Company: San Diego Gas & Electric Company
Application: 17-09-_____
Exhibit No.: SDG&E-_____

# PREPARED DIRECT TESTIMONY OF

# TODD CAHILL

# ON BEHALF OF SAN DIEGO GAS AND ELECTRIC COMPANY

## CHAPTER 1

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

## SEPTEMBER 13, 2017


#316723

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# PREPARED DIRECT TESTIMONY OF
# TODD CAHILL
# CHAPTER 1

## I. OVERVIEW AND PURPOSE

The purpose of my testimony is to present, for California Public Utilities Commission (CPUC or Commission) approval of portions of the San Diego Unified Port District's (District) Energy Management Plan (EMP), developed in collaboration with San Diego Gas & Electric Company (SDG&E) and attached to this application as Exhibit A. In particular, my testimony supports the Electric Shore Power Rate Discount, the Energy Efficiency (EE), and the Enhanced Partnership Program (EPP) Proposals.

Assembly Bill (AB) 628, codified in Chapter 13 of Division 15 of the California Public Resources Code, authorizes port districts, including the District, to work with the electric and gas utility serving such district to prepare energy management plans that aim to reduce air emissions and promote economic development in the port districts' respective regions.[1]

This EMP, unanimously approved by the District's Board of Commissioners on August 8, 2017,[2] leverages elements of the District's existing Climate Action Plan (CAP) to craft a comprehensive energy roadmap that addresses the District's goals of reducing greenhouse gas (GHG) emissions, improving public health, creating local green jobs, and retaining current businesses. The EMP is also designed to give the District flexibility to

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[1] AB 628 ("Energy Management Plans for Ports and Harbor Districts") (Stats. of 2013), codified at California Public Resources Code § 25990 (hereinafter, Public Resources Code §25990).

[2] *See* Port of San Diego, Board of Port Commissioners, August 8, 2017 Meeting, Action Item 6, *available at:* https://portofsandiego.legistar.com/LegislationDetail.aspx?ID=3116759&GUID=CDA607A1-B1D2-4727-9581-CAED0DC8B3D4&Options=&Search.

align with new state regulations, leverage new technologies, and phase in advanced energy technologies offered by SDG&E through the Commission. The District and SDG&E envision this EMP to be the first of several developed cooperatively between SDG&E and the District over the course of the next 15 years.[3]

Section II of my testimony provides additional background on the EMP. Section III provides an overview of the three Proposals in the EMP for which SDG&E seeks regulatory approval and funding authorization in this Application, and Section IV details the corresponding funding requests for the three Proposals.

## II. BACKGROUND

AB 628, signed into law by Governor Brown on October 11, 2013, authorizes the District, in conjunction with SDG&E, to prepare an EMP to reduce air emissions and promote economic development in the District.[4] In doing so, the State of California declared the following:

- That it seeks to "promote efficient use of low-cost, low-emissions energy sources in the operations of ports and harbors;"
- That ports offer a unique opportunity to "reduce vehicular emissions of greenhouse gases (GHG) and criteria pollutants;"
- That it "encourages the development of new businesses and retention of existing business within port boundaries;"

[3] Public Resources Code §25990(a) authorizes ports to work with an electrical corporation to "prepare one *or more* energy management plans."

[4] Public Resources Code §25990(a).

- That "businesses located within port and harbor districts may benefit through greater stability in the cost of energy services;" and
- That investor-owned utilities, such as SDG&E, are in the "optimal position" to work with ports to provide energy-related service alternatives and programs.[5]

AB 628 also aligns with the State's broader objective of combating climate change through GHG reduction and energy regulations. Governor Schwarzenegger, through Executive Order (EO) S-3-05, required the State to reduce its GHG emissions by 80% below 1990 levels by 2050.[6] Governor Brown further required through EO B-30-15 and EO B-16-2012, respectively, that the State reduce greenhouse gas emissions by 40% below 1990 levels by 2030[7] and set a goal of having 1.5 million zero emission vehicles on the road by 2025.[8] The State went even further with Senate Bill (SB) 350, which requires that EE spend be doubled by 2030 and that 50% of electricity generated and sold in California come from renewable energy resources by 2030.[9]

With these policy objectives in mind, the District and SDG&E executed a memorandum of understanding on April 6, 2016 to establish a collaborative partnership to work on an EMP for the District. SDG&E subsequently retained the assistance of Rocky Mountain Institute (RMI), an independent nonprofit founded in 1982 that engages

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[5] Public Resources Code §25990(a)-(f).

