

**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)

**L. JAN REID'S RESPONSE TO THE REQUIREMENTS OF  
DECISION 07-11-024**

In Decision (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 to provide the following information as part of their requests for compensation:

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.

**I. 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.
- 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.
- 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 for evaluating 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.

## **II. 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>1</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.

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<sup>1</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.)

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.

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 reviewed three advice letters: AL3402-G, AL4107, and AL4155. Based upon my review and analysis, I decided not to protest these PG&E advice letters.

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

### **III. 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.

#### **A. 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 and gas 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.

#### **B. 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.

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

As mentioned in Section III.B above, Reid has a M.S. in applied 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 III.A 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) and Division of Ratepayer Advocates (DRA) consultant Fred Mobasher has significant knowledge of electric power plants in California. He concentrated on plant-specific issues and on the operating condition of specific plants.

**V. Reasonable Collaboration with Other PRG Members**

Reid collaborated with a number of PRG members during the period from October 2011 through September 2013. Reid had private meetings or teleconferences with the following individuals: Marcel Howiger of TURN; Fred Mobasheri, consultant for DRA; Independent Evaluators Lewis Hashimoto and Wayne Oliver; Kevin Woodruff, consultant for TURN; and Brian Stevens of the Energy Division.

Although Reid does not seek compensation for all of these communications, they do indicate reasonable collaboration with other PRG members.

**VI. 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 and CAM Meetings from October 1, 2011 to September 30, 2013**

<b>Date</b>	<b>Duration</b>	<b>Location</b>	<b>Attendance</b>
10/11/11	2.2 hours	245 Market Street, San Francisco	By Telephone
11/8/11	3.8 hours	245 Market Street, San Francisco	By Telephone
12/13/11	4.3 hours	245 Market Street, San Francisco	In Person
1/19/12	1.5 hours	245 Market Street, San Francisco	By Telephone
2/14/12	0.6 hours	245 Market Street, San Francisco	By Telephone

<b>Date</b>	<b>Duration</b>	<b>Location</b>	<b>Attendance</b>
2/28/12	2.1 hours	245 Market Street, San Francisco	By Telephone
3/13/12	3.2 hours	245 Market Street, San Francisco	By Telephone
4/25/12	1.0 hours	245 Market Street, San Francisco	By Telephone
5/8/12	3.5 hours	245 Market Street, San Francisco	By Telephone
6/19/12	4.4 hours	245 Market Street, San Francisco	By Telephone
7/17/12	2.6 hours	245 Market Street, San Francisco	By Telephone
8/1/12	0.3 hours	245 Market Street, San Francisco	By Telephone
8/14/12	1.2 hours	245 Market Street, San Francisco	By Telephone
9/11/12	3.1 hours	245 Market Street, San Francisco	By Telephone
10/9/12	2.7 hours	245 Market Street, San Francisco	By Telephone
12/11/12	2.0 hours	245 Market Street, San Francisco	By Telephone
1/2/13	0.6 hours	245 Market Street, San Francisco	By Telephone
2/12/13	2.5 hours	245 Market Street, San Francisco	In Person
3/12/13	5.3 hour	245 Market Street, San Francisco	By Telephone



<b>Date</b>	<b>Duration</b>	<b>Location</b>	<b>Attendance</b>
3/27/13	2.8 hours	245 Market Street, San Francisco	By Telephone
4/30/13	2.4 hours	245 Market Street, San Francisco	By Telephone
5/14/13	1.5 hours	245 Market Street, San Francisco	By Telephone
6/11/13	3.0 hours	245 Market Street, San Francisco	By Telephone
8/13/13	4.0 hours	245 Market Street, San Francisco	In Person
9/10/13	2.5 hours	245 Market Street, San Francisco	In Person
9/24/13	0.8 hours	245 Market Street, San Francisco	By Telephone

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.

## **VII. 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.

#### **VIII. 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 third 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
D.12-06-011	\$34,918.90	PG&E	7/1/10	9/30/11

\* \* \*

Dated October 31, 2013, at Santa Cruz, California.

/s/

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