Company: San Diego Gas & Electric Company (U902M)
Proceeding: 2016 General Rate Case
Application: A.14-11-003
Exhibit: SDG&E-239

SDG&E

REBUTTAL TESTIMONY OF CYNTHIA S. FANG

(ELECTRIC REVENUES AND RATES)

June 2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Doc# 297766

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I. PURPOSE

The purpose of my rebuttal testimony is to address the May 2015 Testimony of Mark Fulmer of MRW & Associates, Inc. ("MRW") for the Utility Consumers' Action Network ("UCAN") regarding SDG&E's rate stabilization proposal, as well as the Prepared Testimony of Michael Shames for the San Diego Consumers' Action Network ("SDCAN") regarding statements about San Diego Gas & Electric Company's ("SDG&E's") electric rate levels.

II. UCAN'S CONCERNS OVER SDG&E'S RATE STABILIZATION PLAN DO NOT OUTWEIGH THE POTENTIAL RATEPAYER PROTECTIONS ACHIEVED UNDER THE PLAN

UCAN's testimony suggests that SDG&E's Rate Stabilization Plan should be rejected based on concerns listed below. However, SDG&E's Rate Stabilization Plan is in the best interest of its customers and should be implemented. UCAN identifies three concerns:

- equity concern whenever costs are shifted across time periods in that some of the customers paying the overcharges are likely to move out of SDG&E's service area or close their businesses prior to reaping the benefits of the reduced increases;[1]
- if the Commission approves an electric rate decrease for SDG&E, SDG&E's proposal to keep rates artificially high would result in an overcollection that, instead of reducing the GRC increase, would further reduce the GRC reduction;[2] and
- the overcharge period can be considered as long as it extends for no more than three months.[3]

It is possible that there will be some customers that may leave the service area or close their businesses prior to the benefits of reduced increases. This occurs generally whenever balancing accounts are used to address under- or over-collections. However, given the potential benefits from SDG&E's rate stabilization plan to reduce rate and bill volatility for all of its customers should there be a delay in implementation, SDG&E requests that the Commission provide the regulatory means for its Rate Stabilization Plan to be timely implemented.

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[1] UCAN/Fulmer, p. 104.
[2] UCAN/Fulmer, p. 105.
[3] UCAN/Fulmer, p. 107.

UCAN raises concerns that SDG&E's Rate Stabilization Plan would result in an overcollection that, instead of reducing the General Rate Case ("GRC") increase, would further reduce a GRC reduction if a reduction is adopted by the Commission. SDG&E does not share UCAN's basis for concern. SDG&E is not proposing to stabilize rates to overcharge customers, but to stabilize rate impacts to its customers. If the Commission approves a decrease for SDG&E, then as UCAN states, it would further the reduction, granting larger relief to SDG&E's customers. However, if the Commission does in fact approve a revenue requirement increase, but does not approve a mechanism by which SDG&E can timely implement a Rate Stabilization Plan, customers can potentially experience extreme rate volatility over a short period of time due to the roll-off of the General Rate Case Memorandum Account ("GRCMA"), to be shortly followed by a potential increase resulting from the GRC Phase 1 decision. In the event the Commission approves a revenue requirement increase and the Rate Stabilization Plan, SDG&E customers would benefit from the reduced increase due to the overcollections associated with maintaining the higher rate levels until implementation in the event of a delay.

SDG&E requests that the Commission approve SDG&E's Rate Stabilization Plan without a time constraint. If the Commission puts a time-constraint on the rate stability protection, this does not guarantee protection for SDG&E customers. For example, if the Commission sets a three-month constraint but a decision is delayed and cannot be implemented within those three months, that calls for an additional rate change just to end the GRCMA amortization. This would create more volatility rather than less for SDG&E customers. In addition, should the decision be delayed by multiple months, the rate stabilization period will potentially shield SDG&E customers from the volatility of what happened in the Test Year 2012 GRC, where undercollection due to the delay resulted in increasing rates higher than what they would have been if a decision had not been delayed.

