

Company: San Diego Gas & Electric Company (U902M)
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Application: A.14-11-003
Exhibit: SDG&E-234

SDG&E

REBUTTAL TESTIMONY OF MICHELLE A. SOMERVILLE

MISCELLANEOUS REVENUES

June 2015

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



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1 **SDG&E REBUTTAL TESTIMONY OF MICHELLE A. SOMERVILLE**
2 **MISCELLANEOUS REVENUES**

3 **I. SUMMARY OF DIFFERENCES**

TOTAL MISCELLANEOUS REVENUES - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SDG&E	21,153	19,225	(1,928)
ORA	21,153	20,334	(819)
UCAN	21,153	19,557*	(1,596)

4 *The testimony of UCAN did not propose a specific aggregate Miscellaneous Revenue figure. The
5 figure in this table was calculated by SDG&E based on the changes recommended in the UCAN
6 testimony.

7 **II. INTRODUCTION**

8 **A. ORA**

9 The Office of Ratepayer Advocates (ORA) issued its report on Miscellaneous Revenues
10 on April 24, 2015.¹ The following is a summary of ORA's position(s):

- 11 • ORA's proposed miscellaneous revenues for Test Year (TY) 2016 are \$0.8 million
12 greater than my forecast.
- 13 • Specifically, ORA uses a version of a 5-year average forecast methodology as the basis
14 for proposing Electric and Gas Service Establishment Charges. This approach, however,
15 effectively ignores SDG&E's Smart Meter remote connect functionality and does not
16 fully incorporate the changes in the mix of fees paid by customers resulting from this
17 additional functionality.

18 **B. UCAN**

19 The Utility Consumers' Action Network (UCAN) submitted testimony on May 15,
20 2015.² UCAN supports SDG&E's proposal to reduce Service Establishment Charges (SEC) to
21 reflect the cost savings afforded by the Smart Meter remote connection capabilities and proposes
22 a SEC for 2016 using 2013 recorded revenues plus meter growth. However, UCAN opposes
23 SDG&E's proposal to bifurcate the fee structure charged for fielded and non-fielded visits.
24

¹ Exhibit ORA-4, Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company, Test Year 2016 General Rate Case, Miscellaneous Revenues (ORA-4).

² Testimony Of Briana Kobor, Laura Norin, And Mark Fulmer On Behalf Of The Utility Consumers' Action Network Concerning Sempra's Revenue Requirement Proposals For San Diego Gas & Electric And SoCalGas, beginning at page 95.

1 **III. REBUTTAL TO PARTIES' MISCELLANEOUS REVENUE PROPOSALS**

2 **A. ORA**

3 **1. Service Establishment Charge (SEC) Fee Revenues**

Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SDG&E – Electric	2,400	2,730	330
ORA - Electric	2,400	3,560	1,160
SDG&E – Gas	1,329	1,553	224
ORA – Gas	1,329	1,833	504

4 ORA states the following, “ORA’s methodology is based on SDG&E’s electric customer
5 counts for the years 2009 to 2016, as well as the historical electric Service Establishment Charge
6 revenues.”³ This methodology is flawed because going forward (post-2012) and certainly in TY
7 2016, the Electric Service Establishment Charge is structurally different than the historic 2009-
8 2012 period due to the implementation of Smart Meter functionality. SDG&E Smart Meter
9 implementation was completed, for the most part, by 2012, and remote electric meter connection
10 (disconnection) became fully functional in 2013. This capability allows SDG&E to avoid
11 issuing a field order to collect and capture the opening electric meter read of a newly established
12 customer account (and similarly for a gas meter). SDG&E can connect electric service remotely
13 via the Smart Meter. This reduction in fielded orders is reflected in SDG&E witness Ms.
14 Franke’s prepared direct testimony (Ex. SDG&E-13, Table SAF-6, pp. 9-11). Therefore, using
15 historical years for electric service establishment revenues prior to 2013 misrepresents projected
16 revenues collected by SDG&E in 2014 and beyond. Not only are there fewer fielded electric
17 service establishment orders actually worked by SDG&E but the non-fielded service
18 establishment charge was reduced from \$15 to \$5.⁴ My request reflects retaining the non-fielded
19 service establishment fee of \$5 and raising the fielded electric service establishment fee from \$15
20 to \$25. This fee structure that is a better representation of the costs SDG&E incurs for these
21 services.
22

³ Ex. ORA-4 (Kanter), p. 4, lines 20-21.

