

Docket No.: R.10-05-006
Exhibit No.: _____
Date: August 4, 2011
Witness: John Dalessi

**TESTIMONY OF THE MARIN ENERGY AUTHORITY CONCERNING
THE SYSTEM RESOURCE PLAN OF PACIFIC GAS AND ELECTRIC
COMPANY**

**ORDER INSTITUTING RULEMAKING TO INTEGRATE AND REFINE
PROCUREMENT POLICIES AND CONSIDER LONG-TERM
PROCUREMENT PLANS**

1 **Testimony of the Marin Energy Authority**

2 **Concerning**

3 **System Resource Plan of Pacific Gas and Electric Company**

4
5 This testimony addresses the treatment of the load and capacity of the Marin Energy
6 Authority's ("MEA") community choice aggregation ("CCA") program, Marin Clean Energy
7 ("MCE"), as it relates to the resource plans submitted by Pacific Gas & Electric Company
8 ("PG&E") in this proceeding on March 25, 2011 (Track 2) and July 1, 2011 (Track 1). While
9 MEA continues to believe that the proper forum for considering the impact of customer
10 migration to competitive generation service on PG&E's resource plans is Track 2, in which
11 MEA presented testimony on this matter, PG&E's reply to MEA's testimony in Track 2 asserts
12 that the appropriate forum for incorporating MEA's load projections is Track 1:

13 MEA proposes that Tables PG&E -1 and PG&E -2 should be adjusted to account
14 for load departing to MEA. PG&E does not support this proposal. As PG&E
15 indicated in its testimony, Tables PG&E -1 and PG&E -2 are "illustrative and a
16 snap-shot in time." [4] Thus, PG&E should not adjust these tables for every
17 change in the assumptions that parties identify, including MEA's proposed
18 change. PG&E does agree that MEA has raised a legitimate concern about the
19 2009 IEPR load forecast. The appropriate place to address this concern is Track I
20 of this proceeding. In Track I, PG&E has included MEA's departed load estimates
21 in its load forecast. These estimates were developed from a list of customers
22 provided to PG&E by MEA for Phase 1 of its program, and from MEA's
23 Implementation Plan (January 2010) for Phase 2 of its program.

24 MEA therefore provides the following testimony showing MEA's current projections of
25 customer load that it anticipates serving during the planning period. These projections are
26 updated for recent developments that have occurred since the preparation of MEA's Track 2
27 testimony.

1 As noted in the PG&E Opening Testimony in Track 2, the Commission-mandated case of
2 the LTPP does not reflect CCA loads. PG&E states that “the IEPR Forecast excludes MCE’s
3 estimates for 800 GWh of energy and 143 megawatts (“MW”) of capacity.” MEA’s testimony
4 provides more accurate actual and projected figures for the load and capacity served by MEA.
5 Any final Commission-approved PG&E System Plan or Bundled Procurement Plan will need to
6 reflect this departed and departing CCA load.

7 MEA began serving a portion of its customers with generation service beginning on May
8 7, 2010, and is completing a significant expansion of its program that began on August 1, 2011 .
9 PG&E has not adjusted its bundled load forecast to reflect this transition of customers to MEA
10 service. Further, PG&E’s load forecast does not incorporate any assumptions regarding the
11 planned expansion of the MCE program as MEA completes its phase-in of customer enrollments.
12 As a result of these omissions, the PG&E load forecast, and any resource plans that derive from
13 it, would overstate PG&E’s resource needs as it would not make use of the best available
14 information regarding the status of MEA’s community choice aggregation program. This can
15 lead to unnecessary over -procurement by the utility with associated stranded costs that will
16 burden the customers of retail competitors of PG&E, such as MEA and direct access providers ,
17 and other departing load customers.

18 At a minimum, PG&E should reduce its energy and capacity forecasts to account for the
19 removal of MEA’s existing customers’ load requirements (inclusive of the August, 2011
20 customer enrollments) as shown in Tables 1 and 2 below. Further, MEA expects to offer service
21 to its remaining customers in either 2012 or 2013. While there is less certainty in regards to the
22 timing of MEA’s Phase 2 enrollments and its impact on PG&E’s load forecast, MEA

1 recommends that PG&E's load forecast should reasonably assume full roll-out of the MEA
 2 program by 2013.