For the Rate Stabilization Plan to mitigate customer bill volatility, SDG&E will need to seek and obtain Commission approval prior to year-end. SDG&E currently plans on filing a motion to request authority to establish a regulatory mechanism to allow SDG&E to implement its Rate Stabilization Plan.

III. SDCAN'S RATE ASSERTIONS ARE MISLEADING

SDCAN's testimony contains statements regarding the high nature of SDG&E's electric rates. SDCAN's witness, Mr. Shames, raised essentially the same assertions in the 2012 GRC, which SDG&E addressed in that proceeding. SDG&E provides the same rebuttal arguments, with updated factual support.

A. "Since the 2012 TY GRC, SDG&E's Electric Rates Jumped Well Ahead of the Other Two Major Utilities in the State: SCE and PG&E."[4]

Figure 1 in SDCAN's testimony reproduced Figure 1.1 in the Commission's Electric and Gas Utility Cost Report that presents the system average rate comparison between SDG&E and the two other major investor owned utilities ("IOUs") in California--Pacific Gas & Electric Company ("PG&E") and Southern California Edison Company ("SCE")--for 2005 through 2014.[5] While SDCAN's chart reflects that SDG&E's system average electric rates are currently above the other two IOUs, SDCAN omitted the excerpt from the description of the chart in which the Commission states that "the system average rate for SDG&E has increased recently due to a unique combination of factors, including an unusual increase in SDG&E's costs of procuring power as well as a delay in its 2012 General Rate Case which resulted in cost increases being compressed over a shorter period of time. We do not expect this recent trend to continue and anticipate that increases in system average rates will track the average annual inflation rate in the coming years."[6] This omission of a relevant discussion on SDG&E's rates from a Commission document is problematic, and the Commission should view SDCAN's chart in its proper context, as the Commission's Report itself provides.

SDG&E's current higher electric rates compared to the other two California IOUs are due to unusual and extenuating circumstances. At this time SDG&E's electric rates include the recovery of large amortizations due in particular to delays in receiving decisions in two cost recovery proceedings; specifically, SDG&E's 2012 GRC and SDG&E's 2013 Energy Resource Recovery Account ("ERRA") Forecast (Application ("A.") 12-10-002), a situation that is currently unique to SDG&E rates. While SCE and PG&E may have experienced delays in receiving decisions, their delays have been far shorter than the delays SDG&E has faced which would result in proportionally smaller undercollections to be recovered in rates. For example, the final decision in SDG&E's 2012 GRC, with an effective date on January 1, 2012, was issued in May of 2013, which resulted in a 20 month delay in implementing the rates to recover the

[4] SDCAN/Shames, p. 4.
[5] SDCAN/Shames, p. 4.
[6] Electric and Gas Utility Cost Report, Public Utilities Code Section 747 Report to the Governor and Legislature, April 2015, Figure 1.1: Trends in Average Rates, p. 6.

GRC revenue requirements approved in the decision.[7] This compares to the final decision in PG&E's 2011 GRC, with an effective date on January 1, 2011, being issued in May 2011 (5 month delay to implement rates[8]), and (b) SCE's 2012 GRC, with an effective date of January 1, 2012, being issued in November 2012 (12 month delay to implement rates[9]).

Also contributing to the deceptively high rates in the chart is the delay in SDG&E's 2013 ERRA Forecast implementation which caused SDG&E to undercollect for 11 months.[10] This delay ultimately caused SDG&E to trigger and thereby file a trigger application in April 2013. The purpose of a trigger application is to seek immediate relief when an over- or under-collection occurs within the ERRA. Although the application requested *immediate* relief SDG&E did not receive a decision in this proceeding until February 2014 and was not able to implement the trigger until 12 months after the initial application was filed.[11] This delay resulted in an initial projected undercollection of $108.5 million[12] growing to $220.6 million[13] at time of implementation that needed to be collected from customers. SCE's 2013 ERRA Forecast implementation was also delayed by approximately 11 months; however, the delay did not cause SCE to trigger like SDG&E.[14]

B. SDCAN Witness Raises the Same Arguments from Prior GRCs

Mr. Shames re-argues his points made in previous GRCs. For instance, he states, "SDG&E's system average rates have leapfrogged to the highest in the continental United

