

Application of San Diego Gas & Electric
Company (U-902-M) for Approval of
Electric and Natural Gas Energy Efficiency
Programs and Budgets for Years 2006
through 2008.

Application 05-06-_____

CHAPTER IV
PREPARED DIRECT TESTIMONY
OF
LISA DAVIDSON

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

JUNE 1, 2005

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1 Efficiency Surcharge rate authorized by the Commission in D.03-12-062. Pursuant to Public
2 Utilities Code Section 399.8, the Non-low Income component of the PPP rate may not exceed
3 the level of the rate components effective on January 1, 2000. As described in the testimony of
4 SDG&E witness Athena Besa, SDG&E proposes to recover future EE revenue requirement
5 increases above the authorized amount included in the PPP Non-low Income component through
6 the Procurement EE Surcharge rate mechanism.

7 The Non-low Income component of the PPP rate is allocated to customers based on
8 System Average Percent Change (SAPC) methodology using 1996 revenues as adopted by the
9 Commission in D.99-06-058. The Procurement Energy Efficiency Surcharge Rate is allocated
10 equal cents/kWh based on usage, and is separately identified in tariffs and recovered through the
11 PPP component of the customer bill. SDG&E believes that the current method of allocating
12 costs based on a combination of 1996 revenues and equal cents/kWh is outdated, and is an
13 inferior approach compared to aligning allocation with energy efficiency program spending and
14 benefits for its customers. SDG&E therefore proposes that the Commission adopt SDG&E's
15 cost allocation methodology presented in Section B below, effective January 1, 2006.

16 **B. Proposed Allocation Methodology**

17 SDG&E proposes to allocate electric EE program costs identified in Table 4 in the
18 testimony of SDG&E Witness Athena Besa based on forecasted 2006-2008 EE program
19 spending for each customer class. The use of this method better aligns those customer classes
20 who are beneficiaries of program funding and their share of the program costs, limiting cross-
21 subsidies among customer classes.

22 Furthermore, the method of allocating EE program costs based on customer class benefits
23 is consistent with Commission precedents for similar programs at other utilities, as described in

1 the testimony of SDG&E Witness Yu Kai Chen. Thus, adopting this proposal for SDG&E
2 electric achieves greater statewide consistency.

3 As described above, pursuant to Public Utilities Code Section 399.8, the Non-low Income
4 component of the PPP rate may not exceed the level of the rate components effective on January
5 1, 2000. Furthermore, the Non-low Income component of the PPP rate recovers Renewables and
6 RD&D costs not addressed in this proceeding, in addition to EE costs. Therefore, SDG&E does
7 not propose to alter the allocation or rate design for the PPP Non-low Income rate at this time.
8 Instead, SDG&E proposes to achieve the results of its proposed cost allocation through
9 adjustments to the Procurement Energy Efficiency Surcharge revenues allocated to each
10 customer class. Thus, the Procurement EE Surcharge revenue allocation would be a residual
11 calculation, designed to achieve the total proposed EE cost allocation by class while holding EE
12 revenues associated with the Non-low Income component of PPP rates by class constant. The
13 basis for the cost allocation, and resulting allocation factor percentages by customer class are
14 summarized in Table 1 of Appendix A to this Testimony. The proposed allocation of energy
15 efficiency program costs for years 2006-2008 is presented in Table 2 of Appendix A.

16 **III. RATE DESIGN PROPOSAL FOR SDG&E ELECTRIC**

17 As described in Section II above, SDG&E does not plan to alter the cost allocation or rate
18 design of the Non-low Income component of the PPP rate at this time. Therefore, this section
19 focuses on the proposed rate design to recover the Procurement Energy Efficiency Surcharge
20 revenues allocated to each class (See Table 2 of Appendix A).

21 Currently, the Procurement Energy Efficiency Surcharge rate is a uniform cents/kWh
22 charge assessed to all usage, including residential usage up to 130% of baseline allowances. The
23 Procurement EE surcharge was established pursuant to D.03-12-062, and approved by the

1 Commission in AL-1552-E. In D.04-02-057, the Commission adopted an interpretation of AB
2 1X that required SDG&E to freeze total residential customer rates at their February 1, 2001
3 levels for usage up to 130% of baseline allowances. As a result of this interpretation, SDG&E
4 has been ordered to offset certain previous non-commodity rate increases, including the
5 Procurement EE Surcharge rate increase, by lowering the commodity rates for 130% of baseline
6 usage.

