2010 might be paying for those costs.

5 But that is conditioned on the assumption that  
6 the Commission adopts and enforces a resource adequacy  
7 requirement on CCAs.

8 Q Is that a position you support, a long-term  
9 resource adequacy plan?

10 A Yes.

11 We propose that the Commission impose a five-  
12 year requirement on all load-serving entities.

13 Q If I could go to the table on 2-12, Table 2-1.  
14 Do you have that table in front of you?

15 A I do.

16 Q Do you think that the assumptions for the  
17 direction of change in the variables in Scenario 2 --  
18 that would be gas price increases, generation addition  
19 decreases, and load growth higher than normal -- are  
20 mutually consistent?

21 A So when you say "Scenario 2" you are talking  
22 about the -- the low case, Navigant Case 2?

23 Q Correct.

24 A All right.

25 And your question was?

26 Q Do you think the assumptions for the direction  
27 of change in the variables are mutually consistent?

28 A I'm sorry. And those were high -- high gas

1 price and --

2 Q High gas prices, generation addition  
3 decreases, and load growth higher than normal.

4 A They could be.

5 I mean, I think it's a reasonable -- the point  
6 of these scenarios was just to capture the range of the  
7 CRS, you know, a potential low case and a potential high  
8 case.

9 The actual low result or high result could  
10 come about from any com- -- you know, any number of  
11 combinations of market conditions.

12 Q So "They could be" was your answer; correct?

13 A They could be, yeah.

14 Q Do you think it's more likely that the  
15 variables will all move in the same direction?

16 A The variables?

17 Q The three very variables that we talked about:  
18 gas prices, generation additions, and load growth?

19 A I -- I don't know. I haven't really studied  
20 the correlation between those factors.

21 Q Do you think the Scenarios 2 through 5 were  
22 intended to be illustrative or actual projections?

23 A I think they were illustrative to just give  
24 the parties an idea of a potential range of CRS and, you  
25 know, the -- the potential impact of different  
26 assumptions.

27 Q If I could go to your reply testimony,  
28 Exhibit 13, on page 2-6, the question and answer for

1 Question 13.

2 Do you have that in front of you?

3 A Yes.

4 Q Do you think CCAs are customers or are they  
5 market participants?

6 A Just let me clarify.

7 This question and answer was referring to  
8 confidential utility procurement data only. I'm in no  
9 way talking about customer-specific information --

10 Q Okay.

11 A -- which has been addressed by other  
12 witnesses.

13 But I do believe that CCAs are market  
14 participants, yes. That was the point of this question  
15 and answer.

16 Q Do you believe that they could be viewed as  
17 customers representing themselves within the market?

18 A That's not how I view them.

19 I view the City as someone who's providing  
20 power to its customers, buying and selling power in the  
21 market, and a market participant.

22 Q If the Commission were to find that they were  
23 customers, do you think you would be required to give  
24 them their own data, the data that would otherwise be  
25 excluded under the 15/15 rule?

26 A And this really goes beyond the scope of my  
27 testimony.

28 What I said, I'm not talking about utility

1 customer data subject to the 15/15 rule here; I'm  
2 talking about utility procurement planning data, and  
3 that -- the definition of "market participant" was used  
4 in the procurement proceeding to discuss -- to address  
5 what types of procurement planning data were provided to  
6 market participants.

7 Q Well, perhaps this next question is beyond  
8 your testimony, but let me just ask it anyway, but do  
9 you think PG&E is more or less willing -- or more or  
10 less able to provide confidentiality of data than a CCA  
11 is?

12 A What kind of data are you referring to?

13 Q Customer-specific data: load, contact  
14 information.

15 A That -- that really goes beyond the scope of  
16 my testimony. Ms. Buller was the witness on  
17 information -- customer information issues.

18 Q If I could draw your attention to 2-15, and  
19 there's a discussion there about load factors under  
20 Section H, and I have a general question about whether  
21 PG&E would be prepared to assist the CCA in creating  
22 specific load profiles.

23 A That is really beyond the scope of my  
24 testimony, too.

25 The point of this section -- question and  
26 answer here was to basically say we're not proposing to  
27 use customer-specific load profiles; that the variation  
28 in the CRS by community would be a function of when the

1 community departed for community aggregation.

2 Our -- as testified to by other witnesses, our  
3 position is that we should be using system average load  
4 profiles.

5 MR. REIGER: No further questions, your Honor.  
6 Thank you.

7 ALJ MALCOLM: Thank you Mr. Reiger.

8 Mr. Como?

9 MR. COMO: Thank you, your Honor.

10 CROSS-EXAMINATION

11 BY MR. COMO:

12 Q Ms. Burns, with regard to system average load  
13 profiles I asked Mr. Rubin some questions, so you  
14 probably have an idea what I'm going to ask you, but  
15 PG&E's recommending that CCAs use system average load  
16 profiles; is that correct?

17 A Yes, that's correct.

18 Q And that would you agree that San Francisco is  
19 likely to have a flatter system load profile than PG&E's  
20 system average load profile?

21 A I don't have any new information other than  
22 what Mr. Rubin testified to earlier this morning.

23 Q If you accept that as an assumption, let's  
24 say, then wouldn't that lead to a situation where, in  
25 order for the City to -- to meet its resource adequacy,  
26 it would have to purchase power -- it would have to  
27 purchase more power than it would otherwise need to  
28 under its own forecast?

1           Correction: power at peak times?

2           A I don't know exactly how the resource adequacy  
3 requirement is going to be imposed upon the CCAs.

4           At this point there isn't any mechanism  
5 adopted by the Commission or -- for enforcing the  
6 resource adequacy requirement or verifying how the CCAs  
7 meet their requirement.

8           But it is true that the higher the peak  
9 forecast, the more peak capacity, all else being equal,  
10 will be purchased.

11          Q So PG&E's not recommending that CCAs use the  
12 system average load profile for resource adequacy?

13          A I don't know -- I haven't been that involved  
14 with the resource adequacy proceedings. I don't know if  
15 we've gotten to that level of detail in those workshops.

16          Q Well, let's just talk about scheduling of  
17 power.

18           If we did have -- if a CCA does have a flatter  
19 load profile than PG&E's load profile, then wouldn't we  
20 have situations where both the CCA and PG&E would be  
21 overscheduling for power at certain times?

22          A I don't think so. No.

23           If everyone's using the same system average  
24 load profile for scheduling, then the expectation would  
25 be that the total scheduled power would -- would balance  
26 the total load.

27          Q PG&E would still be purchasing power based on  
28 its system average load profile; isn't that correct?

1           A    Yes.

2           Q    And if San Francisco has a flatter load  
3 profile and it is also purchasing power based on PG&E's  
4 system average load profile, then wouldn't there be  
5 excess energy being purchased both by PG&E and  
6 San Francisco?

7           A    I don't think so.  No.

8                    I believe that if everyone is using the same  
9 average load profile for purchasing, then there won't be  
10 an aggregate overscheduling.

11          Q    Okay.  I'd like to turn to your opening  
12 testimony, page 2-2, starting on line 30.  I believe it  
13 says that you believe that the ultimate calculation for  
14 the CRS should be done with load and resource  
15 assumptions that are consistent with those that are  
16 adopted in the utility's long-term plan; is that a fair  
17 assumption -- a fair summary?

18          A    Yes.

19          Q    Now, it wasn't clear to me whether you're  
20 recommending that the Commission actually adopt the CRS  
21 number now for the year 2005 or any other year in this  
22 proceeding or some other proceeding.

23                    Would you recast that for me?

24          A    Sure.  I'm recommending that the Commission  
25 adopt a policy here and that the number be calculated in  
26 some other proceeding.

27                    And I should clarify this testimony here:  The  
28 CRS should be set based on assumptions that are

1 consistent potentially with -- that come out of a lot of  
2 proceedings, not just the long-term plan. So there may  
3 be assumptions that also come from the DWR proceeding or  
4 the ERRA proceeding, for instance.

5 Q So you're not recommending a particular  
6 proceeding; you're just saying that whatever proceeding  
7 may affect the CRS as assigned to CCAs?

8 A I think a logical place to implement it would  
9 be in the DWR revenue requirement proceeding, but we  
10 would certainly include assumptions that come out of the  
11 long-term plan proceeding as well as the ERRA  
12 proceeding.

13 So the whole point of this is that I don't  
14 think we should be litigating planning assumptions in  
15 this proceeding because they are going to be litigated  
16 in a multitude of other proceedings.

17 Q In terms of timing, how do you see that  
18 feeding into this proceeding so we can actually get a  
19 calculation of a CCA CRS?

20 A Well, I think we could do the calculation --  
21 the forecast of CRS calculation initially as part of the  
22 DWR revenue allocation proceeding, which is done on an  
23 annual basis.

24 Conceivably you could add a short phase to the  
25 2005 proceeding, after that proceeding is filed, to set  
26 the initial level for 2005, and then it would be trued-  
27 up the following year.

28 Q So you're suggesting it only be done on a

1 year-ahead basis?

2 A Yes.

3 Q And that also is consistent with your  
4 recommendation that it be done -- to take into account  
5 your -- your long-term resource plan on an annual basis  
6 only; is that correct?

