

Company: San Diego Gas & Electric Company (U 902 M)  
Proceeding: 2024 General Rate Case – Track 2  
Application: A.22-05-016  
Exhibit: SDG&E-T2-08

**PREPARED REBUTTAL TESTIMONY OF**  
**VALERIE BILLE**  
**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**  
**(TRACK 2 – AFFORDABILITY PROPOSALS)**

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



**July 26, 2024**

## TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	UCAN SUPPORTS A 10-YEAR SECURITIZATION .....	4
III.	TURN FAILS TO CONSIDER THE BENEFITS OF SECURITIZATION RELATIVE TO SHORTER-TERM RECOVERY .....	6
A.	SDG&E Self-Evidently Seeks Commission Support for Securitization.....	6
B.	TURN’s Focus on PG&E and SCE’s Securitization of Their AB 1054-Mandated Equity Rate Base Exclusions are Not Applicable Here and Should be Disregarded .....	7
C.	TURN’s Request to Amortize O&M Similarly Results in Short-Term Rate Increases and Results in Additional Costs for CARE and FERA Customers .....	11
D.	A 10-Year Securitization Limits Additional Financing Costs Compared to Longer Financing Terms .....	13
E.	SDG&E’s Cost-Allocation Preference is to Apply its Proposed EPTR Wildfire- Related Cost Allocation Methodology if Approved by the Commission .....	16
IV.	CONCLUSION .....	17

1                   **PREPARED REBUTTAL TESTIMONY OF VALERIE BILLE**  
2                   **ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

3   **I.       INTRODUCTION**

4           San Diego Gas and Electric Company’s (SDG&E) “Affordability Proposal” consists of:  
5 (1) interim relief to recover 50% (\$376.5 million) of SDG&E’s undercollected electric Wildfire  
6 Mitigation Program Memorandum Account (WMPMA) recorded balance as of December 31,  
7 2022; and (2) a ten-year securitization of the remaining sought-after recovery for 2026-2035.<sup>1</sup>  
8 This combination is the best way for SDG&E to recover the critical investments SDG&E made  
9 in wildfire mitigation health and safety during the five-year period between its 2019 and 2024  
10 General Rate Cases (GRC)—a period when many of the State’s mitigation requirements were  
11 enacted—while supporting affordability, rate stability, and avoiding rate shock for our  
12 customers.<sup>2</sup>

13           Consistent with the Affordability Proposal, SDG&E filed for interim relief in this  
14 proceeding. In Decision (D.) 24-02-010, the Commission authorized SDG&E to recover \$289.9  
15 million of the undercollected WMPMA balance in rates during 2024 and 2025, subject to  
16 refund.<sup>3</sup>

17           Regarding securitization, as detailed in my direct testimony, SDG&E will submit a  
18 securitization request for the remaining WMPMA electric amounts after a final Commission  
19 decision in this proceeding.<sup>4</sup> As noted, SDG&E’s securitization proposal supports affordability

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<sup>1</sup> Prepared Direct Testimony of Valerie Bille on Behalf of SDG&E, Chapter 4 (Track 2 – Affordability Proposals) (October 2023) (Exhibit (Ex.) SDG&E-T2-04 (Bille)) at 1-4.

<sup>2</sup> *Id.* at 2.

<sup>3</sup> D.24-02-010 at 2.

<sup>4</sup> Cal. Pub. Utils. Code Section 850.1; *see* Ex. SDG&E-T2-04 (Bille) at 4.

1 by avoiding a substantial near-term rate increase. SDG&E provided a broad outline of its 10-year  
2 securitization concept in this proceeding so that the Commission could consider the proposal and  
3 provide guidance and support for SDG&E submitting a subsequent securitization application  
4 under California Public Utilities Code Section 850, which requires a decision within 120 days.<sup>5</sup>

5 Notably, the Utility Consumers’ Action Network (UCAN) intervenor testimony of Mark  
6 Fulmer overwhelmingly supports SDG&E’s 10-year securitization concept.<sup>6</sup> Although TURN’s  
7 testimony from Robert Finkelstein largely criticizes SDG&E’s securitization proposal, Mr.  
8 Finklestein fails to consider the pertinent question—whether a 10-year securitization of  
9 SDG&E’s remaining Track 2 revenue requirement would benefit customers compared to the “1-  
10 3 year cost recovery period under traditional ratemaking practices” cited by TURN.<sup>7</sup>

11 And in that comparison, SDG&E continues to believe that a 10-year securitization strikes  
12 a better balance between avoiding rate shock, minimizing additional financing costs, and  
13 benefitting residential customers—particularly CARE and FERA customers. Principally, a 10-  
14 year securitization avoids substantial short-term rate increases resulting from a three-year  
15 amortization. SDG&E likewise believes that securitizing the electric capital revenue requirement  
16 while amortizing the remaining O&M balance over three years (as TURN suggests) would not  
17 support affordability, as it still results in a short-term rate increase—including for CARE and  
18 FERA customers—while only resulting in marginal overall revenue requirement savings.

