

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

**PREPARED DIRECT TESTIMONY OF**  
**MICHAEL FOSTER**  
**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**  
**CHAPTER 5**

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

**SEPTEMBER 13, 2017**



**TABLE OF CONTENTS**

I. OVERVIEW AND PURPOSE.....1

II. COST RECOVERY .....1

III. CONCLUSION.....3

IV. STATEMENT OF QUALIFICATIONS .....**Error! Bookmark not defined.**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

**PREPARED DIRECT TESTIMONY OF  
MICHAEL FOSTER  
CHAPTER 5**

**I. OVERVIEW AND PURPOSE**

The purpose of my testimony is to present the cost recovery and illustrative gas rate and gas bill impacts associated with the revenue requirements for two proposals included in this Application – specifically the Energy Efficiency (EE) Proposal presented by Paul Pruschki (Chapter 2) and the Enhanced Partnership Program (EPP) presented by Julia Mendoza (Chapter 3).

My testimony is organized as follows:

- **Section II – Cost Recovery:** describes the methodology for recovering the incremental program costs associated with San Diego Gas & Electric Company’s (SDG&E) and the San Diego Unified Port District’s (the District) Energy Management Plan (EMP)<sup>1</sup> proposals;
- **Section III – Conclusion;** and
- **Section IV – Statement of Qualifications.**

**II. COST RECOVERY**

My testimony addresses the recovery of gas costs associated with two proposals included in this Application – specifically the EE Proposal presented by Paul Pruschki (Chapter 2) and the EPP Proposal presented by Julia Mendoza (Chapter 3). As stated in the testimonies describing the EE Proposal and the EPP Proposal, SDG&E is proposing to allocate 10% of costs of both Proposals to gas customers.<sup>2</sup>

---

<sup>1</sup> *Port of San Diego Energy Management Plan* (as Exhibit A to Energy Management Plan Contract filed August 22, 2017).

<sup>2</sup> Testimony of Julia Mendoza, page JM-14:3-4, and Paul Pruschki page PP-19:15-16.

1 The EE Proposal (Chapter 2) consists of: (1) standard EE measures, which are  
 2 funded through SDG&E’s existing EE portfolio (and therefore are not being funded or  
 3 recovered as part of this proceeding); and (2) incremental specialized EE measures specific  
 4 to the District. Consistent with the recovery method for current EE costs, SDG&E proposes  
 5 to recover the gas portion of costs of the incremental specialized EE measures for the  
 6 District through the Public Purpose Programs (PPP) rate component from all customers.

7 SDG&E proposes recovering the gas portion of costs of the EPP and the incremental  
 8 specialized EE measures through PPP rates from all customers, consistent with other public  
 9 policy programs.<sup>3</sup>

10 Table MF-1 below summarizes the proposed application costs for recovery through  
 11 gas PPP rates.

12 **Table MF-1: District EMP Gas Revenue Requirements (\$000)<sup>4</sup>**

<b>EMP Program</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Enhanced Partnership Program (EPP)</b>	\$ 111.82	\$ 117.36	\$ 123.06	\$ 98.04	\$ 100.34
<b>EE - Incremental</b>	\$ 83.09	\$ 85.15	\$ 87.23	\$ -	\$ -
<b>Total</b>	\$ 194.91	\$ 202.51	\$ 210.29	\$ 98.04	\$ 100.34

13 Table MF-2 presents the illustrative gas PPP rate impacts over the 5-year term of the  
 14 Port EMP Contract (2019-2023) associated with the proposed EPP and EE – Incremental  
 15 Project costs compared to SDG&E’s current<sup>5</sup> gas rates.

17 **Table MF-2: Class Average Gas PPP Rate Impacts (cents/therm)**

<sup>3</sup> For example, ESA, DAP, LIEE, and statewide RD&D funding.

<sup>4</sup> Gas revenue requirements represents 10% of the total revenue requirements; excludes Franchise Fees and Uncollectibles.

<sup>5</sup> Gas rates effective January 1, 2017, pursuant to SDG&E Advice Letter No. 2524-G, approved December 13, 2016.

	<b>Current<sup>6</sup></b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Residential CARE	4.55	4.57	4.57	4.57	4.56	4.56
vs Current Rate		0.02	0.02	0.02	0.01	0.01
Residential Non-care	5.13	5.20	5.20	5.20	5.17	5.17
vs Current Rate		0.07	0.07	0.07	0.04	0.04
C&I CARE	6.66	6.67	6.67	6.68	6.67	6.67
vs Current Rate		0.01	0.01	0.02	0.01	0.01
C&I Non-care	7.24	7.30	7.31	7.31	7.27	7.27
vs Current Rate		0.06	0.07	0.07	0.03	0.03
Non-core C&I	6.74	6.81	6.81	6.82	6.78	6.78
vs Current Rate		0.07	0.07	0.08	0.04	0.04

1  
2           The gas bill amount for the average residential customer usage of 25 therms would  
3 increase by \$.01 per month or 0.03% from \$34.57 to \$34.58 per month in 2019 compared to  
4 the 2017 gas bill for the average residential customer as a result of SDG&E’s proposal.

5 **III. CONCLUSION**

6           SDG&E requests the Commission approve the following:

- 7           • Recovery of the incremental costs associated with SDG&E’s EMP proposals  
8           through PPP gas rates from all customers. Costs associated with SDG&E’s  
9           EMP proposals include specialized EE measures and EPP costs to be  
10           recorded in the Port Energy Management Plan Balancing Accounts  
11           (PEMPBA) as described in the testimony of Jenny Phan (Chapter 6).

12           This concludes my prepared direct testimony.

---

<sup>6</sup> *Id.*

1 **IV. STATEMENT OF QUALIFICATIONS**

2 My name is Michael W. Foster. My business address is 555 West 5th Street, Los  
3 Angeles, CA 90013-1011. I received a Bachelor of Arts degree in Economics from the  
4 University of California, Santa Barbara in 1995. I received a Master of Business  
5 Administration degree from the Darden School of Business at the University of Virginia,  
6 Charlottesville in 2000. I am employed as a Principal Regulatory Economic Advisor in the  
7 Rates and Demand Analysis area of the Regulatory Affairs department of SDG&E &  
8 Southern California Gas Company (SoCalGas). I have worked for SoCalGas since June  
9 2011, and prior to that I worked for SDG&E since December 2001. In my current capacity,  
10 I am responsible for providing financial analysis and support for the gas rate design  
11 function.

12 I have previously testified before this Commission.