7 In order to avoid further revenue shortfalls associated with the rate caps to residential
8 usage up to 130% of baseline, and to prevent exacerbation of this issue as EE costs increase,
9 SDG&E proposes to collect the amount of Procurement EE Surcharge revenues allocated to the
10 residential class from residential usage above 130% of baseline. This proposal is consistent with
11 the method adopted by the Commission in D.04-04-042, which approved a settlement
12 authorizing SDG&E to recover electric distribution revenue increases allocated to the residential
13 class from the upper rate tiers above 130% of baseline usage.

14 In conclusion, SDG&E proposes to recover Procurement EE Surcharge revenues
15 allocated to the residential class through a uniform cents/kWh energy charge applicable to the
16 upper tiers (above 130% of baseline). For all other customer classes, allocated Procurement EE
17 Surcharge revenues would be recovered through a uniform cents/kWh energy charge applicable
18 to all usage within that class. The Procurement EE Surcharge rate impacts of this proposal for
19 years 2006-2008 are illustrated in Table 1 of Appendix B to this Testimony. For comparison
20 purposes, the rate level of the residential Procurement EE Surcharge rate shown in Table 1 of
21 Appendix B is approximately three times what it would otherwise be if AB1X were eliminated,
22 or if AB1X rate caps were interpreted by the Commission to only apply to commodity rates.
23 Since the amount of non-exempt residential usage is only approximately 30% of the class' usage,

1 customer bill impacts applicable to SDG&E's large-use electric residential customers are
2 exacerbated. Total class average rate impacts for years 2006-2008 resulting from SDG&E's
3 proposal are presented in Table 2 of Appendix B. Residential bill impacts for year 2006
4 resulting from SDG&E's proposal are presented in Appendix C to this Testimony.

5 This concludes my prepared direct testimony.

QUALIFICATIONS

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My name is Lisa Davidson. My business address is 8330 Century Park Court, San Diego, California, 92123-1530.

I am employed as a Principal Regulatory Economic Advisor in the Regulatory Affairs department for San Diego Gas & Electric. One of my responsibilities is to analyze and develop proposals for SDG&E in proceedings before the California Public Utilities Commission (“CPUC” or “Commission”).

I received a Bachelor of Arts degree in Economics from Northwestern University in 1997. From 1998 to April 2001, I worked for Accenture as an Analyst/Consultant with various responsibilities including working with senior management in the development of strategic planning initiatives, “gap” analyses, project cost and time estimates, and implementation and training requirements. In 2001 I assumed my current position with SEU. During the past three years I have performed analysis for the purpose of preparing advice letters, applications and testimony on proceedings before this Commission as well as Federal Energy Regulatory Commission (“FERC”) matters.

Appendix A - Table 1

San Diego Gas & Electric Electric Energy Efficiency Proposed Cost Allocation Factors

Customer Class	Total Current Allocation * (\$)	Total Current Allocation %	Forecasted Program Spending by Customer Class ** (\$)	Proposed Allocation %
Residential	23,428,620	37.2%	89,287,775	34.5%
Small Commercial	7,114,886	11.3%	39,135,501	15.1%
Medium and Large C&I	31,817,914	50.5%	127,482,820	49.3%
Agricultural	292,828	0.5%	1,559,608	0.6%
Lighting	373,867	0.6%	1,208,038	0.5%
System Total	63,027,913	100.0%	258,673,743	100.0%

* Reflects Allocation of EE Costs Included in PPP and Procurement Energy Efficiency Surcharge Rates

** Based on 3-year Forecast of Program Expenses by Class

Appendix A - Table 2

**San Diego Gas & Electric
Electric Energy Efficiency
Proposed Cost Allocation of Procurement EE Surcharge for 2006-2008**

