BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.	Application No. 22-05-015 (Filed May 16, 2022)
And Related Matter.	Application No. 22-05-016 (Filed May 16, 2022)

MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) FOR INTERIM RATE RELIEF AND EXPEDITED TREATMENT

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I. INTRODUCTION

In accordance with Rules 11.1(e) and 11.1(f) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), San Diego Gas and Electric Company (SDG&E) respectfully submits this Motion for Interim Rate Recovery (Motion) regarding the costs it seeks to recover in Track 2 of its 2024 General Rate Case (GRC) Proceeding, and expedited treatment. The Motion requests approval of interim rate recovery of 50% of SDG&E's electric Wildfire Mitigation Plan Memorandum Account (WMPMA) recorded balance of $376.5 million as of December 31, 2022, commencing January 1, 2024, on an annual basis until authorization of a final cost recovery mechanism. This would place approximately $193.8 million, including interest, into rates in 2024.

Interim rate recovery should be authorized here because it:

- *Saves* customers $15.6 million that could accumulate prior to authorization of a final recovery mechanism by reducing the undercollected WMPMA balance that continues to accumulate at high interest rates;
- Reduces the potential for rate shock by putting a portion of the costs requested for recovery in rates during a year that SDG&E currently projects a rate decrease,

rather than in 2025 when SDG&E's Test Year 2024 GRC decision will likely be incorporated in rates;

- Helps smooths rates by spreading recovery of a large undercollection over at least another year pending approval of a final recovery mechanism. Under an anticipated three-year amortization without interim relief, a typical bundled non-CARE residential customer would see a monthly bill increase of $13.28/month in 2025, whereas under interim relief, the same customer would see a bill increase of $6.10 in 2024.

- Benefits SDG&E in the form of reduced undercollections and improved cash flow while the Commission considers the reasonableness of SDG&E's proposals; and

- Does not pose any overcollection risk on customers, as any overcollection would be returned to customers with interest.

Granting this relief would also be consistent with Commission precedent, including Decision (D.) 23-06-004, where the Commission granted Pacific Gas and Electric Company (PG&E) interim rate recovery because "the risk to ratepayers of funding unreasonable costs [is] low and the benefits of cost savings high."[1] Given the ongoing high interest-rate environment, "fairness to both the utility and the public require[] immediate action" to avoid unnecessary interest costs being passed onto customers.[2]

II. SUMMARY OF SDG&E's TRACK 2 WILDFIRE MITIGATION COSTS

SDG&E's GRC Track 2 submission requests that the Commission find just and reasonable SDG&E's wildfire mitigation costs recorded to the company's Electric and Gas WMPMAs from May 30, 2019 through the end of 2022 and incremental to those previously approved in SDG&E's Test Year 2019 GRC, authorize recovery of the $372 million undercollected balance associated with those costs from 2019-2022, and authorize the revenue

[1] D.23-06-004 at 15.

[2] *TURN v. PUC*, 44 Cal.3d 870, 879 (1988).

requirement associated with SDG&E's WMPMA through SDG&E's Test Year (TY) 2028 General Rate Case (2023-2027), totaling $775 million.[3]

SDG&E's Track 2 request covers several years of costs because it includes the underlying undercollection that accumulated during SDG&E's 2019 General Rate Case cycle—during which much of California's recent wildfire legislation went into effect and SDG&E's WMP and updates were approved and implemented—in addition to the revenue requirement associated with the 2024 General Rate Case cycle. SDG&E's Track 2 submission and the testimony in support thoroughly establish that SDG&E's wildfire mitigation program, and the associated costs, are just and reasonable to protect public safety and should be fully authorized for recovery. But SDG&E also recognizes that authorization of its request and use of a traditional amortization period could have significant rate impacts for customers. To achieve the necessary balance between safety and affordability, and to promote the ongoing safe and resilient operation of SDG&E's electrical system, SDG&E thus requests that the Commission authorize interim rate recovery of SDG&E's 2019-2022 undercollected balance as part of a comprehensive Affordability Proposal.