7 A I'm not sure I understood the distinction in  
8 your question.

9 Q One is based on the DWR proceeding, which is  
10 done annually; but your long-term procurement plans are  
11 also updated annually.

12 In other words, it's that you're recommending  
13 that it be updated annually based on both your long-term  
14 planning and the DWR proceeding?

15 A Right. I think different assumptions would  
16 come from different proceedings. Certainly the  
17 assumptions about DWR costs would come from the DWR  
18 proceeding; assumptions about long-term procurement  
19 would more likely be litigated in the long-term plan.

20 Q I want to get your understanding going back to  
21 the issue of subsidization.

22 Is it your opinion that it -- it is or is not  
23 a subsidy from bundled ratepayers to community choice  
24 aggregation customers if there is a true-up and through  
25 whatever finance mechanism is ultimately decided that  
26 the bundled service customers be made whole from  
27 whatever undercollection might occur or overcollection?  
28 I don't mean overcollection but an undercollection?

1           A    A true-up that's done to sort of correct  
2 forecast error -- I don't view that as a subsidy.

3                    What I view as a subsidy is sort of  
4 artificially setting the CRS below the cost-based  
5 forecast.

6           Q    If we can accept the fact or the premise that  
7 a cap is essentially set at a forecast rate, then is it  
8 a fair -- fair to say that the difference between PG&E's  
9 recommendation and San Francisco's is that we recommend  
10 the two-year period rather than a one-year period for a  
11 cap?

12           A    Well, as I understand your testimony, you are  
13 recommending a particular number independent of what the  
14 cost-based forecast would be, so I would view that as a  
15 difference between the PG&E and San Francisco proposals.

16           Q    But if our cap is based on a forecast by DWR,  
17 then would you agree that the only difference between  
18 the City's recommendation and PG&E's is the length of  
19 time?

20           A    I think if that -- if that is the only  
21 difference -- if your -- and I don't know that I'm  
22 the -- I'm fully understanding your testimony because my  
23 understanding, when I read your testimony, was that you  
24 were proposing a \$15 a megawatt-hour limit on the  
25 indifference calculation.

26                    If -- if your testimony is just that -- and  
27 that you wanted the Commission to adopt that number here  
28 in this proceeding.

1           If your propos- -- and that's contrary to what  
2 I'm proposing here.

3           If your proposal is simply that in the DWR  
4 revenue allocation proceeding, as part of setting the  
5 CRS, that number be set for two years and the true-up  
6 occur in year three, then the only difference between  
7 your proposal and my proposal would be the length of the  
8 initial forecast period.

9           Q    Okay. Let's turn to page 2-15 of your reply  
10 testimony, and on line 13 you state that:

11                   For each CCA group, the  
12                   indifference calculation would  
13                   reflect the aggregate customer  
14                   load profiles of the group.

15           A question: Are you proposing that the aggregate  
16 customer load profile be based on system average load  
17 profiles for the different customer classes, or rate  
18 schedules?

19           A    That's what I had in mind there when I said  
20 the aggregate profile, that it will reflect the -- the  
21 customer mix in each CCA group, based on the system --  
22 and based on the system average load profiles for those  
23 customers groups.

24           Q    I want to turn your attention to page 2-7 of  
25 your reply testimony, lines 20 to 21, where we -- we get  
26 into the idea of a negative CRS situation.

27                   Is that it?

28                   Just a second.

1 I'm sorry. I'm mixed up.

2 I am referring to your rebuttal testimony,  
3 page 2-7, line 12.

4 You are referring -- you say the Commission  
5 should reserve judgment regarding whether the CRS should  
6 be negative.

7 Just to be clear, if the Commission adopts a  
8 forecast CRS, whether one year or two years or whatever,  
9 and then there's a true-up at the end of the period, and  
10 rather than an undercollection we have an over-  
11 collection, how do you suggest the situation be handled  
12 in the next CRS period or -- or whatever?

13 A Well, I don't view an overcollection from a  
14 previous year as a negative CRS.

15 I think that's just getting the accounts in  
16 balance.

17 Q Okay.

18 So what you're arguing is that the CRS rate  
19 itself on a forecast basis should not ever be allowed to  
20 go negative?

21 A Right. Well, the -- right. The Commission  
22 should not determine now that a negative CRS is within  
23 the range of potential --

24 THE REPORTER: I'm sorry. Is within the range  
25 of --

26 THE WITNESS: -- within a potential range for the  
27 CRS; that the Commission should not adopt a principle of  
28 setting a negative CRS at this time on a forecast basis.

1 MR. BUCHSBAUM: Your Honor, the -- I am wondering  
2 if the question could be reread or restated.

3 ALJ MALCOLM: Well, maybe we can just clarify.

4 Do you mean even if there's an overcollection  
5 which would otherwise require a negative CRS, in the  
6 case where PG&E actually owed money to that community of  
7 customers?

8 THE WITNESS: Well, an overcollection could occur  
9 because the CSR was set at a level in one year that was  
10 too high.

11 ALJ MALCOLM: Right.

12 THE WITNESS: So the CRS was set at a positive  
13 number, it was just too high, and so that amount is  
14 getting returned the following year. That wasn't the  
15 kind of negative CRS I was talking about here.

16 ALJ MALCOLM: (Nodding head)

17 THE WITNESS: I was talking about a negative CRS  
18 where potentially what happened in 2001 -- 2000-2001  
19 could happen where customers were actually getting bill  
20 credit and not even paying for their transmission and  
21 distribution expenses because of the high negative DA  
22 credit.

23 ALJ MALCOLM: Okay. But that wouldn't eliminate  
24 from consideration that -- the possibility that there  
25 could be an overcollection returned to a CCA or CCA's  
26 customers?

27 THE WITNESS: No.

28 MR. BUCHSBAUM: (Nodding head)

1           MR. COMO:   Q    On the same page, on lines 9 and  
2 10, where you're -- you are referring to an unexpected  
3 increase in the market price of electricity, if there  
4 was such an event, then are you saying that the CCA  
5 should not get credit for having -- let me rephrase  
6 that.

7                       Do you believe that the CCA could get credit  
8 for reducing the load that must be procured by the  
9 utility because the CCA is no longer part of the  
10 utility's load?

11           A   That's in general how the indifference  
12 calculation works.

13                       Both the positive and negative essentially  
14 benefits of the CCA departure are offset in the total  
15 portfolio indifference calculations.

16           Q   So you believe that the indifference  
17 calculation will take care of that situation?

18           A   That's the -- the indifference calculation  
19 will capture the benefits that accrue to the bundled  
20 customers because they have access to, say, the cheaper  
21 parts of the procurement portfolio as well as the  
22 expensive parts.

23           MR. COMO:   Thank you, Ms. Burns.

24                       That's all I have, your Honor.

25           ALJ MALCOLM:   Thank you, Mr. Como.

26                       Let's be in recess until 1:30.

27                               (Whereupon, at the hour of 12:03 p.m.,  
28 a recess was taken until 1:30 p.m.)                       ]

1 AFTERNOON SESSION - 1:35 P.M.

2 \* \* \* \* \*

3 ALJ MALCOLM: We'll be back on the record.

4 SANDRA J. BURNS

5 resumed the stand and testified further as follows:

6  
7 ALJ MALCOLM: Good afternoon. Ms. Grueneich.

8 CROSS-EXAMINATION

9 BY MS. GRUENEICH:

10 Q Good afternoon, Ms. Burns. I'm Dian Grueneich  
11 representing the Local Government Commission Coalition.

12 If you could turn to your -- actually, before  
13 I begin, I had a couple of follow-up questions based  
14 upon your testimony this morning. And I think at one  
15 point you were discussing setting the CRS, and you had  
16 talked about using the DWR 2005 revenue requirement  
17 I think as an example.

18 I just wanted to clarify: If the Commission  
19 were to use as an example the DWR 2005 revenue  
20 requirement, in your mind, would it be available to use  
21 in the calendar year 2005 or do you envision it would be  
22 used in the calendar year 2006?

23 A I think it would be used in 2005. The intent  
24 of the DWR 2005 proceeding is to set the DWR remittance  
25 rate for the calendar year 2005. So as soon as we got  
26 some policy guidance in this proceeding, we could run  
27 the numbers through the DWR revenue requirement model to  
28 come up with the indifference piece of the calculation

1 for 2005.

2 Q And would you be recommending that  
3 the Commission use the approved DWR 2005 revenue  
4 requirement in which it has specified of that revenue  
5 requirement what is -- how that is allocated among  
6 the utilities?

7 A Yes, that's the idea. So you would have  
8 the total DWR revenue requirement, and then in addition  
9 to allocating it between the three utilities, you would  
10 allocate it between the bundled customers and the CCA  
11 customers.

12 Q Thank you.

13 In other area this morning, there was a  
14 discussion of the system average versus actual load  
15 profiles. And am I correct in understanding that your  
16 testimony was that for scheduling purposes, PG&E  
17 recommends that both the utility and the CCA use system  
18 average load profiles rather than actual load profiles?

19 A Well, you use actual load profiles to the  
20 extent they are available for customers that have  
21 interval meters. And for the customers where you don't  
22 have that data available, you use the system average  
23 load profile.

