

**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.

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

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

**I. Summary**

Pursuant to Public Utilities (PU) Code §1804(c), L. Jan Reid requests an award of compensation in the amount of \$102,297.52 for work performed from August 17, 2010 to June 27, 2012. This compensation request is based on substantial contributions to the May 17, 2012 "Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge" (Scoping Memo) issued in Rulemaking (R.) 12-03-014, Decision (D.) 12-01-033, and D.12-04-046; issued in Rulemaking (R.) 10-05-006.

The Scoping Memo identified some of the issues which had not been resolved in R.10-05-006 and determined the scope and schedule for R.12-03-014. D.12-01-033 resolved Track II issues and D.12-04-046 approved a settlement agreement and resolved Track I and Track III issues.

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.

## **II. The Scoping Memo is A Commission Order**

Pursuant to Public Utilities Code Section (PUC §) 1804 (c), intervenors may claim intervenor compensation following the issuance of a final order or decision by the commission in a hearing or proceeding. As discussed below, the Scoping Memo constitutes a Commission order because of the following reasons:

1. The Scoping Memo was jointly issued by the Assigned Commissioner and by Administrative Law Judge (ALJ) David Gamson. The Commission has effectively ceded certain authority to the Assigned Commissioner regarding scoping memos, and ALJs are agents of the Commission.
2. The Scoping Memo is a final decision because only the category is appealable.
3. The Scoping Memo is a Commission order because it considers the comments and opinions of parties and discusses the parties' contributions to the Scoping Memo. The Scoping Memo states that "On April 6, 2012, parties filed comments on their proposals for the scope and schedule for this proceeding. On April 18, 2012, a prehearing conference (PHC) was held to take appearances, and to consider the scope and schedule of this proceeding. In this scoping memo, we refine the preliminary scoping memo from R.12-03-014 pursuant to Rule 7.3(a)." (Scoping Memo, p. 2)

Therefore, I request that the Commission find that the Scoping Memo constitutes a Commission order for intervenor compensation purposes.

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

The Commission closed R.10-05-006 on April 24, 2012. (D.12-04-046, Ordering Paragraph 17, slip op. at 77)

Rule 17.3 states that “A request for an award of compensation may be filed after the issuance of a decision that resolves an issue on which the intervenor believes it made a substantial contribution, but in no event later than 60 days after the issuance of the decision closing the proceeding.” I will send this pleading electronically to the Docket Office on June 27, 2012, intending that it be timely filed.

Reid, who is a party in R.10-05-006, timely filed a Notice of Intent to claim intervenor compensation (NOI) in R.10-05-006 on August 9, 2010 pursuant to the June 22, 2010 ruling of Administrative Law Judge Victoria Kolakowski.<sup>1</sup> Reid filed an amended NOI on January 4, 2011. (See D.11-03-019, slip op. at 6)

#### **IV. Customer Status**

In his NOI, Reid claimed that he is a Category 1 customer as defined in PUC § 1802(b), has met the eligibility requirements of PUC § 1804(a), has established significant financial hardship, and is eligible to apply for compensation in this proceeding. The Commission has previously found that Reid has fulfilled the requirements of PUC §§ 1801-1812 (D.11-03-019, Conclusion of Law 1, slip op. at 16) and that “Reid has satisfied all the procedural requirements necessary to claim compensation in this proceeding.” (D.11-03-019, Finding of Fact 1, slip op. at 16).

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<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).”

## **V. 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 PUC § 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.

## **VI. Substantial Contribution to Resolution of Issues**

As defined in PUC § 1802(h), the participation of Reid in R.10-05-006 has made a “substantial contribution” to the Commission's decisions. I discuss my contributions to specific issues below.

## **A. Bundled Procurement Plans**

### **1. Consumer Risk Tolerance**

The Division of Ratepayer Advocates (DRA) recommended that the Commission change the Consumer Risk Tolerance (CRT) from 1 cent/kWh to 1.5 cents/kWh.

Reid argued that: (Track II Reply Brief of L. Jan Reid, pp. 6-7)

Thus, the primary purpose of the CRT is to trigger a planning meeting between the utility and its Procurement Review Group (PRG) when electricity and natural gas prices increase significantly. The PRG meeting may result in the filing of plan modifications by the utility.

If the Commission wants to increase the number of planning meetings, it can decrease the CRT. If the Commission wants to decrease the number of planning meetings, it can increase the CRT.

...

The Commission should not adopt DRA's recommendation to increase the CRT because such action will decrease the number of planning meetings and reduce the effectiveness of the PRG.

The Commission did not adopt the DRA's recommendation concerning the CRT. Thus, Reid made a substantial contribution to the Commission's resolution of the CRT issue.

