

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

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.

Rulemaking 10-05-006  
(Filed May 6, 2010)

**REQUEST OF L. JAN REID FOR AWARD OF COMPENSATION**

**1. Summary**

Pursuant to Public Utilities (PU) Code §1804(c), L. Jan Reid (Reid) requests an award of compensation in the amount of \$34,889.20 for: (a) participation in the procurement review group (PRG), and in the cost allocation mechanism group (CAMG) of Pacific Gas and Electric Company (PG&E) from July 1, 2010 to September 30, 2011; (b) preparation of this compensation request; and (c) direct expenses.

In Rulemaking (R.) 10-05-006, the Commission found that:  
(Decision (D.) 11-03-019, slip op at 3)

With respect to the intervenors' continuing participation in the PRGs, we have found that this rulemaking is a reasonable forum for them to seek further PRG-related compensation. The Commission has already recognized Reid's continuing contributions to PRGs in the past.

Therefore, I request that the Commission continue its practice and allow me to file PRG compensation requests in this rulemaking.

In drafting this request, I have generally followed the template for compensation requests set forth in the Commission's "Intervenor Compensation Program Guide," Appendix B, published in April, 2005.

## **2. Timely Filing of Request for Award of Compensation**

This request is timely under PU Code §1804(c) because of a standard previously established in D.11-03-019. In its decision on a compensation request filed by Reid, the Commission stated that: (D.11-03-019, slip op. at 6)

Reid filed his request for compensation on September 16, 2010. Considering that PRG and cost allocation mechanism group (CAMG) activities are ongoing and we have not established time-lines for requesting intervenor compensation for this work, we find this request timely.

The Commission should apply the same standard to the instant request by finding that Reid's request is timely under PU Code §1804(c).

Reid timely filed a Notice of Intent to claim intervenor compensation (NOI) on August 9, 2010 pursuant to Pursuant to Public Utilities (PU) Code §1804(a) and the June 22, 2010 ruling of Administrative Law Judge (ALJ) Victoria Kolakowski.<sup>1</sup> Reid filed an amended NOI on January 4, 2011. (See D.11-03-019, slip op. at 6)

## **3. Customer Status**

In his NOI, Reid claimed that he is a Category 1 customer as defined in PU Code §1802(b), has met the eligibility requirements of PU Code §1804(a), has established significant financial hardship, and is eligible to apply for compensation in this proceeding. The Commission has not ruled on the NOI, but I hope for such a ruling before the Commission acts on the instant compensation request.

---

<sup>1</sup> On June 22, 2010, ALJ Kolakowski issued two rulings in this proceeding, one of which is referenced above. The title of the referenced ruling is "Administrative Law Judge's Ruling Revising the Schedule for the Proceeding and Regarding Staff's Proposals for Resource Planning Assumptions - Part 2 (Long Term Renewable Resource Planning Standards)."

#### 4. Significant Financial Hardship

PU Code §1802(g) defines significant financial hardship:

“Significant financial hardship” means either that the customer cannot afford, without undue hardship, to pay the costs of effective participation, including advocate's fees, expert witness fees, and other reasonable costs of participation, or that, in the case of a group or organization, the economic interest of the individual members of the group or organization is small in comparison to the costs of effective participation in the proceeding.

PU Code §1804(b)(1) states that “A finding of significant financial hardship shall create a rebuttable presumption of eligibility for compensation in other commission proceedings commencing within one year of the date of that finding.”

On March 10, 2011, the Commission found that “Reid demonstrated that his participation would impose a significant financial hardship by filing, under seal, a summary of his annual gross income, net income, annual expenses, cash, and other assets.” (D.11-03-019, slip op. at 6)

The instant rulemaking commenced within one year of the date of the issuance of D.11-03-019, in accordance with PU Code §1804(b)(1).

Based on my estimate of the cost of effective participation as compared to my income, expenses, and assets, I do not have the resources to pay for the costs of effective participation. I believe that I qualify for a ruling of eligibility for compensation on the merits of this pleading and through the rebuttable presumption created in D.11-03-019.