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<sup>5</sup> See Prepared Testimony of Robert Finkelstein on Behalf of The Utility Reform Network (TURN) (June 27, 2024) (Ex. TURN-1 (Finkelstein)) at 16 (quoting SDG&E Response to TURN DR 4-1 [Attachment 8 to TURN’s testimony]).

<sup>6</sup> Testimony of Mark Fulmer on Behalf of UCAN Concerning SDG&E’s 2024 GRC-Track 2: Wildfire Mitigation Plan Costs and Cost Recovery (June 14, 2024) (Ex. UCAN-01 (Fulmer)) at 15 (“UCAN recommends that any remaining WMP costs approved in this proceeding should be securitized.”).

<sup>7</sup> Ex. TURN-1 (Finkelstein) at 25.

1           SDG&E does agree with TURN, however, that an equal cents per kilowatt hour cost  
2 allocation is not a preferable option, particularly given the subsequent developments in  
3 SDG&E’s GRC Phase 2 proceeding. In that proceeding, SDG&E submitted on May 28, 2024 a  
4 proposed Equal Percent of Total Revenues (EPTR) cost allocation methodology for wildfire-  
5 related costs resulting from a multi-party settlement that included TURN. That multi-party  
6 settlement proposal is currently pending before the Commission.<sup>8</sup> SDG&E believes that the  
7 EPTR for wildfire-related costs is the appropriate cost allocation methodology to apply here.

8           Applying this cost allocation methodology to securitization accomplishes the same goals  
9 of avoiding short-term rate shock, smoothing residential customer rates, and reducing costs for  
10 CARE and FERA participants. As discussed throughout this testimony, the securitization  
11 proposals should be compared against a shorter recovery period, such as a three-year  
12 amortization for SDG&E collecting the just and reasonable costs it has incurred as illustrated in  
13 Tables 1 and 2. And in that comparison, securitization avoids significant short-term rate  
14 increases while avoiding any costs for CARE and FERA customers. Below is an updated  
15 residential bill impact illustration of a 3-year amortization (in 2026-2028) of remaining costs  
16 after interim relief recovery in 2024 and 2025 compared to a 10-year securitization of SDG&E’s  
17 remaining electric WMPMA balance for non-CARE and CARE customers applying the EPTR  
18 methodology.<sup>9</sup>

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<sup>8</sup> See A.23-01-008, Application of SDG&E for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design (January 17, 2023).

<sup>9</sup>All bill impacts presented in this testimony are for an average coastal/inland bundled residential customer using 400 kWh per month. All bill impacts presented utilize the rates model effective January 1, 2023, which is the same model used in Direct testimony. Actual allocations and resulting rate and bill impacts will be based on current effective rates at the time of implementation.

1 **TABLE 1**

2 **Typical Non-CARE Residential Monthly Bill Impact (\$/Month)**

Scenario	2024	2025	2026	2027	2028	2029- 2035	Total Pmt
<b>3-Year Amortization</b>	\$6.10	\$3.02	\$8.70	\$8.46	\$8.03	\$0	\$411.70
<b>10-Year Securitization</b>	\$6.10	\$3.02	\$4.22	\$4.22	\$4.22	\$4.22	\$616.00

3 **TABLE 2**

4 **Typical CARE Residential Monthly Bill Impact (\$/Month)**

Scenario	2024	2025	2026	2027	2028	2029- 2035	Total Pmt
<b>3-Year Amortization</b>	\$3.96	\$1.97	\$5.65	\$5.50	\$5.22	\$0	\$267.69
<b>10-Year Securitization</b>	\$3.96	\$1.97	\$0	\$0	\$0	\$0	\$71.11

5  
6  
7 **II. UCAN SUPPORTS A 10-YEAR SECURITIZATION**

8  
9 As noted, UCAN likewise supports a 10-year securitization of all of SDG&E’s remaining  
10 approved WMPMA costs. UCAN seemingly correctly recognizes that the relevant comparison is  
11 a 10-year securitization compared to traditional 1–3-year cost recovery methods.<sup>10</sup> And it  
12 correctly notes that:

- 13 • A 10-year securitization results in net present value savings for ratepayers  
14 compared to a 3-year amortization with or without interim relief;<sup>11</sup>

<sup>10</sup> Ex. UCAN-01 (Fulmer) at 17.