### **2. Hedging**

Reid pointed out that: (Track II Reply Brief of L. Jan Reid, p. 2)

The Division of Ratepayer Advocates (DRA) makes three recommendations related to the investor owned utilities (IOUs) hedging activities. DRA recommends that:

1. The Commission should increase the Consumer Risk Tolerance from 1 cent/kilowatt hour (kWh) to 1.5 cents/kWh (DRA Track II Opening Brief, pp. 10-11)

2. The Commission should order an independent third party review of Time to Expiration Value at Risk (TeVaR) models and practices. (DRA Track II Opening Brief, p. 14)
3. The Commission, under the guidance of Energy Division, should conduct a stakeholder process to define the circumstances under which exceptions to limits outside of the approved IOU hedging plans will be authorized, and how these requests will be reviewed.

I have discussed the DRA's first proposal (the CRT) in Section VI.A.1, above. DRA proposals two (third party review) and three (IOU hedging plans) are discussed below.

**a. Third Party Review**

Reid argued that: (Reid Track II Reply Brief, p. 7)

In the past, I have reviewed the TeVaR models of PG&E and SCE. I found the application of these models to be consistent with generally accepted practice and Commission direction.

The DRA (or any other PRG member) is capable of providing the oversight that it seeks within the PRG process. The DRA can simply request the information from the IOUs as part of the PRG process. If the DRA wishes to evaluate the TeVaR models in PG&E's PRG, I will be willing to assist them in this process. However, bundled ratepayers should not be burdened with the additional costs associated with the hiring of outside consultants.

The Commission effectively agreed with Reid when it stated that:  
(D.12-01-033, slip op. at 27)

While these may be reasonable activities for the Commission to undertake, it is not clear that there is a need for them now, particularly with the changes we are making in the use of the CRT.

**b. Hedging Plans**

DRA proposed “that the Commission, under the guidance of Energy Division, conduct a stakeholder process to define the circumstances under which exceptions to limits outside of the approved IOU hedging plans will be authorized, and how these requests will be reviewed.” (DRA Track II Opening Brief, p. 14)

Reid argued that: (Track II Reply Brief of L. Jan Reid, pp. 8-9)

DRA has it backwards. It is the Commission which guides the Energy Division, not the reverse. The Commission should not cede regulatory authority to either the Energy Division or to stakeholders in this matter. It is the Commission which has the statutory obligation under Public Utilities Code §451 to ensure that rates are just and reasonable.

The Commission has a well-defined process for the litigation of changes to hedging plans. When an IOU seeks to modify its hedging plan, it must file an advice letter and seek Commission approval for its proposed modifications. The DRA and other parties then have the right to protest any advice letter filed by the IOUs or other parties.

...

Therefore, it is both unnecessary and poor public policy for the Commission, *under the guidance of the Energy Division*, to establish a new stakeholder process.

The Commission effectively agreed with Reid when it stated that:  
(D.12-01-033, slip op. at 27)

While these may be reasonable activities for the Commission to undertake, it is not clear that there is a need for them now, particularly with the changes we are making in the use of the CRT.

### 3. Risk Management

With some modifications, the Commission approved the bundled procurement plans (including the hedging proposals) of the three IOUs. (See D.12-01-033, Ordering Paragraphs 1-12, slip op. at 50-51) Reid included five proposed modifications to PG&E's hedging proposal in Reid's confidential testimony. (Track II Corrected Confidential Testimony of L. Jan Reid, pp. 2-7). Although the Commission did not adopt Reid's modifications, Reid made a substantial contribution to the Commission's resolution of the Risk Management issue.

### 4. Legal Requirements

The Proposed Decision (Track II PD) stated that "To the extent that the cost of procurement is higher than forecast, however, there is a potentially significant problem, as the Commission cannot be said to have found the correspondingly higher rates to be just and reasonable, as required under section 454.5(d)." (Track II PD, p. 7)

Reid argued that: (Comments of L. Jan Reid on Proposed Decision of ALJ Allen, November 30, 2011, (Reid Track II PD Comments) p. 4)

Procurement costs may be higher than forecasts due to an increase in natural gas prices, an increase in electricity prices, new regulatory requirements (e.g., carbon reduction), an increase in the IOUs' authorized rate of return, an increase in interest rates, and other factors. I note that all of these factors are beyond the control of the utilities.

...

Even if rates increase due to the factors listed above, the Commission will still be in compliance with the "just and reasonable" requirements of PUC § 454(d), as long as the Commission ensures that the approved procurement plans accomplish the objectives (see above) of PUC § 454(d).



Therefore, the above-quoted text that appears on page 7 of the PD should be deleted.

Although the Commission did not agree with Reid, Reid made a substantial contribution to the Commission's resolution of the Legal Requirements issue.

