

Application of SAN DIEGO GAS & ELECTRIC
COMPANY (U 902 E) For Authority To
Offer an Economic Development Rate.

Application: 17-02-____
Exhibit No.:

PREPARED DIRECT TESTIMONY OF
CYNTHIA FANG
CHAPTER 2
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

February 24, 2017



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1 **PREPARED DIRECT TESTIMONY OF**

2 **CYNTHIA FANG**

3 **CHAPTER 2**

4 **I. OVERVIEW AND PURPOSE**

5 The purpose of my testimony is to present the Discount Computation and Ratemaking
6 Treatment for San Diego Gas and Electric Company’s (SDG&E) proposed Economic
7 Development Rate (EDR) tariff options guided by the policy objectives, described in the direct
8 testimony of SDG&E witness Todd J. Cahill (Chapter 1).

9 My testimony is organized as follows:

- 10 • **Section II – EDR Discount Computation:** describes the discounts provided
- 11 under the Standard and Enhanced EDR tariff options;
- 12 • **Section III – Ratemaking Treatment:** describes the proposed line-item discount
- 13 mechanism and the treatment of the revenue shortfall that results from the EDR
- 14 line-item discount;
- 15 • **Section IV – Conclusion;** and
- 16 • **Section V – Statement of Qualifications.**

17 **II. EDR DISCOUNT COMPUTATION**

18 SDG&E witness Mr. Cahill (Chapter 1) describes SDG&E’s proposal for Standard and
19 Enhanced EDR tariff options, consistent with Decision (D.) 13-10-019 and D.15-04-006.¹ Under
20 the Standard EDR tariff option proposed by SDG&E, eligible non-residential, non-government
21 customers will receive a 12% discount off charges on their otherwise applicable tariff (OAT)
22 during the 5-year term of the EDR contracts. With respect to the Standard EDR, the California

¹ D.13-10-019 approved Pacific Gas and Electric Company’s (PG&E) Application and D.15-04-006 approved the settlement in Southern California Edison Company’s (SCE) Application to offer both Standard and Enhanced EDRs subject to certain ratepayer protections.

1 Public Utilities Commission (Commission) has concluded that a "...12% Standard EDR discount
2 ...conforms with our requirement that the rates paid by the customer be reasonably expected to
3 generate revenues sufficient to exceed the sum of distribution and generation marginal costs and
4 payment of all NBCs [non-bypassable charges], by each EDR customer, in each year of the
5 contract.”²

6 Under the Enhanced EDR tariff option proposed by SDG&E, customers that meet the
7 same eligibility requirements of the Standard EDR option and are located in certain business
8 customer segments (as discussed in greater detail in the testimony of Mr. Cahill) will receive a
9 20% discount, with the option to receive up to a 30% discount when they provide other
10 community value added features to their operations. With respect to the Enhanced EDR, the
11 Commission held that “[b]ased upon [its] analysis and informed judgment” the “Enhanced EDR
12 Discount of 30% [is] a reasonable recognition of the value of the direct benefits of positive CTM
13 [contribution to margin], particularly when the MGCC [marginal generation capacity cost] is set
14 to zero[.]”³

15 Consistent with D.13-10-019, SDG&E proposes to establish a price floor at the time the
16 Enhanced EDR contract is signed based on the marginal costs proposed by SDG&E in its most
17 recent General Rate Case (GRC) Phase 2 proceeding⁴ and the NBCs⁵ currently in effect, so that
18 the Enhanced EDR discounted rates provide positive CTM. Under SDG&E’s current effective
19 rates, the Enhanced EDR discount of 30% does not exceed the price floor based on SDG&E’s

² D.13-10-019 at 29.

³ *Id.* at 20.

⁴ Consistent with D.13-10-019 and D.15-04-006, the marginal generation costs will only include energy costs because generation capacity costs are assumed to be zero during the 5-year term of these EDR contracts.

⁵ NBCs consist of all electric rates except distribution and commodity and thus, consist of transmission, public purpose program (PPP), nuclear decommissioning (ND), ongoing competition transition charges (CTC), local generation charge (LGC), reliability services (RS), greenhouse gas (GHG), Department of Water Resources Bond Charge (DWR-BC), and Department of Water Resources Credit (DWR Credit) rate components. Consistent with D.07-09-016, the NBCs are included in the price floor due to the decision that all NBCs are not discountable. See D.07-09-016 at Conclusions of Law 1 and 2.

