

Investigation No.: I.12-10-013
Exhibit No.: SDGE-21
Witness: Cynthia S. Fang

**PREPARED REBUTTAL TESTIMONY OF
CYNTHIA S. FANG
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY**

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

September 23, 2013

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**PREPARED REBUTTAL TESTIMONY OF
CYNTHIA S. FANG
ON BEHALF OF SDG&E**

I. ANY MODIFICATIONS TO THE EXITING PCIA MECHANISM SHOULD BE ADDRESSED IN THE 2014 ERRA FORECAST PROCEEDINGS AND ANY ADJUSTMENTS TO THE EXISTING MECHANISM TO ACCOUNT FOR CHANGES IN THE TOTAL PORTFOLIO COSTS THAT DETERMINE THE PCIA SHOULD INCLUDE BOTH INCREASES AND DECREASES TO TOTAL PORTFOLIO COST

The purpose of my rebuttal testimony on behalf of San Diego Gas & Electric Company (SDG&E) is to specifically respond to joint recommendations made by the Alliance for Retail Energy Markets and the Direct Access Customer Coalition (AReM/DACC) regarding the Power Charge Indifference Adjustment (PCIA). AReM/DACC provided testimony in response to the Assigned Commissioner's and Administrative Law Judges' Ruling Determining the Phase 2 Scope and Schedule dated July 31, 2013 (Scoping Memo) focusing on Issue 3 as it relates to the appropriate ratemaking for costs related to the San Onofre Nuclear Generating Station (SONGS) paid by Direct Access (DA) customers through the PCIA. The Scoping Memo specifically requested the following:

If interim rate adjustments result from Phase 2 (e.g., removal of assets from rate base, disposition of the nuclear fuel account balances, materials and supplies, and construction work in progress), what ratemaking treatment should apply?¹

AReM/DACC provides three recommendations:

- (1) Ongoing "used-and-useful" SONGS costs are better categorized as related to decommissioning rather than generation, and as such should be collected from the decommissioning trust fund rather than generation rates (for bundled customers) or the PCIA (for DA) customers.
- (2) California Public Utilities Code (P.U. Code) Section 455.5 grants the California Public Utilities Commission (Commission) authority to remove costs from rates and have those costs tracked in a deferred debit account until their final

¹ Scoping Memo at 3.

1 disposition is determined. The Commission should use that authority to remove
2 the costs found in this proceeding to be not used-and-useful from all rates until
3 Phase 3 is complete, at which time any costs that are not disallowed can be
4 addressed.

5 (3) If the Commission deems any revenue requirement reductions to be attributable to
6 generation rates (and thus also included in the PCIA), those revenue requirement
7 reductions should be implemented in both generation rates and the PCIA
8 concurrently. Waiting to implement the revenue requirement reduction in the
9 PCIA until the following Energy Resource Recovery Account (ERRA) Forecast
10 proceeding is inappropriate because one class of customers (DA) would continue
11 paying for SONGS costs while the majority of customers are not.

12 More specifically, my rebuttal testimony addresses AReM/DACC's third
13 recommendation that "if the Commission finds that some revenue requirement amount
14 associated with SONGS belongs in generation rates, any reductions in the revenue requirement
15 associated with SONGS authorized in this proceeding (including Phase 1) must be reflected in
16 the PCIA calculation. Furthermore, this reduction to the PCIA should be implemented
17 concurrently with the associated reduction in generation rates paid by bundled customers."²

18 AReM/DACC also states that the SONGS ratemaking issues result in "extraordinary
19 circumstances... [that] require an exception to this general framework" developed in Decision
20 (D.)06-07-030 and recommends "that SCE [Southern California Edison] (and SDG&E) be
21 required to update the PCIA that is in place to reflect any mid-year adjustments to generation
22 revenue requirements on a concurrent basis with any bundled rate adjustments."³ AReM/DACC
23 further state "(b)ecause there is no mechanism in place to adjust PCIA between ERRA forecast
24 proceedings, and because the PCIA is calculated on a forecast basis only and not trued up via
25 balancing accounts, this potentially major reduction in the revenue requirement will not be
26 reflected in the PCIA paid by DA customers until it is reflected in the 2015 ERRA forecast."⁴

27 SDG&E concurs with AReM/DACC's proposal. However, since the timing difference
28 identified by AReM/DACC is inherent in the PCIA methodology resulting from the Total

² AReM/DACC's Testimony at 12-13.

³ *Id.* at 13.