## **5. Planning Assumptions**

Reid argued that: (Reid Track II PD Comments, p. 6)

The PD incorrectly states that "In essence, SDG&E and PG&E are saying that it does not matter what comes out of this proceeding – they will procure whatever they want, in whatever quantity they think best." (Track II PD, p. 10)

SDG&E and PG&E are saying that they will procure based on the latest available information, and not on planning assumptions that may be up to two years old. SDG&E witness Anderson has explained that "[a]ctual procurement will vary over time, based on the best available data at that time." (Track II PD, p. 9) Anderson's statement is consistent with the prudent manager standard that has guided Commission decision-making for decades.

Although the Commission did not agree with Reid on this issue, Reid made a substantial contribution to the Commission's resolution of the Planning Assumptions issue.

## **6. The Rate Cap**

The PD stated that: (Track II PD, pp. 13-14)

Based on our analysis and conclusions in the hedging section below, we find that procurement activities (consistent with this and other Commission decisions) that result in no more than a 10% system average rate increase over a rolling 18-month period are reasonable. We modify the procurement plans of PG&E and SDG&E to include this 10% cap.

Reid opposed the rate cap and argued that: (Reid Track II PD Comments, p. 9)

It is the Commission, not the utilities, that controls rates. The Commission determines a revenue requirement for each IOU in the IOU's general rate case. The Commission determines the cost of capital for the IOUs in cost-of-capital proceedings. The Commission also increases rates to accomplish policy goals such as in the case of smart meters, greenhouse gas reduction, resource adequacy, and many other policy goals.

The IOUs should only be responsible for costs which they have the ability to control. Much of their procurement costs are beyond their control. The IOUs do not control the market price of electricity or the market price of natural gas.

The Commission effectively agreed with Reid and removed the 10% rate cap from the final decision (D.12-01-033). Therefore, Reid made a substantial contribution to the resolution of the Rate Cap issue.

## **7. Greenhouse Gas Costs**

Reid criticized PG&E's forecast of the Greenhouse Gas (GHG) costs for 2012 and 2013 and presented an alternate forecast for the years 2011-2045. (Testimony of L. Jan Reid on Bundled Procurement Plans, May 4, 2011 (Reid Track II Testimony), pp. 3-8)

Reid argued that: (Reid Track II Testimony, p. 8)

An unreasonably low estimate of carbon costs means that PG&E could select inefficient fossil fuel projects with high heat rates in their near-term procurement. The use of high carbon cost estimates simply means that PG&E will be more likely to select relatively clean fossil fuel projects with low heat rates.

## **8. Liquidity**

With some modifications, the Commission approved the bundled procurement plans (including the execution strategies) of the three IOUs. (See D.12-01-033, Ordering Paragraphs 1-12, slip op. at 50-51)

PG&E has explained that “In selecting financial hedge instruments, PG&E considers risk reduction, liquidity impacts, and costs to transact and execute.” (PG&E Exhibit 02, p. 49)

Reid argued that: (Reid Track II Testimony, pp. 9-10)

PG&E can best control its liquidity risk by purchasing only options, but this strategy might not be in the best interest of rate-payers. The Commission should ask several questions of PG&E concerning PG&E’s execution strategy. These questions include:

1. Does PG&E view the \$3.5 billion limit as a bright line? That is, once the limit is reached, will PG&E just stop purchasing swap contracts?
2. When PG&E decides whether or not to purchase options or swaps, will PG&E account for the liquidity cost of each contract in their contract evaluation process?
3. How does the Commission know that PG&E’s execution strategy is reasonable and will benefit ratepayers?

It would have been useful if PG&E had conducted backtesting to determine if their plan for accounting for liquidity risk is cost-effective. Backtesting (or back-testing) is the process of evaluating a strategy, theory, or model by applying it to historical data. A key element of backtesting that differentiates it from other forms of historical testing is that backtesting calculates how a strategy would have performed if it had actually been applied in the past. For example, backtesting can be used in studying how a trading method would have performed in past markets.

Thus, Reid made a substantial contribution to the Commission’s resolution of the Liquidity issue.

## **9. Duration of Transactions**

With some modifications, the Commission approved the bundled procurement plans (including the execution strategies) of the three IOUs. (See D.12-01-033, Ordering Paragraphs 1-12, slip op. at 50-51)

Reid argued that: (Reid Track II Testimony, pp. 10-11)

All of the limiting factors mentioned by PG&E are known. PG&E knows what their RPS targets are. They are aware of the requirements of the Energy Action Plan (EAP), planning reserve requirements, and portfolio hedging requirements. It is possible that some of these requirements may change over the life of PG&E's plan. However, the BPP (as the name indicates) is a plan, not a contractual agreement. In part, PG&E's proposed BPP should provide PG&E's best estimate of the volume of energy that they plan to procure in different timeframes.