[6] EO S-30-05 (June 1, 2005), *available at*: https://www.gov.ca.gov/news.php?id=1861.

[7] EO B-30-15 (April 29, 2015), *available at*: https://www.gov.ca.gov/news.php?id=18938.

[8] EO B-16-2012, *available at*: https://www.gov.ca.gov/news.php?id=17472.

[9] SB 350, Clean Energy and Pollution Reduction Act of 2015 (October 7, 2015).

businesses, communities, institutions, and entrepreneurs to accelerate the adoption of market-based solutions that cost-effectively shift participants from fossil fuels to efficient and renewable energy sources. In 2012 RMI created the Electricity Innovation Lab (eLab) to bring together bold thinkers and decision-makers from across the energy sector. Through eLab, SDG&E contracted with RMI in August 2016 to assist SDG&E and the District with two key tasks: (1) identify the most promising opportunities for collaboration; and (2) design a customized facilitation plan to create an EMP. RMI took a three-phased approach to deliver on these tasks. Phase 1 framed the opportunities available through in-depth interviews with SDG&E and District staff to identify existing opportunities, and review the District's CAP, SDG&E Customer Programs offerings, state and local policies and best practices in District operations. In Phase 2, RMI designed the collaborative launch working session with SDG&E and the District. Phase 3 supported the collaborative launch through an all-day workshop with SDG&E and the District, facilitated by RMI, which resulted in a workshop summary report. The report provided a workshop overview, key insights, outcomes and next steps for working together in the development of the District's EMP. Following the conclusion of RMI's engagement, the District and SDG&E participated in a series of steering committee meetings to flesh out the details of an initial EMP, prioritizing focus areas that align with AB 628, the District's 2013 CAP and the State's GHG reduction goals.

While AB 628 authorizes, but does not require, port districts to work with their local utilities to create an EMP, the District and SDG&E determined that development of an EMP was in the best interest of all parties involved. The District became one of the first ports in the nation to voluntarily and unanimously adopt a CAP on December 10, 2013, which

contains energy efficiency and renewable generation goals for the District. Specifically, the District's CAP seeks to reduce GHG emissions by 10% under 2006 levels by 2020 and 25% under 2006 levels by 2035. The District intends to update future GHG reduction goals to align with SB 32, which established an interim GHG reduction goal of 40% by 2030. Implementing a long-term, flexible EMP will fulfill the objectives of AB 628, further the State's GHG reduction efforts, and will provide the District with an effective tool to achieve the CAP goals.

## III. PROPOSALS IN SUPPORT OF THE ENERGY MANAGEMENT PLAN

Under AB 628, an EMP undertaken by a California port and its local utility should strive to reduce energy consumption, mitigate GHG emissions and provide increased energy cost certainty to help bolster existing business and attract new ones. As described above, SDG&E and the District have been working collaboratively since April 6, 2016 to draft and finalize the EMP. The resulting EMP describes several projects that SDG&E and the District hope to collaborate on over the next five years. SDG&E is requesting funding for three of the proposed projects in the EMP, specifically the EE, EPP, and Electric Shore Power Rate Discount Proposals.[10]

### A. Energy Efficiency

While the District and its tenants have been active participants in SDG&E's EE portfolio programs in the past, including through a robust local government partnership (LGP) funded by the Commission, SDG&E has identified additional opportunity for District