<sup>11</sup> *Id.* at 15, 17. UCAN is incorrect, however, that SDG&E has set up a “false dichotomy” that “either the costs are collected ‘traditionally’ over three years or via SDG&E’s interim collection proposal.” *Id.* at 14. In fact, a three-year amortization is itself an alternative concept to traditional rate recovery. Ex. SDG&E-T2-04 (Bille) at 3 (noting that three-year amortization is a separate concept from “traditional

- 1 • CARE and FERA customers do not bear any financial burden from securitization;  
2 and that
- 3
- 4 • Securitization reduces residential bills compared to a three-year amortization.<sup>12</sup>
- 5

6 UCAN’s proposal, however, to securitize the remaining balance *without any* interim  
7 relief in 2025<sup>13</sup> is an improper collateral attack on D.24-02-010 and should be disregarded.<sup>14</sup> The  
8 Commission already authorized SDG&E to recover, on an interim basis, up to \$96.1 million in  
9 revenue for SDG&E’s unrecollected WMPMA balance commencing on January 1, 2025.<sup>15</sup> The  
10 Commission’s decision in D.24-02-010 is final and has conclusive effect.<sup>16</sup>

11 Moreover, if SDG&E cannot obtain a final securitization order to implement in rates in  
12 2025, interim relief helps smooth rates, avoiding waiting an additional year for recovery for costs  
13 from 2019-2022. Putting that aside, UCAN recognizes that SDG&E’s 10-year securitization  
14 proposal will save ratepayers over \$34 million dollars on a net present value basis,<sup>17</sup> supporting  
15 the Commission encouraging SDG&E to seek securitization.

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ratemaking.”); TURN-1 at 25 (noting that traditional ratemaking practices encompass a “1-3 year period.”).

<sup>12</sup> Ex. UCAN-01 (Fulmer) at 20, Table 7 and Table 8.

<sup>13</sup> *Id.* at 17.

<sup>14</sup> *See* D.14-06-053 at 13-14 (affirming that “three sets of arguments were impermissible because they attempted to relitigate decisions we had already made,” and that these “holdings correctly apply the principles contained in several sections of the Public Utilities Code giving conclusive effect to our decisions, once they are final.”) (citations omitted).

<sup>15</sup> D.24-02-010 at 22, Ordering Paragraph 1(b).

<sup>16</sup> *See* D.14-06-053 at 14 (“Parties can only challenge a holding made in a Commission decision by applying for rehearing within 30 days and then timely seeking Court review (Pub. Util. Code §§ 1736, 1756). Unless those steps are taken, our decisions are final, and have a ‘conclusive’ effect (Pub. Util. Code § 1709).”)

<sup>17</sup> Ex. UCAN-01 (Fulmer) at 17.

1 **III. TURN FAILS TO CONSIDER THE BENEFITS OF SECURITIZATION**  
2 **RELATIVE TO SHORTER-TERM RECOVERY**

3 TURN, by contrast, seemingly opposes SDG&E’s securitization proposal. Yet TURN  
4 never forthrightly says why. Instead, TURN either throws out impermissible concepts like  
5 denying SDG&E its rate of return on just and reasonable capital investments that would scuttle  
6 any securitization or simultaneously complaining both that SDG&E does not propose a longer  
7 securitization period and that securitization would lead to additional costs.

8 But TURN never grapples with the fundamental question, which is why would a 1-3 year  
9 traditional rate recovery be better for ratepayers than a 10-year securitization of the remaining  
10 WMPMA electric balance following interim relief. TURN suggests that SDG&E’s securitization  
11 proposal may not promote affordability compared to “traditional utility financing  
12 mechanisms.”<sup>18</sup> Yet TURN provides no support for that statement. As UCAN demonstrates—  
13 and TURN acknowledges—a 10-year securitization benefits ratepayers in net present value  
14 savings compared to a three-year amortization while avoiding rate shock.