Short-term, medium-term, and long-term transactions have different volatilities and correlations; different costs; and can impact rates in different ways. The Commission must determine whether or not PG&E's BPP is optimal and will result in the lowest risk-adjusted cost for PG&E's ratepayers.

Thus, Reid made a substantial contribution to the Commission's resolution of the Transaction Duration issue.

## **10. Congestion Revenue Rights (CRR)**

PG&E argued that "Due to the very tight schedule and short lead time with the associated with the CAISO monthly CRR process, PG&E cannot provide the PRG with its nominations prior to submission or hold PRG consultations." (PG&E Exhibit 2, p. 148)

Reid argued that: (Reid Track II Testimony, pp. 16-17, footnote omitted)

It is true that the CAISO's monthly CRR process has extremely tight deadlines. In 2011, the CAISO will post its CRR Full Network Model less than one day before the monthly CRR nomination process begins.

However, the tight schedule does not prevent PG&E from discussing its nomination process with the PRG. The Commission should require PG&E to discuss its planned nominations and its modeling process with the PRG prior to the start of the CAISO monthly nomination process. The PRG should be aware that the planned nominations may be different from PG&E's actual nominations.

Thus, Reid made a substantial contribution to the Commission's resolution of the CRR issue.

**B. System Plans and Rules**

**1. Contracts with OTC Units**

Subject to certain exemptions, the CPUC Energy Division Staff's (Staff's) OTC Proposal (See June 13, 2011 Ruling of ALJ Peter Allen, Appendix A) would prohibit a utility from entering into a contract with an OTC facility for longer than one year.

Reid argued that: (Opening Brief of L. Jan Reid on Track I and Track III Issues (Reid System Brief), p. 11)

The Commission has a long history of supporting water policies that improve water quality and encourage water conservation. The Commission has stated that: (CPUC Water Action Plan, December 15, 2005, p. 2)

In light of increasing statewide concerns about water quality and supply, the Commission will explore innovative solutions to water problems and keep pace with newer approaches it is implementing in the energy and telecommunications sectors as well as strategies being used by water agencies and entities not

subject to Commission jurisdiction. In our loading order for water supply sources, we recognize that cost-effective conservation is the best, lowest-cost of supply.

The Staff proposal encourages water conservation, seeks to improve water quality, and is consistent with the Commission's policy goals. Therefore, the Commission should adopt the Staff proposal.

The Commission stated that: (D.12-04-046, slip op. at 25)

As an interim measure to provide short-term clarity and procurement authority to the utilities, while supporting the SWRCB policy of moving away from OTC, we will adopt a variation of the SDG&E and DRA approach. The utilities are authorized to sign power purchase agreements with power plants using OTC, but those agreements may not commit to purchases beyond the applicable SWRCB compliance deadline, except under the specific conditions described below. In addition, consistent with PG&E's recommendation, the applicable RFO or other solicitation evaluation must take into consideration the plant's use of OTC.

Thus, Reid made a substantial contribution to the Commission's resolution of the OTC Contracting issue.

## **2. Nuclear Power Plants**

Reid recommended that the Commission open an Order Instituting Investigation (OII) into the feasibility of shutting down the San Onofre and Diablo Canyon nuclear generation facilities. In this OII, Reid recommended that the Commission consider the following factors: (Amended Testimony of L. Jan Reid on Track I and Track III Issues (Reid System Testimony), pp. 7-9)

1. The risks associated with the continued operation of these facilities.
2. Electric system reliability.
3. Ratepayer costs associated with de-commissioning.
4. The disposition of utility costs associated with un-depreciated rate-base.
5. The financial effect on the IOUs if the nuclear plants are shut down.
6. The cost of replacement power.
7. The effect on renewable integration.
8. Existing regulations of the U.S. Department of Energy and the Nuclear Regulatory Commission.
9. The transmission licensing process.
10. The cost effectiveness of shutting down the nuclear power plants.
11. The economic impact of a shutdown on California residents.

The Commission initially stated that “While issues relating to the need for various generation resources are appropriate to address in an LTPP proceeding, those issues have been deferred as a result of the settlement, and accordingly it is reasonable to not address them in this decision.” (D.12-04-046, slip op. at 68)

However, the Commission has included the nuclear shutdown issue as part of the scope of Rulemaking (R.) 12-03-014. The Commission has recently stated that: (Scoping Memo, p. 8)

A major purpose of this proceeding is to maintain and ensure reliability in CPUC-jurisdictional areas in California over a long-term planning horizon. This requires anticipation of changes in both supply and demand. To accomplish this, it is important to consider the potential retirement of existing plants, the likelihood of relicensing of nuclear power plants, changes in mandates for renewable power, development of energy storage facilities, increased energy efficiency and demand response resources, and the developing of distributed generation resources.