24 Q So for a CCA, to the extent that its customers  
25 had interval meters and the CCA had that information  
26 available, you would recommend that that actual data be  
27 used in the scheduling?

28 A Yes. The scheduling and settlements.

1           Q    Now, if I could ask you to turn to your  
2 opening testimony, page 2-1. And looking on lines 12  
3 through 17 you state that PG&E's recommendation on cost  
4 responsibility is an attempt to reconcile and harmonize  
5 two legislative objectives: facilitating  
6 the opportunity of communities to aggregate; and  
7 maintaining bundled customer indifference.

8                   Is that your testimony?

9           A    Yes.

10           Q    And with regard to the second principle,  
11 maintaining customer indifference, you address that  
12 factor explicitly in your testimony looking at pages 2-1  
13 to 2-2; correct?

14           A    Yes. And throughout the rest of the testimony  
15 as well.

16           Q    When I reviewed your testimony over  
17 the weekend, I could find no explicit discussion of  
18 the first principle, facilitating the opportunity to  
19 aggregate, other than this one mention on 2.1. Is there  
20 any explicit discussion of how that principle has  
21 factored into your testimony?

22           A    The primary thrust of my testimony is  
23 the indifference calculation and setting the cost  
24 responsibility. I didn't explicitly talk about  
25 facilitating community aggregation.

26           Q    So the answer to my question was that it was  
27 not explicitly discussed in the latter parts of this  
28 testimony?

1           A    No.

2           Q    On your reply testimony, page 2-10, down  
3 towards the bottom, I'm looking at line 29, you state  
4 that even if a CCA achieved double its RPS minimum  
5 obligation, there would not be any lessening of  
6 the legal obligation on the utility to achieve its  
7 minimum RPS and therefore you saw no benefit to bundled  
8 customers coming from this CCAs RPS achievement; is that  
9 correct?

10          A    Yes.

11          Q    And in looking at your analysis, am I correct  
12 that your focus was on specifically the utility's RPS  
13 requirement rather than any statewide benefit from a CCA  
14 pursuing renewables beyond what the minimum standard  
15 might be?

16          A    My focus was on the costs that would be borne  
17 by bundled ratepayers to meet the RPS obligation.

18          Q    And you didn't focus on more general benefit  
19 that might occur on a statewide policy basis; is that  
20 correct?

21          A    Well, only to the extent that I discussed here  
22 that there might not even be an increase in overall  
23 renewable generation to the extent that CCAs might be  
24 competing for the same public goods charge funds.

25          Q    Assuming that were not the case, am I correct  
26 that you didn't look at my statewide benefit from a CCA  
27 surpassing its minimum renewable requirement?

28          A    Right. My focus was not on shifting any costs

1 to bundled ratepayers.

2 Q I wanted to just give you a hypothetical --  
3 first of all, which is -- first of all, a foundation  
4 question. It is correct, is it not, that CCA customers  
5 would remain distribution customers of the utility?

6 A That's correct.

7 Q Now, purely as a hypothetical, if the RPS  
8 standard were based upon the utility's distribution  
9 customers and you had a situation in which a CCA doubled  
10 its RPS and under my hypothetical the rule was that  
11 could essentially be netted out against the RPS that had  
12 to be achieved by the bundled utility customer. In that  
13 hypothetical, would you agree there could be a benefit  
14 to the bundled customers?

15 A I just want to make sure I understand --

16 Q Sure.

17 A -- your hypothetical. And maybe it would be  
18 clearer if you gave me some numbers so I --

19 So you're -- let's say there's a hundred units  
20 of distribution load.

21 Q Okay. Fine.

22 A Okay. And so the utility is supposed to get  
23 20 units or 20 percent as RPS --

24 Q A hundred units -- let's just -- a hundred  
25 units of distribution load. Let's just say 10 percent  
26 was -- 10 units are CCA 90 units are bundled. And  
27 overall in the aggregate, you had to end up with  
28 20 percent RPS. But in my hypothetical, if the CCA RPS

1       instead of just being 20 percent was 40 percent and it  
2       could count against the remaining RPS, that those  
3       80 units had to achieve, my question was in that  
4       situation, if the rules were set up that way, would you  
5       agree that there could be a benefit to the 80 units of  
6       bundled customer?

7               A     So if what you're saying then, those 80 units  
8       wouldn't have to get to be 20 -- wouldn't have to buy  
9       20 percent; they could buy less?

10              Q     Yes.

11              A     I think I would agree then that there might be  
12       a benefit to bundled customers.

13              Q     If a CCA built new generation that reduced  
14       the need for transmission additions by a utility, would  
15       the reduced transmission costs for that utility be  
16       captured in the CRS?

17              A     Not -- I -- the CRS calculation as it  
18       currently stands is generation and generation only.

19              Q     So it would not be captured?

20              A     Well, to the extent that it changed  
21       the generation portfolio, it could be captured in  
22       the indifference.

23              Q     And that would be the extent to which it would  
24       be captured?

25              A     Yes.

26              Q     Does the CCA in/out methodology proposed by  
27       PG&E account for improvements in reliability that might  
28       result from a CCA's addition of local generation?

1           A    I think it could. To the extent that you do  
2 the in/out run and costs that would have been in  
3 the utility-in run for new generation no longer need to  
4 be there, you could reflect that savings in  
5 the indifference calculation.

6           Q    Is there any specific accounting for an  
7 improvement in reliability?

8           A    The accounting comes in the form of capturing  
9 the difference in the cost of generation additions. We  
10 assume that both the CCA and the utility will plan to  
11 meet the same standard 15 percent reserve requirement.

12          Q    My question was a little more focused.  
13 I apologize if I wasn't clear.

14                  I'm talking about if you actually had an  
15 improvement in reliability due to the addition of local  
16 generation. Is that a factor that is currently captured  
17 in the in/out methodology?

18          A    Well, what you would capture would be any kind  
19 of savings that would result from the utility not having  
20 necessarily to make a local area generation addition  
21 because the CCA did it instead as part of their resource  
22 planning. You could capture that in the in/out  
23 calculation.

24          Q    And it's your testimony that that is in fact  
25 now captured?

26          A    It could be. The CCA-in calculation, as it's  
27 done now, is only -- assumes that the difference between  
28 the CCA-in and the CCA-out is short-term spot purchases.

1 But I think going forward as we make longer term  
2 commitments, you would reflect longer term differences  
3 in procurement between the in and the out runs.

4 Q So it could be it would need to be a  
5 modification to the current methodology that's used, but  
6 it could be captured?

7 A Yes.

8 MS. GRUENEICH: Those are all the questions  
9 I have, your Honor.

10 ALJ MALCOLM: Thank you, Ms. Grueneich.

11 Mr. Fenn.

12 MR. FENN: Thank you, your Honor.

13 CROSS-EXAMINATION

14 BY MR. FENN:

15 Q Hi. I'm Paul Fenn representing Local Power.

16 I asked a question of Mr. Craig earlier that  
17 he referred me to you on and it had to do with  
18 the impacts of true-ups on aggregated -- on CCA  
19 customers versus bundled service customers, the annual  
20 true-up that you are proposing.

21 Would the true-up have any disproportionate  
22 impacts on bundled service customers versus CCA, or  
23 could it?

24 A The impacts might not be identical, but they  
25 would capture the same changes and the same parameters.  
26 For instance, when you did a true-up going forward, you  
27 might capture changes in spot purchases which might have  
28 a bigger impact on bundled customers because

1 the purchases were made on behalf of bundled customers  
2 and not for CCA customers or -- but the intent would be  
3 you would do the true-up at the same time and true-up  
4 bundled rates and CRS rates and reflect the same  
5 changes.

6 Q So they shouldn't cause any disadvantage --  
7 you don't think that it could cause a disadvantage in  
8 the relationships between the affected electric bill  
9 prices that they're paying?

10 A No. We set bundled rates and CCA CRS rates on  
11 a forecast basis at the same time, and then we would  
12 true them up at the same time for the same factors.

13 Q Okay. In your reply testimony on page 2-5,  
14 you indicated that CCAs -- CPUC includes CCAs in its  
15 definition of load-serving entities according to a  
16 recent decision. That was the electric procurement  
17 decision of January 22nd, I believe; is that correct?

18 A Yes. The long-term planning decision.

19 Q In which it was indicated that an ESP or  
20 community choice aggregator has an obligation to acquire  
21 sufficient reserves for its customers load.

22 And so at the time, you were stating that CCAs  
23 are not customers but rather are market participants; is  
24 that correct?

25 A Yes.

26 Q So you believe them to be market participants  
27 in the same sense that a electric utility or a merchant  
28 generator or ESP is a market participant?

1           A    They're a market participant, yes.

2           Q    So you see no distinction by the fact that  
3 they are purchasing and not selling electricity?

4           A    I think the Commission's defined a market  
5 participant as anyone that's engaged in either  
6 the purchase or the sale of energy.

7           Q    It defines a DA customer as a market  
8 participant?

9           A    I would have to check, but I believe it's --  
10 I'm relying on a definition of market participant that  
11 was adopted in the procurement OIR.