## 5. Commission Guidance

In D.07-11-024, the Commission provided “PRG, Peer Review Group and Program Advisory Group participants with additional guidance about the type of information the Commission needs in requests for intervenor compensation.” (D.07-11- 024, discussion, slip op. at 3)

In that decision, the Commission ordered members of PRGs, Peer Review Groups, or Program Advisory Groups with pending requests for compensation to:

1. Explain the types of programs, policies, practices or documents reviewed in connection with PRG work;
2. Explain how that work contributed to ratepayer benefits;
3. Address how the intervenor’s work added value to the PRG process through unique analysis, perspective or work product, or through specific expertise or skills;
4. Adequately describe and distinguish the intervenor’s contributions from the work of others;
5. Demonstrate reasonable collaboration with other PRG members;
6. Provide the date, duration and location of the PRG meeting for which compensation is requested; and
7. Explain whether the intervenor attended the PRG meeting in person or by telephone.

The required information is set forth below.

### 5.1 Types of Programs, Policies, Practices, or Documents Reviewed

Reid reviewed, analyzed, and prepared comments on the following types of information, all of which were discussed in PG&E’s PRG:

- Advice letters and expedited applications;
- Bids submitted in utility request for offer (RFO) solicitations;
- Bilateral procurement contracts

- Compliance filings;
- Convergence bidding;
- Electric and natural gas positions;
- Energy auction plans;
- Financing of RPS projects;
- Firm transmission rights and congestion revenue rights auction strategies;
- AB32 Cap and Trade Implementation Plan;
- Hedging plans, contracts, and strategies;
- Interviews of Independent Evaluator candidates and review of their activities;
- Liquidity;
- Load forecasts;
- MRTU market;
- PG&E's contract selection methods;
- PG&E's draft Long-Term Procurement Plan (LTPP);
- Natural Gas pipeline capacity contracts, physical gas need, gas supply plans, gas storage bids, and speculation in the natural gas market;
- Pumped storage;
- Qualifying Facilities (QF) contracts;
- Renewables Portfolio Standard (RPS) Plans;
- Renewables and fossil fuel contracts;
- Resource adequacy procurement;
- Risk management issues;
- Risk reports;

- Renewable energy credits (RECs);
- Rocky Mountain Gas Supply;
- Minutes of PRG meetings, and corrections to the minutes.

Reid also developed models to evaluate capacity contracts, gas options, hedging targets, and renewables contracts. The model results formed the basis for Reid's recommendations at PRG meetings and in subsequent proceedings.

## **5.2 Ratepayer Benefits**

My participation in PG&E's PRG allowed me to identify issues in advance of an application and to focus on disputed cases that I believed were the highest priority for ratepayers. Ratepayers benefited because I was able to resolve many issues in the PRG process, thereby reducing the amount of protracted and expensive litigation.

San Diego Gas & Electric Company (SDG&E) has pointed out:<sup>2</sup>

Although the PRGs and PAGs are advisory in nature, they have greatly minimized potential litigation and contention in advance of filings being made because of the opportunity to confer at an early stage and on an ongoing basis.

PG&E has withdrawn or modified numerous proposals as a result of Reid's participation in the PRG process, thereby saving ratepayers millions of dollars. At a public workshop on June 11, 2007, Sandra Burns of PG&E pointed out that PG&E considered certain transactions, but decided against executing them after consultation with its PRG.

---

<sup>2</sup> (R.06-02-013, Reply Comments of San Diego Gas & Electric Company On Proposed Decision Regarding Intervenor Compensation Related to Procurement Review Groups, Peer Review Groups and Public Advisory Groups, June 25, 2007, p. 2.)

Discovery in the PRG setting is more efficient than discovery conducted in a formal proceeding. In the PRG process, PG&E often provides requested data within 48 hours. There has been no instance where PG&E has refused to furnish information to Reid. In a formal application, this is not always the case. Utilities may take up to two weeks to respond to discovery requests and can object, refuse to answer, or provide incomplete answers to discovery questions. Because discovery in the PRG process is more efficient than discovery in a formal proceeding, Reid was able to reduce ratepayer costs when he participated in a subsequent formal proceeding.

In 2002, the Commission found that: (D.02-10-062, Finding of Fact 28, slip op. at 72)

Participation in the procurement review group makes a significant contribution to effective implementation of this decision and parties eligible to receive intervenor compensation awards in this proceeding should be eligible to seek compensation for their work in these groups and in the on-going review of procurement advice letters and expedited applications.