The Commission has also stated that it seeks to determine “How the potential for shutdown of nuclear power plants in California would impact long-term system reliability.” (Scoping Memo, p. 9)

Since Reid recommended that the nuclear shutdown issue be addressed in a separate proceeding and the Commission now intends to address this issue in R.12-03-014, Reid made a substantial contribution to the Commission’s interim resolution of the Nuclear issue. This is an interim resolution because the Commission has only agreed to consider the nuclear shutdown issue.

### **3. The Settlement Agreement**

Reid participated in Settlement negotiations on July 29, 2011 and August 2, 2011, and wrote comments on settlement drafts on July 30, 2011 and August 1, 2011. Although Reid supported much of the Settlement Agreement (SA), Reid decided not to sign the SA due to two outstanding issues. Both of these issues were later resolved during Reid's cross-examination of CAISO witness Rothleder. (See Reid System Brief, pp. 3-4)

#### **a. Renewable Integration Need**

Reid identified a number of deficiencies in the California Independent System Operator's (CAISO) Methodology (Reid System Testimony, pp. 4-6), and criticized the CAISO for not conducting Backtesting and Robustness tests of their Renewable Integration Model (RIM). (Reid System Testimony, pp. 6-7). Finally, Reid recommended that the Commission adopt a system capacity need of zero [megawatts] MW for renewables integration in this proceeding." (Reid System Testimony, p. 7)

The Commission effectively agreed with Reid when it stated that "There is clear evidence on the record that additional generation is not needed by 2020, so there is record support for deferral of procurement." (D.12-04-046, slip op. at 8) Therefore, Reid made a substantial contribution to the Commission's resolution of the Renewable Integration Need issue.

#### **b. Schedule**

The settling parties recommended that "a final Commission assessment of need or a decision should be issued no later than December 31, 2012." (SA, p. 4)



Reid argued that: (Reid System Brief, p. 4)

The Commission should not commit to issuing a decision on renewable integration on the date recommended by the settling parties. Pursuant to Public Utilities Code Section (PUC §451), the Commission has an obligation to ensure that rates (and therefore costs) are just and reasonable. The Commission cannot fulfill its obligation unless it is presented with an adequate record.

In order for an adequate record to be established, the Commission must ensure that parties have adequate time to analyze the CAISO's work, to conduct discovery, and to submit necessary pleadings such as comments, testimony, and briefs.

The Commission effectively agreed with Reid when it stated that:

(D.12-04-046, slip op. at 10-11)

First, the Commission, not the settling parties, determines the schedule and scope of any subsequent proceeding. Even if the parties agree on a particular schedule, the Commission, not the parties, controls the Commission's processes. Because we understand the proposed settlement's discussion of future Commission proceedings to be a recommendation only, the proposed settlement is consistent with the law on this issue.

Therefore, Reid made a substantial contribution to the Schedule issue.

### **c. Cost Effectiveness**

Reid argued that: (Reid System Brief, pp. 5-6)

Different resources will have different costs and different benefits. If the Commission finds that the CAISO's model results are reasonable, the Commission must determine the optimal mix of resources for renewable integration and grid reliability purposes. In making this determination, the Commission must consider the cost-effectiveness of different resources or different classes of resources.

CAISO witness Rothleder has testified that the CAISO does not intend to perform cost effectiveness analysis as part of their modeling efforts. (Rothleder, 5 RT 374:23-28, 375:1-13) Thus, it will be

up to other parties to present the Commission with cost-effectiveness analyses and recommendation concerning an optimal resource mix.

Thus, Reid made a substantial contribution to the Cost Effectiveness issue.

#### **4. Meeting Summaries**

Reid recommended that the IOUs be required to provide meeting summaries to its Procurement Review Group (PRG) members within 30 days of a PRG meeting. (Exhibit 1300, p. 13) PG&E responded to Reid's proposal by recommending that "meeting summaries be distributed to PRG members for their review and comment 48 hours in advance of the next regularly scheduled monthly meeting." (Exhibit 103, p. I-1) Reid accepted PG&E's compromise proposal. (Reply Brief of L. Jan Reid on Track I and Track III issues, October 3, 2011, p. 8)

The Commission ordered that:

We will adopt the staff proposal that meeting summaries be distributed no later than 14 days after the PRG meeting, with caveats based on PG&E's comments. First, the meeting summary should be distributed on the earlier of 1) 14 days after the PRG meeting, or 2) 48 hours before the next regularly scheduled PRG meeting. If, due to unusual circumstances, 14 days will be inadequate time to prepare a meeting summary, the utility may distribute it 21 days after the PRG meeting, but may do so only if it sends an e-mail to the same distribution list seven days after the PRG meeting informing them of the delay in distribution.

Thus, Reid made a substantial contribution to the Commission's resolution of the Meeting Summaries issue.