12          Q    Mm-hmm.

13          A    And I believe that does cover any -- anyone.  
14                It's any private, municipal, state or federal  
15 entity that engages in the purchase, sale or marketing  
16 of energy capacity.

17          Q    Okay. So do you believe that -- or does PG&E  
18 believe that CCAs are its competitors?

19          A    I believe they're competing with us to serve  
20 load, yes. And I believe that's what other parties have  
21 said, too. As well, as I pointed out in my reply  
22 testimony that LGC, for instance, said that the CCAs  
23 will operate in a competitive environment and compete  
24 with IOUs to provide commodity energy.

25          Q    So you would endorse that statement?

26          A    I believe they're competing with us to provide  
27 service, yes.

28          Q    Were you to deliberately overprocure, would

1 that not prevent them from taking your customers away  
2 from you as a company if you could get away with it?

3 A That's not something we would do. We wouldn't  
4 set out to deliberately overprocure.

5 Q I'm just saying if the Commission were to  
6 allow you to overprocure -- I mean, if they are  
7 competitors, I assume that you'd do what you can to  
8 prevent your competitors from taking your customers.

9 A The CCAs are competing with us to provide  
10 procurement service. We're indifferent to whether that  
11 load goes to CCA service as long as our costs are  
12 recovered and there's no shifting of costs to bundled  
13 ratepayers. We don't have an interest in and of itself  
14 to retain bundled service customers.

15 Q But you will, am I incorrect, you will receive  
16 a return on investment for the contracts for the power  
17 that you sell to those customers? So would you not lose  
18 money were you to lose those customers?

19 Are your officers not under a legal obligation  
20 to minimize those losses in order to maximize the return  
21 on the investment to the shareholders?

22 ALJ MALCOLM: Let's first establish that they lose  
23 money. Then get to your second question.

24 MR. FENN: Okay.

25 THE WITNESS: What was the first question?

26 MR. FENN: Q Wouldn't you lose money, you would  
27 lose profit if you lost these customers to CCAs?

28 A I don't think so, necessarily. We pass

1 through our costs to our ratepayers.

2 Q But on the gross, if your gross declines, then  
3 your gross profits decline, don't they, under a  
4 cost-plus ratemaking?

5 ALJ MALCOLM: That would depend on -- a lot of  
6 PG&E's costs are a straight flow through to ratepayers;  
7 there's no profit.

8 It depends on what you mean by revenues.  
9 Which revenues? There's some where PG&E makes money and  
10 some where they don't.

11 MR. FENN: Okay.

12 Q If San Francisco has, May 11, passed an  
13 ordinance that it wants to develop 360 megawatts of  
14 renewable capacity and conservation load reductions. If  
15 it succeeds, will PG&E lose money? Will it lose  
16 profits, annual profits?

17 A I don't think that's a logical outcome of that  
18 situation.

19 Q Well, will its sales decline?

20 A Our bundled sales would decline, yes. And  
21 that would mean that -- right now, it means we'd procure  
22 less power.

23 Q Okay.

24 A Which is a pass-through expense. So we would  
25 be passing through, potentially, a smaller pool of costs  
26 to a smaller group of ratepayers.

27 Q Wouldn't your officers be under a legal  
28 requirement to prevent that from happening to its

1 shareholders?

2 A I think I just testified that there wouldn't  
3 necessarily be any kind of shareholder loss just because  
4 we lose bundled ratepayers.

5 Q Reduced sales wouldn't cause loss -- in  
6 the case of San Francisco, reduced throughputs on  
7 the distribution and transmission system and reduced  
8 retail sales?

9 A As I understand community aggregation, those  
10 customers remain transmission and distribution customers  
11 of the utility. Yes.

12 Q Yes?

13 A But they would continue to pay generation  
14 transmission rates.

15 Q But if they were to build 360 megawatts of  
16 solar, they would reduce the amount of use of  
17 the distribution system as a result of local  
18 generations, as Ms. Grueneich described, where  
19 the cities that want to double the RPS, they would --  
20 through the development of local generation, they would  
21 reduce the use of your systems at all levels. Would  
22 that not result in a loss of profit?

23 A Not necessarily. And I'm not an expert on  
24 distribution ratemaking right now, but I know  
25 traditionally we've had revenue recovery mechanisms that  
26 make us indifferent to sales. So rates are adjusted to  
27 recover the revenue requirement independent of sales.

28 ALJ MALCOLM: Would your answer change if

1 the Commission adopted incentives for procurement or  
2 energy efficiency programs?

3 THE WITNESS: As far as I know, in general, when  
4 the Commission has adopted incentives for energy  
5 efficiency, the goal has been to make it so we are  
6 indifferent to revenue losses that result from  
7 reductions in sales exactly for that reason because they  
8 don't want us discouraging conservation.

9 ALJ MALCOLM: Right. But if you -- well, putting  
10 aside energy efficiency for a minute, if you had  
11 incentives for procurement that were tied to sales, your  
12 answer might change?

13 THE WITNESS: It's possible, yes. I mean, not  
14 understanding what the incentive would be. But to the  
15 extent that there was an incentive mechanism that  
16 encouraged us to retain load, bundled load, that might  
17 create an incentive for us to want to retain the bundled  
18 load and not be indifferent to customer departure.

19 ALJ MALCOLM: Okay. Thank you, Mr. Fenn.

20 MR. FENN: Thank you, your Honor.

21 Q My concern here is that utilities might have  
22 an incentive to overprocure in order to block -- in  
23 order to deliberately create stranding costs and exit  
24 fees which might block CCAs from departing.

25 So you believe that that is an ill-conceived  
26 concern; I need not have any such concern?

27 A That's correct.

28 We're also concerned about maintaining rates

1 for our bundled customers, too. So we wouldn't go out  
2 and deliberately overprocure and create a burden that  
3 had to be paid for by bundled customers or CCA  
4 customers.

5 Q But haven't you claimed that CCA customers  
6 would have to pay for all such costs in order to hold --  
7 in order that their load departures would hold your  
8 remaining bundled service customers indifferent?

9 A I'm not sure I understand your question.

10 Have we claimed that CCA customers are  
11 responsible -- for what costs?

12 Q For any stranded costs that might occur as a  
13 result of their load departure within the context of  
14 366.2(d)(e)(f).

15 A We have claimed that CCA customers should pay  
16 their share of stranded costs. But that in no way  
17 implies that we're planning to go out and procure more  
18 than is needed to meet our loads.

19 Q Under Section 366.2(d)(1) the section that  
20 refers to the DWR contracts:

21 It is the intent of  
22 the Legislature that each retail  
23 end-use customer that has  
24 purchased power from an electrical  
25 corporation on or after  
26 February 1, 2001, should bear a  
27 fair share of the Department of  
28 Water Resources' electricity

1 purchase costs, as well as  
2 electricity purchase contract  
3 obligations incurred as of  
4 the effective date of the act  
5 adding this section, that are  
6 recoverable from electrical  
7 corporation customers in  
8 commission approved rates. It is  
9 further the intent of  
10 the Legislature to prevent any  
11 shifting of recoverable costs  
12 between customers.

13 That last sentence, it's further the intent  
14 of the Legislature to prevent any shifting of  
15 recoverable costs between customers, do you believe  
16 that that principle of avoiding cost shifting protects  
17 bundled service customers or all customers?

18 A I believe the intent of this section is  
19 referring to the shifting of costs onto bundled service  
20 customers as a result of CCA departure.

21 Q Well, if you look at other sections in  
22 the statute that refer to protecting bundled service  
23 customers. But this section refers to protecting any  
24 shifting of recoverable costs between costs without  
25 specification. Wouldn't that imply that all customers  
26 deserve such protection under statute?

27 A I don't know exactly what the legislature had  
28 in mind when they wrote this line of testimony here, but

1 I believe the purpose of this legislation was designed  
2 to prevent the shifting of costs to bundled ratepayers  
3 to keep them indifferent to CCA.

4 Q Do you believe that under statute, utilities  
5 are authorized to shift costs onto CCA customers?

6 A I don't know whether it's specifically  
7 prevented by the statute or not. That's not the intent  
8 of our proposal. Our proposal is simply to keep bundled  
9 customers indifferent.

10 Q But is it to keep them indifferent at the risk  
11 of exposing CCA customers to cost shifting?

12 Do you accept that, do you consider that risk  
13 to be statutorily allowed?

14 A I don't know what costs you're talking about.  
15 We might be shifting from bundled customers to CCA  
16 customers. ]

17 Q Which kinds of costs? Costs resulting from  
18 CRS for new world procurement or URG?

19 A Our proposal is that everyone should bear  
20 their fair share of costs. And to the extent that CCAs  
21 are doing their own resource planning and are  
22 responsible for resource adequacy, they would not be  
23 paying for any subsequent utility new world procurement.  
24 So I don't see how there would be a cost chip.

25 Q Well, let's see, am I correct in that a  
26 citation that is saying that you've indicated that the  
27 transfer of -- either the transfer of customer or the  
28 end of the opt-out period, which you accept a release of

1 the customer of the CCA, therefore an end to CRS  
2 obligations, minus the true-ups and so on; is that  
3 accurate?