15 **A. SDG&E Self-Evidently Seeks Commission Support for Securitization**

16 TURN’s opposition is captured by TURN’s seemingly tongue-in cheek statement that it  
17 “is not entirely clear what SDG&E is seeking from the Commission at this time with regard to  
18 the securitization proposal it has included in this application and discussed at some length in its  
19 prepared testimony.”<sup>19</sup> Yet TURN itself recognizes on the very next page that SDG&E told  
20 TURN why SDG&E included securitization in direct testimony—to seek “a Commission  
21 finding that securitization of the authorized costs under the conditions preliminarily described by

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<sup>18</sup> Ex. TURN-1 (Finkelstein) at 17 (citation omitted).

<sup>19</sup> *Id.* at 15.



1 SDG&E may promote affordability.”<sup>20</sup> TURN’s attempt to make a mountain out of a molehill  
2 by citing to a single line in SDG&E’s Track 2 submission that it seeks for the Commission to  
3 “review and approve” SDG&E’s Affordability Proposal is thus a non-sequitur.<sup>21</sup>

4 As SDG&E has repeatedly recognized, any request for securitization under Public  
5 Utilities Code Section 850.1 would have to be made in a subsequent application upon receiving a  
6 final and non-appealable public order here.<sup>22</sup> Yet as TURN complains about later in testimony,<sup>23</sup>  
7 Section 850.1(g) mandates a Commission decision on a securitization financing order within 120  
8 days of the application’s submission, minimizing the time for consideration. SDG&E thus sought  
9 to provide the Commission and parties time to consider securitization, provide guidance, and  
10 indicate support for a securitization application by previewing for the parties that a 10-year  
11 securitization can help reduce short-term rate and bill shock and benefit residential customers,  
12 particularly CARE and FERA customers.

13 **B. TURN’s Focus on PG&E and SCE’s Securitization of Their AB 1054-**  
14 **Mandated Equity Rate Base Exclusions are Not Applicable Here and Should**  
15 **be Disregarded**

16 TURN heavily focuses on comparing SDG&E’s securitization proposal to the  
17 Commission approving the securitization of Pacific Gas and Electric Company (PG&E) and  
18 Southern California Edison Company’s (SCE) capital expenditures that were subject to  
19 Assembly Bill (AB) 1054’s mandated equity rate base exclusion, as enshrined in Section

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<sup>20</sup> *Id.* at 16 (quoting SDG&E Response to TURN DR 4-1) (emphasis omitted).

<sup>21</sup> Ex. TURN-1 (Finkelstein) at 16 (quoting SDG&E’s Submission and Supplemental Testimony Supporting its Track 2 Request to Authorize Recovery (Oct 27, 2023) at 17).

<sup>22</sup> *See, e.g.*, Ex. SDG&E-T2-04 (Bille) at 4 (“Section 850.1 allows SDG&E to finance the just and reasonable wildfire mitigation costs and expenses at issue in this application through a financing order to mitigate rate and bill impacts through longer financing terms.”).

<sup>23</sup> Ex. TURN-1 (Finkelstein) at 30.

1 8386.3(e).<sup>24</sup> For example TURN states that, in “the four AB 1054 securitization applications  
2 previously addressed by the Commission, the approved terms were expected to achieve present  
3 value savings of approximately 50-77% of the amount of capital expenditures securitized.  
4 SDG&E’s proposed terms would achieve present value savings of only 4% of the amount  
5 securitized.”<sup>25</sup>

6 Yet this is an apples-to-oranges comparison. The expected present value savings in those  
7 applications primarily resulted from PG&E and SCE’s not being allowed to receive their rate of  
8 return on those capital investments under AB 1054’s Section 8386.3(e) equity rate base  
9 exclusion. SDG&E has already taken its equity rate base share exclusion on capital expenditures  
10 that are not at issue in this proceeding. Specifically, SDG&E reached its \$215 million share of  
11 fire risk mitigation capital expenditures through capital projects approved in SDG&E’s 2019  
12 GRC.<sup>26</sup>

13 SDG&E is thus lawfully entitled to earn a rate of return on the capital investments at  
14 issue here. As the Commission has repeatedly held, under the Supreme Court *Bluefield* and *Hope*  
15 decisions, a “public utility is entitled to earn a return upon the value of its property employed for  
16 the convenience of the public.”<sup>27</sup> Such a return must be at a level “commensurate with market  
17 returns on investments having corresponding risks and adequate to enable a utility to attract

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<sup>24</sup> See Cal. Pub. Utils. Code § 8386.3(e) (“The commission shall not allow a large electrical corporation to include in its equity rate base its share, as determined pursuant to the Wildfire Fund allocation metric . . . of the first five billion dollars (\$5,000,000,000) expended in aggregate by large electric corporations on fire risk mitigation capital expenditures included in the electric corporations’ approved wildfire mitigation plans.”).