My contract analysis in the PRG process allowed me to determine whether I would formally protest subsequent application and advice letter filings. During the period covered by this pleading, I protested two advice letters (AL3735-E and AL3736-E), and filed a response to another (AL3759-E). Based upon my review and analysis, I decided not to protest PG&E advice letters 3583-E, 3609-E, 3600-E-B, 3606-E, 3609-E, 33632-E-B, 3659-E, 3709-E, 3749-E, 3770-E, 3794-E-E, 3798-E, 3847-E, and 3854-E.

Reid's PRG participation saved ratepayers the cost of participation in the procedural process for the above-cited advice letters.

### **5.3 How Reid Added Value to the PRG Process**

Reid added value to the PRG process through unique analysis, perspective or work product, and through specific expertise or skills.

#### **5.3.1 Unique Analysis and Work Product**

For the PRG meetings covered by this request, Reid was the only PRG member to perform independent modeling of the cost effectiveness of electric utility contracts. Reid used the Black Model to evaluate gas options, non renewable capacity contracts, RPS contracts, bilateral contracts, and bids received in RFO solicitations.

Reid used the same basic model that he used in PG&E Application (A.) 06-04-012 as a consultant for Aglet Consumer Alliance (Aglet). The Commission resolved A.06-04-012 in D.06-11-048. The Commission recognized Reid's use of the Black Model when it noted that Aglet "demonstrated, using the Black model, that all seven of the proposed contracts are cost effective." (D.06-11-048, slip op. at 12) Thus, the Commission relied on Reid's Black Model analysis when it found that the PG&E contracts were cost effective.

#### **5.3.2 Reid's Expertise**

L. Jan Reid is an active participant in regulatory proceedings at the Commission. He has often testified before the Commission, and he has conducted numerous workshops and seminars on cost of capital and risk management, including as a guest speaker at the University of California, Santa Cruz.

Reid wrote testimony and developed financial models in a proceeding that led to the re-entry of California regulated energy utilities into the procurement of electricity and related fuels in 2002. (R.01-10-024) Reid holds a B.A. in Economics and an M.S. degree in Applied Economics and Finance from the University of California, Santa Cruz.



In addition, Reid has completed courses in risk management, regulation, negotiation, and project management given by the National Regulatory Research Institute, the Commission, and Karrass Inc.

#### **5.4 How Reid's Contributions Differed from the Work of Other PRG Members**

As mentioned in Section 5.3.2 above, Reid has a M.S. in economics. Reid's work has focused on subject areas that were consistent with Reid's expertise. Reid's work differed from the work of others in that Reid provided independent estimates of the cost-effectiveness of various contracts. (See Section 5.3.1 above.). Because Reid is an economist, his work tended to focus on the underlying economics of various utility proposals. The work of other PRG members also tended to focus on subject areas that were consistent with their expertise.

For example, Matt Freedman of The Utility Reform Network (TURN) focused primarily on RPS contracts. TURN consultant Kevin Woodruff tended to work on resource adequacy, grid reliability, and other long-term planning issues. California Department of Water Resources (DWR) consultant Fred Moba-sheri has significant knowledge of electric power plants in California. He concentrated on plant-specific issues and on the operating condition of specific plants.

#### **5.5 Reasonable Collaboration with Other PRG Members**

Reid collaborated with a number of PRG members during the period from October 2008 through June 2010. Reid had private meetings or teleconferences with the following individuals: Mike Florio of TURN; Matt Freedman of TURN; Marcel Howiger of TURN; Marc Joseph, attorney for the Coalition of California Utility Employees; Dave Peck of the Division of Ratepayer Advocates (DRA);

Noel Obiora, attorney for the DRA; Ramon Momoh of DRA; Fred Mobasheri, consultant for DWR; Kevin Woodruff, consultant for TURN; and Bishu Chatterjee of the Energy Division.<sup>3</sup>

Reid does not seek compensation for many of the above-cited communications, but they indicate reasonable collaboration with other PRG members.

### 5.6 PRG Meetings

The Commission requires intervenors to (1) provide the date, duration, and location of the PRG meeting for which compensation is requested; and (2) explain whether the intervenor attended the PRG meeting in person or by telephone. (D.07-11-024, slip op. at 6) This information is given in Table 1 below.