4 A I'm not sure. I'm not sure I followed your  
5 question.

6 Q At what point, in your view, does a CCA  
7 customer become a CCA customer?

8 A Okay. They become a CCA customer when the CCA  
9 starts delivering power to them, and the utility stops  
10 delivering power to them.

11 Q Okay. Now, in the case of San Francisco,  
12 they, May 11th, passed an ordinance under statute -- one  
13 moment, sorry, let me find it here. 366.2(c)(10),  
14 Subparagraph A: The City and County implements a  
15 community choice aggregation program with jurisdiction  
16 pursuant to this chapter shall do so by ordinance.

17 They just passed an ordinance. And within  
18 that ordinance they gave pretty specific information  
19 about their intentions. And right now PG&E is  
20 proposing procurement for next year.

21 So the question is: Do you believe that  
22 PG&E has any responsibility to respect the ordinance  
23 and to prevent overprocurement basically based upon  
24 that ordinance prior to a transfer and prior to an opt  
25 out? Or do you believe it holds any weight as far as  
26 the CRS obligation of next year's procurement now  
27 being deliberated upon?

28 A Well, this issue will be taken up in the

1 procurement proceeding where they specifically asked us  
2 to look at scenarios associated with community choice.  
3 So we will be looking at different portfolios based on  
4 different scenarios of community aggregation or no  
5 community aggregation. So we won't be deliberately  
6 setting out to overprocure.

7 On the other hand, we do have an obligation to  
8 meet our customers' needs. And until the point where  
9 the cities actually demonstrate they do have resources  
10 and they are intending to serve load, we are obligated  
11 to consider that load in our planning process.

12 I wouldn't say at this point today we can  
13 assume all the customers in San Francisco are going to  
14 be community aggregation customers. And we have no  
15 responsibility at this point going forward to consider  
16 their loads in our resource planning.

17 Q You are familiar with the provision -- the  
18 cooperation provisions in this -- in AB 117, or should I  
19 find them?

20 A You should find them, please.

21 Q The first one is 366.2(c)(9): All  
22 corporations shall cooperate fully with any CCAs that  
23 investigate, pursue, or implement community choice  
24 aggregation programs.

25 I just read you a statute that says that CCAs  
26 are formed through an ordinance. So here we have a city  
27 that has passed an ordinance, that is not a CCA, it is  
28 telling you it wants to leave. Wouldn't full

1 cooperation include attempting to negotiate this -- what  
2 is really an inherent concern -- let me restate.

3           Given that they've gone through the process,  
4 giving you that notification and -- is this sort of time  
5 lag between the ordinance, the notification of the  
6 ordinance, and submission of the implementation plan,  
7 which is in the statute, then the signing of a  
8 contract -- the assignment of a CRS, signing of a  
9 contract, aren't those inherent components of  
10 implementing a community choice aggregation not  
11 specifically attributable to a single community choice  
12 aggregate?

13           Isn't that time lag and the risks associated  
14 with that time lag not intrinsic to the process rather  
15 than specific as a cost to one community choice  
16 aggregate? Is there any way to avoid it or is it not  
17 inherent?

18           A I'm not sure what "it" is --

19           Q The cost.

20           A -- we are trying to avoid.

21           Q The cost, the risk. Just the fact where -- I  
22 don't want to preach here, so I'll back up in proper  
23 form.

24           Under the process outlined in the statute  
25 there is no alternative. Given that a CCA must first  
26 submit the plan, must first pass an ordinance, then must  
27 submit a plan, then must receive a CRS before they can  
28 physically transfer customers satisfying PG&E's

1 criterion, the customers are actually transferring, we  
2 are actually not responsible for these people.  
3 Understanding that is where you need to get to be -- to  
4 protect your bundled service customers, isn't that time  
5 lag in between, and the volatility associated with it,  
6 which is uncertainty about procurement, isn't that an  
7 inherent component of community choice aggregation and  
8 not a cost specifically attributable or reasonably  
9 attributable to a single community choice aggregate?

10 A Well, I'm a little confused by your question.  
11 Because you have referred me to a section of the statute  
12 that talks about providing metering and billing data,  
13 which was discussed by other witnesses when we talked  
14 about cooperation and talked about providing data.

15 Q Well, but it also says below -- it is not only  
16 about data. It says it is about billing, it is about  
17 services down below. It is not just about data, that  
18 section: The bills set by the electrical corporation  
19 and retail customer shall identify the community choice  
20 aggregators providing electrical energy component of the  
21 bill. The Commission shall determine the terms and  
22 conditions under which the electrical corporation  
23 provides services, in general, to community choice  
24 aggregators and retail customers.

25 So it is not only about data, it is about  
26 cooperation in general. Am I not correct? It is  
27 about the various services that utilities provide to  
28 CCAs as they implement CCA?

1 ALJ MALCOLM: Let's assume that it is so we can  
2 get to your question.

3 MR. FENN: Q Well, the last question that I had  
4 was: Isn't this time lag between the moment of passing  
5 an ordinance and activating the statute becoming a CCA,  
6 and the transfer of customers at the end of the opt-out  
7 period, isn't that an inherent time lag? And are not,  
8 therefore, the risks and uncertainties --

9 ALJ MALCOLM: Let's take the first thing first.  
10 Are you asking her is there an inherent time lag --

11 MR. FENN: Yeah.

12 ALJ MALCOLM: -- associated with switching over  
13 customers? Because --

14 MR. FENN: Yes. Between the moment -- yes.

15 Q Between the moment that the a CCA forms and  
16 requires cooperation under statute is entitled to it,  
17 and the moment that they are able to transfer customers,  
18 isn't that time lag an inherent part of the process?

19 A Sure, it is part of the process. The CCA has  
20 to decide to form, and it has to present a procurement  
21 plan for the Commission's review, and has to acquire  
22 resources to serve load.

23 Q So, therefore, aren't the uncertainties and  
24 the risks associated with that time lag also inherent to  
25 the process of community choice aggregation?

26 ALJ MALCOLM: First let's find out if she agrees  
27 there are uncertainties and risks associated with that  
28 time lag.

1 MR. FENN: Oh, sorry.

2 THE WITNESS: I believe you are really talking  
3 about risks associated with procurement planning --

4 MS. FENN: Q Yes.

5 A -- and the acquisition of resources?

6 Q Exactly. Thank you.

7 A And speaking of cooperation -- and certainly  
8 we are not trying to overprocure. And our proposal is,  
9 once we know for sure that the CCA will be departing and  
10 has demonstrated they have adequate resources to serve  
11 their load, then the utility can stop acquiring  
12 resources on their behalf.

13 So it is conceivable that the utility will  
14 stop acquiring resources on behalf of long-term  
15 resources on behalf of CCA load before power is flowing  
16 to the CAA customers as part of the planning process.

17 Q Okay. Wouldn't it -- couldn't also a utility  
18 also use short contracts in order to mitigate the risk,  
19 to make the risk lesser, rather than you are either  
20 procuring, or not procuring, instead you are procuring  
21 on a short-term basis rather than long-term basis?

22 A To some extent that is possible, yes. The  
23 Exhibit has basically given us some guidance that our  
24 portfolio should have a mix of short-, mid-, and  
25 long-term resources. So we can't rely on short-term  
26 contracts, but they would be one part of the portfolio.

27 Q Thank you.

28 There are several different sections that

1 refer to the kinds of costs that must be paid by CCA and  
2 the kinds of the costs that must be made by bundled  
3 service customers. I think rather than getting into --  
4 I'll just read one section which is 366.2(f)  
5 subparagraph -- Paragraphs 1 and 2, electrical  
6 corporations unrecovered pass -- I'm sorry: Retail  
7 end-use customer purchasing electricity from a community  
8 source aggregator pursuant to this section shall  
9 reimburse the electrical that previously served the  
10 customer for all of the following, one, the electrical  
11 corporations unrecovered pass undercollections for  
12 electricity purchases including the financing costs  
13 attributable to that customer that the Commission  
14 lawfully determines may be recovered in rates.

15 But then they go to Subparagraph 2, they go  
16 to utility procurement: Any additional costs of the  
17 electrical corporation recoverable in  
18 Commission-approved rates equal to the share of the  
19 electrical corporation's estimated net unavoidable  
20 electricity purchase contract cost attributable to the  
21 customer as determined by the Commission for the  
22 period commencing with the customers purchase of  
23 electricity through the expiration of all  
24 then-existing electricity purchase contracts entered  
25 into by the electrical corporation.

26 If the time lag between the moment when a  
27 CCA has, through an ordinance, created itself and the  
28 day that it actually transfers customers to the CCA is

1 inherent, and if the risks are inherent then aren't  
2 those -- isn't that component not attributable to the  
3 customer? Isn't it attributable to the transaction  
4 itself, to the process itself?

5 ALJ MALCOLM: Did you mean is there a  
6 structural -- I don't understand the question.

7 MR. FENN: The question of the attribution of a  
8 cost. In this case, it seems to me -- what I'm asking  
9 is: Because the process that is created by community  
10 choice outlines the steps fairly specifically, and the  
11 steps inevitably involve a time lag between a moment of  
12 creating a CCA and writing the plan, signing --  
13 submitting the plan for CRS contract, signing a contract  
14 then starting the opt-out period, and then ending the  
15 opt-out period. There is no way to avoid that.