<sup>25</sup> Ex. TURN-1 (Finkelstein) at 21.

<sup>26</sup> See SDG&E Advice Letters (AL) 3488-E, AL 3488-E-A and AL 3488-E-B, approved August 27, 2020.

<sup>27</sup> D.22-12-031 at 14 (citing *FPC v. Hope Nat’l Gas Co.*, 320 U.S. 591 (1944); *Bluefield Water Works & Imp. Co. v. Pub. Serv. Comm’n of Va.*, 262 U.S. 679 (1923)).

1 investors to finance the replacement and expansion of a utility’s facilities to fulfill its public  
2 utility service obligation.”<sup>28</sup> TURN itself notes that a “utility is provided an opportunity to  
3 recover a capital-related revenue requirement over the depreciation life of the plant, consisting of  
4 depreciation expense, return and taxes.”<sup>29</sup>

5 SDG&E thus by definition could not achieve comparable present value savings in those  
6 PG&E and SCE securitizations because SDG&E is allowed to recover its rate of return on the  
7 capital expenditures at issue here, while PG&E and SCE were not. So TURN is correct that  
8 SDG&E’s approach proposes taking its WMPMA capital requirement—including the rate of  
9 return—and then financing that revenue requirement with securitization, akin to refinancing a  
10 mortgage to obtain a longer payback period.<sup>30</sup> TURN is likewise correct that SDG&E would  
11 only securitize the resulting revenue requirement through 2027, until it could be included in  
12 SDG&E’s next GRC, spreading those revenue requirement costs to 2026-2035.<sup>31</sup>

13 But the point of SDG&E’s securitization proposal is that when compared to a 1-3 year  
14 recovery, securitizing the resulting revenue requirement through 2027 of just and reasonable  
15 wildfire mitigation investments supports affordability by mitigating what would be a significant  
16 near-term rate increase.<sup>32</sup> TURN’s “recommend[ation] that the Commission strongly encourage

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<sup>28</sup> D.22-12-031 at 15.

<sup>29</sup> Ex. TURN-1 (Finkelstein) at 22.

<sup>30</sup> *Id.* at 24.

<sup>31</sup> *Id.* at 23, 24.

<sup>32</sup> SBUA’s request for an “affordability metric” for “small commercial customers,” Opening Testimony of Ariel Strauss on Track 2 on Behalf of SBUA (June 14, 2024), at 4, should be rejected. The current AR Calculator, developed by Energy Division, contains data relevant to residential customers, such as household income and housing cost assumptions. Neither of those metrics would be relevant or appropriate for non-residential metrics. These are just some of the many questions that would need to be addressed, perhaps through a working group as suggested by SBUA, *see id.* at 5-6, prior to any kind of non-residential affordability metrics analysis being required.

1 SDG&E to structure any securitization proposal based on securitizing capital expenditures rather  
2 than a capital revenue requirement” is thus a non-starter.<sup>33</sup> It would violate *Bluefield, Hope*, and  
3 the regulatory compact to not allow SDG&E to recover its reasonable return on its capital  
4 investments. Nor would SDG&E apply for such a securitization. Whether SDG&E recovers  
5 SDG&E’s just and reasonable capital revenue requirement in this proceeding through  
6 securitization or TURN’s 1-3 year “traditional ratemaking practices” has minimal to no monetary  
7 impact upon SDG&E. Instead, the only issue is which approach best benefits SDG&E’s  
8 customers.

9         As such, by focusing on the utterly inapplicable PG&E and SCE securitization resulting  
10 from AB 1054’s mandated equity rate base exclusions, TURN is setting up a stalking horse.  
11 Rather than grapple with the merits of SDG&E’s securitization proposal relative to traditional  
12 recovery methods, TURN seeks the Commission to “encourage” SDG&E to apply for a  
13 securitization that SDG&E would never seek, and the Commission has no authority to  
14 implement. It is a backhanded way for TURN to oppose securitization without addressing the  
15 actual issue—whether it is better for SDG&E’s customers for SDG&E to recover its just and  
16 reasonable revenue requirement through a 10-year securitization as opposed to a shorter term,  
17 traditional recovery.