[7] SDG&E's GRC revenue requirements approved in Decision ("D.") 13-05-010 were implemented in rates effective 9/1/13 per Advice Letter ("AL") 2485-E-A.
[8] PG&E's revenue requirements approved in D.11-05-018 were implemented in rates effective 6/1/11 per AL 3851-E.
[9] SCE's revenue requirements approved in D.12-11-051 were implemented in rates effective 1/1/13 per AL 2834-E.
[10] SDG&E's 2013 ERRA revenue requirements approved in D.13-10-053 were implemented in rates effective 12/1/13 per AL 2544-E.
[11] SDG&E's 2013 ERRA trigger application (A.13-04-017) was approved by D.14-02-022 and was implemented in rates effective 4/1/14 per AL 2587-E.
[12] Expedited Trigger Application of SDG&E (A.13-04-017), p. 5.
[13] AL 2587-E, effective 4/1/14, p. 2.
[14] SCE's 2013 ERRA Application A.12-08-001 was approved by D.13-10-052 and was implemented in rates effective 11/22/13 per AL 2971-E.

States." [15] This same argument was raised in SDG&E's 2008[16] and 2012[17] GRCs. In both proceedings, SDG&E clarified the record that SDG&E's average monthly residential usage is among the lowest in the nation among IOUs which logically translates to higher than average electric rates due to fewer kWhs over which to recover those costs. [18,19] As stated previously, compared to other utilities, SDG&E has fewer kWhs to recover its fixed costs over and thus SDG&E's average cost per kWh will reasonably be higher than most utilities. For example, if a utility has an average cost of providing residential service, but a below average usage per residential customer, rates must be set at an above-average level. Low average usage per customer is just one of the factors contributing to higher than average rates per kWh. Attachment CF-1, shows that SDG&E's average monthly residential usage continues to be among the lowest in the nation among IOUs with Attachment CF-2 illustrating the bill effects. This holds true for SDG&E at the system level as well as presented in Attachments CF-3 and CF-4.

Additionally, SDCAN makes the claim that "[s]tate regulators and consumers had anticipated that the ending of these CDWR contracts would result in rate reductions for all utility customers, but these reductions have not materialized for SDG&E customers."[20] Again, this allegation was refuted in the 2012 GRC, as it continues to be incorrect. As stated in my 2012 GRC rebuttal testimony, "SDG&E customers have seen the commodity rate reduction benefits associated with the roll-off of California Department of Water Resources ("CDWR") contracts since 2010."[21] SDG&E customers in fact have seen commodity costs decline as DWR contracts have rolled-off being a significant driver behind the decline in commodity rates. Mr. Shames fails to mention that one of the reasons SDG&E's commodity rates have gone up recently is the need to increase the percentage of renewables in its energy mix to meet the Renewable Portfolio Standards ("RPS") requirements. Beginning 2013, SDG&E customers saw increases in

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[15] SDCAN/Shames, p. 14.
[16] A.06-12-009, Exhibit UCAN-1, Testimony of Michael Shames on Selected Issues Relating to Utility Expenditures for San Diego Gas & Electric Company's 2008 TY General Rate Case (July 6, 2007), p. 5.
[17] A.10-12-005, Exhibit UCAN-1, Testimony of Michael Shames on UCAN Testimonies Overview and Evaluation of San Diego Gas and Electric Company's Customer Service and External Affairs Activities (September 22, 2011), pp. 10 and 22.
[18] A.06-12-009, Exhibit SDG&E-251, Rebuttal Testimony of Robert W. Hansen (July 20, 2007), p. 4.
[19] A.10-12-005, Exhibit SDG&E-247, Rebuttal Testimony of Cynthia Fang (October 2011), p. CF-2.
[20] SDCAN/Shames, p.15.
[21] A.10-12-005, Exhibit SDG&E-247, Rebuttal Testimony of Cynthia Fang (October 2011), p. CF-4.

commodity costs as SDG&E increased the percentage of renewables in its portfolio to meet its RPS obligations of 33% by 2020. In short, these repeated arguments do not provide any basis for reducing SDG&E's GRC proposals.