16 And so is that not simply a cost attributable  
17 to maintain the option of CCA for all ratepayers as  
18 opposed to a cost that could be attributable to a single  
19 customer as is construction of Subparagraph 2?

20 A Well --

21 MR. BUCHSBAUM: Your Honor, I think I've got to  
22 object finally. This is getting into possible  
23 interpretations of the statute that involve comparing  
24 one section of the statute with another section and  
25 reading, for example, 366.2. And I always try to get  
26 these right. There is -- it looks like a 17 in the  
27 context of 366.2(d), (e), and (f).

28 And what we are getting into is more than just

1 reading sentences and asking whether the witness is --  
2 whether the witness's proposals are in accordance with  
3 it. We are getting into actually -- I think we are  
4 crossing the line into asking the witness to legally  
5 determine, based upon various sections of the statute,  
6 how they apply. It is just getting too far afield for  
7 the witness, I think, to continue on this particular  
8 line.

9 So I would object to the question as phrased.

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

11 (Off the record)

12 ALJ MALCOLM: Back on the record.

13 MR. HUARD: Your Honor, can we go off the record?

14 ALJ MALCOLM: Off the record.

15 (Off the record)

16 ALJ MALCOLM: Back on the record.

17 We will be in recess until 2:40.

18 (Recess taken)

19 ALJ MALCOLM: Back on the record.

20 Mr. Fenn.

21 MR. FENN: Thank you, your Honor.

22 Q Ms. Burns, one last question: Did you  
23 consider the lag we discussed today as an inherent  
24 component in community choice aggregation in your  
25 testimony, or as a cost specific to a specific community  
26 choice aggregate?

27 A I didn't consider it as a cost attributable to  
28 any particular community choice aggregator. I

1 considered it to the extent I considered the concept  
2 that new world procurement should be part of the CRS,  
3 basically up until the point that the CCA takes over  
4 resource planning responsibility for the CCA customers.

5 So to the extent they state their intent and  
6 demonstrate resource adequacy prior to CCA formation, my  
7 proposal would take into account that fact by not making  
8 CCA customers responsible for any costs that are  
9 incurred after the CCA takes over resource adequacy  
10 responsibility.

11 Q With the transfer of customers or with the end  
12 of the opt-out period?

13 A I think the responsibility for planning  
14 resource adequacy could be demonstrated before the  
15 actual opt out -- before the actual transfer of  
16 customers.

17 Q How would that be demonstrated or how could it  
18 be?

19 A The CCA could demonstrate, say, in 2006, that  
20 they had acquired resources to meet load, say, for CCA  
21 beginning in 2008. And they had signed contracts for  
22 load to begin serving load, say, in 2008.

23 Q I see. So they could preacquire the resource  
24 adequacy requirement prior to soliciting the rest of  
25 their -- is that what you are saying?

26 A Yes. I mean I think CCA is going to have to  
27 demonstrate that they have the resource adequate to  
28 serve their load before the power starts flowing. If

1 the requirement is anything like it is for utilities  
2 where we have to demonstrate resource adequacy, say, a  
3 year in advance. But once that demonstration had been  
4 made, the utility would factor it into the planning  
5 process. If the CCA in, say, 2006 had demonstrated they  
6 had the resources to serve load in 2008, the utility  
7 would stop acquiring resources going forward for this  
8 CCA customer.

9 Q Sorry to continue. I intended that to be my  
10 last question, your Honor, that leads me to one more  
11 question.

12 Wouldn't that though introduce a difficulty  
13 because the CRS plays such a major role in negotiating  
14 contracts, particularly for CCAs that don't want to pay  
15 their own insurance, they want their ESP to pay their  
16 insurance? Wouldn't they not need to know their CRS  
17 prior to negotiating contracts?

18 A That was a compound question about ESPs and  
19 insurance.

20 Q I'm sorry. I'll simplify the question: Just  
21 as a part of the process, in order for a CCA governing  
22 board, a city council, to compare their options to what  
23 their ratepayers are now paying electric utility, they  
24 would need to know what the CRS is going to be because  
25 it will be a significant factor in the comparison cost;  
26 is that not true? ]

27 A The CRS might be one factor, and the -- for  
28 the CCA to determine whether it's cost-effective for

1 them to serve customers, but there's a whole host of  
2 other factors associated with how the CCA plans to serve  
3 load and the types of resources it's considering  
4 building.

5 The CRS is only one factor in, I would assume,  
6 the community's decision about whether to form an  
7 aggregation program.

8 MR. FENN: Okay. No further questions.

9 Thank you, your Honor.

10 Thank you, Ms. Burns.

11 ALJ MALCOLM: Thank you.

12 Is there any redirect?

13 MR. BUCHSBAUM: Yes, your Honor. I have a few  
14 questions.

15 REDIRECT EXAMINATION

16 BY MR. BUCHSBAUM:

17 Q Ms. Burns, you may recall earlier today that  
18 Mr. Como asked you certain questions concerning  
19 overcollections and the CRS potentially going negative;  
20 is that correct?

21 A Yes.

22 Q And can you please turn to page 2-7 of your  
23 rebuttal testimony, heading D labeled The CRS Should Not  
24 Be Negative.

25 Do you have that in front of you?

26 A Yes, I do.

27 Q And do you see in lines 20 through 22 where  
28 you state.

1           ... the Commission should reserve  
2           judgment regarding whether the CRS  
3           should be negative, and if so, how  
4           to calculate the CRS in such  
5           circumstances.

6           Do you see that sentence?

7           A    Yes.

8           Q    Now I would like to ask you several questions  
9           regarding the potential of an overcollection that  
10          Mr. Como asked you earlier, just for purposes of  
11          clarifying the record.

12                First of all, if the overcollection for a  
13          given year -- and let's throw out a number -- was four,  
14          what is your position regarding how much money should be  
15          credited to customers in the following year?

16           A    Let's say the CRS was set at \$4 per megawatt-  
17          hour for a given year and then we did a true-up, I would  
18          say that the actual CRS should not go below zero, and we  
19          could return up to \$4 a megawatt-hour that was collected  
20          in that year as part of the next year's CRS.

21           Q    I'm sorry. As usual on these math questions,  
22          I think I messed that up, so let me try again.

23                If the CRS paid for a given year -- and let's  
24          just take a total -- was 100 and the overcollection  
25          turned out to be 110, your testimony is how much could  
26          be credited as an overcollection based upon your current  
27          testimony?

28                Do you have that question in mind?

1           A    Yeah.  We would return 100 in your example.

2           Q    So the extra 10 would not -- would be subject  
3 to this clause which says the Commission should reserve  
4 judgment; but the 100, which was the overcollection,  
5 would not necessarily be subject to that sentence; am I  
6 correct?

7           A    Yes.

8           Q    Now, are there conditions in terms of period  
9 that you put on the notion of an overcollection?

10                  In other words, as I understand it, your  
11 testimony was that this should be limited to an annual  
12 concept.

13           A    Right.  The CRS would be set annually and  
14 trued up annually, and you would be returning one year's  
15 overcollection in the next year.

16           Q    And what components are included in the CRS  
17 under your proposal or your testimony?

18           A    The components would include the bond charge,  
19 the historical procurement charge, the DWR power charge,  
20 and the CTC; and when I'm talking about truing up, I'm  
21 talking about the ongoing costs that are part of the  
22 indifference rate, which would be the power charge and  
23 the CTC.

24           Q    Now I'd like to turn to several questions that  
25 Ms. Grueneich asked you.

26                  First, do you recall questions regarding  
27 potential renewable portfolio standard requirements that  
28 could apply to either the load-serving entity or the

1 utility distribution company?

2 Do you recall that line of questioning?

3 A Yes.

4 Q What is your expectation regarding how the  
5 renewable portfolio standards will apply?

6 Will they apply to load-serving entity or  
7 utility distribution companies, in your opinion?

8 A My understanding is that they will apply to  
9 load-serving entities.

10 The hypothetical assumed that the standard  
11 applied to distribution companies, but that's not my  
12 understanding of how the standard is expected to apply.

13 Q Now, you also received some questions about  
14 various generation additions that could lower  
15 transmission costs, and I have a question for you  
16 regarding any utility procurement that would lower  
17 transmission costs.

18 Is it true that that would tend to lower or  
19 reduce the utility's transmission rate?

20 A Right. Transmission-cost reductions would  
21 benefit all ratepayers in the form of lower transmission  
22 rates.

23 Q And that would include, obviously, CCA  
24 customers who pay a transmission component?

25 A That's correct.

26 Q And similarly, if the CCA were to lower  
27 transmission costs, it would be reflected in terms of  
28 lower costs in an overall transmission rate similarly;

1 isn't that correct?

2 A That is correct.

3 Q And so it would be reflected for the benefit  
4 of bundled customers and CCA customers alike as part of  
5 their transmission rate; isn't that correct?

