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SDG&E

REBUTTAL TESTIMONY OF KENNETH E. SCHIERMEYER

(ELECTRIC CUSTOMERS AND SALES)

June 2015

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



TABLE OF CONTENTS

I.	SUMMARY OF DIFFERENCES.....	1
II.	INTRODUCTION.....	1
	A. ORA.....	1
	B. UCAN.....	2
III.	REBUTTAL TO PARTIES' CUSTOMER FORECAST PROPOSALS.....	2
	A. ORA.....	2
	B. UCAN.....	2
IV.	CONCLUSION.....	3

1 **SDG&E REBUTTAL TESTIMONY OF KENNETH E. SCHIERMEYER**
2 **(ELECTRIC CUSTOMERS AND SALES)**

3 **I. SUMMARY OF DIFFERENCES¹**

4

RESIDENTIAL ELECTRIC CUSTOMER FORECAST			
	Base Year 2013	Test Year 2016	% Difference Versus SDG&E TY2016
SDG&E	1,249,227	1,286,981	
ORA	1,249,227	1,288,009	+ 0.08%
UCAN	1,249,227	1,277,616	- 0.73%

5

COMBINED COMMERCIAL & INDUSTRIAL ELECTRIC CUSTOMER FORECAST			
	Base Year 2013	Test Year 2016	% Difference Versus SDG&E TY2016
SDG&E	146,104	149,237	
ORA	146,104	148,714	-0.35%

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TOTAL ELECTRIC CUSTOMER FORECAST			
	Base Year 2013	Test Year 2016	% Difference Versus SDG&E TY2016
SDG&E	1,405,218	1,445,387	
ORA	1,405,218	1,445,892	+0.03%

7 **II. INTRODUCTION**

8 **A. ORA**

9 Office of Ratepayer Advocates (ORA) issued its report on SDG&E's electric customers
10 and sales on April 24, 2015.² The following is a summary of ORA's position(s):

- 11
- ORA conducted an independent analysis to forecast electric residential, small commercial and industrial customers.

¹ Excludes tables for Lighting and Agriculture customer classes. In ORA's testimony (Page 7, Table 3-3), ORA recommended 5,790 Lighting customers and 3,379 Agriculture customers for TY2016, which are the same as provided in the SDG&E customer forecast. UCAN provided only a residential customer forecast in its testimony.

² ORA-3, April 24, 2015, "Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2016 General Rate Case, Customers, Sales, Cost Escalation" (Witness: Tom Renaghan), referred to herein as "ORA-3 (Renaghan)."

- 1 • ORA developed a regression model to forecast residential customers, which
- 2 resulted in a forecast that is only 0.08% different than SDG&E's TY2016
- 3 forecast.
- 4 • ORA developed separate regression models for the commercial and industrial
- 5 sectors. In combination, ORA's forecast of commercial and industrial customers
- 6 was 0.35% lower than SDG&E's TY2016 forecast.
- 7 • In total, ORA's forecast of electric customers is very similar to SDG&E's in
- 8 TY2016. The ORA forecast of 1,445,892 is only 0.03% different than SDG&E's
- 9 forecast of 1,445,387.
- 10 • ORA does not oppose SDG&E's proposed level of electric sales for TY2016.³

11 **B. UCAN**

12 The Utility Consumers' Action Network (UCAN) submitted testimony on May 15,

13 2015.⁴ The following is a summary of UCAN's position(s):

- 14 • UCAN conducted an analysis of the residential electric customer forecast.
- 15 • UCAN recommends that SDG&E's residential electric customer forecast be
- 16 adjusted to use the February 2015 housing starts forecast developed by IHS
- 17 Global Insight, to include 2014 actual data in the regression analysis, and to
- 18 exclude the housing starts versus household variable.
- 19 • UCAN indicates that these changes would result in a total residential forecast of
- 20 1,277,616, which is 0.73% lower than SDG&E's total residential customer
- 21 forecast for TY2016.
- 22 • UCAN also proposes removing CARE enrollment forecasts from GRC Phase 1.⁵

23 **III. REBUTTAL TO PARTIES' CUSTOMER FORECAST PROPOSALS**

24 **A. ORA**

25 The total electric customer forecasts by ORA and SDG&E are very close and differ by only

26 0.03% in TY2016. SDG&E agrees with ORA's finding that "ORA and SDG&E arrive at very

27 similar results"⁶ and believes this finding supports adopting SDG&E's proposed forecast.

28 **B. UCAN**

29 UCAN indicated in its testimony that it used updated forecast data from IHS Global

30 Insight, February 2015, to create its residential electric customer forecast.⁷ UCAN's revised

³ ORA-3 (Renaghan), p. 23, ln 9.

⁴ UCAN, May 15, 2015, "Testimony of Briana Kobor, Laura Norin, and Mark Fullmer on Behalf of the Utility Consumers' Action Network Concerning Sempra's Revenue Requirement Proposals for San Diego Gas & Electric and SoCalGas" (Witness: Briana Kobor), referred to herein as "UCAN (Kobor)."

⁵ UCAN (Kobor), p. 9, lns 10-11.

⁶ ORA, page 1, line 15.

⁷ UCAN (Kobor), pp. 6-14.

1 forecast produces a residential customer forecast of 1,277,616, which is 0.73% lower than
2 SDG&E's forecast of 1,286,981 for TY2016.⁸

3 The February 2015 data became available well after SDG&E needed to finalize forecasts
4 prior to its June 2014 Notice of Intent (NOI) filing and its November 2014 Application filing.
5 SDG&E does not agree with UCAN's proposal to selectively use third-party data that was not
6 available to SDG&E at the time of preparing its GRC forecasts. It is inappropriate to make
7 isolated GRC forecasting updates for at least two reasons.

8 First, selective updating ignores the fact that while certain drivers may be lower than
9 expected, other drivers may be higher than expected, and there is no provision to reflect those
10 instances. For example, if economic activity were now higher than when SDG&E prepared its
11 forecasts, SDG&E would not be permitted to revise its forecasts upward based on more recent
12 data. It would be an endless exercise and not feasible to process if one were to attempt to
13 uniformly update all the drivers and recorded data for all facets of the GRC.

14 Second, the Rate Case Plan is prescriptive regarding the types of information that may be
15 updated in a GRC, and UCAN's proposals contravene this intent. SDG&E is not able to make
16 any updates to the electric customer forecast after the GRC filing date, whether higher or lower.

17 Finally, UCAN also proposes that GRC Phase 1 is not the time to consider the future rate
18 of CARE enrollment.⁹ SDG&E does not object to UCAN's proposal and agrees that future
19 CARE customer projections can be addressed in GRC Phase 2.

20 **IV. CONCLUSION**

21 SDG&E recommends the Commission adopt the SDG&E-proposed electric customer and
22 sales forecasts and accept ORA's findings that "ORA and SDG&E arrive at very similar results."
23 and that "ORA does not oppose SDG&E's proposed level of electric sales for TY2016."

24 This concludes my prepared rebuttal testimony.

⁸ UCAN (Kobor), p. 13.

⁹ UCAN (Kobor), p. 15.