2006			
<u>Customer Class</u>	<u>Existing PGC Allocation</u>	<u>Procurement EE Surcharge Allocation</u>	<u>Total Cost-Based Allocation</u>
Residential	\$ 12,982,732	\$ 7,173,087	\$ 20,155,819
Small Commercial	\$ 4,034,335	\$ 4,800,112	\$ 8,834,446
Medium and Large C&I	\$ 16,185,603	\$ 12,592,363	\$ 28,777,966
Agricultural	\$ 170,281	\$ 181,805	\$ 352,086
Lighting	\$ 227,069	\$ 45,634	\$ 272,703
System Total	\$ 33,600,000	\$ 24,793,000	\$ 58,393,000
2007			
<u>Customer Class</u>	<u>Existing PGC Allocation</u>	<u>Procurement EE Surcharge Allocation</u>	<u>Total Cost-Based Allocation</u>
Residential	\$ 13,255,370	\$ 14,895,863	\$ 28,151,232
Small Commercial	\$ 4,119,056	\$ 8,219,840	\$ 12,338,896
Medium and Large C&I	\$ 16,525,501	\$ 23,868,114	\$ 40,193,615
Agricultural	\$ 173,836	\$ 317,887	\$ 491,723
Lighting	\$ 231,837	\$ 149,041	\$ 380,878
System Total	\$ 34,305,600	\$ 47,250,746	\$ 81,556,346
2008			
<u>Customer Class</u>	<u>Existing PGC Allocation</u>	<u>Procurement EE Surcharge Allocation</u>	<u>Total Cost-Based Allocation</u>
Residential	\$ 13,533,732	\$ 20,352,164	\$ 33,885,887
Small Commercial	\$ 4,205,556	\$ 10,646,882	\$ 14,852,438
Medium and Large C&I	\$ 16,872,537	\$ 31,508,873	\$ 48,381,409
Agricultural	\$ 177,487	\$ 414,405	\$ 591,892
Lighting	\$ 236,706	\$ 221,761	\$ 458,466
System Total	\$ 35,026,018	\$ 63,144,075	\$ 98,170,092

Appendix B - Table 1

San Diego Gas & Electric Electric Energy Efficiency Proposed Class Average Procurement EE Surcharge Rates for 2006-2008

Customer Class	2006		Change (\$/KWhr)	Change %
	Present Procurement EE Surcharge Rate (\$/KWhr)	Proposed Procurement EE Surcharge Rate (\$/KWhr)		
Residential **				
Up to 130% of Baseline	0.158	0.000	(0.158)	-100.0%
Over 130% of Baseline	0.158	0.353	0.195	123.1%
Small Commercial	0.158	0.240	0.082	51.7%
Medium and Large C&I	0.158	0.125	(0.033)	-21.1%
Agricultural	0.158	0.228	0.070	44.2%
Lighting	0.158	0.048	(0.110)	-69.8%
System Total	0.158	0.130	(0.028)	-17.7%
Customer Class	2007		Change (\$/KWhr)	Change %
	Present Procurement EE Surcharge Rate (\$/KWhr)	Proposed Procurement EE Surcharge Rate (\$/KWhr)		
Residential **				
Up to 130% of Baseline	0.158	0.000	(0.158)	-100.0%
Over 130% of Baseline	0.158	0.732	0.574	363.3%
Small Commercial	0.158	0.410	0.252	159.7%
Medium and Large C&I	0.158	0.234	0.076	48.2%
Agricultural	0.158	0.398	0.240	152.1%
Lighting	0.158	0.156	(0.002)	-1.5%
System Total	0.158	0.248	0.090	56.8%
Customer Class	2008		Change (\$/KWhr)	Change %
	Present Procurement EE Surcharge Rate (\$/KWhr)	Proposed Procurement EE Surcharge Rate (\$/KWhr)		
Residential **				
Up to 130% of Baseline	0.158	0.000	(0.158)	-100.0%
Over 130% of Baseline	0.158	1.000	0.842	533.1%
Small Commercial	0.158	0.532	0.374	236.4%
Medium and Large C&I	0.158	0.312	0.154	97.3%
Agricultural	0.158	0.519	0.361	228.6%
Lighting	0.158	0.232	0.074	46.5%
System Total	0.158	0.331	0.173	109.6%

** Residential Procurement EE Surcharge revenues are proposed to be recovered from the upper tiers of usage in order to allow for full cost recovery.