6 A Yes.

7 MR. BUCHSBAUM: That's all I have, your Honor.

8 ALJ MALCOLM: Thank you.

9 Is there any recross?

10 Ms. Grueneich?

11 RE CROSS-EXAMINATION

12 BY MS. GRUENEICH:

13 Q Just responding to the hypothetical-- or  
14 posing this as a hypothetical, if a single CCA undertook  
15 an activity that did result in reduced transmission  
16 costs, the benefit in terms of lower cost would be  
17 spread out across all customers that took transmission  
18 service, both CCA and bundled customers, and not accrue  
19 solely to the CCA customers; is that correct?

20 A That's correct.

21 MS. GRUENEICH: Those are all the questions.

22 ALJ MALCOLM: Thank you.

23 Mr. Como?

24 Yes, Mr. Como?

25 MR. COMO: Yeah, I have one question. I am just  
26 trying to understand the hypothetical.

27 MR. BUCHSBAUM: I am, too.

28 (Laughter)

1 MR. COMO: Let me just put it in my own words and  
2 see if it's correct.

3 RECROSS-EXAMINATION

4 BY MR. COMO:

5 Q If you charged 100 in total for a CRS one  
6 year -- sorry. Let me start that over.

7 If the CRS one year were actually 100 and --  
8 as determined by the true-up but during that year you  
9 collected 110, then in the third year you would adjust  
10 the CRS by 10?

11 Is that --

12 A That's correct.

13 Q -- correct?

14 A That wasn't how Mr. Buchsbaum used the 100 and  
15 110, but you're hypothetical is correct.

16 If we collected \$110 and upon true-up we  
17 should have only collected 100, we would return the 10  
18 the following year.

19 Q Okay. Would you explain to me what  
20 Mr. Buchsbaum's hypothetical was and how it differed?  
21 Because I just didn't understand it. Or how you believe  
22 it was supposed to be.

23 A The way I understood his hypothetical was we  
24 set -- we forecast the CRS and we collected 100, then  
25 when we did the true-up, because the prices had  
26 skyrocketed, you might get an indifference rate that  
27 resulted in, say, a negative 10 when you did the  
28 indifference calculation, so you -- you would have been

1 potentially overcollected by 110.

2 So if you don't let the CRS go to zero --  
3 below zero, you would return the 100, but you wouldn't  
4 return the last 10.

5 MR. COMO: I understand.

6 Thank you.

7 ALJ MALCOLM: Thank you.

8 Do you have any?

9 MR. FENN: (Shaking head)

10 ALJ MALCOLM: Thank you, Ms. Burns. You're  
11 excused.

12 Let's go off the record.

13 (Off the record)

14 ALJ MALCOLM: Back on the record.

15 Mr. Buchsbaum?

16 MR. BUCHSBAUM: Yes. Thank you, your Honor.

17 PG&E calls its next witness, Mr. Andrew Bell.

18 ALJ MALCOLM: Good afternoon.

19 ANDREW BELL, called as a witness by  
20 Pacific Gas and Electric Company, having  
been sworn, testified as follows:

21

22 ALJ MALCOLM: Be seated.

23 DIRECT EXAMINATION

24 BY MR. BUCHSBAUM:

25 Q Good morning -- good afternoon, I should say.

26 Mr. Bell, do you have before you PG&E Exhibits  
27 12, 13, and 14 marked for identification purposes?

28 A Yes, I do.

1           Q    And can you tell us what portions of these  
2 exhibits you're sponsoring this afternoon?

3           A    I'm sponsoring Chapters 3 of Exhibit 12,  
4 Exhibit 13, and Exhibit 14, each chapter being titled  
5 Rate Design Issues.

6           Q    And now were these portions of the exhibits  
7 prepared by you or under your supervision?

8           A    Yes.

9           Q    Do you have any changes, corrections, or  
10 additions to make at this time?

11          A    On the table -- there's some labeling on Table  
12 3-1 at page 3-6 of Exhibit 12.

13                    In the notes to that table --

14          ALJ MALCOLM:   Can you give us the page again?  I'm  
15 sorry.

16          THE WITNESS:   Page 3-6.

17                    Note -- Footnote 1 to that table has three  
18 sentences.  The last sentence I tried to reword and move  
19 into Footnote 2, and unfortunately when we edited we  
20 didn't strike the sentence that was being reworded; so  
21 simply the last sentence of Footnote 1 beginning  
22 "Generation rates" should be stricken because the  
23 content of that footnote has been replaced with what's  
24 in Footnote 2.

25                    Also Footnote 3 refers to Table 3-1, which  
26 would be a self-reference; that should actually refer to  
27 Table 2-1.  Footnote 3 refers back to the table at the  
28 end of Ms. Burns' chapter.

1                   With those corrections on the face of  
2 Table 3-1, my testimony is true and correct.

3                   MR. BUCHSBAUM:   Q   And, Mr. Bell, are the opinions  
4 that are expressed in the -- in your prepared  
5 testimony -- do they represent your best professional  
6 judgment?

7                   A   Yes, they do.

8                   MR. BUCHSBAUM:   Your Honor, Mr. Bell is available  
9 for cross-examination.

10                  ALJ MALCOLM:   Thank you.

11                  Mr. Reiger?

12                  MR. REIGER:   Thank you, your Honor.

13                                   CROSS-EXAMINATION

14 BY MR. REIGER:

15                  Q   Good afternoon.

16                  A   Good afternoon.

17                  Q   My name's Jason Reiger, and I'm representing  
18 ORA.

19                               I'd like to start off with your opening  
20 testimony, Exhibit 12, page 3-1.

21                               At lines 17 through 19 you talk about PG&E  
22 recommending a CRS rate.

23                               Am I correct in recalling that you also have  
24 an alternative proposal with a vintage CRS, or am I  
25 incorrect in that?

26                  A   I haven't recommended a vintaged CRS; I have  
27 described towards the end of the chapter an alternative  
28 pro rata or equal percent CRS as an alternate

1 recommendation.

2 Q If you're not recommending a vintage CRS, does  
3 that mean that PG&E wishes to always procure energy for  
4 the CCA loads?

5 A I -- I have explained actually as part of the  
6 primary recommendation -- and it was what Ms. Burns  
7 sponsored -- that CCAs that do meet Commission-  
8 established procurement standards would qualify for a  
9 lower CRS.

10 When I refer to an alternate rate design  
11 recommendation, I keyed off with the word "alternate"  
12 when you asked me the question.

13 The alternate recommendation is something else  
14 altogether where we talk about applying an equal percent  
15 to the generation rate for individual customers.

16 Under PG&E's primary recommendation of a  
17 single CRS rate, what that would do is it would take an  
18 indifference rate and apply it to each CCA participant.

19 What I understand is that those CCAs that do  
20 meet the procurement standards, it's Ms. Burns'  
21 testimony, that an different indifference rate would be  
22 calculated for those customers than under our primary  
23 recommendation.

24 The indifference rate applicable to a  
25 particular group of CCA corresponding to formation in a  
26 particular open season would all pay the uniform CRS.

27 Q Depending upon the time in which the CCA met  
28 its load requirements such that your -- such that you --

1 they have guaranteed satisfactorily that they are going  
2 to meet their load requirements, depending on which year  
3 they met that requirement, would the reduction in the  
4 single CRS change?

5 A My understanding of Ms. Burns' testimony is  
6 that a calculation would be performed for the -- to  
7 produce an indifference rate applicable to whichever  
8 group of CCAs formed and met the procurement standards  
9 in any given year.

10 MR. BUCHSBAUM: Your Honor, I'm somewhat concerned  
11 because the questioning -- and maybe it will change, but  
12 it seems to be primarily addressing the computation of  
13 the CRS which was the subject of Ms. Burns' testimony.

14 Mr. Bell is primarily our witness on the rate  
15 design issues.

16 So, with that, I would -- I would not object  
17 to the continuation of the cross-examination but it is a  
18 little bit risky from our standpoint.

19 MR. REIGER: Understood.

20 That's all I had in that line of questioning.

21 ALJ MALCOLM: Okay. Thank you.

22 MR. REIGER: Q If I could draw your attention to  
23 page 3-3, line 8 through 10, where PG&E states its  
24 opposition to an exemption for baseline usage because of  
25 cost-shifting; do you see that?

26 A Yes.

27 Q My question is what harm, if any, would PG&E  
28 suffer if there was no cost shift of bundled ratepayers

1 due to a tiered CCA rate?

2 A In lines 8 through 10 on that page I was  
3 specifically addressing the hypothetical of not a tiered  
4 CCA rate but a zero CCA rate for a -- a rate that was  
5 zero in exemption. I was anticipating that some parties  
6 might propose excluding residential usage in the first  
7 two tiers from paying the CCA at all, and I was  
8 concluding that that would create an undercollection  
9 that would have to be made up either from bundled  
10 ratepayers or perhaps in other ways from CCA customers.

11 PG&E would suffer no harm as long as there was  
12 no cost-shifting. Bundled ratepayers would suffer no  
13 harm from a -- a tiered CCA rate per se.

14 I have had some concerns in this proceeding  
15 that we not make the CCA rate too complicated.

16 Implicitly, my alternate recommendation, which  
17 is described later in my primary testimony, would  
18 implicitly be a tiered CCA rate because by applying an  
19 equal percent of a customer's generation rate --  
20 otherwise applicable total generation rates, to the  
21 extent that that reflects tier differentials, that the  
22 otherwise applicable generation rate reflects tiered --  
23 reflects tier differentials.