[10] Other projects proposed in the EMP are part of other applications that SDG&E has pending before the Commission. For example, the mobile battery grant application was submitted by SDG&E for EPIC 3 funding. In addition, the clean transportation project was submitted as part of SDG&E's SB 350 application. Further, funding for microgrid infrastructure on the Port tidelands may be applied for through SDG&E's AB 2868 process. Each of these additional projects are described in the EMP, attached to this Application as Exhibit A.

energy savings. Specialized audits of the District tidelands reveal the following efficiency opportunities:

- Industrial Process Load – High energy consuming equipment that support industrial processes (*e.g.*, sandblasting, product manufacture and testing);
- Temporary Equipment – Portable equipment regularly used on different projects at different District sites that may not be owned by host customer (*e.g.*, welding equipment, air compressors, lighting and ventilation used aboard ships docked for repair);
- Advanced Controls and Energy Dashboards – Computer systems that display and manage the amount of energy consumption used in facilities and facilitate steps to control this consumption (*e.g.*, advanced building management systems); and
- Emerging Technologies – New technologies that are not yet commercially available or are not yet proven (*e.g.*, advanced sandblasting technology; temporary service control technology).

More broadly, the audit results identified energy savings opportunities that fall into the following categories:

- Measures that fit into existing SDG&E EE portfolio programs; and
- Special opportunities not covered by existing SDG&E EE portfolio programs.

The District and SDG&E have designed an EE Proposal to implement measures which address both of the categories listed above. As described in greater detail in Paul

Pruschki's testimony (Chapter 2), SDG&E proposes to secure from the District and its tenants 10 million kWh in energy efficiency savings by 2021[11] These savings will be achieved through projects and measures that qualify for SDG&E standard EE programs as well as incremental measures.

Implementation of EE measures will help the District align with AB 628's objective of assessing "current and emerging processes and technologies to reduce energy consumption and improve energy efficiency."[12] Further, the District's CAP cites energy conservation and efficiency as one of the measures it intends to utilize to reduce its GHG emissions. Specifically, it seeks a reduction of 21,591 MT $CO_2$ – 20% under 2006 levels - by 2020 through the implementation of energy efficiency measures.[13] In emphasizing the importance of energy efficiency, the CAP states:

> The built environment is a significant indirect contributor to GHG emissions as a result of the electricity and natural gas demand in buildings. Increasing the energy efficiency of both new and existing buildings will result in significant GHG reductions. The Port can implement energy strategies for buildings and exterior spaces, which can provide the opportunity to save money on utility costs, improve air quality, and provide other community benefits.[14]

In addition to furthering the policy objectives set forth in AB 628 and helping the District meet its EE CAP target, the EE Proposal will help the District and its tenants reduce electricity demand, thereby lowering GHG emissions. This furthers the District's GHG

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[11] *See* Table PP-3 of Paul Pruschki's testimony. ]

[12] Public Resources Code §25990(b)(2)(C).

[13] Port of San Diego Climate Action Plan 2013 at 24, *available at*: https://www.portofsandiego.org/document/environment/climate-mitigation-and-adaptation-plan/documents-1/5515-port-of-san-diego-climate-action-plan.html.

[14] *Id.*

goals, and helps the State achieve its SB 350 goal of doubling EE by 2030. Specifically, given the proposed 2019-2021 EE savings estimate of 10 million kWh and 60,000 therms, and using the District's annual electric conversion rates and the gas conversion rate of 11.73 lb CO2 Eq./therm as described in the District's CAP,[15] the EE Proposal is estimated to reduce greenhouse gases by 2,803 MT $CO_2$ by year-end 2021.

**B. Enhanced Partnership Proposal**

The second proposal SDG&E seeks approval of in this Application is the Enhanced Partnership Proposal (EPP). As described in detail in the testimony of Julia Mendoza (Chapter 3), the EPP is a management tool to enable the implementation of the District's EMP.