## 5. Independent Evaluators (IEs)

The Division of Ratepayer Advocates (DRA) recommended that the Energy Division or alternatively the IOU's PRG, should determine IE assignments rather than the IOUs determining IE assignments. (Exhibit 409, p. 6)

Reid testified that: (Reid, 4 RT 350:17-28, 351:1-24)

In the case of PG&E's PRG this is not necessary in my opinion. In the past PG&E has reviewed its major IE assignments with its PRG. . . . PG&E's current practice in my opinion is superior to a system whereby assignments are made by the Energy Division. PG&E has the most knowledge concerning its IEs simply because they have worked with them more than the Energy Division is going to have worked with them or the individual PRG members are going to have worked with them. The present PRG review process that PG&E uses seems to have worked well.

The Commission did not change the current system for determining IE assignments as suggested by the DRA. Therefore, Reid made a substantial contribution to the IE issue.

## 6. The Rulebook

Reid argued that: (Reid System Testimony, pp. 10-11)

Energy Division staff (Staff) "has consistently envisioned that the Rulebook should supersede existing decisions, in that the document would be treated as a General Order and will be fully enforceable." (Ruling, Appendix B, p. 2)

I disagree with Staff on this issue. The Rulebook should serve an informative purpose and should not be treated as a General Order as suggested by Staff. Taken as a whole, Reid's work made a substantial contribution to both the December 3, 2010 Scoping Memo and to D.11-05-005.

The Commission effectively agreed with Reid when it stated that "Accordingly, at this time we do not adopt the Rulebook as a stand-alone enforceable document." (D.12-04-046, slip op. at 62)

## 7. Procurement Review Groups (PRGs)

Staff recommended that “The members of each PRG would be committed to devote the time necessary to meet and confer with the utilities on each proposed contract and/or procurement process and provide written comments to the utilities within no later than fifteen days of initiation of the review process.” (Ruling, Appendix B, p. 17)

Reid argued that: (Reid System Testimony, p. 15)

I am a member of PG&E’s PRG group. I am unable to provide meaningful feedback to PG&E on a proposed contract or process until PG&E responds to my data requests.

Therefore, I recommend that the following language be used:

The members of each PRG would be committed to devote the time necessary to meet and confer with the utilities on each proposed contract and/or procurement process. PRG members shall submit data requests to the IOU within 48 hours of the initial presentation by the IOU. PRG members shall provide written comments to the IOUs within 15 days of the IOUs response to a PRG member’s data request.

The Commission did not adopt the change proposed by Staff. Therefore, Reid made a substantial contribution to the Commission’s resolution of the PRG issue.

## 8. Black Box Modeling

Reid argued that: (Reid System Brief, pp. 6-8)

Throughout this proceeding, Reid has argued that the Commission’s reliance on the CAISO model is not consistent with PUC §1822. A list of citations is provided in Table I, below. The CAISO apparently believes that it has satisfied the requirements of PUC § 1822 by providing parties with the input data used in the CAISO model, a description of the inputs, and the output results. (For example, see Exhibit 1303, p. 6, CAISO Response to Question 10.)

...

Reid has raised this issue four times in the instant rulemaking: three times in pleadings and once at a pre-hearing conference (PHC). Reid did not file a motion to strike the CAISO's comments earlier in the instant proceeding because PUC § 1822 addresses models used in testimony, not models used in comments or workshops. A list of references to Reid's statements concerning the CAISO's compliance with PUC §1822 is provided in Table 1 below.

...

Compliance with PUC §1822 is an important issue that has the potential to effect a number of Commission proceedings. Therefore, I recommend that the Commission provide a detailed explanation of PUC §1822 as it applies to the CAISO's modeling efforts in the instant rulemaking.

Reid was the primary party who addressed this issue. Therefore, Reid made a substantial contribution to the Commission's resolution of the Black Box Modeling issue.

## **9. Convergence Bidding**

Reid argued that: (Reid System Brief, footnotes omitted, pp. 18-20)

Ratepayers have been subject to excessive costs related to the convergence bidding market. For the months February, 2011 through June, 2011, the CAISO's Real Time Energy Imbalance Offset Charges (imbalance charges) totaled \$76,558,324. (Calculated from data provided in Exhibit 1303, p. 14, CAISO Response to Question 31.)

...

Thus, IOU ratepayers will have to pay as much as \$30.6 million of the imbalance charge, which is the amount attributable to the convergence bidding market.

...

Therefore, I recommend that the Commission order the IOUs to make a showing concerning their participation in the convergence bidding market.

Thus, Reid made a substantial contribution to the Convergence Bidding issue.

\* \* \*

Taken as a whole, Reid's work made a substantial contribution to D.12-01-033, D.12-04-046, and to the May 17, 2012 Scoping Memo.

## **VII. Overall Benefits of Participation**

Reid contributed to the proceeding in a manner that was productive and will result in benefits to ratepayers that exceed the costs of participation.