3 MEA offers the following projections of load that should reasonably be assumed to be
 4 served by MEA during the planning period:

5 **Table 1:**

6 **Marin Energy Authority Load Projections of Current and Potential Customers, Peak MW**

MEA Customer Phase	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current MEA Load (MW)	47	50	50	51	51	51	51	52	52	52
Potential Phase 2 Load (MW)	-	-	83	84	83	83	82	83	83	84
Total MEA (MW)	47	50	133	134	133	134	134	135	135	136

7

8 **Table 2:**

9 **Marin Energy Authority Load Projections of Current and Potential Customers, GWh**

MEA Customer Phase	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current MEA Load (GWh)	190	267	268	270	271	272	274	275	276	278
Potential Phase 2 Load (GWh)	-	-	472	473	474	474	478	479	480	483
Total MEA (GWh)	190	267	740	742	745	747	751	754	757	761

10

11 These projections are estimates, and actual MEA loads will depend upon a number of
 12 factors including customer decisions to participate in the MEA program, the timing of offered
 13 service to additional eligible customers in the MEA service area, and other normal load
 14 uncertainties such as weather and economic conditions.

Exhibit A

Statement of Qualifications of John Dalessi

Q1 Mr. Dalessi, please state your name, position, and address.

A1 My name is John Dalessi. I am Principal of Dalessi Management Consulting LLC. My business address is 3941 Park Drive, Suite 20-201, El Dorado Hills, CA, 95762.

Q2 Please describe your background.

A2 I provide consulting services to public and private sector clients in the energy industry. Among other responsibilities, I am a consultant to the Marin Energy Authority (“MEA”) and assist MEA in resource planning, procurement, ratemaking and regulatory compliance. During my twenty-year career in energy, I worked for Southern California Edison Company, Pacific Gas and Electric Energy Services, the Automated Power Exchange, Inc. and Navigant Consulting in the following areas among others: electricity procurement, resource planning, transmission contracts, regulatory advocacy and compliance, business and strategic planning, electricity revenue allocation and rate design, pricing structures for the competitive retail electricity market rate, and statewide demand response programs. My resume is attached as Exhibit B.

Q3 What is the purpose of your testimony?

A3 I am sponsoring “ Testimony of the Marin Energy Authority Concerning the System Resource Plan of Pacific Gas and Electric Company.”

Q4 Does this conclude your statement of qualifications?

A4 Yes it does.

Exhibit B

Resume of John Dalessi

John Dalessi

John Dalessi
Principal

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Professional History

- Principal, Dalessi Management Consulting, LLC
- Director, Navigant Consulting, Inc
- Director – Business Development, Automated Power Exchange
- Manager – Tariff and Market Analysis, PG&E Energy Services
- Manager – Pricing & Analysis, Southern California Edison

Education

- M.A. – Economics, University of California, Santa Barbara
- B.A. – Economics, California State University, Long Beach

John Dalessi is Principal and founder of Dalessi Management Consulting LLC (DMC), which provides strategic advice and technical support to organizations active in the California energy market. Mr. Dalessi, has held senior leadership positions in the wholesale, retail and regulated sectors of the electric utility industry during his twenty-year career. Mr. Dalessi advises public agencies, generation project developers, and private investors on large, multi-million dollar infrastructure projects and energy programs. Prior to forming DMC, Mr. Dalessi held senior management positions at Navigant Consulting, Inc, the Automated Power Exchange, PG&E Energy Services, and Southern California Edison Company.

Professional Experience

- » **Resource Planning and Procurement – 2009 – 2011** – Marin Energy Authority - Developed and administered competitive solicitations for power supply, renewable energy and data management services required for operations as a Community Choice Aggregator. Managed preparation of electric load forecasts and resource plans, program electric rates, program budgets and regulatory compliance activities.
- » **Generation Development and Contract Support** – Confidential Client – Managed preparation of a successful offer into the Pacific Gas and Electric Company 2008 All Source Request For Offers. Managed the bid preparation process on behalf of the client, a large generation project developer, and prepared an extensive project description demonstrating the viability of the project's siting, permitting and financing plans. Managed an internal team of technical experts and subcontractors to perform technical studies in support of the project relating to transmission system impact and interconnection requirements, natural gas supply and pipeline routing, and water supply. Led development of the project's permitting plan.
- » **Organizational and Business Planning – 2006 – 2009** – Marin Energy Authority and San Joaquin Valley Power Authority - Assisted twenty-one local governments in Northern and Central California in the formation of joint powers agencies for provision of retail electric service. Work resulted in the formation of the San Joaquin Valley Power Authority in December of 2006 and the Marin Energy Authority in December of 2009. Authored the state's first Community Choice Aggregation Implementation Plan certified by the California Public Utilities Commission, detailing how the CCA program would be organized, operated and funded.