The EPP will provide an on-going management framework for the successful execution of the District's EMP, including coordination efforts for the EE proposal described above, budget management to ensure proper expenditure of ratepayer funds, and general project management, including milestone development, tracking, reporting and progress updates. The EPP will also support the development of future EMPs and corresponding applications before the Commission.[16] Further, the EPP will leverage a broad stakeholder group to engage, educate and receive feedback from interested parties on the District's EMP.

SDG&E refers to the EPP as an "enhanced partnership" because SDG&E and the District have an existing energy efficiency LGP upon which the EPP builds. SDG&E is proud of the progress achieved collaboratively with the District and its tenants through its

[15] Port of San Diego Climate Action Plan 2013, Appendix B, Table E-2.

[16] Public Resources Code §25990(a) authorizes ports to work with an electrical corporation to "prepare one *or more* energy management plans."

LGP. Started in 2010, the partnership has yielded approximately 335,000 kWH of energy savings from District accounts and over 39 million kWh of energy savings from tenant accounts as of the end of 2016. However, because the LGP pertains specifically to energy efficiency projects and measures, this enhanced partnership proposal will be a separate effort focused specifically on EMP governance and implementation, as described in greater detail in Julia Mendoza's testimony.

### C. Electric Shore Power Rate Discount

The third proposal discussed in this Application is an electric shore power rate discount for the District's cruise ship terminal account to help support the cruise ship industry in San Diego comply with the environmental restrictions imposed by the California Air Resources Board (CARB), while continuing to drive economic development related to cruise ship business within the District (Electric Shore Power Rate Discount Proposal). The Electric Shore Power Rate Discount Proposal is both discussed here and in Chapter 4 in the testimony of Cynthia Fang.

SDG&E's Electric Shore Power Rate Discount Proposal supports the objective of AB 628 to promote the economic viability of ports and is a key component of the EMP. Specifically, AB 628 states that "[e]nergy utility customers located within the state's port and harbor districts may benefit from the addition of new businesses and the retention of existing businesses through increased energy cost certainty."[17] The law further states that "[b]usinesses located within the state's port and harbor districts may benefit through greater stability and certainty in the cost of energy services."[18]

[17] AB 628, Section 1(d)(Stats. of 2013).

[18] AB 628, Section 1(e)(Stats. of 2013).

The District is a unique economic engine in the San Diego region, and, in particular, the District's cruise ship berths generate significant financial benefits to San Diegans. According to a study performed on behalf of the District entitled *Economic Impacts of the San Diego Unified Port District in 2015* by Economic & Planning Systems, Inc., there were 77 cruise calls to the District in 2015, generating over $82 million in economic impact.[19] Roundtrip cruises (those that begin and terminate in San Diego) generated $1.93 million/ship, while in-transit calls (those cruises that visit San Diego as part of their itinerary) generated $576 thousand/ship. These calls in turn, generated 652 full-time equivalent jobs in the San Diego metropolitan statistical area paying a total of $35.93 million in employee earnings.[20] These statistics reinforce the importance of AB 628's objective to bolster the economic viability of California ports through cost certainty, and highlight why it is necessary for the District to provide a competitive shore power rate.

A competitive shore power rate is also necessary to allow the District to continue implementing energy policies that reduce GHG emissions by cruise ships and encourage the continued use of shore-based power. In 2007, CARB adopted air quality rules commonly referred to as the "At Berth Regulation" to reduce GHG emissions emitted by diesel generation from cruise ships at six California ports, including the District.[21] Effective as of

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[19] *Economic Impacts of the San Diego Unified Port District in 2015*, Final Report (Dec. 20, 2016), Appendix B (Business Research and Economic Advisors (BREA) Economic Impact Analysis of the San Diego Cruise Sector 2015) at 2, *available at*: https://www.portofsandiego.org/document/about-port-of-san-diego-documents/strategic-plan/8037-economic-impact-analysis-2015/file.html.

[20] *Id.* at 2.

[21] 17 C.C.R. §93118.3; *see also* Final Regulation Order: Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port, California Air Resources Board, *available at*: https://www.arb.ca.gov/ports/shorepower/finalregulation.pdf.