A. The Reasonableness and Transparency of SDG&E's Wildfire Mitigation Costs Reduce the Risk to Ratepayers of Prematurely Funding Unreasonable Costs

As discussed in SDG&E's Track 2 submission and supporting testimony, SDG&E's safety-first culture is embedded in every aspect of the Company's work—particularly in its focus on wildfire safety. Wildfire mitigation has been at the core of SDG&E's focus since catastrophic

[3] *See* Direct Testimony of Craig Gentes, accompanying SDG&E's Track 2 submission, regarding the costs that SDG&E seeks recovery of in its Track 2 proceeding. Appendix 7 to Mr. Gentes' testimony shows the final calculation of SDG&E's WMPMA electric undercollection from May 30, 2019 through the end of 2022.

utility-related fires impacted its service territory in 2007. Following those tragic events, SDG&E has established itself as a recognized industry leader in wildfire mitigation through investments in, among other things, meteorology, situational awareness, emergency management, risk modeling, and grid hardening.

After catastrophic wildfires plagued California in 2017 and 2018, it became apparent that the risk of electrical-infrastructure related ignitions continued to pose a threat to the safety of communities and required significant additional investments in mitigation tools. Senate Bill (SB) 901, passed in 2018, and Assembly Bill (AB) 1054, passed in 2019 (together, the "Wildfire Legislation"), required the California electrical corporations to prepare Wildfire Mitigation Plans (WMP) covering three-year periods and annual WMP Updates.

Though the WMP process, SDG&E built upon the wildfire mitigation foundation it developed from 2007 through 2018, further hardening its system to protect against ignitions, developing a comprehensive approach to modeling and understanding wildfire risk throughout its system, enhancing emergency operations to support fire suppression and rapid ignition response, and mitigating the impacts of Public Safety Power Shutoffs (PSPS). These investments support SDG&E's widely recognized wildfire mitigation efforts[4] and are meant to reduce the risk of catastrophic wildfire in SDG&E's communities and protect public safety. SDG&E's WMP's

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[4] "Wildfires and Climate Change: California's Energy Future" Governor Newsom's Strike Force Report (Strike Force Report) (April 12, 2019) at 11 ("SDG&E engaged in a robust fire mitigation and safety program after experiencing devastating fires in its service territory in 2007 and has become a recognized leader in wildfire safety."); *see* "Final Report of the Commission on Catastrophic Wildfire Cost and Recovery" (June 17, 2019) at 7 ("[SDG&E] is widely recognized as a global leader on utility wildfire practices."); *see also* S&P Global Ratings, "How are California's Wildfire Risks Affecting Utilities' Credit Quality" (Jun. 3, 2021) at 10 (referring to SDG&E as a "global leader" in wildfire mitigation).

have received approval from the Commission's Wildfire Safety Division and its successor, the Office of Energy Infrastructure Safety (Energy Safety) every year since their inception.[5]

SDG&E's wildfire mitigation costs have likewise already received some level of stakeholder review through the WMP process, including SDG&E's WMP compliance reporting to the Office of Energy Infrastructure Safety and quarterly notifications to the Commission. SDG&E is required to provide forecasted costs associated with plan initiatives in its three-year WMP and annual updates, and those forecasts are incorporated into the WMP approvals. SDG&E also reports on the actual amounts spent on Plan initiatives in its Annual Report on Compliance.[6] SDG&E's annual WMP compliance, including initiative spending, is also separately assessed by the company's Independent Evaluator and ultimately, the Office of Energy Infrastructure Safety.[7] Failure to fund approved WMP initiatives, and to meet the targeted level of risk reduction described in SDG&E's WMP, can result in findings of noncompliance and referral to the Commission for penalties.[8]

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[5] D.19-05-039 (approving SDG&E's 2019 WMP Submission); Resolution WSD-005, Resolution Ratifying Action of the Wildfire Safety Division on San Diego Gas & Electric Company's 2020 Wildfire Mitigation Plan Pursuant to Public Utilities Code Section 8386, (June 11, 2020) (ratifying WSD's approval of SDG&E's 2020 WMP); Resolution WSD-019, Resolution Ratifying Action of the Wildfire Safety Division on San Diego Gas & Electric's 2021 Wildfire Mitigation Plan Update Pursuant to Public Utilities Code Section 8386. (July 20, 2021) (ratifying Energy Safety's approval of SDG&E's 2021 WMP); Resolution SPD-1, Resolution Ratifying Action of the Office of Energy Infrastructure Safety on San Diego Gas & Electric Company's 2022 Wildfire Mitigation Plan Update Pursuant to Public Utilities Code Section 8386 (August 25, 2022) (ratifying Energy Safety's approval of SDG&E's 2022 WMP), available at https://www.cpuc.ca.gov/industries-and-topics/wildfires/wildfire-related-resolutions.

