

Exhibit No. ____

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

Application of San Diego Gas & Electric
Company (U 902-E) for Approval of the Results
from Its 2016 Track IV Local Capacity
Requirement Preferred Resources Request for
Offers

Application No. A.17-04-____
(Filed April 19, 2017)

PREPARED DIRECT TESTIMONY

OF JEFFREY SHAUGHNESSY

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

April 19, 2017



TABLE OF CONTENTS

I. OVERVIEW AND PURPOSE 1

II. PREFERRED RESOURCES LCF RFO COST RECOVERY 2

 A. Energy Storage Resources 3

 1. Background 3

 2. Cost Recovery through CAM 3

 B. Demand Response Resource 4

 1. Background 4

 2. Cost Recovery through Distribution and Commodity 4

III. RATE AND BILL IMPACTS 4

IV. SUMMARY 6

V. QUALIFICATIONS 7

1
2
3
**PREPARED DIRECT TESTIMONY OF
JEFFREY SHAUGHNESSY**

4 **I. OVERVIEW AND PURPOSE**

5 The purpose of my testimony is to present San Diego Gas & Electric Company's
6 ("SDG&E") rate recovery proposals for the procurement activities addressed in this Application
7 for approval of energy storage ("ES") and demand response ("DR") resources resulting from its
8 Track IV Local Capacity Requirement Preferred Resources Request for Offers ("Preferred
9 Resources LCR RFO"). Specifically, my testimony proposes:

- 10 • Cost recovery for new procurement resources, including:
 - 11 (a) three third-party ES (Enel Green Power North America, Advance
12 Microgrid Solutions, Powin Energy) resources addressed in the
13 testimony of Patrick K. Charles;¹
 - 14 (b) two utility owned ES (RES Americas Construction, AES Energy
15 Storage) resources addressed in the testimony of Joshua Gerber; and
 - 16 (c) one DR (OhmConnect) resource addressed in the testimony of E
17 Bradford Mantz.

18 For the reasons explained below, my testimony requests that the California Public
19 Utilities Commission ("Commission") grant the following relief to SDG&E in this proceeding:

- 20 • Adopt SDG&E's proposed cost recovery mechanism, as described
21 below for the proposed ES and DR resources.

22 My testimony is organized as follows:

¹ Citations to witness testimony herein are to the prepared direct testimony served concurrently with and in support of this application.

- 1 • **Section II – Preferred Resources LCR RFO Cost Recovery:**
2 describes the proposed mechanism to recover the costs of the ES and
3 DR resources;
- 4 • **Section III – Rate and Bill Impacts:** presents class average rate
5 impacts and illustrative residential bill impacts;
- 6 • **Section IV – Summary:** summarizes the items for which SDG&E is
7 requesting Commission approval; and
- 8 • **Section V – Qualifications:** presents my qualifications.

9 **II. PREFERRED RESOURCES LCF RFO COST RECOVERY**

10 The Track IV Decision (D.14-03-004) instructs SDG&E to propose a cost allocation
11 methodology for the resources procured through the Preferred Resources LCR RFO:

12 We find that the procurement authorized in this decision is for the
13 purpose of ensuring local reliability in the SONGS service area, for
14 the benefit of all utility distribution customers in that area. We
15 conclude that such procurement meets the criteria of Section
16 365.1(c)(2)(A)-(B). Therefore, SCE and SDG&E shall allocate costs
17 incurred as a result of procurement authorized in this decision, and
18 approved by the Commission. In most cases we expect this allocation
19 to be consistent with D.13-02-015 and the CAM adopted in
20 D.06-07-029, D.07-09-044, D.08-09-012 and D.11-05-005, but there
21 may be resources where an existing alternative method of allocating
22 resources costs may be preferred; for example, cost may be
23 recoverable through the Energy Program Investment Charge.²

24 SDG&E proposes to use existing mechanisms to recover the costs of the ES resources
25 through the Cost Allocation Mechanism (“CAM”) rate and the costs of the DR resource through
26 the distribution rates where other DR costs are recovered. SDG&E is not proposing any changes
27 to the cost recovery as it exists today in the instant application.

² Track IV Decision at 120.

1 **A. Energy Storage Resources**

2 **1. Background**

3 In D.13-03-029, the Commission authorized SDG&E to implement the Local Generation
4 Charge (“LGC”) rate component, which is designed to recover new generation costs for local
5 reliability that are deemed to be subject to the CAM policy adopted in D.06-07-029 and D.11-05-
6 005, as a per kilowatt hour non-bypassable charge from all benefiting customers. Benefiting
7 customers include all bundled service, Direct Access (“DA”) and Community Choice
8 Aggregation (“CCA”) customers.

9 **2. Cost Recovery through CAM**

10 The proposed ES resources are discussed in the testimony of Patrick K. Charles and the
11 testimony of Joshua Gerber. The Utility Owned (“UO”) ES revenue requirements are discussed
12 in the testimony of Michael R. Woodruff.³ For the third-party and the UO ES resources, which
13 have been determined to be CAM eligible resources,⁴ SDG&E intends to recover the net costs
14 from all benefitting customers through the LGC consistent with the Commission’s CAM policy.
15 The revenue requirement will be allocated among all customer classes based on the 12-month
16 coincident peak (“12 CP”) demand methodology, and then the customer class allocated revenues
17 will be divided by the authorized sales by customer class. The proposed resulting per kilowatt
18 hour rates by customer class will be charged to all benefiting customers, including all bundled
19 service, DA and CCA customers, through the LGC rate component. The recorded costs of the

³ This cost recovery testimony only addresses the cost recovery of the CPUC jurisdictional revenue requirement. The cost recovery of the Federal Energy Regulatory Commission (“FERC”) jurisdictional revenue requirement will be addressed in a future FERC filing.