Appendix B - Table 2

San Diego Gas & Electric Electric Energy Efficiency Proposed Class Average Total Rates

2006

Customer Class	6/1/05 Total Rate (¢/KWhr)	Proposed Total Rate (¢/KWhr)	Change (¢/KWhr)	Change %
Residential	14.956	15.015	0.058	0.4%
Small Commercial	16.929	17.010	0.082	0.5%
Medium and Large C&I	11.657	11.624	(0.033)	-0.3%
Agricultural	15.273	15.343	0.070	0.5%
Lighting	16.169	16.059	(0.110)	-0.7%
System Total	13.575	13.595	0.020	0.1%

2007

Customer Class	6/1/05 Total Rate (¢/KWhr)	Proposed Total Rate (¢/KWhr)	Change (¢/KWhr)	Change %
Residential	14.956	15.129	0.172	1.2%
Small Commercial	16.929	17.181	0.252	1.5%
Medium and Large C&I	11.657	11.733	0.076	0.7%
Agricultural	15.273	15.514	0.240	1.6%
Lighting	16.169	16.167	(0.002)	0.0%
System Total	13.575	13.712	0.137	1.0%

2008

Customer Class	6/1/05 Total Rate (¢/KWhr)	Proposed Total Rate (¢/KWhr)	Change (¢/KWhr)	Change %
Residential	14.956	15.209	0.253	1.7%
Small Commercial	16.929	17.302	0.374	2.2%
Medium and Large C&I	11.657	11.811	0.154	1.3%
Agricultural	15.273	15.635	0.361	2.4%
Lighting	16.169	16.243	0.074	0.5%
System Total	13.575	13.796	0.221	1.6%

**APPENDIX C
SAN DIEGO GAS AND ELECTRIC COMPANY - ELECTRIC ENERGY EFFICIENCY**

(Sheet 1 of 2)

**TYPICAL MONTHLY RESIDENTIAL ENERGY CHARGES AT PRESENT AND PROPOSED
(INLAND CUSTOMERS)
Schedule DR (Summer Billing Period)**

LINE NO.	ENERGY (KWH) (A)	PRESENT BILL (\$) (B)	PROPOSED BILL (\$) (C)	CHANGE (\$) (D)	CHANGE (%) (E)	LINE NO.
1	25	\$5.10	\$5.10	\$0.00	0.0%	1
2	50	6.44	6.44	0.00	0.0%	2
3	75	9.67	9.67	0.00	0.0%	3
4	100	12.89	12.89	0.00	0.0%	4
5	150	19.33	19.33	0.00	0.0%	5
6	200	25.78	25.78	0.00	0.0%	6
7	250	32.22	32.22	0.00	0.0%	7
8	300	38.67	38.67	0.00	0.0%	8
9	350	45.11	45.11	0.00	0.0%	9
10	400	52.38	52.38	0.00	0.0%	10
11	450	59.84	59.84	0.00	0.0%	11
12	500	68.78	68.88	0.08	0.1%	12
13	600	88.21	88.49	0.27	0.3%	13
14	700	107.64	108.11	0.47	0.4%	14
15	800	127.82	128.48	0.66	0.5%	15
16	900	148.16	149.02	0.86	0.6%	16
17	1000	168.49	169.55	1.05	0.6%	17
18	1500	276.88	278.91	2.03	0.7%	18
19	2000	386.49	389.49	3.00	0.8%	19
20	3000	605.70	610.65	4.95	0.8%	20

Schedule DR (Winter Billing Period)