[6] *See, e.g.*, SDG&E 2022 Wildfire Mitigation Plan, Annual Report on Compliance (April 3, 2023), Energy Safety Docket No. 2022-EC_ARC.

[7] Pub. Util. Code § 8386.3(c).

[8] *Id.* § 8386.3(c)(2)(B)(i).

B. SDG&E's Process for Recording Incremental Wildfire Mitigation Costs

Because the Legislature recognized that the implementation of the WMPs might not align with the utilities' existing revenue requirements as authorized in their General Rate Cases, the Wildfire Legislation provided for the creation of memorandum accounts to record incremental wildfire mitigation costs for subsequent reasonableness review and recovery.[9] These memorandum accounts facilitated SDG&E's efforts to rapidly assess and reduce wildfire and PSPS risk without implicating retroactive ratemaking. Absent these memorandum accounts, SDG&E could have been forced to wait out a full GRC cycle—which in SDG&E's case would have been almost five full years until its 2024 GRC—before commencing necessary wildfire mitigation work.

The Commission authorized SDG&E's WMPMA effective May 30, 2019. The WMPMA includes both previously authorized amounts (through SDG&E's TY 2019 GRC) and any incremental costs incurred by SDG&E to implement its WMP initiatives. The timing of SDG&E's GRC cycle and the statutorily prescribed mechanisms for review of incremental wildfire costs[10] necessarily resulted in a delay in the reasonableness review of those costs, and the accumulation of a large undercollected balance over that time.

The undercollected WMPMA balance described in SDG&E's Track 2 submission represents the accumulation of four years of wildfire mitigation costs (2019-2022), minus the amounts that were previously authorized in SDG&E's 2019 GRC. Additionally, because SDG&E submitted its TY 2024 GRC prior to the reasonableness review of its incremental

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9 California Public Utilities (Pub. Util.) Code § 8386.4.

10 Pub. Util. Code § 8386.4 provides that an electrical corporation may seek review and recovery of incremental wildfire mitigation costs in its General Rate Case, or alternatively through an application at the end of the period covered by the WMP, which in this case would be 2020-2022. Thus, either process would have resulted in review and recovery of costs occurring at about the same time.

wildfire investments, SDG&E is also requesting that the Commission review and authorize the revenue requirement (*i.e.*, capital costs) associated with the capital investments recorded in the WMPMA for another five years, until they can be incorporated into SDG&E's Test Year 2028 General Rate Case cycle.[11]

SDG&E's accounting processes, as described further in SDG&E's Track 2 submission, use appropriate controls to ensure the isolation of incremental costs. Additionally, to facilitate an independent review and opinion regarding the incrementality of the costs SDG&E requests to recover, SDG&E retained Ernst & Young (E&Y) to perform an independent analysis of all costs recorded to the WMPMA. Importantly, E&Y concluded that, of SDG&E's $2.2 billion in wildfire mitigation capital expenditures and operations and maintenance (O&M) costs incurred from 2019-2022, all but $0.8 million (extrapolated to $2.6 million) was appropriately characterized as reasonable and incremental. SDG&E has removed the costs identified by E&Y for exclusion, totaling the $0.8 million, from its Track 2 request. In addition to these adjustments identified by E&Y, SDG&E also identified additional electric O&M costs of $1.4 million for removal.

III. PROPOSAL FOR INTERIM RATE RECOVERY

The initiatives described in SDG&E's Track 2 submission reflect risk reduction efforts that protect the safety of SDG&E's community, employees, and environment, and will serve to do so for decades to come. As thoroughly described in SDG&E's Track 2 submission, SDG&E's wildfire mitigation strategy is risk informed, efficient, and driven by an ever-increasing supply of

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[11] SDG&E's request for the revenue requirement associated with these incremental balances is consistent with the proposed and alternate proposed decisions in PG&E's GRC. *See* Application (A.) 21-06-021, *Alternate Proposed* Decision on Test Year General Rate Case for PG&E (September 13, 2023) at 773-774.

data and information. Because SDG&E balances safety and affordability by targeting wildfire mitigation work to the highest risk areas, its investments provide the best value for customers. Yet SDG&E recognizes that the wildfire mitigation investments requested in this submission, while necessary, pose a significant cost that necessitate additional measures to support affordability. This is particularly true given the unprecedented circumstances that gave rise to this unusual undercollection.