2010, the At Berth Regulation prohibits cruise lines from docking more than five times a year at the District's berths unless they use shore-based power.[22] If the District seeks to support the use of shore-based power by cruise ships, but cannot offer a competitive energy rate for such power, the District's berths will be less attractive to cruise lines, and the intent of the At Berth Regulation to reduce GHG emissions by cruise ships will be frustrated.

In addition to being a unique economic engine and subject to unique environmental regimes, the District's cruise ship terminal account is also unique with respect to its energy load profile. Every time a cruise vessel "plugs in" to the grid-based shore power system, the grid experiences an immediate load increase resulting from the need to power a cruise ship with hundreds of guest rooms. Similarly, disconnecting from the system results in an immediate, significant load reduction. To illustrate, in a single shore powering event from October of 2016, the demand on the circuit went from zero to approximately 11,000 kW when a cruise ship "plugged in" at approximately 7:30am, and immediately back to zero after disconnection at approximately 5:15pm. Further, cruise vessels are generally deployed in fleets; vessel owners make deployment scheduling decisions on the basis of multiple vessels serving a group of ports. Vessel redeployments can be viewed as multiple vessels entering or leaving service; alternatively, single vessel redeployments are exceedingly rare. These market forces, operational costs and vessel fleet dynamics therefore result in outsized impacts on vessel call volumes at a single port facility. In other words, the cruise ship terminal account's distinct load shape does not readily lend itself to an existing rate, while significant increases in the electric rate for shore-based power would likely have drastic -

[22] *Id.* at 2; *see also* 17 C.C.R. §93118.3(b)(3)(E)(2)).

and compounding - negative effects on cruise traffic at the terminal. SDG&E is offering the Electric Shore Power Rate Discount Proposal to mitigate those negative effects.

Indeed, such a significant rate increase is on the horizon now because of unique regulatory requirements resulting from changes to SDG&E's rates, and the requirements of the CARB At Berth Regulation. As described in greater detail in Cynthia Fang's testimony in Chapter 4 of this Application, in accordance with SDG&E's GRC Phase 2 proceeding, SDG&E included in its 2016 GRC Phase 2 Application amendments to the applicability of SDG&E's standard small commercial rate[23] which the District is currently utilizing on its cruise ship terminal account to provide shore power to cruise lines in accordance with the At Berth Regulation. These amendments will result in the District's cruise facilities no longer being eligible for a small commercial rate. Absent the proposal in this Application, the District will need to be transferred to the appropriate medium/large commercial and industrial rate, Schedule A6-TOU without regard to the unique circumstances faced by the District. It is estimated that transitioning the District's cruise ship terminal account from SDG&E's Schedule TOU-A to Schedule A6-TOU would cause annual bill amounts to increase by over 400%, due in large part to its new exposure to charges that are based on a customer's kW demand,[24] which is highly volatile because of the unique energy profile described above. This substantial rate change will likely significantly negatively impact the regional cruise ship industry, tourism, and economic development and retention in the District. To the extent that the cruise ship business declines or disappears, the entire San Diego region will suffer economic losses including loss of jobs and revenues.

[23] SDG&E Schedule TOU-A generally applies to customers consuming less than 20 kW.

[24] Based on existing load factor.

The Commission agrees that "[i]t is in the best interest of the state, SDG&E and the Port to come to an agreement on an appropriate long term rate solution for the Port."[25] In Resolution E-4812, issued on August 10, 2017, the Commission approved SDG&E's Advice Letter 2896-E seeking approval to allow the District's cruise ship terminal account to remain on its current rate on an interim basis while this Application is pending before the Commission. In doing so, the Commission noted that "the Port's maximum demand is over 20 times higher than that of the next highest customer among those who would be transitioned to AL TOU by the rate applicability change."[26] The Commission further noted that "[b]y changing rates, the Port could conceivably go from having no demand charges to having more than $100,000 in demand charges in a month when it experiences maximum demand," [27] ultimately finding as follows:

> The Commission finds that this would be contrary to AB 628's goal of greater stability and certainty in the cost of energy in the cost of energy services for ports. Further, the Commission finds that the Port's move to displace diesel generation from ships with shore power helps to achieve the state's AB 32 GHG goals, and would significantly reduce emission of criteria pollutants.[28]

For these reasons, SDG&E offers a rate proposal for the District's shore power account that will prevent the rate shock that the District will otherwise experience in July 2018, enabling it to continue operating as a major economic engine for the region and utilize shore power as a means of reducing GHG emissions. As described further in the testimony

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[25] California Public Utilities Commission, Resolution E-4812 at 7, Finding 7 (issued August 10, 2017).

[26] *Id.* at 4.

[27] *Id.*

[28] *Id.; see also id.* at 6-7.

of Cynthia Fang (Chapter 4), this discount, if approved, will be applicable to the District's cruise ship terminal account for a period of 5 years and will be indexed to SDG&E's class-average rate for the Medium/Large C&I customer class. Specifically, the District's monthly electric service bill from SDG&E will show charges under the District's otherwise applicable cost-based rate option (currently Schedule A6-TOU) and a discount or separate credit (showing both dollar amount and percentage) will be included (Discount). The Discount will be recalculated each billing period to cause the net electric rate paid by the District to equal SDG&E's currently-effective class-average rate. Taxes and fees applicable to the discounted electric charges will be shown on the bill or by means of the separate credit.

SDG&E acknowledges that in approving the interim rate, and supporting the need for an alternative rate solution, the Commission also asks that "SDG&E pay particular attention to the cost basis of the long-term rate solution" and requests that the EMP "minimize the Port's demand on SDG&E's system in order to align the Port's rate treatment with its cost of service."[29] In response, SDG&E notes that after extensive evaluation of the subject, the Discount is the most cost-effective solution that meets AB 628's objectives of (1) reducing emissions of greenhouse gases and criteria pollutants; and (2) increasing energy cost certainty. Despite extensive work to find creative solutions to reduce the District's shore power costs, very few options are available to the District outside of a rate adjustment. SDG&E has evaluated options such as solar distributed generation, energy storage, the expansion of shore power capacity, liquefied natural gas (LNG) barges, the addition of circuit load (EV charging in off-hours), and even water electrolysis to power a fuel cell to

[29] Resolution E-4812 at 5.

manage the District's demand charges if it is moved to Schedule A6-TOU. As noted earlier, SDG&E hired RMI to identify possible solutions used at other ports around the world. The District was also an active participant in the California Energy Commission ("CEC") study on the topics. Unfortunately, none of the solutions described above or used in other locations are economically or commercially feasible for the District at this time. Specifically, the comprehensive CEC study "Assessment of Clean Energy Measures for California Ports," compiled in September 2016 (CEC-500-2016-060), concluded:

> …limited space and existing structural constraints at the ports prevent the installation of large PV and storage resources that would be required to meet the capacity expansion required for upgraded shore power facilities up to 24 megawatts. The research team recommended the Port of San Diego to work closely with San Diego Gas and Electric (SDG&E) to explore opportunities for joint projects as an alternative to capacity expansion.[30]

New technologies are coming to market that may help the District meet CARB requirements, such as Advanced Maritime Emission Control System (AMECS), or bonnets.[31] However, these technologies must be certified for use on cruise ships before they can be safely utilized. Furthermore, additional enhancements will be required for these technologies to filter $CO_2$ emissions.

Given the pressing need to avoid rate shock associated with a potential transition to Schedule TOU-A6, a lack of current cost-effective technical solutions, and the immaturity of newer technologies, SDG&E strongly supports the Discount in the best interest of all parties. The Discount is targeted, effective, manages the potentially severe economic impact to the

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[30] California Energy Commission, "Assessment of Clean Energy Measures for California Ports" at 2, *available at*: http://www.energy.ca.gov/2016publications/CEC-500-2016-060/CEC-500-2016-060.pdf.