- » **Open Access Same Time Information System (OASIS) 2006-2009** – Led implementation and provided ongoing project management for an OASIS for a publicly owned transmission provider. Negotiated transmission agreements with transmission customers, developed and administered transmission credit policy, and coordinated posting of Available Transfer Capability in accordance with the open access transmission tariff, business practices, and NERC mandatory reliability standards.
- » **Load Aggregation Feasibility Analyses– 2003-2007** – Various California Cities and Counties - Represented the interests of nearly twenty local governments in the CPUC’s implementation proceeding as it relates to exit fees, transactions costs, and provision of customer information to potential community choice aggregators. These communities represent over 2,000 MW of load currently served by the investor-owned utilities. Met with dozens of local governments throughout California to explain the benefits, risks and challenges associated with implementation of electric aggregation programs, beginning with the enactment of AB 117 in January 2002. Developed and performed detailed financial modeling for numerous local governments that are investigating electric aggregation and other municipal energy options. A particular area of focus has been how communities can cost-effectively meet or exceed the California Renewable Portfolio Standards. Also investigated opportunities for cities and counties to partner with water and irrigation districts to finance development of generation resources and provide operator services to the aggregation programs. Clients included the Counties of Los Angeles, Marin and San Diego, the Cities of Beverly Hills, West Hollywood, Oakland, Pleasanton, Berkeley, Vallejo, Emeryville, Richmond, the East Bay Municipal Utilities District, and the Kings River Conservation District.

Renewable Energy Resources – 2003-2007 – Local Government Commission, Sacramento – Modeled cost-effectiveness of procuring renewable energy through power purchase contracts, public agency resource ownership/financing, and purchase of renewable energy credits. Evaluated costs and operating characteristics of the renewable technologies most likely to be utilized to meet the California Renewable Portfolio Standard, including wind, solar, biomass, and geothermal resources. Quantified the operating impact of utilizing intermittent resources such as wind and solar and assessed options for firming/shaping these resources. Researched applicability of available subsidies, such as investment/production tax credits and public goods funds administered by the California Energy Commission, for municipal utilization of renewable resources to meet and exceed the minimum renewable portfolio requirements. Benchmarked renewable utilization against the renewable energy in the supply portfolios of PG&E, SCE, and SDG&E.

- » **NERC Reliability Standards – 2006-2010** – Transmission Agency of Northern California – Conducted comprehensive assessment of applicable NERC reliability standards following passage of the Energy Policy Act of 2005. Conducted review of compliance, assessment of documentation and developed additional documentation to demonstrate compliance in preparation for mandatory self-certification and compliance audits.
- » **Open Access Transmission Tariff Reform – 2006-2007** – Monitored OATT reform initiative at FERC culminating in issuance of Order 890. Assisted transmission provider in assessing changes necessary to its OATT for compliance with Order 890.
- » **Distribution Utility Assessment – 2005-2006** – Presidio Trust – Assessed financial performance of distribution utility operations and identified performance improvement strategies. Evaluated opportunities for improving top line revenues, strategic partnering and asset divestiture.
- » **Municipal Energy Options – 2003-2004** – City of Chula Vista - Assisted the City of Chula Vista in assessing feasibility of various options for city provision of electric and gas services to customers within the city. Constructed alternative electric supply portfolios and determined ancillary services and operations costs for each option. Developed financial models comparing revenues, costs, and opportunities for cost savings relative to continuing service from the host utilities.