In consolidated Rulemaking 97-01-009 and Investigation 97-01-010, the Commission required intervenors seeking compensation to show that they represent interests that would otherwise be underrepresented and to present information sufficient to justify a finding that the overall benefits of a customer's participation will exceed the customer's costs. (D.98-04-059, 79 CPUC2d 628, Finding of Fact 13 at 674, Finding of Fact 42 at 676) The Commission noted that assigning a dollar value to intangible benefits may be difficult.

As mentioned previously, Reid made a substantial contribution to the proceeding. It is reasonable to assume that the resolution of the issues raised in this proceeding will benefit ratepayers in the future.

If the Commission had approved a 10% rate cap, and this had resulted in an increase of just \$2/megawatt hour (MWh) for an electricity plant that produced 100,000 MWh of electricity annually, ratepayers would have paid an additional \$200,000 annually – almost twice the compensation that I have requested in this proceeding.

The Commission can safely find that the participation of Reid in this proceeding was productive. Overall, the benefits of Reid's contributions to D.12-01-033, D.12-04-046, and to the May 17, 2012 Scoping Memo justify compensation in the amount requested.

### **VIII. Duplication**

Reid contributed to the proceeding in a manner that did not repeat the work of other parties. Reid represents customer interests that would otherwise be underrepresented in this proceeding. In the Commission's own words, "The Commission should encourage the presentation of multiple points of view, even on the same issues, provided that the presentations are not redundant."

(D.98-04-059, 79 CPUC2d 628, 642)

As ALJ Minkin noted in her eligibility ruling for Aglet Consumer Alliance in Application (A.) 98-09-003 et al.:

Participation in Commission proceedings by parties representing the full range of affected interests is important. Such participation assists the Commission in ensuring that the record is fully developed and that each customer group receives adequate representation. (Ruling dated July 7, 1999, p. 3)

As a matter of personal policy, I do not participate in Commission proceedings where my showing is likely to duplicate the showings of other consumer representatives such as the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN). For example, I did not serve testimony in Phase 2 of A.09-12-020 because my showing would likely have duplicated the showings of DRA and TURN.<sup>2</sup>

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<sup>2</sup> A.09-12-020 is PG&E's most recent general rate case application.

In this proceeding, Reid and TURN have been the sole active parties who represent only residential and small commercial customers.<sup>3</sup> DRA was an active party, but by its charter DRA must represent the interests of all customers, not only residential and small commercial customers. Reid conferred with DRA and TURN on several occasions during this proceeding.<sup>4</sup> (See Attachment A)

**IX. Reasonableness of Requested Compensation**

In this pleading, Reid requests compensation in the total amount of \$102,297.52 for time reasonably devoted to this proceeding by Reid and Reid’s consultant, James Weil. Below is a summary table and listing of hours claimed, hourly rates, and direct expenses. A more detailed breakdown of the time devoted to this proceeding by Reid and Weil is provided in Attachments A and B to this pleading.

**TABLE 1. COMPENSATION REQUESTED**

\$ 19,110.50	103.3 hours, Reid 2010 professional time, at \$185/hr.
72,612.50	392.5 hours, Reid 2011 professional time, at \$185/hr.
7,078.50	36.3 hours, Reid 2012 professional time, at \$195/hr.
2,280.00	7.6 hours, Weil 2011 professional time, at \$300/hr.
955.50	9.8 hours, Reid 2012 compensatory time at \$97.50/hr.
75.00	0.5 hours, Weil 2012 compensatory time at \$150/hr.
7.74	Reid 2010 direct costs
108.84	Reid 2011 direct costs

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<sup>3</sup> In his NOI, Reid stated that “Although I represent myself in this proceeding, I will take positions that I believe will benefit all residential customers of PG&E and not just myself.” (NOI, p. 2)

<sup>4</sup> I do not claim compensation for all of these communications.



32.80	Reid 2012 direct costs
<u>36.14</u>	Weil 2011 direct costs
\$ 102,297.52	Total request

Reid and Weil's work was performed efficiently. Both Reid and Weil are former Commission employees. L. Jan Reid has testified on many occasions on issues such as renewables procurement, cost-of-capital, utility finance, and electricity and natural gas procurement issues. James Weil is a former Administrative Law Judge who has testified on many occasions on issues such as procurement, cost-of-capital, utility finance, general rate cases, and electricity and natural gas procurement issues.

Reid and Weil have allocated their professional time to major subjects, except for general activities that cannot reasonably be assigned to substantive issues. See Section X below for more detail.

#### **A. Hours Claimed**

Daily listings of the specific tasks performed by Reid and Weil in connection with this proceeding are available in Attachments A and B to this pleading. The cost listings demonstrate that the hours claimed are reasonable given the scope and timeframe of this part of the instant rulemaking.