1 current NBC rates⁶ and marginal distribution and generation costs proposed in SDG&E's 2016
2 GRC Phase 2 proceeding (Application (A.) 15-04-012);⁷ and thus, the full 30% Enhanced EDR
3 discount can be provided at the time of this filing. Changes in authorized revenue requirements
4 in the future could change whether the 30% Enhanced EDR discount would hit the price floor.
5 For this reason, and in order to minimize the cost shift to other customers, SDG&E proposes to
6 reassess the Enhanced EDR discount with rate changes.

7 **III. RATEMAKING TREATMENT OF REVENUES**

8 PG&E's EDR decision (D.13-10-019) approved the EDR program based on the
9 determination that it provides both direct and indirect benefits to customers in the service
10 territory.⁸ The Commission approved funding for both the Standard and Enhanced EDR, to be
11 borne by non-participating customers for PG&E and SCE. SDG&E requests approval to provide
12 the EDR discount to EDR participants as a transparent line-item discount on their electric bill.
13 SDG&E witness Mr. Cahill (Chapter 1) describes the benefits, both direct and indirect, that will
14 be provided by the SDG&E EDR proposal. The Commission has found that "the
15 implementation of successful economic development projects would benefit ratepayers directly
16 by increasing the revenues available to contribute to the utilities' fixed costs of doing business,
17 thus lowering rates to other customers" and "economic attraction and retention activities also
18 provide indirect benefits to ratepayers in the form of increased employment opportunities and
19 improved overall local and economic vitality."⁹ Given that the Commission has determined it

⁶ SDG&E electric rates were presented in Advice Letter 3028-E that reflect corrections to the current January 1, 2017 rates. Advice Letter 3028-E was filed December 29, 2016 and is awaiting Commission approval.

⁷ SDG&E A.15-04-012, SDG&E Rebuttal Testimony of William G. Saxe (Chapter 5 – Marginal Distribution Costs and Allocations), Exhibit No. SDG&E-15, and Jeffrey J. Shaughnessy (Chapter 6 – Marginal Generation Costs and Allocations), Exhibit No. SDG&E-16, served August 30, 2016.

⁸ D.13-10-019 at 16 refers to D.05-09-018, Findings of Fact (FOF) 2 and 3, regarding the direct and indirect benefits to ratepayers resulting from the successful implementation of economic development programs.

⁹ D.05-09-018 at 27, FOF 2 and 3.

1 appropriate to recover EDR program costs from non-participating customers based on the direct
2 and indirect benefits EDR programs provide to all ratepayers,¹⁰ SDG&E requests that the costs
3 of the EDR program be recovered through PPP rates from all customers. PPP rates recover the
4 costs of various legislative and Commission programs determined to meet a public purpose and
5 are appropriate for recovery from all customers such as low income and energy efficiency.

6 Given the public benefits acknowledged by the Commission for EDR, SDG&E recommends the
7 Commission allow the recovery of the EDR program costs through PPP rates from all customers.

8 **IV. CONCLUSION**

9 SDG&E requests Commission approval of the line-item bill discount mechanism to
10 provide the EDR discount to customers and for the EDR discount to be recovered from
11 customers through the PPP rate component. SDG&E also requests that the Commission
12 authorize SDG&E to file conforming tariffs and contracts via a Tier 1 Advice Letter within 30
13 days of issuance of a decision approving this Application.

14 This concludes my prepared direct testimony.
15

¹⁰ *Id.* at 13-14.

1 **V. STATEMENT OF QUALIFICATIONS**

2 My name is Cynthia Fang and my business address is 8330 Century Park Court, San
3 Diego, California 92123. I am the Rate Strategy and Analysis Manager in the Customer Pricing
4 Department of San Diego Gas and Electric Company (SDG&E). My primary responsibilities
5 include the development of cost-of-service studies, determination of revenue allocation and
6 electric rate design methods, analysis of ratemaking theories, and preparation of various
7 regulatory filings and overseeing the electric load analysis, electric demand forecasting and
8 electric rate strategy for SDG&E. I began work at SDG&E in May 2006 as a Regulatory
9 Economic Advisor and have held positions of increasing responsibility in the Electric Rate
10 Design group. Prior to joining SDG&E, I was employed by the Minnesota Department of
11 Commerce, Energy Division, as a Public Utilities Rates Analyst from 2003 through May 2006.

12 In 1993, I graduated from the University of California at Berkeley with a Bachelor of
13 Science in Political Economics of Natural Resources. I also attended the University of
14 Minnesota where I completed all coursework required for a Ph.D. in Applied Economics.

15 I have previously submitted testimony before the Federal Energy Regulatory Commission
16 and have submitted testimony and testified before the California Public Utilities Commission and
17 Minnesota Public Utilities Commission.