18         SDG&E thus fully acknowledges that its securitization concept has lower net present  
19 value savings than the ones adopted by the Commission for PG&E and SCE.<sup>34</sup> But given the  
20 widely disparate facts, that is not the relevant comparison. Instead, the relevant comparison is  
21 whether SDG&E’s securitization concept benefits customers compared to “traditional

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<sup>33</sup> Ex. TURN-1 (Finkelstein) at 24-25.

<sup>34</sup> *See id.* at 21.

1 ratemaking practices.” And TURN itself seemingly acknowledges that SDG&E’s securitization  
2 approach still results in costs savings to ratepayers,<sup>35</sup> noting that it results in a present value  
3 ratepayer savings of \$34 million.<sup>36</sup>

4 **C. TURN’s Request to Amortize O&M Similarly Results in Short-Term Rate**  
5 **Increases and Results in Additional Costs for CARE and FERA Customers**

6 TURN likewise criticizes SDG&E’s inclusion of O&M in SDG&E’s securitization  
7 proposal.<sup>37</sup> Notably, most of SDG&E’s WMPMA O&M balance will be recovered through  
8 interim relief, subject to a finding that those costs were just and reasonable. As TURN notes, this  
9 will leave roughly \$110 million in O&M.<sup>38</sup>

10 As above, SDG&E agrees with TURN that securitization would spread out O&M  
11 recovery over 10 years, compared to “1-3 year cost recovery period under traditional ratemaking  
12 practices.”<sup>39</sup> The fact that ratepayers would be paying higher amounts in 2029-2035 with  
13 securitization<sup>40</sup> is a feature, not a bug. Again, the goal is to reduce near-term rate and bill shocks  
14 for customers in 2026-2028.

15 Below is the resulting revenue requirement and bill impacts from amortizing the  
16 remaining WMPMA O&M balance over three-years 2026-2028 instead of including it in  
17 securitization.<sup>41</sup> Although TURN is correct that securitizing O&M increases financing costs,<sup>42</sup> as

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<sup>35</sup> *Id.* at 23 (citing SDG&E-2, p. 10, Table 7).

<sup>36</sup> Ex. TURN-1 (Finkelstein) at 20.

<sup>37</sup> *See, e.g., id.* at 25, 27.

<sup>38</sup> *Id.* at 26 (citing SDG&E Response to TURN DR4-4 (a) and (b)).

<sup>39</sup> *Id.* at 25.

<sup>40</sup> *Id.*

<sup>41</sup> SDG&E presents the bill impacts using the pending GRC Phase 2 multi-party agreed upon EPTR wildfire-related cost allocation methodology that SDG&E would hope to apply to these costs.

<sup>42</sup> *Id.* at 26.

Table 3 and 4 below show, there is a relatively small overall revenue requirement savings (a \$22 million dollar difference) from a three-year amortization of O&M as opposed to a 10-year securitization of the remaining electric WMPMA balance.

**TABLE 3**

**Revenue Requirement for 10-Year Securitization of Capital Revenue Requirement and 3-Year Amortization of O&M**

Revenue Requirement (in millions)													
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
<b>Interim Relief</b>	\$194	\$96	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$290
<b>Capital Revenue Requirement</b>	\$0	\$0	\$103	\$103	\$103	\$103	\$103	\$103	\$103	\$103	\$103	\$103	\$1,031
<b>O&amp;M Revenue Requirement</b>	\$0	\$0	\$39	\$39	\$39	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$116
<b>Total Revenue Requirement</b>	\$194	\$96	\$142	\$142	\$142	\$103	\$103	\$103	\$103	\$103	\$103	\$103	\$1,437

**TABLE 4**

**Revenue Requirement for 10-Year Securitization of Remaining WMPMA electric balance (SDG&E's Proposal)**

Revenue Requirement (in millions)													
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
<b>Interim Relief</b>	\$194	\$96	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$290
<b>Securitization Revenue Requirement</b>	\$0	\$0	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$1,169
<b>Total Revenue Requirement</b>	\$194	\$96	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$117	\$1,459

SDG&E does not believe that this small overall revenue requirement savings is worth the additional increase in customer bills for 2026-2028—with a 3-year amortization of O&M costs combined with 10-year securitization of capital costs resulting in a \$4.77 in 2026 monthly bill increase, as shown in Table 5 below. It would also be impractical to separate out the O&M from

1 the overall revenue requirement balance that SDG&E is approved to recover. And it would result  
 2 in additional costs for CARE and FERA customers in 2026-2028 compared to securitizing the  
 3 remaining electric WMPMA balance over ten years.