To promote affordability while allowing SDG&E to recover the costs it has already incurred to reduce the risk of wildfire, this Motion requests approval of interim rate recovery of 50% of SDG&E's electric WMPMA recorded balance as of December 31, 2022, commencing January 1, 2024, on an annual basis until authorization of a final cost recovery mechanism. Interim rate recovery should be authorized immediately to reduce the ratepayer impacts of ongoing high interest rates and the potential for rate shock. Any amounts recovered through interim rate recovery will be subject to refund with interest if a final decision on this Track 2 submission authorizes an amount less than what has already been collected. For 2024, SDG&E estimates the amount subject to interim rate recovery would be about $193.8 million, including interest.

If a final cost recovery mechanism is not in place by January 2025, either because SDG&E has submitted an Application for a financing order (further discussed below) or because the Commission has not issued a final decision authorizing recovery of Track 2 costs, SDG&E proposes to continue recovery of 50% of the remaining 2022 WMPMA balance (approximately $96.1 million) in 2025, again subject to refund with interest, until approval and implementation of a final cost recovery mechanism.

In sum, SDG&E seeks to recover in rates 50 percent of the 2022 recorded wildfire mitigation electric expenses of $376.5[12] million that are incremental to those authorized for recovery in SDG&E's 2019 GRC in 2024, and 50 percent of the remaining balance in each subsequent year until a final cost recovery mechanism is approved in rates.[13] SDG&E does not anticipate that the interim recovery mechanism would be in place for more than two years, so it is likely that no more than 75% of the 2019-2022 electric undercollection would be recovered through interim rates.

Assuming Commission authorization of SDG&E's Track 2 Affordability Proposal, constituting recovery of SDG&E's electric WMPMA revenue requirement through a combination of interim relief and securitization, as further described in the Direct Testimony of Valerie Bille, interim relief would function as follows:

Table 1: Interim Relief with Securitization

Year	2022 Electric WMPMA Recorded Balance (in millions)	Interim Rate Relief Percentage	Interim Rate Relief Revenue Requirement[14]
2024	$376.5	50%	$193.8
2025	$193.8	50%	$96.1

[12] Excluding franchise fees and uncollectibles (FF&U) and interest.

[13] SDG&E anticipates approval of a final cost recovery mechanism no later than the end of 2025, assuming a final decision on the reasonableness of costs by the end of 2024, and approval of a financing order by the end of 2025 with implementation of the fixed charge in rates likely starting in 2026.

[14] Electric amounts only, excluding FF&U. SDG&E is not requesting interim relief for the amounts accrued in its gas-specific accounts. Interim Rate Relief revenue requirement includes forecasted interest.

When including forecasted financing (3-month commercial paper rate interest) costs to those balances, the proposed interim relief recovery electric revenue requirements would be $193.8 million in 2024 and $96.1 million in 2025.[15] The balances would be recovered through SDG&E's distribution rates in accordance with its current allocation methodology of System Average Percent Change (SAPC), approved in its GRC Phase 2 proceedings[16] and will be recovered from both bundled and departing load customers.[17] Following authorization of a fixed recovery charge pursuant to Public Utilities Code Section 850.1, SDG&E would then begin collection of the securitized amount in 2026.

SDG&E proposes to collect the interim relief revenue over a 12-month period commencing January 1, 2024 and concluding on December 31, 2024. SDG&E acknowledges that its proposed schedule reflects expedited consideration of its request for relief. But the sooner that the Commission authorizes interim rate recovery of these balances, the sooner customers begin saving on interest costs. Understanding that the Commission may require additional time to consider SDG&E's proposal, if a decision on interim relief is approved after January 1, 2024, SDG&E respectfully requests the flexibility to potentially shorten the amortization period so that the revenue requirement would continue to roll off December 31, 2024.[18] This would allow SDG&E to better manage ratepayer impacts based on timing of implementation.