IV. CONCLUSION

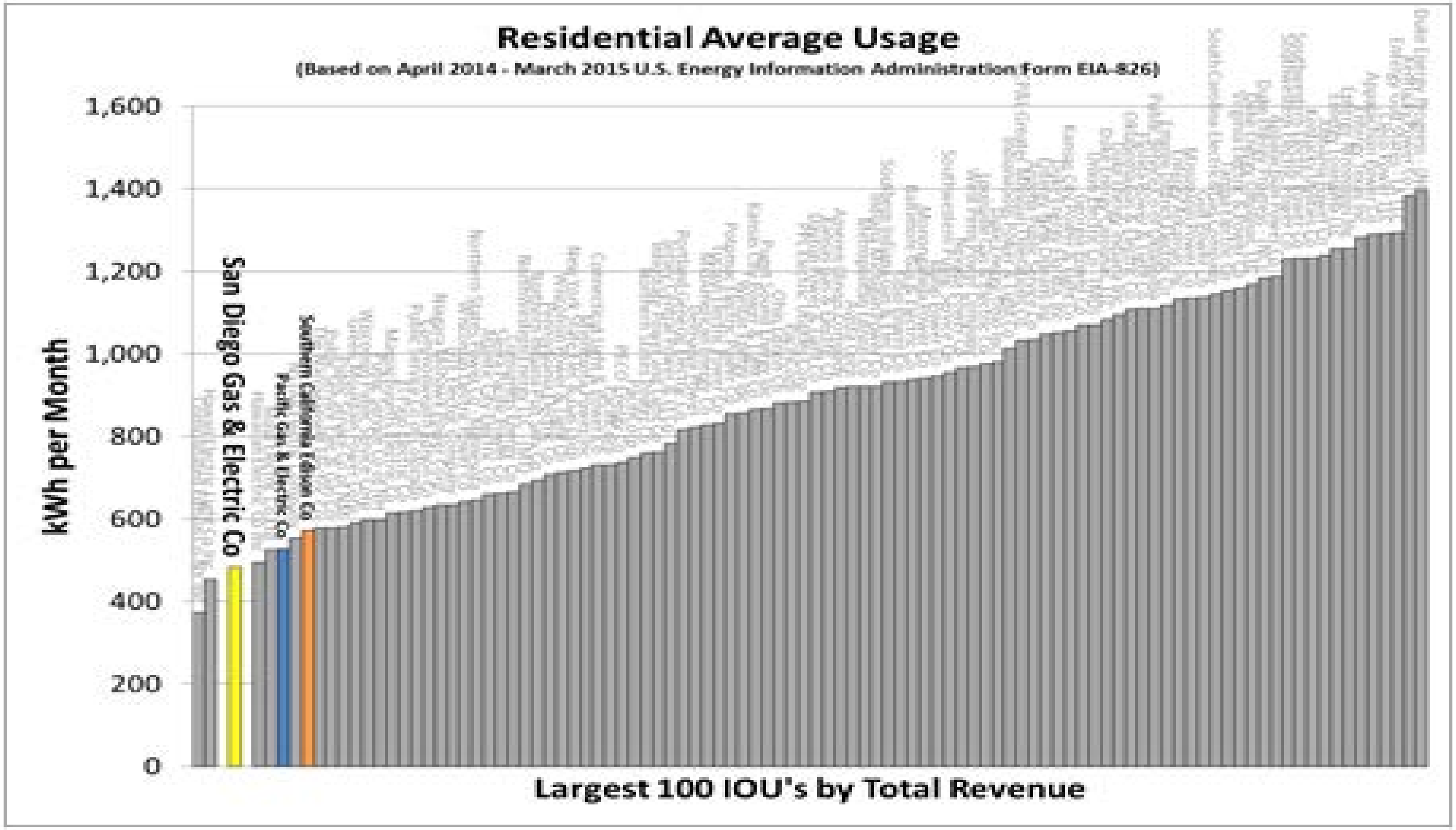
For the reasons provided in this testimony, UCAN's arguments against SDG&E's Rate Stabilization Plan, and SDCAN's arguments against SDG&E's rate levels, should be rejected.