⁴ Effective February 2011. The ability to remotely disconnect customers for credit purposes began in December 2012 and the \$5 fee assessed for the remote re-connect customers in September 2013.

1 **a. Electric**

2 ORA asserts, "In the preceding 2012 general rate case, SDG&E used a historical 5 year
3 average electric Service Establishment Charge revenues where now SDG&E uses its base year
4 electric Service Establishment Charge revenues number. SDG&E does not explain why it
5 switched methodologies."⁵ ORA is wrong. I clearly discussed my Electric Service
6 Establishment Charge proposal and the relevant impact of the implementation of Smart Meters
7 when I stated that 2013 recorded values reflect the reduction in revenues due to the impact of
8 SDG&E Smart Meter fee reduction and remote disconnection capabilities.⁶ I forecasted TY
9 2016 revenues for electric service establishment charges using base year 2013 revenues and then
10 I added incremental revenues for meter growth and factored in the increase in remote
11 reconnections that result from SDG&E disconnecting customers for non-payment. TY 2016
12 forecasted revenues also reflect a \$5 SEC for remote service establishment services and a \$25
13 SEC for service establishments requiring a field visit. These calculations are documented in
14 workpaper Ex. SDGE-34-R-WP, pp 4-6 of 39.

15 **b. Gas**

16 ORA's forecast for Gas Service Establishment Charge revenues is similarly flawed for
17 the same arguments as stated in the above rebuttal for Electric Service Establishment Charge
18 revenues.

19 In sum, the Commission should reject ORA's arguments for increasing the miscellaneous
20 revenue forecast for SDG&E Electric and Gas Service Establishment Charges based on the
21 above rebuttal testimony and should adopt SDG&E's TY2016 forecast of \$2.730 million and
22 \$1.553 million for Electric and Gas SEC revenues, respectively.
23

⁵ Ex.ORA-4 (Kanter), p. 4, lines 12-16.

⁶ Ex. SDG&E-34, p. MAS-4, lines 3-12.

1 **B. UCAN**

2 **1. Service Establishment Charge (SEC) Fee Revenues**

Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Difference versus SDG&E
SDG&E - Elec	2,400	2,730	
UCAN		2,556	(174)
SDG&E – Gas	1,329	1,553	
UCAN		1,375	(178)

3 UCAN supports SDG&E’s proposal to reduce Service Establishment Charges (SEC) to
4 reflect the cost savings afforded by the Smart Meter remote connection capabilities and proposes
5 a SEC for 2016 using 2013 recorded revenues plus meter growth. However, UCAN opposes
6 SDG&E’s proposal to bifurcate the fee structure charged for fielded and non-fielded visits.
7 UCAN argues that many of the fielded visits are a result of circumstances or actions outside of
8 the customer’s control. Therefore, to prevent charging customers higher fees for circumstances
9 out of their control, UCAN recommends setting a single SEC for all electric and gas customers at
10 \$5.85 per order, resulting in a 2016 SEC of \$2.556 and \$1.375 million for electric and gas
11 revenues, respectively.

12 Contrary to SDG&E’s proposal, UCAN’s recommendation is not completely in-line with
13 a “cost based” philosophy in establishing fees, such as the SEC. While SDG&E concurs that
14 customer circumstances are not always in their control, SDG&E still believes those customers
15 should pay a fee more in line with the actual “cost” of providing service establishment services.
16 This is accomplished by SDG&E’s proposal to bifurcate the fee structure charged for fielded and
17 non-fielded visits.

18 **IV. CONCLUSION**

19 To summarize, based on the above discussion and analysis, the Commission should
20 conclude that ORA’s forecasts for Electric and Gas Service Establishment Charges is flawed in
21 using historical trends that ignore the effects of the Smart Meter remote connection capabilities.
22 In developing my forecasts for these items, I used the most recent customer order projections
23 based on the decline in fielded orders which better reflects future expectations. UCAN also

1 supports taking into account the Smart Meter capabilities when forecasting SECs. Finally, while
2 I can agree that the UCAN proposal to establish a single SEC for all Electric and Gas customers
3 does have some merit, the Commission should consider a bifurcated fee for fielded and non-
4 fielded orders more in line with a “cost-based” philosophy.

5 This concludes my prepared rebuttal testimony.