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15 *See* Direct Testimony of Valerie Bille, accompanying SDG&E's Track 2 submission.

16 SDG&E's Test Year 2024 GRC Phase 2 Application is currently pending before the Commission (A.23-01-008); As such, SDG&E's most recent Distribution allocation methodology was approved in its Test Year 2019 GRC Phase 2 decision, D.21-07-010.

17 Bundled customers refer to customers who receive their electric generation from SDG&E. Departed load customers refer to customers who receive their electric generation from another Energy Service Provider (ESP) such as Direct Access or a Community Choice Aggregator.

18 For example, if a decision were issued in January 2024 and implemented in electric rates in March 2024, SDG&E could choose whether to amortize the balance over 10-months instead of 12-months.

IV. THE COMMISSION HAS THE LEGAL AUTHORITY TO GRANT INTERIM RELIEF HERE

The Commission has the authority to grant rate increases prior to a final Commission determination of reasonableness, and there is sufficient precedent and justification for it to do so here.[19] "In *TURN v. PUC*, the California Supreme Court held that the Commission could set interim rates as long as the rate is subject to refund and sufficiently justified."[20] In that case, the Court recognized that interim rate recovery was appropriate when "fairness to both the utility and the public required immediate action."[21]

In decisions considering interim relief, the Commission has set forth relevant factors for consideration, including fairness to both the utility and public,[22] reducing the potential for rate shock,[23] minimizing costs to customers,[24] equity between current and future ratepayers,[25] preserving the financial integrity of a utility,[26] and smoothing rate impacts on customers.[27] Any one of those factors may be sufficient to grant interim relief.[28] Even if the Commission limits its review of past precedent to treatment of rate recovery specific to wildfire-related costs,[29] it

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19 D.23-06-004 at 28, Conclusion of Law (CoL) 2.

20 *Id.* (citing *TURN*, 44 Cal.3d 870).

21 *TURN v. PUC*, 44 Cal.3d 870, 879 (1988).

22 D.02-07-031 at 13-14; D.20-10-026 at 24.

23 D.16-08-003 at 9.

24 D.20-10-026 at 24; D.88-05-074 at 30.

25 D.20-10-026 at 26; *see also TURN*, 44 Cal.3d at 877 (recognizing that, without interim relief, there is a risk that current ratepayers will receive a "windfall, shifting the burden to those future ratepayers" who will have to make up for the undercollection).

26 D.22-05-001.

27 D.20-10-026 at 25-26 (citations omitted); *accord* D.23-06-004 at 10 (citations omitted).

28 D.20-10-026 at 26.

29 *See id.* at COL 1.

remains true that any factor may be sufficient to support interim cost recovery, because "[t]he evaluation of each need for interim cost recovery must be considered on a case by case basis."[30]

Interim relief has been a recent tool used by the Commission to assist in rate recovery of undercollections related to wildfire mitigation efforts. In the wildfire mitigation context, the Commission has recognized that "interim cost recovery is consistent with the statutory direction to promptly fund reasonably incurred costs to mitigate wildfires."[31] The Commission has cited "the statutory direction to expedite wildfire mitigation cost" recovery to support approval of interim rate relief.[32]

In D.23-06-004, the Commission granted PG&E $1.104 billion in interim rate relief for recorded costs in its Wildfire Mitigation Balancing and related accounts. The Commission found that granting interim relief would save customers up to $30 million in direct interest costs, due to the significant growth in interest rates.[33] In noting that the "deciding factor" in the decision to approve interim rate recovery was "cost savings,"[34] the Commission continued that "direct and indirect cost savings to ratepayers and in turn to the utility" justified interim rate relief.[35]

Similarly in D.20-10-026, the Commission found interim recovery "'warranted to promote fairness, minimize costs to ratepayers, and promote rate stability.'[36] While, in that decision, PG&E's then financial condition was also a significant factor in considering interim relief, the impact of PG&E's credit situation on customers—in the form of additional indirect

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30 D.23-06-004 at 23

31 *Id.* at 24 (citing Pub. Util. Code §§ 454.9 and 8386.4).

32 *Id.* at 23.

33 *Id.* at 27, Finding of Fact 4; *see id.* at 2.

34 *Id.* at 23-24.

35 *Id.* at 28, CoL 5.