24 Customers paying a percentage of the otherwise  
25 applicable generation charges as a CRS would be paying a  
26 tiered CCA rate.

27 Q Thank you.

28 If I could bring your attention to Table 3-1

1 on page 3-6, does the table distinguish between above-  
2 and below-baseline usage?

3 A No, because at this level of detail I've shown  
4 the average current generation rate for each rate  
5 class. ]

6 And so for example, the 6.58 cent current  
7 generation rate shown in the first row for  
8 the residential class is an average across all  
9 residential customers. Customers who stay within Tier 1  
10 and Tier 2 currently pay a significantly lower  
11 generation rate than 6.58 cents. And conversely, a  
12 customer with usage -- significant amounts of usage in  
13 Tiers 3 and 4 will pay a generation rate somewhat higher  
14 than 6.58 cents. This is a weighted average for each  
15 rate class.

16 Q In your scaled CRS proposal, would you  
17 distinguish between above and below baseline usage?

18 A Yes; for example, if a residential customer  
19 had a \$100 monthly bill of which \$60 represented  
20 generation charges, which under current rates, do vary  
21 by tier. But if \$60 was their current rate, their  
22 currently applicable generation rate out of a \$100 total  
23 utility bill, and if a uniform CRS percentage for that  
24 year was one-third, that would determine their CRS for  
25 that month as being \$20 because the \$60 portion of their  
26 bill would be reflecting the tiers. So I am treating  
27 one-third of that as -- CRS implicitly be a tiered CRS  
28 rate.

1 Q So would that be on a per-customer basis?

2 A Yes.

3 Q If we can go to your reply testimony, page  
4 3-1. You have that in front of you now?

5 A I do.

6 Q Thank you.

7 In section B, there's a discussion about how  
8 broad rate changes are beyond the scope of this  
9 proceeding in your opinion, and they're best handled in  
10 the GRC; is that correct?

11 A I'm sorry. I just want to make sure: Are we  
12 referring to my reply testimony or my rebuttal?

13 Q I believe I'm referring to your reply  
14 testimony, but I can ask you more broadly.

15 A I definitely recall making that statement.

16 Q Okay.

17 A And I believe it was in my rebuttal rather  
18 than my reply.

19 Q I that's fine, as long as you recall that in  
20 your testimony.

21 My question is, could those sorts of changes  
22 also happen in a rate design window proceeding as  
23 opposed to a general rate case proceeding?

24 A Yes. I mention general rate cases first  
25 because, first of all, we do have one upcoming; in fact,  
26 we'll be filing it at the end of next week. The Phase 2  
27 for our 2003 general rate case will be filed next week,  
28 and that will provide an opportunity for broad

1 reconsideration of our rates.

2           Generally, rate design windows are a little  
3 bit narrower than full-blown general rate cases, but  
4 there would still be opportunity to consider rate  
5 changes on a utility-specific basis in a  
6 utility-specific rate design window.

7           Q   And rate design windows happen in between  
8 GRCs; correct?

9           A   They have historically. We haven't had one  
10 for a great number of years now. But historically, we  
11 have had rate design windows in between GRCs.

12          Q   On page 3-4 of your reply testimony, you talk  
13 about ORA's load factor adjustment proposal.

14          A   Yes.

15          Q   Specifically on pages -- excuse me, line 19  
16 through 22, you talk about what ORA has recognized; is  
17 that correct? Excuse me. What ORA has identified, to  
18 use your language; is that correct?

19          A   Yes.

20          Q   Do you agree with ORA in its identification?

21          A   I believe what they've identified and  
22 described in the ORA witness's testimony is plausible  
23 and might be a small effect that would be known as a  
24 function of load factor, yes.

25          Q   Regardless of the size of the effect, do you  
26 agree the effect may be there?

27          A   I agree that it's possible it could be there.

28          Q   On the following page which would be page 3-5,

1 on lines 16 through 19, you say that PG&E opposes  
2 certain rate determinations; is that correct?

3 A Yes. It explains that PG&E opposes, at least  
4 for the purposes of the current phase, of getting ready  
5 to do community choice implementation.

6 Q Okay. My question --

7 A That adding that load factor calculation is a  
8 additional complication to the initial implementation.

9 Q So when you say you oppose for this current  
10 proceeding, when would you not oppose it?

11 A As I understand PG&E's position and as shared  
12 by several of the parties to the proceeding, we will  
13 have annual updates in the future after community choice  
14 aggregation starts. We will have annual updates when  
15 the indifference calculations are updated.

16 In addition to questioning the size of  
17 the effect, I also had concerns that would need to be  
18 addressed with how the load factor adjustments were  
19 defined. And I think it would also get into questions  
20 if one applies different load shapes to different groups  
21 of community choice aggregators.

22 I think I raised the same kind of questions  
23 that PG&E witness Rubin talked about this morning about  
24 having different load profiles applying to different  
25 customers.

26 But with those qualifications, I would think  
27 that once community choice is up and running, in a  
28 future annual update proceeding, ORA certainly would be

1 welcome to raise this question again.

2 Q Are you generally familiar with Edison's and  
3 San Diego Gas & Electric's proposal about baseline and  
4 how to handle that?

5 A I have reviewed the rate design testimony for  
6 both utilities, yes.

7 Q So subject to check, you would agree that  
8 Edison wants to use distribution rates regarding  
9 baseline, and San Diego Gas & Electric would like to use  
10 public purpose rates regarding baseline? Would you  
11 accept that subject to check?

12 A I accept that subject to check.

13 Q Would PG&E be able to implement a proposal  
14 similar to either of those where the baseline usage  
15 protection costs are recovered through a nongeneration  
16 rate component?

17 A Yes. I think that that is entirely  
18 appropriate. And I think that the significant movement  
19 to flatten generation rates and put as much as possible  
20 of these distortions into nongeneration components will  
21 be reflected in the rate design proceedings that we are  
22 going to be filing next week.

23 The proposals that I made here in this case  
24 are predicated on the idea that what we're adopting in  
25 this case is a cost responsibility surcharge rate for  
26 CCA customers. And I've put an alternate proposal out  
27 in case community choice aggregation starts before other  
28 changes can be made to our rates in our pending general

1 rate case.

2 To the extent that cross-class differences in  
3 generation rates can be moved out of generation  
4 components before community choice aggregation begins,  
5 a lot of these questions will be moot as far as  
6 the distortion is then caused by different generation  
7 rates paid by different classes.

8 Q Would you support specifically using  
9 the public purpose program when you move them out of  
10 the generation rates?

11 A I think to a large extent what we're going to  
12 be proposing will be a combination of distribution and  
13 public purpose program rates. To the extent public  
14 purpose program rates are the vehicle through which  
15 revenue undercollection associated with the California  
16 Affordable Rates For Electricity, or CARE, program  
17 undercollections are recovered from all the ratepayers  
18 who are not CARE program participants, however, the CARE  
19 program discounts are historically assigned to  
20 distribution rates as far as they -- AB 1X related  
21 undercollections.

22 I think that our proposal will primarily be to  
23 assign those to generation rates -- rather, to  
24 distribution rates rather than to public purpose program  
25 rates.

26 I think that given the overall magnitude of  
27 the portion of the bill represented by distribution  
28 rates versus the portion of the bill and the purposes

1 set aside for public purpose program rates, that it  
2 would be tough for us to fit the AB 1X undercollections  
3 and overcollections to the public program rates. But  
4 I do agree with the principle to the extent that it  
5 should be reflected in nongeneration rate components.

6 And I've indicated in both my reply and my  
7 rebuttal testimony that I think you get into very much  
8 utility-specific considerations when you try and  
9 reallocate existing rates. And that's why a general  
10 rate case makes more sense to address rates that will be  
11 paid by all customers.

12 Q What is your opinion of TURN's proposal to use  
13 PG&E's method in the short term and the Edison/San Diego  
14 Gas & Electric method, if I can combine those two, in  
15 the long term and implementated [sic] in a GRC?

16 A I think that PG&E and TURN and Edison and  
17 San Diego are all moving towards a common goal in that  
18 regard, trying to ensure that we have generation rates  
19 that are not artificially distorted if those are being  
20 opened to competition via community choice aggregation.

21 And to the extent that TURN is endorsing our  
22 alternate CRS recommendation in the short term and  
23 acting on individual utilities' generation rates --  
24 individual utility GRCs in the future, that's perfectly  
25 consistent with my position.

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

27 (Off the record)

28 ALJ MALCOLM: Back on the record.

1 Off the record.

2 (Off the record)

3 ALJ MALCOLM: Back on the record.

4 You're done, Mr. Reiger?

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

6 ALJ MALCOLM: Okay. Thank you.

7 Mr. Como.

8 MR. COMO: Can we go off the record?

9 ALJ MALCOLM: Off the record.

10 (Off the record)

11 ALJ MALCOLM: Back on the record.

12 We'll be in recess until tomorrow morning at  
13 9:00 a.m. Thanks.

14 (Whereupon, at the hour of 3:30 p.m.,  
15 this matter having been continued to  
16 9:00 a.m., June 8, 2004, at  
San Francisco, California, the Commission  
then adjourned.)

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