4 **TABLE 5**

5 **Ten-Year Securitization of Capital Revenue Requirement and**  
 6 **Three-Year Amortization of O&M<sup>43</sup>**

7 **Typical Residential Bill Impact (\$/Month)**  
 8

	2024	2025	2026	2027	2028	2029- 2035	Total Pmt
<b>Non-CARE</b>	\$6.10	\$3.02	\$4.77	\$4.76	\$4.76	\$3.72	\$593.51
<b>CARE</b>	\$3.96	\$1.97	\$0.67	\$0.68	\$0.68	\$0	\$95.45

9 Again, SDG&E is trying to strike the right balance of trade-offs, extending recovery over  
 10 a longer period (which requires more financing) to minimize a short-term, immediate spike in  
 11 rates to enhance affordability for ratepayers.

12 **D. A 10-Year Securitization Limits Additional Financing Costs Compared to**  
 13 **Longer Financing Terms**

14 TURN also complains that SDG&E is proposing a 10-year securitization, rather than a  
 15 longer 18–25-year period.<sup>44</sup> Once more, SDG&E is seeking a reasonable balance between  
 16 minimizing short-term rate increases and adding additional financing costs. The financing costs  
 17 for 20-year or 25-year securitization increase significantly—in addition to raising  
 18 intergenerational equity issues.

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<sup>43</sup> The costs in 2026-2028 represent the costs from a three-year amortization of O&M plus a ten-year securitization of the capital revenue requirement.

<sup>44</sup> Ex. TURN-1 (Finkelstein) at 27.

1 As TURN notes, the Commission denied SCE’s request to securitize O&M expenses  
2 based on its finding that securitization over a 25-year period was ““substantially outweighed by  
3 associated financing costs and higher utility rates for future customers.””<sup>45</sup> SDG&E thus  
4 proposed a 10-year securitization to reduce additional financing costs to the extent possible.  
5 Unfortunately, TURN both complains about additional financing costs and that a 10-year  
6 securitization is too short because its leads to a lower amount of present value savings.<sup>46</sup> Again,  
7 this suggests that TURN will marshal whatever argument it can against securitization, even if  
8 contradictory, rather than engage with whether securitization here is preferable to traditional  
9 recovery methods.

10 TURN likewise “recommends that the Commission direct SDG&E to include in any  
11 forthcoming securitization application analysis and supporting calculations for at least  
12 securitization periods of 20 and 25 years, in addition to the analysis and supporting calculations  
13 for the securitization period proposed by the utility.”<sup>47</sup> But as SDG&E informed TURN in a data  
14 request response, SDG&E *did* analyze the results of a 20-year securitization analysis prior to its  
15 track 2 submission, finding that “utilizing a longer securitization period was outweighed by  
16 associated financing costs, and consistent with the Commission’s findings in D.21-10-025, may  
17 not have been in the public interest.”<sup>48</sup> The tables below show the revenue requirement and  
18 associated net present value of the 20-year and 25 year securitization scenarios, and the resulting  
19 bill impacts applying the EPTR methodology.<sup>49</sup>

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<sup>45</sup> *Id.* at 26 (quoting D.21-10-025 at 27-28).

<sup>46</sup> Ex. TURN-1 (Finkelstein) at 19.

<sup>47</sup> *Id.* at 29.

<sup>48</sup> *Id.*, Supporting Attachments, SDG&E Response to TURN DR4-3(a), at 40.

<sup>49</sup> Note that the 20- and 25-year securitization analysis was undertaken on the full amount in SDG&E’s WMPMA and was not reduced for the interim relief granted in D.24-02-010.



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TABLE 6

20-Year Securitization in 2026 (in millions)						
	2026	2027	2028	2029	2030-2045 <sup>50</sup>	Total
Revenue Requirement	\$97.8	\$97.8	\$97.8	\$97.8	1,564.2	\$1,955.2
NPV of Revenue Requirement <sup>51</sup>	\$79.4	\$74.1	\$69.1	\$64.5	\$602.2	\$889.3

2

3

TABLE 7

**Typical Residential Bill Impact– Non-CARE  
20-Year Securitization (2026-2045)**

4

5

6

Scenario	Yrs	Bill (\$/mo)	Total Pmt
Securitization	20	\$3.53	\$847.60

7

TABLE 8

25-Year Securitization in 2026 (in millions)						
	2026	2027	2028	2029	2030-2050	Total
Revenue Requirement	\$86.5	\$86.5	\$86.5	\$86.5	\$1,816.4	\$2,162.4
NPV of Revenue Requirement <sup>52</sup>	\$70.3	\$65.6	\$61.2	\$57.1	\$609.6	\$863.6

8

<sup>50</sup> The 2045 revenue requirements amounts were inadvertently excluded from SDG&E's data response. The table above includes the full 20-year securitized revenue requirement amounts.