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).

## **B. Hourly Rates**

I request Commission approval of: (1) an hourly rate of \$185 for professional work performed by Reid in 2010; (2) an hourly rate of \$185 for professional work performed by Reid in 2011; (3) an hourly rate of \$195 for professional work performed by Reid in 2012; (4) an hourly rate of \$97.50 (one half of a 2012 professional rate of \$195) for compensatory work performed by Reid in 2012; (5) and hourly rate of \$300 for professional work performed by Weil in 2011; and (6) an hourly rate of \$150.00 (one half of a professional rate of \$300) for compensatory work performed by Weil in 2012. The reduced rate for compensation time is consistent with Commission practice. (D.89-09-046, slip op. at 1.)

The Commission has previously awarded Reid compensation for 2010-2011 professional work at a rate of \$185 per hour. (D.12-06-011, Appendix) As mentioned above, Reid is requesting an hourly rate of \$195 for work performed in 2012. Intervenor compensation rates for experts are separated into three tiers based on experience. The tiers are Tier I (0-6 years), Tier II (7-12 years), and Tier III (13 years and over). (See Resolution ALJ-267, slip op. at 5)

Reid now has 14 years of experience (1998-2012). Thus, Reid moved from Tier II to Tier III in 2011. The Commission has provided that intervenors will receive two step increases of 5% within each tier, rounded up to the nearest \$5 increment. (Resolution ALJ-267, Ordering Paragraph 2, slip op. at 7; and D.08-04-010, slip op. at 11-13)

Five percent of Reid's rate (\$185) is \$9.25, which rounds to an hourly increase of \$10 for a total rate of \$195/hr. for 2012 work.

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 the Division of Ratepayer Advocates) 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.

The Commission has previously awarded Weil compensation for 2009-2011 professional work at a rate of \$300 per hour. (D.12-01-029, Appendix)

Weil's qualifications are set forth in Appendix B to Exhibit 1300. Weil holds a B.S. degree in Mechanical Engineering from the Massachusetts Institute of Technology, and M.S. and Ph.D. degrees in Engineering from the University of California, Berkeley. He has more than 30 years of utility related experience, including 14 years with the Commission staff. Weil served as an ALJ for seven years.

### **C. Direct Expenses**

The direct expenses of \$175.76 or 0.18% of the total compensation request, listed in Table 1, are reasonable and were necessary for the substantial contribution of Reid in this proceeding. Copying costs are computed at 8 cents per page. Postage costs are included at actual costs.

I request compensation in full for these expenses without reduction for any adjustment in compensation hours that the Commission might impose. Such compensation is consistent with past Commission practice.

### **X. Allocation of Costs by Major Issue**

Commissioner Michael Peevey and ALJ Peter Allen jointly issued a Scoping Memo and Ruling in R.10-05-006 on December 3, 2010. The following issues were identified in the Scoping Memo: integration of renewable generation, Once

Through Cooling policy implementation, local reliability, greenhouse gas goals, energy efficiency assumptions, and demand response assumptions.

I have identified and allocated my professional time to the following issues: Consumer Risk Tolerance (CRT), Hedging, Risk Management, Legal Requirements, Planning Assumptions, The Rate Cap, Greenhouse Gas Costs, Liquidity, Duration of Transactions, Congestion Revenue Rights, OTC Units, Nuclear Power Plants, The Settlement Agreement, Renewable Integration Need, Independent Evaluators, The Rulebook, Procurement Review Groups, Black Box Modeling, and Convergence Bidding.

Allocation of professional time to major issues is shown in Table 2 below. The allocations in Table 2 are based on the time records of Reid and Weil in Attachments A and B to this pleading.

**TABLE 2. ALLOCATION OF PROFESSIONAL TIME BY MAJOR ISSUES**

<b>Cost Category</b>	<b>Hours</b>
General Work	142.9
Issues:	
Black Box Modeling	32.2
Consumer Risk Tolerance	4.0
Contract Duration	4.8
Energy Auction	0.5
Greenhouse Gas	22.9
Hedging	28.3
Independent Evaluators	6.6
Legal Requirements	10.5
Liquidity	7.2

Nuclear Power Plants	24.1
Once Through Cooling Units	9.3
Planning Assumptions	6.0
Procurement Review Groups	35.9
Rate Cap	4.0
Renewable Integration	149.8
Risk Management	23.7
The Rulebook	5.5
Settlement Agreement	<u>17.9</u>
Issues subtotal	<u>396.8</u>
Total	539.7

**XI. Conclusion**

Reid has satisfied the requirements of timely filing an NOI, customer status, and demonstration of financial hardship. 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 \$102,297.52.

\* \* \*

Dated June 27, 2012, 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 June 27, 2012 at Santa Cruz, California.

/s/

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