36 D.20-10-026 at 26 (quoting D.19-04-039 at 6).

costs to customers—and the fact that PG&E "ratepayers will pay less over the next five years and are likely to pay less for a significantly longer period" led to the Commission concluding that interim recovery "minimize[d] costs to ratepayers."[37] Thus, while any of the factors identified alone may merit interim rate recovery, in the wildfire mitigation context, the Commission routinely looks to the customer savings afforded by interim relief in assessing the merits of a utility's request. This is consistent with the Commission's concerns regarding affordability.[38]

V. SDG&E'S REQUEST FOR INTERIM RATE RECOVERY IS IN THE BEST INTEREST OF ITS CUSTOMERS AND AFFORDABILITY

As explained below, consistent with the Commission's recent decision granting PG&E interim relief, interim rate recovery is appropriate here because it will save SDG&E's customers over $15 million dollars and reduces bill volatility for customers, alleviating the potential for rate shock.

A. Interim Rate Relief Will Benefit Customers Directly

As in D.23-06-004, due to increasing interest rates, the "direct and indirect cost savings to ratepayers" alone justifies interim relief in this instance.[39] SDG&E's interim relief proposal will save customers approximately $15.6 million compared to waiting until a final decision on SDG&E's Track 2 request to amortize the full amount of the costs for three years beginning in

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37 D.20-10-026 at 27.

38 D.23-06-004 at 17.

39 D.23-06-004 at 28, CoL 5; *accord id.* at 23-24 (finding the deciding factor being the cost savings to customers); *see generally* D.20-10-026 at 26 (any of the factors considered by the Commission is sufficient to justify interim relief).

2025.[40] The WMPMA accrues interest at the 90-day commercial paper rate, which is currently over five percent. Because that account continues to accumulate interest at these high rates, SDG&E's interim relief proposal reduces overall costs by reducing the undercollected WMPMA balance on a faster pace and reducing the amount subject to interest.[41]

Table 2: Proposed Electric Revenue Requirement (in thousands)[42]

Scenario	2024	2025	2026	2027	Total
3-Year Amortization	$0	$423,700	$412,369	$401,096	$1,237,166
Interim Relief plus 3-Year Amortization	$193,807	$353,513	$342,742	$331,476	$1,221,538

B. Interim Rate Relief with Securitization Helps Smooth Rates and Alleviates the Potential for Rate Shock

Interim relief also reduces rate shock and helps "smooth customer rates," helping "avoid the significant increases and subsequent decreases that are associated with the approval of costs tracked in accounts like these."[43] Further, authorizing interim rate recovery beginning in 2024 avoids the potential for compounding simultaneous rate increases that could result in substantial rate shock.

Interim relief allows SDG&E to begin recovery of a portion of SDG&E's 2022 WMPMA recorded balance in rates in 2024—before SDG&E's Test Year 2024 GRC decision is anticipated to go into rates beginning in 2025. Without interim relief, a typical non-CARE

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40 *See* D.23-06-004 at 23 ("The deciding factor in this instant decision, cost savings, would not materialize if the Commission were to reduce the amount and/or extend the time period over which the costs are collected.").

41 *See* Direct Testimony of Valerie Bille at 6, accompanying SDG&E's Track 2 submission.

42 Excludes FF&U; includes forecasted interest.

43 D.20-10-026 at 26.

residential electric customer would have a $13.28 rate increase in 2025 with a three-year amortization. Similarly, a typical CARE residential electric customer would face a $8.56 bill increase without interim relief. These increases also do not account for the fact that any rate increase associated with SDG&E's GRC Track 1 decision will likely also go into effect that same year.

Table 3: Typical Non-CARE Residential Electric Monthly Bill Impact ($/Month)

Scenario	2024	2025	2026	2027
Traditional 3-Year Amortization	$0	$13.28	$12.93	$12.58
3-Year Amortization with Interim Relief	$6.10	$11.12	$10.78	$10.42
10-Year Securitization with Interim Relief in 2024-2025[44]	$6.10	$3.02	$2.71	$2.71

Table 4: Typical CARE Residential Electric Monthly Bill Impact ($/Month)

Scenario	2024	2025	2026	2027
Traditional 3-Year Amortization	$0	$8.56	$8.33	$8.10
3-Year Amortization with Interim Relief	$3.96	$7.23	$7.01	$6.77
10-Year Securitization with Interim Relief in 2024-2025[45]	$3.96	$1.97	$0	$0

Interim relief thus helps alleviate rate shock. It spreads rate recovery out over a longer period—even longer than the three-year amortization that SDG&E anticipates as a "traditional rate recovery" scenario. As demonstrated in the tables above, this alone smooths rates. Interim

[44] The rate impact shown in year 2027 would continue through 2035.