LINE NO.	ENERGY (KWH) (A)	PRESENT BILL (\$) (B)	PROPOSED BILL (\$) (C)	CHANGE (\$) (D)	CHANGE (%) (E)	LINE NO.
21						21
22						22
23						23
24						24
25						25
26						26
27						27
28						28
29						29
30						30
31	25	5.10	5.10	0.00	0.0%	31
32	50	6.44	6.44	0.00	0.0%	32
33	75	9.67	9.67	0.00	0.0%	33
34	100	12.89	12.89	0.00	0.0%	34
35	150	19.33	19.33	0.00	0.0%	35
36	200	25.78	25.78	0.00	0.0%	36
37	250	32.22	32.22	0.00	0.0%	37
38	300	38.67	38.67	0.00	0.0%	38
39	350	45.13	45.13	0.00	0.0%	39
40	400	52.58	52.58	0.00	0.0%	40
41	450	60.04	60.04	0.00	0.0%	41
42	500	69.07	69.17	0.10	0.1%	42
43	600	87.40	87.89	0.30	0.3%	43
44	700	105.74	106.23	0.49	0.5%	44
45	800	124.96	125.64	0.69	0.5%	45
46	900	144.17	145.05	0.88	0.6%	46
47	1000	163.38	164.45	1.08	0.7%	47
48	1500	267.63	269.68	2.05	0.8%	48
49	2000	372.73	375.76	3.03	0.8%	49
50	3000	582.93	587.91	4.98	0.9%	50

**APPENDIX C
SAN DIEGO GAS AND ELECTRIC COMPANY - ELECTRIC ENERGY EFFICIENCY**

(Sheet 2 of 2)

**TYPICAL MONTHLY RESIDENTIAL ENERGY CHARGES AT PRESENT AND PROPOSED
(COASTAL CUSTOMERS)
Schedule DR (Summer Billing Period)**

LINE NO.	ENERGY (KWH) (A)	PRESENT BILL (\$) (B)	PROPOSED BILL (\$) (C)	CHANGE (\$) (D)	CHANGE (%) (E)	LINE NO.
1	25	\$5.10	\$5.10	\$0.00	0.0%	1
2	50	6.44	6.44	0.00	0.0%	2
3	75	9.67	9.67	0.00	0.0%	3
4	100	12.89	12.89	0.00	0.0%	4
5	150	19.33	19.33	0.00	0.0%	5
6	200	25.78	25.78	0.00	0.0%	6
7	250	32.22	32.22	0.00	0.0%	7
8	300	38.67	38.67	0.00	0.0%	8
9	350	45.94	45.94	0.00	0.0%	9
10	400	53.39	53.39	0.00	0.0%	10
11	450	63.03	63.12	0.09	0.1%	11
12	500	72.75	72.94	0.19	0.3%	12
13	600	92.18	92.56	0.39	0.4%	13
14	700	112.35	112.93	0.58	0.5%	14
15	800	132.69	133.47	0.78	0.6%	15
16	900	153.03	154.00	0.97	0.6%	16
17	1000	174.52	175.69	1.17	0.7%	17
18	1500	284.13	286.27	2.14	0.8%	18
19	2000	393.73	396.85	3.12	0.8%	19
20	3000	612.94	618.01	5.07	0.8%	20

Schedule DR (Winter Billing Period)

LINE NO.	ENERGY (KWH) (A)	PRESENT BILL (\$) (B)	PROPOSED BILL (\$) (C)	CHANGE (\$) (D)	CHANGE (%) (E)	LINE NO.
21						21
22						22
23						23
24						24
25						25
26						26
27						27
28						28
29						29
30						30
31	25	5.10	5.10	0.00	0.0%	31
32	50	6.44	6.44	0.00	0.0%	32
33	75	9.67	9.67	0.00	0.0%	33
34	100	12.89	12.89	0.00	0.0%	34
35	150	19.33	19.33	0.00	0.0%	35
36	200	25.78	25.78	0.00	0.0%	36
37	250	32.22	32.22	0.00	0.0%	37
38	300	38.67	38.67	0.00	0.0%	38
39	350	45.54	45.54	0.00	0.0%	39
40	400	52.99	52.99	0.00	0.0%	40
41	450	61.20	61.25	0.04	0.1%	41
42	500	70.37	70.51	0.14	0.2%	42
43	600	88.70	89.04	0.34	0.4%	43
44	700	107.40	107.93	0.53	0.5%	44
45	800	126.61	127.34	0.73	0.6%	45
46	900	145.82	146.75	0.92	0.6%	46
47	1000	165.27	166.39	1.12	0.7%	47
48	1500	270.37	272.46	2.09	0.8%	48
49	2000	375.47	378.54	3.07	0.8%	49
50	3000	585.67	590.69	5.02	0.9%	50