⁴ *Id.*

1 Portfolio basis for the calculation of the PCIA and the determination of PCIA rates in the
2 investor owned utilities (IOU) ERRA Forecast proceedings, this proposal should be considered
3 in the ERRA proceedings and it should be scoped such that the Commission examines both
4 necessary increases and decreases to ensure the protection of bundled customer indifference. In
5 other words, AReM/DACC is requesting the ability to modify the 2014 PCIA to account for any
6 mid-year revenue requirement determinations in this proceeding concurrently with bundled rate
7 adjustments rather than waiting for 2015 PCIA rates to reflect those revenue requirement
8 changes.

9 In response to these statements, SDG&E recommends that the Commission determine
10 any modification to the general framework of the PCIA be made in the appropriate ERRA
11 Forecast proceeding. For SDG&E, the appropriate ERRA Forecast proceeding would be its
12 2014 ERRA Forecast proceedings, which will determine the 2014 PCIA rates. The impact of
13 any adjustments to SONGS revenues requirements by the Commission in this SONGS Order
14 Instituting Investigation (OII) proceeding that also impact the Total Portfolio costs that
15 determine PCIA rates could be determined in the 2014 ERRA Forecast proceeding, as noted by
16 AReM/DACC.⁵

17 AReM/DACC only identifies the need to account for reductions to the PCIA rates
18 resulting from changes in the Total Portfolio costs outside of ERRA Forecast proceedings.
19 However, AReM/DACC fails to address the potential need to increase PCIA rates to account for
20 increases in Total Portfolio costs outside of ERRA Forecast proceedings. AReM/DACC further
21 request that “if SDG&E’s 2013 ERRA Forecast, as proposed in Application A.12-10-002 is
22 implemented, to the degree the D.13-05-010 increases are included in the PCIA, then the
23 SONGS revenue requirement decreases proposed in this docket should be reflected in PCIA,
24 too.”⁶ In response to this statement, SDG&E recommends that the Commission ensure equal
25 treatment of these costs between bundled and departing load customers to ensure bundled
26 customer indifference in its consideration of a mechanism for adjusting PCIA rates outside of
27 ERRA proceedings. For clarification, the authority for the D.13-05-010 increases did not occur
28 in time for incorporation in the PCIA rates included in SDG&E’s 2013 ERRA Forecast.
29 Further, at the time of this testimony, SDG&E’s 2013 ERRA Forecast is still pending before the

⁵ *Id.* at 12-13.

⁶ *Id.* at 15.

1 Commission and in effect are rates reflective of SDG&E's 2012 ERRR Forecast. As a result, the
2 implementation of D.13-05-010 increased SONGS costs for bundled customers while DA
3 customers did not bear those increased costs. The current absence of a mechanism to adjust the
4 PCIA rates outside of ERRR proceedings results in DA customers not being subject to those
5 increased costs.

6 **II. CONCLUSION**

7 SDG&E recommends that any modifications to the existing PCIA mechanism be
8 addressed in the 2014 ERRR Forecast proceedings. SDG&E further recommends that any
9 adjustments to the existing mechanism to account for changes in the Total Portfolio costs that
10 determine the PCIA include both increases and decreases to Total Portfolio costs.

11 This concludes my rebuttal testimony.

1 **QUALIFICATIONS OF CYNTHIA S. FANG**

2 My name is Cynthia S. Fang and my business address is 8330 Century Park Court, San
3 Diego, California 92123. I am the Electric Rates Manager in the Strategic Analysis and Pricing
4 Department of San Diego Gas and Electric (SDG&E). My primary responsibilities include the
5 development of cost-of-service studies, determination of revenue allocation and electric rate
6 design methods, analysis of ratemaking theories, and preparation of various regulatory filings.
7 I began work at SDG&E in May 2006 as a Regulatory Economic Advisor and have held
8 positions of increasing responsibility in the Electric Rate Design group. Prior to joining
9 SDG&E, I was employed by the Minnesota Department of Commerce, Energy Division, as a
10 Public Utilities Rates Analyst from 2003 through May 2006.

11 In 1993, I graduated from the University of California at Berkeley with a Bachelor of
12 Science in Political Economics of Natural Resources. I also attended the University of
13 Minnesota where I completed all coursework required for a Ph.D. in Applied Economics.

14 I have previously submitted testimony before the California Public Utilities Commission
15 and the FERC regarding SDG&E's electric rate design and other regulatory proceedings. In
16 addition, I have previously submitted testimony and testified before the Minnesota Public
17 Utilities Commission on numerous rate and policy issues applicable to the electric and natural
18 gas utilities.