[45] Under securitization, CARE customers would be exempt from paying the non-bypassable charge.

recovery would reduce the forecasted 2025 bill impact by over two dollars for a typical non-CARE residential customer, reducing the 2025 bill increase to $11.12, and over a dollar for a typical CARE residential customer, reducing the impact to $7.23.

The Commission should also use interim rate recovery to take advantage of a situation where, in 2024, SDG&E is currently forecasting decreasing revenue requirements for January 1, 2024, rates in key proceedings that make up 57% of SDG&E's current system revenue requirements. SDG&E's GRC revenue requirements make up 43% of SDG&E's current system revenue requirements and are not changing in 2024 based on the current procedural schedule.

Table 5 – Preliminary January 1, 2024 Forecasts of Key Proceedings

		System Avg Rate Change on 1/1/24	
Description	**Proceeding**	**Delivery Rates**	**Total Bundled Rates**
2024 ERRA and Sales Forecast[46]	A.23-05-013	-2.8%	-4.7%
2024 PPP	AL 4291-E	-6.2%	-3.1%
2024 TO5 Cycle 6	July Informational Posting[47]	-4.7%	-2.3%
TY2024 GRC	A.22-05-016	N/A – Pending Decision	

If SDG&E's interim relief recovery proposal is adopted and implemented on January 1, 2024, SDG&E still forecasts an overall decrease to its system average delivery and total bundled rates for its customers on January 1, 2024. If interim rate recovery continues into 2025, a smaller amount would be recovered on an interim basis (still subject to interest), with a still lesser impact at the same time SDG&E's Test Year 2024 General Rate Case should go into effect. SDG&E's interim relief proposal thus smooths out rates to minimize bill volatility for customers. It would offer more stability to customers to see one rate change including this interim relief proposal

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46 Delivery rate impacts include average PCIA impacts.

47 *See* Pending TO5 Cycle 6 Informational Posting on SDG&E's website: https://www.sdge.com/rates-and-regulations/tariff-information/ferc-tariffs. System average rate impacts based on revenue requirement change in posting and current authorized sales.

with a minimal overall change than to see potentially back-to-back rate changes with dramatic swings (*i.e.*, a decrease followed by an increase).

SDG&E's Affordability Proposal as a whole, consisting of interim rate recovery and securitization of the remaining revenue requirement, would even further smooth out rate impacts to promote affordability.[48]

And interim relief promotes the intergenerational-equity ratemaking principle of allocating costs to those customers that most benefited from the services underlying those costs. As the Commission found in D.20-10-026, "as the bulk of the costs at issue were incurred in 2018 and 2019 and some of the proceedings to consider them will take another 12-18 months to resolve, there is a level of interim relief that will improve intergenerational equity."[49] The fact that the SDG&E's WMPMA undercollection as of December 31, 2022 is significantly comprised of O&M costs underscores the benefit of placing a portion of these expenses into rates in 2024. Such a decision would also be consistent with the Commission's findings in D.23-06-004 that the statutory directive to expedite wildfire mitigation expeditiously augured in favor of granting interim relief.[50] As the Commission concluded there "[d]elaying or denying interim cost recovery is not a reasonable solution to assist disadvantage customers."[51] Instead, as noted, interim relief here will save *all* customers money.

SDG&E's instant request is also distinct from its prior Application for Interim Rate Recovery, where in D.22-05-001, the Commission found that SDG&E's request for interim relief

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[48] *See* Direct Testimony of Valerie Bille, accompanying SDG&E's Track 2 submission, for more details on SDG&E's securitization proposal.

[49] D.20-10-026 at 26.

[50] D.23-06-004 at 22-23.