[31] *See* http://advancedemissioncontrol.com/ for more information about Advanced Maritime Emission Control Systems.

region associated with a reduction in cruise ship visits, and helps meet the State's GHG initiatives.

SDG&E understands that the Discount is not a long-term solution to the District's demand charge issues. For that reason, the EPP includes a request for funds to evaluate opportunities for joint projects to serve as alternatives to capacity expansion. SDG&E has also filed an application for an Electric Program Investment Charge (EPIC-3) project with the CEC to evaluate mobile energy storage and intends to use the findings from that study to inform future EMP updates. Adjusting the District's rate for a short period of time gives SDG&E time to research and investigate new technologies that may be feasible or less costly by the end of the decade. Moreover, the Discount is inherently effective – it does not require an investment in newer or untested technologies.

The details of the Discount and rate adjustment that effect that Electric Shore Power Rate Proposal are described in greater detail in Cynthia Fang's testimony in Chapter 4.

## IV. SDG&E'S FUNDING REQUEST

Of the three proposals described above, the EE and the EPP Proposals require $6,578,660 in total incremental funding. SDG&E recommends that the Electric Shore Power Rate Discount be recovered from all customers through electric and gas public purpose rates. These funding requests are detailed below.

### A. Energy Efficiency Proposal Funding Request

In this Application, SDG&E requests $2.555 million in incremental funding for its EE Proposal, as noted in the table below, and as described in further detail in the testimony of Paul Pruschki (Chapter 2).[32]

[32] *See* Table PP-6 of Paul Pruschki's testimony (Chapter 2).

**Table TC-1 EE Direct Procurement Costs by Measure Category**

| Incremental Energy Efficiency Loaded Cost Summary (Cost in 1,000s; Includes Loaders, Escalation) | | | | |
|---|---|---|---|---|
| **Project** | **2019** | **2020** | **2021** | **Total** |
| EE - Incremental | $831 | $851 | $872 | **$2,555** |

These requested funds are only for the specialized EE Proposal because the costs associated with the District's standard EE measures will be funded through SDG&E's existing EE portfolio, as approved by the Commission.[33]

In addition, as stated in Cynthia Fang's testimony in Chapter 4, SDG&E proposes to recover the costs of these additional specialized measures through the PPP rate component from all customers. As described in Paul Pruschki's testimony, SDG&E is proposing to split the revenue requirement at 90% electric and 10% gas.[34]

### B. Enhanced Partnership Proposal Funding Request

The total Enhanced Partnership Proposal budget request to support both SDG&E and the District is $5.506 million, as noted in the table below, and described in greater detail in the testimony of Julia Mendoza (Chapter 3).[35]

[33] Therefore, no funding for the standard measures component of the EMP is being requested as part of this filing.

[34] This suggested split is in accordance with the authorization provided in D.14-10-046 for the 2015 EE programs.

[35] *See* Table JM-4 of Julia Mendoza's testimony (Chapter 3).

**Table TC-2- EPP Loaded Cost Summary**

| Enhanced Partnership Program Loaded Cost Summary (Cost in 1,000s; Includes Loaders, Escalation) | | | | | |
|---|---|---|---|---|---|
| **2019** | **2020** | **2021** | **2022** | **2023** | **Total** |
| $ 1,118 | $ 1,174 | $ 1,231 | $ 980 | $ 1,003 | **$ 5,506** |

Of this amount, $2.4 million will support the District's EPP activities for the five-year term of this EMP. The remaining budget of $1.7 million over five years will be used by SDG&E to support the EPP. As further described in Julia Mendoza's testimony, SDG&E is proposing to recover the costs of these additional specialized measures through the PPP rate component from all customers and split the revenue requirement at 90% electric and 10% gas per the authorization provided in Decision (D.) 14-10-046 for the 2015 EE programs.

