In the Matter of the Application of San Diego Gas & Electric Company (U 902 E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.	Application 10-07-009 (Filed July 6, 2010)
Application of San Diego Gas & Electric Company (U 902 E) for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design	Application 19-03-002 (Filed March 4, 2019)

Application: 10-07-009/A.19-03-002
Exhibit No.: ________

CHAPTER 2

PREPARED REBUTTAL TESTIMONY OF

NEETU MALIK

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 4, 2020

SDGE

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PREPARED REBUTTAL TESTIMONY OF

NEETU MALIK

(CHAPTER 2)

I. INTRODUCTION AND PURPOSE

This testimony chapter (1) adopts San Diego Gas & Electric Company's ("SDG&E") prepared direct testimony of SDG&E witness Dr. Jesse B. Emge (Chapter 2) supporting revenue allocations[1] in its 2019 General Rate Case ("GRC") Phase 2 and (2) provides rebuttal testimony addressing issues raised by intervening parties. My rebuttal testimony reaffirms SDG&E's justification proposing updated revenue allocations for some of the Public Purpose Program ("PPP") rate components and proposes no updates to the current effective revenue allocations for the Distribution, Commodity, Competition Transition Charges ("CTC"), and Local Generation Charge ("LGC") rate components established by Decision ("D.") 17-08-030, except as needed to accommodate the addition of the Schools-only customer class. This rebuttal testimony chapter addresses the following testimony regarding revenue allocations from other parties:

- Utility Consumer's Network ("UCAN") by Mary Neal, dated April 6, 2020.
- The Federal Executive Agencies ("FEA") by Maurice Brubaker, dated April 6, 2020.

Failure to address any individual issue in this rebuttal testimony does not imply agreement by SDG&E with any proposal made by these or other parties.

[1] April 8, 2019, Direct Testimony of Jesse B. Emge.

A. UTILITY CONSUMERS ACTION NETWORK

UCAN served intervenor testimony on April 6, 2020.[2] The following is a summary of UCAN's positions regarding revenue allocation:

- UCAN states that SDG&E should not use revenue allocation fractions from the prior GRC Phase 2 to set rates in the future, because they are based on an old load forecast that is not representative of the current test year and do not reflect recent sales declines caused by increased customer adoption of behind-the-meter ("BTM") solar generation.[3]
- UCAN states that if SDG&E does not use a new marginal cost study to set new revenue allocation fractions in this or any future proceedings, SDG&E should use a system average percent change ("SAPC") method to set new rates. UCAN believes that SDG&E should also continue to use the SAPC method for all rate changes in between GRC Phase 2 proceedings.[4]

B. FEDERAL EXECUTIVE AGENCIES

FEA served testimony on April 6, 2020.[5] The following is a summary of FEA's position regarding revenue allocation:

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[2] April 6, 2020, Prepared Direct Testimony of Mary Neal on Behalf of The Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design.
[3] UCAN Direct Testimony, p. 3.
[4] *Id.,* p. 23.
[5] April 6, 2020, Direct Testimony and Schedules of Maurice Brubaker on behalf of the Federal Executive Agencies.

- FEA argues that SDG&E's revenue allocation proposal retains interclass cross-subsidies that are inappropriate, because it does not move towards cost of service.[6]

II. SDG&E'S PROPOSED CURRENT REVENUE ALLOCATIONS PROVIDE RATE STABILITY

The revenue allocations SDG&E has proposed in this application became effective on December 1, 2017, slightly over two years ago.[7] In SDG&E's 2016 GRC Phase 2 decision, D.17-08-030, the Commission adopted significant structural changes for all customer classes, including event periods for all dynamic pricing rates, updated seasonal definitions for all schedules, and new time-of-use periods for standard/default rate schedules. SDG&E believes that the revenue allocations approved in D.17-08-030 are still appropriate today and should be kept at current levels, in the best interest of SDG&E's customers.