**Table 1. PRG Meetings from July 1, 2010 to September 30, 2011**

<b>Date</b>	<b>Duration</b>	<b>Location</b>	<b>Attendance</b>
8/10/10	1.6 hours	245 Market Street, San Francisco	By telephone
8/13/10	6.4 hours	245 Market Street, San Francisco	By telephone
9/10/10	3.1 hours	245 Market Street, San Francisco	By telephone
9/24/10	4.8 hours	245 Market Street, San Francisco	In person
11/5/10	1.9 hours	245 Market Street, San Francisco	By telephone

<sup>3</sup> Bishu Chatterjee and Ramon Momoh are currently employed as Advisors to CPUC Commissioner Simon. Mike Florio is now a CPUC Commissioner. In the instant proceeding, all communication with these three individuals occurred before they were in their current positions.

<b>Date</b>	<b>Duration</b>	<b>Location</b>	<b>Attendance</b>
2/8/11	1.7 hours	Teleconference	By telephone
3/21/11	1.8 hours	Teleconference	By telephone
6/14/11	5.9 hours	245 Market Street, San Francisco	By telephone
7/1/11	1.0 hours	Teleconference	By telephone
7/12/11	3.5 hours	Teleconference	By telephone
8/12/11	2.6 hours	Teleconference	By telephone
9/6/11	1.2 hours	245 Market Street, San Francisco	By telephone
9/13/11	1.4 hours	245 Market Street, San Francisco	By telephone
9/27/11	5.5 hours	245 Market Street, San Francisco	In person

The Commission has also stated, "If more than one member of the intervenor's group attends a meeting, we expect a justification for the staffing decision." (D.07-11-024, slip op. at 6) No other individuals attended the instant PRG meetings on Reid's behalf. Therefore, no additional justification is required.

### **5.7 Intervenor Work and Staff Work**

The Commission has stated: (D.07-11-024, slip op. at 6-7)

In the past, the Commission has reviewed intervenor timesheets which include tasks that might be considered staff work, i.e., work normally conducted under the direction of either a utility or Commission manager, including the implementation of program details according to that manager's discretion. We will not compensate intervenors for this type of work.

I interpret this statement to mean that the Commission will not pay intervenors for work relating to the implementation of program details. The implementation of program details is not a part of the PRG or CAMG processes. Therefore, Reid has not sought compensation for work that might be considered staff work.

## **6. Prior Awards**

On April 24, 2008, the Commission approved D.08-04-053, granting Aglet compensation for substantial contributions to the PRGs of PG&E, Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E). In doing so, the Commission referred to D.06-06-026, which states:

Because SCE's PRG is ongoing, and requests for PRG-related compensation may be filed in different dockets, it is important that the Commission be able to compare future compensation requests against prior awards. Therefore, if Aglet files additional claims for compensation for its participation in the PRG, it should distinguish today's award (and any other PRG awards) clearly from its future requests by listing all prior awards and the time period associated with them. (D.08 04 053, slip op. at 14, citing D.06-06-026, slip op. at 8.)

This is Reid's second request for an award of compensation related to Reid's participation in utility PRGs and CAMGs. However, Aglet has previously received compensation awards that included Reid's work on utility PRGs and CAMGs. Aglet has received four awards for work in utility PRGs and CAMGs. The awards, utilities, and associated time periods are given in Table 2, below.

**Table 2. PRG Compensation Awards**

<b>Decision</b>	<b>Amount</b>	<b>Utility</b>	<b>Start Date</b>	<b>End Date</b>
D.06-06-026	\$6,671.12	SCE	8/28/05	2/23/06
D.08-04-053	\$20,781.19	PG&E	7/22/05	9/30/06
D.08-04-053	\$14,243.68	SCE	2/24/06	9/30/06
D.08-04-053	\$3,743.67	SDG&E	1/1/06	9/30/06
D.08-11-027	\$2,531.09	PG&E	10/1/06	12/31/06
D.08-11-027	\$12,474.84	SCE	10/1/06	12/31/06
D.08-11-027	\$1,702.34	SDG&E	10/1/06	12/31/06
D.09-03-023	\$2,531.09	PG&E	1/1/07	3/7/08
D.09-03-023	\$12,474.84	SCE	1/1/07	3/10/08
D.09-03-023	\$1,702.34	SDG&E	1/1/07	2/21/08
D.11-03-019	\$36,797.00	PG&E	10/7/09	6/30/10

**7. Reasonableness of Requested Compensation**

In this filing, Reid requests compensation in the total amount of \$34,889.20 for time reasonably devoted to his work on PG&E’s PRG. Below is a summary table and listing of hours claimed and hourly rates. A more detailed breakdown of the time devoted to PG&E’s PRG by Reid is provided in Attachment A to this pleading.