<sup>51</sup> Net Present Value (NPV) calculated using SDG&E's 2023 authorized weighted-average cost of capital of 7.18%.

<sup>52</sup> Net Present Value (NPV) calculated using SDG&E's 2023 authorized weighted-average cost of capital of 7.18%.

1 **TABLE 9**

2 **Typical Residential Bill Impact– Non-CARE**  
3 **25-Year Securitization 2026-2050**  
4

Scenario	Yrs	Bill (\$/mo)	Total Pmt
Securitization	25	\$3.12	\$937.13

5 Consistent with D.21-10-025, SDG&E continues to believe that the additional financing  
6 costs associated with longer securitization periods is not a beneficial trade-off. Although a ten-  
7 year securitization does increase the overall revenue requirement collected by a lesser amount,  
8 SDG&E believes that the shorter time-frame reduces the additional costs for customers relative  
9 to longer-term securitization, while simultaneously providing a more affordable near-term option  
10 for SDG&E’s customers and reducing costs for CARE and FERA customers.

11 Again, SDG&E does not receive any of these securitization nonbypassable charges.  
12 Those are paid to the special purpose entity that issues the securitization bonds. SDG&E’s  
13 revenue requirement for recovery remains the same. Yet by spreading the costs over ten years,  
14 securitization significantly reduces the monthly bill increase compared to traditional ratemaking.

15 **E. SDG&E’s Cost-Allocation Preference is to Apply its Proposed EPTR**  
16 **Wildfire-Related Cost Allocation Methodology if Approved by the**  
17 **Commission**

18 Finally, TURN complains about SDG&E assessing the bill impacts of its securitization  
19 proposal by using an equal cents/kWh cost allocation under Section 850.1.<sup>53</sup> Contrary to  
20 TURN’s assertion, the interpretation of whether Section 850.1 permits an equal cents/kWh cost

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<sup>53</sup> Ex. TURN-1 (Finkelstein) at 29.

1 allocation is a matter of legal interpretation, not a “factual assertion” for testimony.<sup>54</sup> SDG&E’s  
2 testimony did not say that Section 850.1 “require[s]” an “equal-cents-per kWh allocation.”<sup>55</sup>

3         Instead, the purpose of SDG&E’s direct testimony was to provide a proposal for how  
4 securitization could benefit ratepayers by reducing short-term rate impacts. Ultimately, it is up to  
5 the Commission to determine what cost allocation is permitted under Section 850.1.

6         In fact, SDG&E’s preference is to apply its newly-proposed EPTR wildfire-related cost  
7 allocation proposal if it is approved by the Commission. As noted, the EPTR proposal resulted  
8 from a multi-party settlement (including TURN) in SDG&E’s 2024 GRC Phase 2 and is pending  
9 before the Commission as a cost allocation methodology specifically for wildfire-related costs.

10 SDG&E could not have proposed the EPTR allocation methodology at the time of direct  
11 testimony because it was not yet developed. But it is appropriate to now apply this allocation  
12 methodology here, as EPTR is designed specifically for wildfire-related costs. And as detailed in  
13 Table 1 above, under the EPTR methodology, SDG&E’s ten-year securitization proposal avoids  
14 significant rate increases for customers from 2026-2028—and any additional costs for CARE  
15 customers—while smoothing rates for customers compared to traditional recovery methods.

#### 16 **IV. CONCLUSION**

17         SDG&E’s purpose in presenting securitization is to seek Commission support prior to  
18 SDG&E filing a subsequent securitization application. SDG&E believes a ten-year securitization  
19 of SDG&E’s remaining electric WMPMA balance supports affordability; appropriately  
20 balancing the goals of minimizing additional financing costs (which SDG&E does not benefit

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<sup>54</sup> *Id.*

<sup>55</sup> *Id.* at 30.

1 from) while smoothing rates and reducing short-term rate shock. UCAN supports a similar  
2 approach.

3 This concludes my prepared rebuttal testimony.