In direct testimony, SDG&E proposed minimal revenue allocation changes for the purpose of rate stability. As stated in the direct and rebuttal testimony of SDG&E policy witness Jeff P. Stein (Chapter 1), SDG&E supports moving towards more cost-based rates, while recognizing the importance of balancing all of the Rate Design Principles ("RDP") stated in D.15-07-01.[8] SDG&E's proposal for limited updates to revenue allocations is intended to provide customers with greater rate stability, consistent with RDP 6.[9] Intervenors such as the California Farm Bureau Federation ("Farm Bureau") agree that

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[6] FEA Direct Testimony, p. 24.
[7] Advice Letter 3130-E, 3130-E-A, 3130-E-B, 3130-E-C, and 3130-E-D, approved July 5, 2018 and effective December 1, 2017.
[8] D.15-07-001, p. 27-28.
[9] *Id.,* p. 27, "Rates should be stable and understandable and provide customer choice."

SDG&E's proposal to maintain current revenue allocations during this GRC Phase 2 cycle is appropriate,[10] given that consumers are still adjusting to the recent revenue allocation and rate design changes adopted in the decision issued in SDG&E's 2016 GRC Phase 2 proceeding, D.17-08-030. Cal Advocates provided their own total revenue allocation proposal, which differed from SDG&E's revenue allocation proposal, on a class by class basis by only a few tenths of a percent in most cases,[11] suggesting that except for minor adjustments, SDG&E revenue allocation proposal was reasonable.

SDG&E disagrees with UCAN's position that revenue allocations adopted in the 2016 GRC Phase 2 should not be used because they are based on an old load forecast that does not reflect recent sales declines. It is important to note that the sales declines due to solar adoption (NEM) only impact the revenue allocation for commodity, it would not impact the allocations for distribution, transmission, LGC, and CTC. UCAN also notes that the SAPC method is currently used by Southern California Edison Company ("SCE"). This is correct, but SDG&E's customer makeup is different than of SCE's. SDG&E has significantly fewer large commercial and industrial ("C&I") customers than SCE, and proportionally SDG&E has significantly more residential net energy metering ("NEM") customers than any other large California investor-owned utility ("IOU"). NEM customers currently comprise 14% of SDG&E's residential customer class, and adoption continues to increase that number.

In theory, the SAPC method would provide rate stability to rates by applying the same rate increase or decrease to all customer classes, but it needs additional analysis

[10] April 6, 2020, Prepared Direct Testimony of Brandon Charles on Behalf of the California Farm Bureau Federation Concerning San Diego Gas and Electric Company's 2019 General Rate Case Phase 2 Application, p. 5.
[11] Cal Advocates Amended Prepared Testimony, Table 4-1 at 7.

specific to SDG&E's service territory and customers. SDG&E is proposing to maintain the current revenue allocations (except as to accommodate the proposed Schools class) for this proceeding. However, SDG&E is open to exploring the SAPC methodology in the next appropriate proceeding.

FEA argues that SDG&E does not attempt to move class revenues closer to cost of service and, in doing so, retains interclass cross-subsidies that are inappropriate.[12] SDG&E does not believe that its proposed revenue allocations are inappropriate or unreasonable. Current revenue allocations were part of SDG&E's 2016 GRC Phase 2 Revenue Allocation Settlement.[13] The settling parties included SDG&E and several intervening parties, including FEA and UCAN. The Commission ruled in D. 17-08-030 that the Revenue Allocation Settlement Agreement was reasonable, consistent with the law, and in the public interest, for reasons including the protection of all customer classes from disproportionate impact.[14] In order to provide rate stability, SDG&E is proposing to maintain the revenue allocations adopted in D.17-08-030 because SDG&E believes that its currently authorized revenue allocations continue to be appropriate and reasonable.

III. CONCLUSION

To summarize, SDG&E seeks to provide stable rates for its customers and believes that providing minimal revenue allocation updates will help customers adjust to current revenue allocation and rate design changes implemented in SDG&E's 2016 GRC Phase 2. SDG&E requests that the Commission reject UCAN's and FEA's proposals to modify revenue allocations in this proceeding, and that the Commission instead adopt SDG&E's

[12] FEA Direct Testimony, p. 24.
[13] A.15-04-012, Joint Motion to Adopt Revenue Allocation Settlement Agreement (filed November 4, 2016) adopted in D.17-08-030.
[14] D.17-08-030, p. 14.

proposal which Farm Bureau supports, and Cal Advocates only slightly modifies. SDG&E believes that the revenue allocations approved in D.17-08-030 are still appropriate today and should be kept at current levels, in the best interest of SDG&E's customers.

This concludes my prepared rebuttal testimony.