### C. Shore Power Rate Discount Funding Request

Cynthia Fang's testimony describes in greater detail the proposed electric rate discount impacts over the five-year term of the EMP contract (2019 – 2023). Specifically, the estimated discount adjustment over the five-year term of the EMP contract is $10.8 million.[36]

As described above, the Electric Shore Power Rate Discount Proposal is designed to meet the policy objectives of AB 628. As such, SDG&E proposes to recover the costs of the shore power rate discount through the PPP rate component from all customers, consistent with other public policy programs.

[36] Assumes historic usage between July 2016 and June 2017.

## V. WHY SHOULD THIS APPLICATION BE APPROVED?

This Application warrants approval because the EMP proposals described herein are designed to meet the objectives of AB 628, the broader energy objectives of the State, and will help the District meet the energy targets set forth in the its CAP, as described in Section I above. The EE Proposal will achieve incremental savings opportunities, identified through specialized audits of the Port tidelands, thereby reducing GHG emissions and reducing the amount of money District tenants will have to spend on their energy bills.

In addition, the Electric Shore Power Rate Discount Proposal will help bolster the viability of the District's cruise ship business by providing cost certainty and averting a dramatic rate shock, which would likely have a significant impact on cruise traffic at the terminal. As described in Section III above, the District, and in particular, cruise ship visits, have a tremendously positive economic impact on the San Diego region. Further, as the Commission acknowledged in Resolution E-4812, "[p]roviding shore-based power to docked cruise ships rather than power generated from the ships' diesel engines lowers GHG and other harmful emissions and is in accordance with the California Air Resources Board regulations."[37]

Further, the reduced air emissions resulting from the continued utilization of shore power, rather than power generated from the ships' diesel engine, the reduced emissions resulting from the EE Proposal, along with emissions reductions resulting from other proposals included in the EMP but not provided in this Application, will have a positive impact on the air quality of the District and, importantly, the surrounding communities. As several of the surrounding communities meet the State's definition of "disadvantaged

[37] Resolution E-4812 at 7, Finding 2.

communities,"[38] SDG&E believes that finding create solutions to reduce air pollution in these areas is in the best interest of the San Diego region and in line with State policy objectives.

Although the Enhanced Partnership Proposal does not directly address AB 628 objectives, it provides a funding and governance vehicle necessary to implement the two substantive proposals described herein, along with other EMP proposals, as the District and SDG&E continue to research innovative solutions to meet the District's energy goals and promote local economic growth.

## VI. CONCLUSION

In conclusion, the District's EMP is designed to further many of the State's energy and environmental goals as set forth in AB 628. The EMP is designed to benefit the District and its tenants, enabling the District to continue the important role that it plays in the region, both economically and environmentally. In order to effectuate the proposals described above, SDG&E respectfully requests approval of the following:

- Recovery of the incremental costs associated with the specialized measures component of SDG&E's EE Proposal, and the Enhanced Partnership Proposal, to be recovered through PPP rates from all customers.
- A transparent shore power rate discount for the District's cruise ship terminal account to support the AB 628 goal of port economic

[38] *See* CalEnviroScreen 3.0, California Environmental Protection Agency (CalEPA), *available at*: https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30 (ranking the surrounding communities in the top 25% of disadvantaged communities).

development, to be recovered from customers through PPP rates from all customers.

## VII. STATEMENT OF QUALIFICATIONS

My name is Todd Cahill and my business address is 8315 Century Park Court, San Diego, California 92123. I am the Director of Business Services for San Diego Gas and Electric ("SDG&E"). My primary responsibilities include all customer service-related activities and relationships with SDG&E's business customers and community. I began work at SDG&E in 2002 as a Regulatory Analyst and have held positions of increasing responsibility.

In 1998, I graduated from Brigham Young University with a Bachelor of Arts in Political Science. I also received an MBA from San Diego State University in 2012.

I have previously submitted testimony before the California Public Utilities Commission.

This concludes my prepared direct testimony.