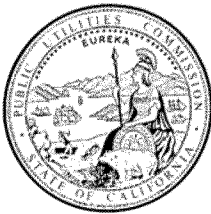


Docket:	:	<u>R.12-03-014</u>
Exhibit Number	:	_____
Commissioner	:	<u>Michel P. Florio</u>
Admin. Law Judge	:	<u>David M. Gamson</u>
DRA Project Mgr.	:	_____
	:	_____
DRA Witnesses	:	<u>Radu Ciupagea</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**REPLY TESTIMONY OF
RADU CIUPAGEA
ON BEHALF OF DRA**

**Order Instituting Rulemaking to Integrate and
Refine Procurement Policies and
Consider Long-Term Procurement Plans
Track 1 – Local Reliability
(R.12-03-014)**

San Francisco, California
July 23 , 2012

REPLY TESTIMONY OF RADU CIUPAGEA

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WITNESS QUALIFICATIONS FOR RADU CIUPAGEA

1 **REPLY TESTIMONY OF RADU CIUPAGEA**

2 **Q1. What is the purpose and scope of your testimony?**

3 **A1.** I reply to the prepared testimonies of Southern California Edison Company (SCE),
4 San Diego Gas & Electric Company (SDG&E), The Utility Reform Network (TURN), and Alliance
5 for Retail Energy Markets, Direct Access Customer Coalition, and Marin Energy Authority
6 (AReM/DACC/MEA) on the subject of cost allocation mechanism (CAM).

7 In this context, I explain that the net costs of any procurement the Commission authorizes to
8 meet local capacity requirements (LCR) in the SCE service territory should be allocated to all
9 benefitting customers, pursuant to Senate Bill 695 (SB 695), Senate Bill 790 (SB 790) and relevant
10 Commission decisions and provisions of the Public Utilities (P.U.) Code.

11 **Q2. How should the costs of any additional local reliability needs be allocated among Load**
12 **Serving Entities (LSEs) in light of the Commission's adopted cost allocation**
13 **mechanism (CAM) per SB 695, SB 790, Decision (D.)11-05-005 and any relevant**
14 **previous decisions?**

15 **A2.** I agree with SCE¹, SDG&E² and TURN³ that if the Commission authorizes SCE to procure
16 LCR resources in this proceeding, the CAM should apply and net capacity costs⁴ should be
17 allocated to all benefitting customers including bundled service, direct access (DA) and community
18 choice aggregation (CCA) customers. Since LCR resources would provide reliability benefits to all
19 customers, the net capacity costs should similarly be allocated to all customers.

20 On the other hand, AReM/DACC/MEA are mistaken in linking system and local area
21 reliability needs to bundled service customers' load. Procuring new generation to meet a
22 Commission-approved need for new system and local area reliability resources is determined by the
23 Commission in a transparent manner in the current long term procurement plan (LTPP) proceeding.
24 The Commission will authorize any necessary procurement based on calculations that reflect a

¹ 2012 Long-Term Procurement Plan Testimony of Southern California Edison Company on Local Capacity Requirements, June 25, 2012 (SCE Testimony) at 27.

² Prepared Track I Testimony of San Diego Gas & Electric Company, June 25, 2012 (SDG&E Testimony) at 9.

³ Prepared Testimony of Kevin Woodruff on Behalf of the Utility Reform Network Regarding Track 1-Local Reliability, June, 25, 2012 (TURN Testimony) at 24.

⁴ Net capacity costs are determined by subtracting the energy and ancillary services value of the resource from the total costs paid by the electrical corporation pursuant to a contract with a third party or the annual revenue requirement for the resource if the electrical corporation directly owns the resource.

1 forecast of the entire system’s load of all customers, including DA and CCA customers, and not just
2 bundled customers. Because benefits from system and local reliability flow to all customers, the net
3 capacity costs should be allocated to all customers.

4 Moreover, AReM/DACC/MEA’s proposal is contrary to P.U. Code Section 365.1(c) (2) (A)
5 which calls for all benefitting customers to pay for resources which are needed to meet system or
6 local reliability needs. In fact, AReM/DACC/MEA opposes CAM procurement even when it “is
7 needed to meet system or local area reliability needs for the benefit of all customers in the electrical
8 corporation’s distribution service territory.”⁵ This is exactly the opposite of what the statute calls
9 for, as SB 695 requires that if the Commission determines that generation resources “are needed to
10 meet system or local reliability needs for the benefit of all customers in the electrical corporation’s
11 distribution service territory,” then:

12 [T]he net capacity costs of those generation resources are allocated on a **fully**
13 **nonbypassable basis** consistent with departing load provisions as determined by the
14 commission, to all of the following:

- 15 (i) Bundled service customers of the electrical corporation.
- 16 (ii) Customers that purchase electricity through a direct transaction
17 with other providers.
- 18 (iii) Customers of community choice aggregators.⁶

19 AReM/DACC/MEA’s proposal also conflicts with P.U. Code, Section 365.1 (c) (2) (B)
20 which calls for a fair and equitable share of net capacity costs to be allocated to all benefitting
21 customers. SB 790 further reinforced the Commission’s mandate to allocate the costs of generation
22 resources, which provide system or local reliability benefits to all customers, in a manner that is fair
23 and equitable to all customers:

24 If the commission authorizes or orders an electrical corporation to
25 obtain generation resources pursuant to subparagraph (A), the
26 commission shall ensure that those resources meet a system or local
27 reliability need in a manner that benefits all customers of the electrical
28 corporation. The commission shall allocate the costs of those
29 generation resources to ratepayers in a manner that is **fair and**
30 **equitable to all customers**, whether they receive electric service

⁵ Testimony on Behalf of the Alliance for Retail Energy Markets, Direct Access Customer Coalition, and Marin Energy Authority, June 25, 2012 (AReM/DACC/MEA Testimony) at 28.

⁶ P.U. Code, Section 365.1(c) (2) (A), emphasis added.

1 from the electrical corporation, a community choice aggregator, or an
2 electric service provider.⁷

3 AReM/DACC/MEA's proposal would also result in cost shifting from CCA and DA
4 customers to bundled service customers. Since system and local reliability benefits would flow to
5 CCA and DA customers, not paying for those benefits would result in cost shifting and would be
6 contrary to P.U. Code, Section 366.2 (a) (4). SB 790 added new provisions to P.U. Code Section
7 366.2 which state that the implementation of CCAs should not result in cost shifting between CCA
8 and bundled service customers:

9 The implementation of a community choice aggregation program
10 shall not result in a shifting of costs between the customers of the
11 community choice aggregator and the bundled service customers of
12 an electrical corporation.⁸

13 Further, in D.06-07-029, the Commission states:

14 [I]f the IOUs have to pass on the entire cost of the new generation
15 to just their bundled customers, with no wider cost allocation
16 scheme, then the cost of energy from an IOU will necessarily be
17 more expensive tha[n] that from a competing DA provider.
18 Because the non-utility LSEs do not have RAR requirements that
19 necessitate them entering into long-term contracts, the non-utility
20 LSEs would not have to pay the price of a contract for new
21 generation. This situation will create an unacceptable inequitable
22 balance between IOU bundled ratepayers and other ratepayers.
23 However, under our new cost-allocation proposal, **there will be**
24 **no "free riders" vis-à-vis the cost of capacity of new**
25 **generation**, and the IOU's bundled customers will not be solely
26 responsible for the costs of new generation that benefits the
27 system as a whole.⁹

28 Therefore, the statute is clear in establishing that the net capacity costs of generation
29 resources, authorized by the Commission to meet system and local reliability needs which benefit
30 all customers, should be allocated to all customers on a fully nonbypassable basis, in a fair and
31 equitable way which prevents cost shifting between CCA, DA and bundled service customers. The
32 Commission should reject AReM/DACC/MEA's proposal to impose restrictions on CAM
33 procurement which conflict with the statute and with previous Commission decisions.

⁷ P.U. Code, Section 365.1 (c) (2) (B), emphasis added.

⁸ P.U. Code, Section 366.2 (a) (4).

⁹ D.06-07-029 at 46, emphasis added.

1 **Q3. Should the CAM be modified at this time?**

2 **A3.** DRA supports SDG&E’s proposal to convene workshops to explore possible modifications
3 to the net capacity cost calculation, and, more specifically, the valuation methodology for energy
4 and ancillary services. AReM/DACC/MEA also proposes that the Joint Parties’ Proposal¹⁰ should
5 be modified to ensure that the full value of energy and other products is netted from the contract
6 price.¹¹ To the extent that market revenues can be more accurately and transparently estimated
7 using public data, DRA agrees that it would be beneficial to explore, in workshops, the reduction of
8 capacity costs for all parties.¹²

9 DRA opposes AReM/DACC/MEA’s proposed criteria for CAM procurement¹³ to the extent
10 that it conflicts with the statute and/or imposes additional burden on the Commission and parties by
11 duplicating the issues under litigation in the LTPP proceedings. DRA is particularly concerned with
12 proposed criterion three, which would restrict CAM procurement to resources that fulfill an unmet
13 need that is not attributable to any individual LSE. As previously discussed, the Commission
14 authorizes procurement based on calculations that reflect a forecast of the entire system’s load of all
15 customers, including DA and CCA customers, and not just bundled customers. The statute clearly
16 states that because benefits from system and local reliability flow to all customers, the net capacity
17 costs should be allocated to all customers. Since the Commission is determining need for new
18 system and local reliability resources in a transparent manner, in this LTPP proceeding, DRA
19 opposes any criteria proposed by AReM/DACC/MEA which would be duplicative of the issues to
20 be addressed in the LTPP proceeding.