This concludes my prepared rebuttal testimony.

APPENDIX A

ATTACHMENTS CF-1 THROUGH CF-4

Attachment CF-1



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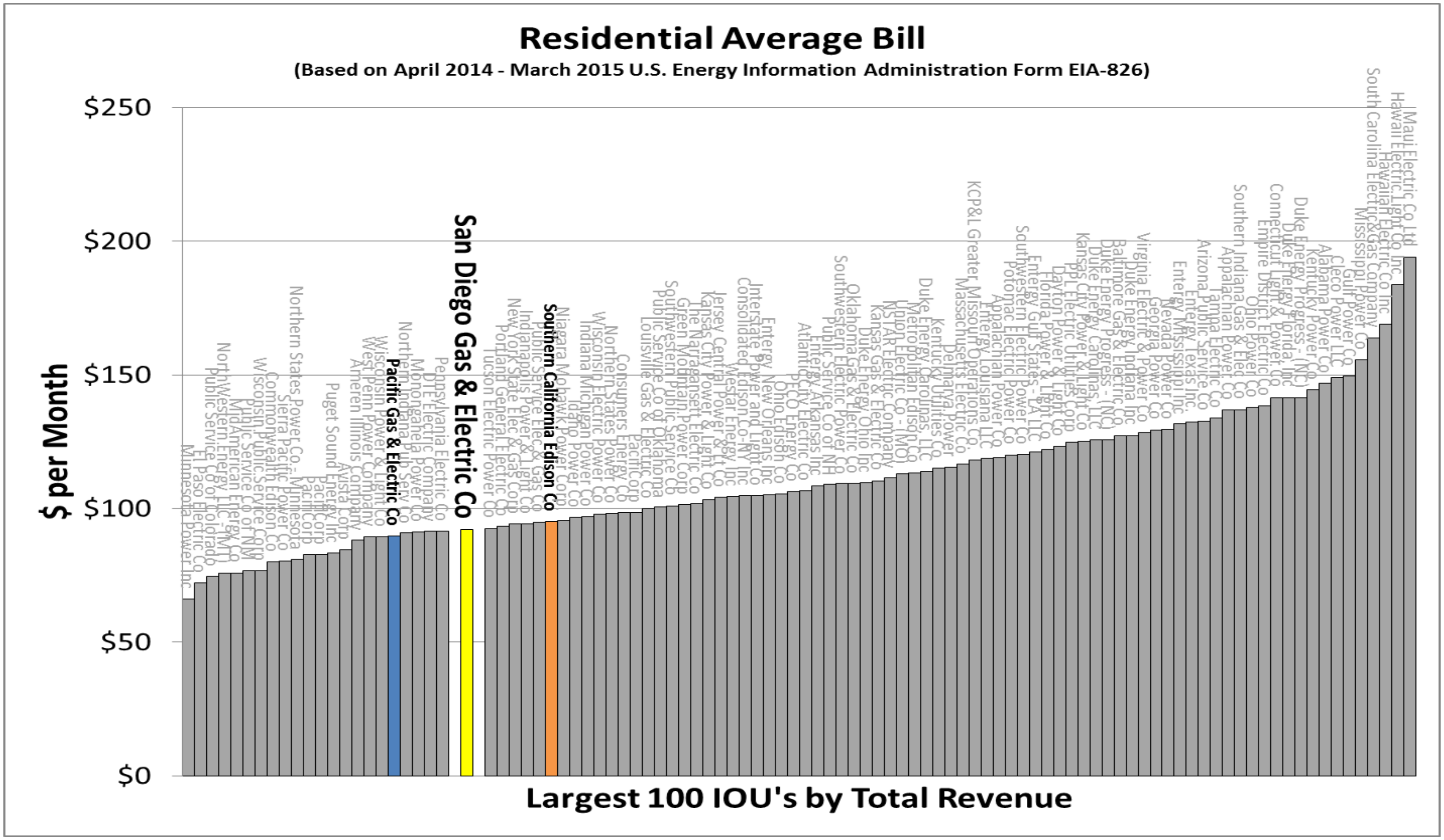
Attachment CF-2



