

Proceeding No.: A.17-05-
Exhibit No.: _____
Witness: Cynthia Fang

PREPARED DIRECT TESTIMONY OF
CYNTHIA FANG
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 17, 2017



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**PREPARED DIRECT TESTIMONY OF
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I. INTRODUCTION

The purpose of my testimony is to discuss San Diego Gas & Electric Company's ("SDG&E") authorized sales forecast and how it impacts the undercollection currently recorded in its Energy Resource Recovery Account ("ERRA") as discussed in the Prepared Direct Testimony of SDG&E witness Norma Jasso. In addition, I present the rate impacts associated with the amortization of the \$120 million undercollection as requested in the Prepared Direct Testimony of Ms. Jasso. My testimony is organized as follows:

- In Section II, I discuss the current authorized sales forecast as well as the update currently pending before the California Public Utilities Commission ("Commission");
- In Section III, I present the rate impacts associated with the amortization of the \$120 million undercollection;
- In Section IV, I conclude my testimony; and
- In Section V, I provide my witness qualifications.

II. SDG&E SALES FORECAST

As a general proposition, rates are calculated based on authorized revenue requirements divided by authorized sales determinants, and the issue is that the current authorized sales are too high. With respect to ERRA, the authorized revenue requirements were established in SDG&E's 2017 ERRA Forecast Application (Application ("A.").16-04-018), as approved by the

1 Commission.¹ The authorized sales determinants currently in effect for rates (including the
2 commodity rates, which include the recovery of the authorized revenue requirements from the
3 2017 ERRA Forecast) are based on 2015 Test Year sales from SDG&E’s Rate Design Window
4 proceeding (A.14-01-027), as approved in Decision (“D.”) 15-08-040 and implemented November
5 1, 2015.²

6 Since that time, SDG&E has filed to update its authorized sales forecast in its 2016 General
7 Rate Case (“GRC”) Phase 2 (“P2”) application (A.15-04-012), which is currently pending before
8 the Commission. In SDG&E’s 2016 GRC P2, SDG&E requested approval of a three-year sales
9 forecast—specifically, GRC Test Year (“TY”) 2016 and attrition years 2017, and 2018—to better
10 reflect expectations for forecasted electric sales and provide a more appropriate set of sales
11 determinants that would allow SDG&E to fully collect revenues over the appropriate time period.³
12 However, as noted above, the current rates, which reflect recovery of the 2017 ERRA Forecast
13 authorized revenue requirements, use the 2015 authorized sales determinants. Because the
14 authorized sales determinants are higher than forecasted sales, the resulting rates are too low to
15 fully collect authorized revenue requirements and have resulted in an undercollection in SDG&E’s
16 ERRA.

17 To illustrate the variance between the currently authorized sales and the proposed sales
18 forecast pending in SDG&E’s 2016 GRC P2, I have prepared Table 1 below. As stated in my
19 Direct Testimony for the 2016 GRC P2, the “variance between actual and authorized sales creates
20 greater volatility to customer rates and bills...”⁴ As presented in Table 1, the 2017 sales forecast is

¹ D.16-12-053.

² Advice Letter (“AL”) 2791-E, approved on October 29, 2015.

³ A.15-04-012, Prepared Direct Testimony of Kenneth E. Schiermeyer, Exhibit No. SDG&E-04, Page KES-9.

⁴ A.15-04-012, Prepared Direct Testimony of Cynthia Fang, Exhibit No. SDG&E-01, Page CF-33.

1 approximately 3% below the current authorized sales forecast. SDG&E currently anticipates the
 2 implementation of its 2016 GRC P2 sales forecast on December 1, 2017.⁵ Had the 2017 sales been
 3 implemented on January 1, 2017, the difference in forecasted revenues would have been
 4 approximately 4% greater than under SDG&E’s current authorized sales, or approximately \$63
 5 million by year-end; this would have had a positive and measurable impact on SDG&E’s current
 6 ERRA Trigger position.

7 **Table 1: Comparison of Authorized Sales and 2016 GRC P2 Pending Sales Forecast (GWh)**

Current Authorized Sales ⁶	20,234	
2016 GRC P2 Pending Sales Forecast ⁷		% Change from Current
TY 2016	19,675	-3%
2017	19,602	-3%
2018	19,403	-4%

8 **III. RATE IMPACTS**

9 SDG&E proposes to collect the ERRA undercollection of \$120 million over a 14-month
 10 period, beginning November 1, 2017, and rolling off December 31, 2018, as stated in the
 11 Prepared Direct Testimony of Ms. Jasso. Table 2 below presents the associated class average rate
 12 impacts. SDG&E’s proposal will result in rates that reflect the increase of an annualized revenue
 13 requirement of \$104.106 million,⁸ which would increase the system average rate by 0.625 cents
 14 per kilowatt hour (“kWh”), or 2.83%.

15

⁵ The sales forecast proposed in SDG&E’s GRC Phase 2 application was uncontested by parties in the proceeding.

⁶ AL 2791-E, D.15-08-040, Ordering Paragraph 2.

⁷ A.15-04-012, Prepared Rebuttal of Kenneth E. Schiermeyer, Exhibit No. SDG&E-14, Page KES-11.

⁸ Includes FF&U; \$120 million /14 months * 12

Table 2: Illustrative Rate Impacts

Customer Class	Current Effective Rates⁹ (¢/kWh)	Proposed Rates (¢/kWh)	Change (¢/kWh)	Change (%)
Residential	24.990	25.635	0.645	2.58%
Small Commercial	23.928	24.513	0.585	2.44%
Medium and Large Commercial and Industrial	19.850	20.472	0.622	3.13%
Agriculture	17.735	18.263	0.528	2.98%
Streetlighting	19.917	20.343	0.426	2.14%
System	22.122	22.747	0.625	2.83%

A typical non-California Alternate Rates for Energy (“CARE”) residential customer using 500 kilowatt-hours in the inland climate zone would see a monthly bill increase of 2.3%, or \$2.84 (from \$125.36 to \$128.20) in the summer and a monthly bill increase of 2.5%, or \$3.00 (from \$122.40 to \$125.40) in the winter as a result of this proposal.

IV. CONCLUSION

This concludes my prepared direct testimony.

⁹ Rates effective 3/1/17 per AL 3034-E/3034-E-A.

1 **V. WITNESS 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.