⁴ Resolution E-4798.

1 proposed ES resources will be addressed in future Energy Resource Recovery Account
2 (“ERRA”) Forecast Proceedings.

3 **B. Demand Response Resource**

4 **1. Background**

5 In D.14-12-024, the Commission authorized SDG&E to recover costs related to DR from
6 all customers for which that the program is available. The DR resource costs will be paid for by
7 all customers in the distribution rate, since the DR program is available to both bundled and DA
8 customers.

9 **2. Cost Recovery through Distribution and Commodity**

10 The proposed DR resource is discussed in the testimony of E Bradford Mantz. SDG&E
11 intends to recover the costs through the distribution component consistent with other DR costs.
12 The revenue requirement will be allocated among all customer classes based on the authorized
13 revenue allocation by customer class, and rates developed consistent with the current recovery of
14 DR costs. The costs of the proposed DR resource will be recorded through the Amortization for
15 Advanced Metering and Demand Response Memorandum Account (“AMDRMA”) and be
16 addressed in future Annual Electric Regulatory Account Update Advice Letters.

17 **III. RATE AND BILL IMPACTS**

18 The testimonies of SDG&E witnesses Patrick K. Charles, Joshua Gerber, Michael R.
19 Woodruff and E Bradford Mantz address the costs associated with the proposed ES and DR
20 resources. Section II of my testimony addresses the cost recovery mechanisms. Table JS-1,
21 below, presents the illustrative class average electric rate impacts of the proposed cost recovery
22 when all resources are in effect.

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Table JS-1: Class Average Total Rate Impact in cents/kWh⁵

	3/1/2017 (AL-3034-E)	Proposed⁶	Cent Change	% Change
Residential	24.990	25.125	0.135	0.5%
Small Commercial	23.928	24.062	0.134	0.6%
Medium/Large C&I	19.850	19.962	0.112	0.6%
Agriculture	17.735	17.802	0.067	0.4%
Lighting	19.917	20.008	0.091	0.5%
System Total	22.122	22.244	0.122	0.6%

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The proposed rate impacts are anticipated to have an average bill impact of approximately \$0.61 per month for a typical residential customer using 500 kWh in the Inland climate zone and \$0.64 per month in the Coastal climate zone, as compared to current (3/1/2017) rates. On a percentage basis, this equates to an increase of 0.5% for a 500 kWh residential customer in the Inland climate zone, and 0.5% for a 500 kWh residential customer in the Coastal climate zone. Table JS-2, below, describes the illustrative bill impacts for Inland and Coastal Customers.⁷

⁵ Includes California Climate Credit

⁶ Assumes all resources in year 2022.

⁷ Bill impacts assume no change in rate design and tier differentials in place as current (3/1/2017) rates.

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Table JS-2: Average Monthly Illustrative Bill Impacts for Inland and Coastal Customers

	3/1/2017 (AL-3034-E)	Proposed⁸	Dollar Change	% Change
Inland (Basic Service)				
300 kWh	60.36	60.65	0.30	0.5%
500 kWh	123.88	124.49	0.61	0.5%
750 kWh	227.39	228.50	1.11	0.5%
1,000 kWh	330.91	332.53	1.63	0.5%
1,500 kWh	537.96	540.60	2.64	0.5%
Coastal (Basic Service)				
300 kWh	60.36	60.65	0.30	0.5%
500 kWh	131.50	132.14	0.64	0.5%
750 kWh	235.01	236.17	1.16	0.5%
1,000 kWh	338.53	340.19	1.67	0.5%
1,500 kWh	545.57	548.26	2.68	0.5%

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IV. SUMMARY

Consistent with the rate recovery proposed in my testimony, SDG&E requests that the Commission’s forthcoming decision in this proceeding adopt SDG&E’s proposed cost recovery of the new ES and DR resources as follows:

⁸ Assumes all resources in year 2022, and no change in rate design and tier differentials in place as current (3/1/2017) rates.

- 1 • SDG&E shall recover the net costs associated with the ES resources
2 through its LGC on a non-bypassable basis from all customers,
3 including bundled service, DA and CCA customers, on an equal per
4 kilowatt-hour basis by customer class, consistent with the
5 Commission-approved CAM, and be addressed in future ERRRA
6 Forecast Proceedings.
- 7 • For the DR resource, SDG&E shall recover the costs through the
8 distribution component in the AMDRMA consistent with current
9 recovery of DR costs and be addressed in future Annual Electric
10 Regulatory Account Update Advice Letters.

11 **V. WITNESS QUALIFICATIONS**

12 My name is Jeffrey Shaughnessy. My business address is 8330 Century Park Court, San
13 Diego, California 92123.

14 I have been employed as Rate Design Manager in the Rate Strategy & Analysis group in
15 the Customer Pricing Department of San Diego Gas & Electric Company since 2016. My
16 primary responsibilities include the development of cost-of-service studies, determination of
17 revenue allocation, and electric rate design in various regulatory filings. I began work at
18 SDG&E in 2011 as a Business Analyst and have held positions of increasing responsibility in the
19 Electric Rates group. I received a Bachelor of Arts in Finance from Michigan State University in
20 2007 and a Master of Arts in Economics from San Diego State University in 2011.

21 I have previously submitted testimony before the California Public Utilities Commission
22 and the Federal Energy Regulatory Commission.

23 This concludes my prepared direct testimony.