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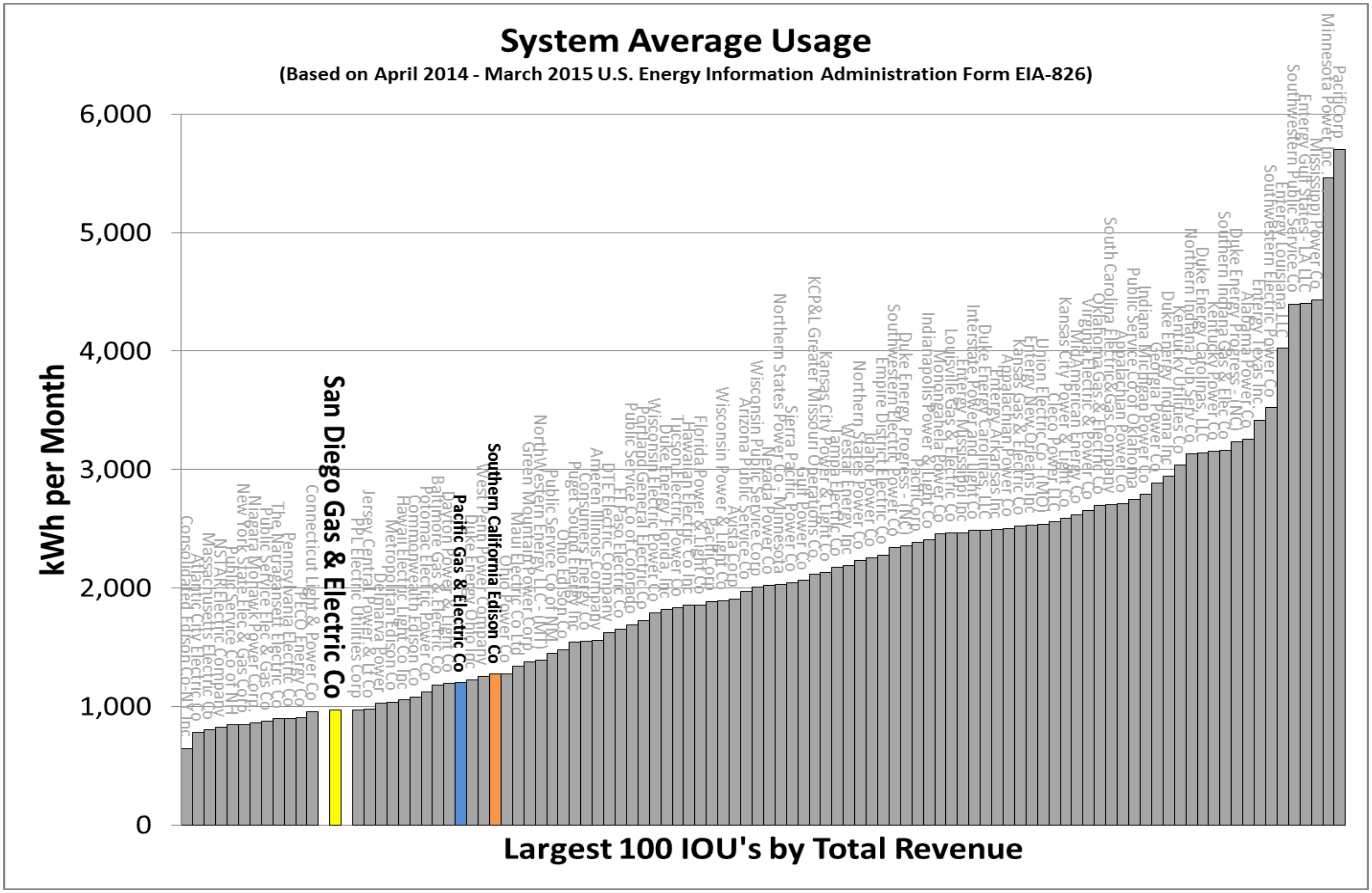
Attachment CF-3



Attachment CF-4