21 DRA supports SDG&E’s proposal that the Commission should focus in the near term on the
22 development of a “benefits test,”¹⁴ which could provide criteria for authorizing CAM procurement.
23 DRA proposes the Commission convene workshops to explore possible methodologies for the
24 development of a “benefits test.”

¹⁰ D.07-09-044, Appendix A.

¹¹ AReM/DACC/MEA Testimony at 39.

¹² SDG&E Testimony at 10.

¹³ AReM/DACC/MEA Testimony at 30-31.

¹⁴ SDG&E Testimony at 11.

1 **Q4. Should LSEs be able to opt-out of the CAM, and, if so, what should the requirements**
2 **be to allow such opt-out?**

3 **A4.** The Commission has found the concept of an opt-out mechanism “appealing” in the context
4 of implementing a viable enforcement program or mechanism to ensure that any LSE opt-out is
5 conditional on demonstrating that it is fully resourced with new generation for the 10-year time
6 frame.¹⁵ I am concerned that AReM/DACC/MEA’s proposal for an LSE opt-out, which is based on
7 a “5-year contract term or project life,”¹⁶ would fall short of meeting the Commission’s criteria for
8 an “appealing” opt-out mechanism. First, a 5-year contract term or project life as the basis for an
9 LSE opt-out is not equivalent to demonstrating that the opting-out LSE is fully resourced with new
10 generation for a 10-year time frame. Second, AReM/DACC/MEA’s proposal seems to indicate that
11 only non-IOU LSEs would be allowed to opt out of the CAM.¹⁷ The Commission has already
12 identified the issues with such a disparate treatment of LSEs:

13 [S]ince only non-IOU LSEs would be permitted to opt out of the
14 CAM, only IOUs would be expected to commit new resources on
15 behalf of bundled services customers. Non-IOU LSEs would not be
16 bound by such an expectation. Whether or not, as TURN maintains,
17 this one-sided aspect would create a disincentive for IOUs to commit
18 new resources, with the result that the CAM is a primary procurement
19 vehicle rather than a backstop, we see no sound basis for the disparate
20 treatment of LSEs proposed by AReM.¹⁸

21 Last, it is not clear how AReM/DACC/MEA’s proposal would be enforceable to ensure that “**there**
22 **will be no “free riders” vis-à-vis the cost of capacity of new generation**, and the IOU’s bundled
23 customers will not be solely responsible for the costs of new generation that benefits the system as a
24 whole.”¹⁹ Given all these concerns, I recommend the Commission reject AReM/DACC/MEA’s
25 proposal for LSE opt-out.

¹⁵ D.06-07-029 at 35.

¹⁶ AReM/DACC/MEA Testimony at 55.

¹⁷ AReM/DACC/MEA Testimony at 56.

¹⁸ D.10-06-018 at 74.

¹⁹ D.06-07-029 at 46, emphasis added.

WITNESS QUALIFICATIONS RADU CIUPAGEA

- 1
- 2 Q.1 Please state your name and address.
- 3 A.1 My name is Radu Ciupagea. My business address is Energy Procurement and Planning
4 Branch, Division of Ratepayer Advocates, California Public Utilities Commission,
5 505 Van Ness Avenue, 4th floor, San Francisco, California.
- 6 Q.2 By whom are you employed and in what capacity?
- 7 A.2 I am employed by the California Public Utilities Commission as a Public Utilities
8 Regulatory Analyst in the Division of Ratepayer Advocates (DRA) in the Energy
9 Procurement and Planning Branch.
- 10 Q.3 Briefly describe your educational background and work experience.
- 11 A.3 I earned two Bachelor of Arts Degrees, in Economics and French, respectively, from the
12 University of California at Berkeley.
- 13 I have been employed by the California Public Utilities Commission since February 1,
14 2011. Since joining the CPUC, I have worked on the cost allocation mechanism, demand
15 response, distributed generation, low income energy efficiency, and low-income
16 ratepayer assistance programs.
- 17 Q.4 Does that complete your prepared testimony?
- 18 A.4 Yes, it does.