- » **California Independent System Operator – 2003** – Transmission Agency of Northern California, Sacramento - Represented the interests of the Transmission Agency of Northern California and Silicon Valley Power in the ISO's Market Redesign efforts. Participated in working groups and provided comments on various proposals and tariff amendments to the ISO and the Federal Energy Regulatory Commission.
- » **Federal Energy Regulatory Commission – 2003** – Silicon Valley Power, Santa Clara - Provided litigation support to Silicon Valley Power in a dispute over PG&E's attempt to impose scheduling coordinator costs through Silicon Valley Power's interconnection agreement with PG&E.
- » **Transmission Pricing – 2003** – Transmission Agency of Northern California, Sacramento - Analyzed FERC's proposed pricing incentives for transmission owners to expand the transmission grid and join Regional Transmission Organizations. Drafted comments for the Transmission Agency of Northern California.
- » **Generator Interconnection Standards – 2002** – Transmission Agency of Northern California, Sacramento - Provided comments to FERC on behalf of the Transmission Agency of Northern California regarding FERC's proposed standard generator interconnection procedures and agreements. Advised client evaluating interconnection of a generator regarding policy on transmission credits for applicant funded network upgrades.
- » **Demand Response – 2002** – California Power Authority, Sacramento - Developed a five-year demand response program for the California Power Authority (CPA) that allows the State of California to use demand reserves to offset peaking capacity requirements. The program includes scheduling the demand reserves into the California ISO's ancillary services markets on an aggregated basis and real time monitoring of customer performance. The reserves can also be used as day-ahead call options dispatched on a localized basis to relieve transmission congestion. Proposed the concept to CPA and wrote the program design, including the metering and telemetry requirements for loads qualifying to participate in the ISO's ancillary services markets. Garnered input in program design from key stakeholders representing major customer groups, technology vendors, and market operators. Assessed market barriers to wide-scale demand response participation.
- » **Strategic Planning Wholesale Market Services – 2000 – 2001** – APX, Santa Clara - Prepared market and competitor analysis for wholesale power exchange and scheduling services in North America, Asia and Europe. Contributed to drafting the company strategic plan. Participated in negotiations with NYMEX involving a proposed joint venture to provide physical scheduling for electricity futures contracts that go to delivery. Helped re-focus company business strategy on profitable scheduling coordination and settlement services. Created North American sales and revenue forecast for corporate budgeting. Analyzed potential merger between APX and the California Power Exchange. Evaluated political, regulatory, and financial implications. Presented recommendations to corporate board of directors.
- » **Competitive Retail Pricing – 1999-2000** – PG&E Energy Services, San Francisco - Structured commodity and risk management products for PG&E Energy Service's retail electric commodity customers. Drafted retail commodity electricity sales agreements. Developed models to assess competitive supply options in regions throughout the United States, considering default service utility tariffs and wholesale market conditions. Restructured power sales agreements to maximize the risk-adjusted value of the company's electric portfolio. Modeled utility ratemaking, revenue allocation, and rate design to evaluate impact of changes on value of retail portfolio. Analyzed time series data on California ISO charges to develop fixed price commodity rates unbundled ancillary services pass-through rates.

- » **Rate Design –1999** – Southern California Edison Company, Rosemead - Designed Southern California Edison's unbundled rates for generation, transmission, distribution, competition transition charges, and other nonbypassable charges. Developed rates based on marginal cost of service for customer classes and individual customers within classes, structured to eliminate inter-class and intra-class subsidies. Sponsored testimony on various revenue allocation, rate design, and ratemaking issues. Developed departing load charges for customers leaving the utility system through self-generation, municipalization, or other forms of distribution bypass. Developed methodology for calculating the bundled service energy charges and direct access credits based on SCE's cost of procuring electricity from the wholesale market. Structured rate incentives for non-firm (interruptible) customers based on the marginal costs of generation, transmission, and distribution capacity. Developed interruptible rate for wholesale transmission customers. Conducted bill impact analyses of rate changes using population billing data and sample load research data. Assisted in conducting customer survey to determine preferences for various rate structures and pricing options.
- » **Cost of Service –1999** – Southern California Edison Company, Rosemead - Calculated marginal cost of service for customer classes for use in SCE's revenue allocation and rate designs. Developed marginal cost based floor prices for special contract negotiations and flexible pricing options. Analyzed impacts of different marginal costing methods on utility rate structure and wrote position papers on marginal costing methods. Evaluated impacts of customers installing own distribution substations and migrating to high voltage service. Performed cost of service studies for subgroups of customers to determine justification for establishing new customer classes for ratemaking purposes. Conducted study that quantified the margin contribution for the largest 100 customers as well as by customer type (SIC code) using load research sample data.
- » **Sales and Revenue Forecasting - 1999** – Southern California Edison Company, Rosemead - Led development of SCE's models to forecast sales and revenues for various regulatory proceedings and internal budgeting purposes. Forecasted net revenues under alternative rate designs and ratemaking mechanisms to help develop company positions for regulatory proceedings.