**TABLE 3. COMPENSATION REQUESTED**

\$	21,867.00	118.2 hours, Reid 2010 professional time, at \$185/hr.
	12,136.00	65.6 hours, Reid 2011 professional time, at \$185/hr.
	35.20	Reid direct expenses.
	<u>851.00</u>	9.6 hours, Reid 2011 compensatory time, at \$92.50/hr.
\$	34,889.20	Total request

Reid’s work was performed efficiently. L. Jan Reid is a former Commission employee who has testified on many occasions on issues such as renewables procurement, cost-of-capital, utility finance, and electricity and natural gas procurement issues.

In R.01-10-024, the Commission determined that PRG participation amounts to a significant contribution to implementation of Commission orders. The Commission found:

Participation in the procurement review group makes a significant contribution to effective implementation of this decision and parties eligible to receive intervenor compensation awards in this proceeding should be eligible to seek compensation for their work in these groups and in the on going review of procurement advice letters and expedited applications. (D.02-10- 062, Finding of Fact 28, slip op. at 72)

Therefore, I request that the Commission continue its practice and find that Reid made a significant contribution to Commission orders through his participation in PG&E's PRG. Further justification of the requested amount is not necessary.

### **7.1 Hours Claimed**

Daily listings of the specific tasks performed by Reid in connection with PG&E's PRG are available in Attachment A to this pleading. The cost listings demonstrate that the hours claimed are reasonable given the scope and time-frame of PRG activities.

No compensation for administrative time is requested, in accordance with Commission practice. (D.99-06-002, discussion, slip op. at 8-10) I understand that the Commission may audit my books and records to the extent necessary to verify the basis for any award, pursuant to PU Code §1804(d).

### **7.2 Hourly Rates**

I request Commission approval of an hourly rate of \$185 for professional work performed by Reid in 2010 and 2011, and an hourly rate of \$92.50 for time spent preparing this compensation request. The Commission has previously awarded Reid compensation for 2010 professional work at a rate of \$185 per hour. (D.11-03-019, slip op. at 13) The reduced rate for compensation related time is consistent with Commission practice. (D.89-09-046, slip op. at 1.)

Reid is an economist by education and experience. Reid holds a B.A. degree in economics and an M.S. degree in applied economics and finance, both from the University of California, Santa Cruz. Reid was employed at the Commission for almost seven years, often appearing as an expert witness for the Office of Ratepayer Advocates (now DRA) on policy and technical issues relating to utility finance, cost of capital, and electric procurement. Since his retirement

from the Commission in June 2005, Reid has worked in various ratemaking proceedings, focusing on cost of capital and complex electric and gas procurement issues.

### **7.3 Direct Expenses**

The direct expenses of \$35.20 listed in Table 3 are reasonable, and were necessary for Reid's participation. Copying costs are estimated costs of 8 cents per page, based on page counts for pleadings. Postage costs are actual costs of U.S. Postal Service First Class mail.

I request compensation in full for these expenses.

### **8. Utility Responsibility for the Award**

PG&E should pay the award of compensation associated with its PRG and CAMG, as required by PU Code §1807.

### **9. Conclusion**

Reid has satisfied the requirements of timely filing an NOI, customer status, and demonstration of financial hardship. Reid has participated in the PG&E PRG and CAMG in a productive and efficient manner. Reid has met all of the requirements of Section 1801 et seq. of the Public Utilities Code, and therefore requests an award of compensation in the amount of \$34,889.20.

\* \* \*

Dated October 22, 2011, at Santa Cruz, California.

/s/

---

L. Jan Reid  
3185 Gross Road  
Santa Cruz, CA 95062  
Tel/FAX (831) 476-5700  
janreid@coastecon.com



## VERIFICATION

I, L. Jan Reid, make this verification on my behalf. The statements in the foregoing document are true to the best of my knowledge, except for those matters that are stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Dated October 22, 2011, at Santa Cruz, California.

/s/

---

L. Jan Reid  
3185 Gross Road  
Santa Cruz, CA 95062  
Tel/FAX (831) 476-5700  
[janreid@coastecon.com](mailto:janreid@coastecon.com)