[51] *Id.* at 22.

did not sufficiently support rate stability and avoid rate shock given SDG&E's upcoming GRC proceeding and the unlikely impacts to SDG&E's credit position. There are several changed circumstances from that request. First, SDG&E sought to recover 50% of its incremental wildfire mitigation costs going forward until SDG&E applied for and received final recovery of its WMPMA undercollection, which at the time was based on forecasts. SDG&E now seeks recovery of actual recorded costs that have already been incurred, which allows far more transparency and predicable rate impacts.

Second, and most important, the significant increase in interest rates since 2021 is directly impacting customer costs. At the time of D.22-05-001, interest rates—and thus the borrowing costs being passed on to customers—were at historic lows. Now, rising interest rates could continue to climb while the Commission considers SDG&E's Track 2 request, adversely impacting customers. For instance, SDG&E anticipates that granting its original interim rate recovery request could have saved customers $7.3 million in interest payments. The Commission should authorize interim rate recovery here to avoid additional unnecessary interest impacts on customers.

C. Granting 50% of the Recorded Balances, Subject to Refund, for Interim Rate Recovery is Consistent with Commission Precedent, Supports SDG&E's Cash Flow, and Does Not Pose a Risk to Customers

SDG&E's proposal to recover 50% of the 2022 recorded wildfire mitigation electric expenses in 2024 and 50 percent of the remaining balance in each subsequent year until a final cost recovery mechanism is approved in rates is also consistent with the Commission's precedent regarding the amount of interim recovery it will put in rates, subject to refund.[52] As noted, the

[52] SDG&E anticipates approval of a final cost recovery mechanism no later than the end of 2025, assuming a final decision on the reasonableness of costs by the end of 2024, and approval of a

Commission recently supported 85% interim rate recovery for PG&E in D.23-06-004. The Commission likewise approved the same amount for interim recovery for PG&E in D.20-10-026. By only proposing recovery of 50 percent of SDG&E's WMPMA balance in 2024, SDG&E mitigates against the possibility that ratepayers will pay more than what is ultimately authorized as just and reasonable.

Interim rate recovery also benefits SDG&E in the form of reduced undercollections and improved cash flow while the Commission considers the reasonableness of SDG&E's proposals. While SDG&E acknowledges that it is not in a credit position comparable to PG&E, commencing interim recovery of the large WMPMA undercollection affords SDG&E a more advantageous cash position, which has direct and indirect benefits for SDG&E and its customers.[53] Credit ratings agencies consider the timely recovery of costs a priority area when evaluating utility credit ratings.[54]

Finally, SDG&E's proposal does not impose any overcollection risk on customers. The amount subject to interim rate recovery is known and quantifiable at the time of SDG&E's Motion. Assuming interim rate recovery continues for two years, through 2024 and 2025, SDG&E will recover 75% of the 2022 undercollected balance of approximately $376.5 million. This 75% is still less than prior interim rate recovery proposals that have received Commission approval. Additionally, the costs subject to interim rate recovery relate to initiatives that have

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financing order by the end of 2025 with implementation of the fixed charge in rates likely starting in 2026.

53 *See TURN*, 44 Cal.3d at 876 (Commission can consider '"the importance of cash flow to [the utility] in the process of . . . a final determination'" regarding rates).

54 *See, e.g.*, Moody's *Q4 2022 Credit Ratings* (revising its outlook for the utility sector to negative from stable and indicating that one factor that could change that outlook would be quicker cash flow recovery for utilities), *available at* https://www.eei.org/-/media/Project/EEI/Documents/Issues-and-Policy/Finance-And-Tax/QFU_Credit/2022_Q4_Credit_Ratings.pdf?la=en&hash=1B9711941E0BFBF0B3D04DDAF12C.

been vetted by stakeholders, approved by Energy Safety, and ratified by the Commission. While the costs of those programs are now subject to review, it is reasonable to expect recovery of at least 75% of SDG&E's incremental WMP spending. Although SDG&E's costs are reasonably sought for activities that the legislature and Commission required SDG&E to perform and/or were approved in SDG&E's WMP and updates, if the Commission ultimately decides that some portion of these costs were not reasonable, those amounts will be returned to customers with interest.

VI. CONCLUSION

SDG&E requests the Commission approve its Interim Rate Relief proposal to recover in rates 50 percent of its WMPMA recorded wildfire mitigation electric expenses as of December 31, 2022 that are incremental to those authorized for recovery in SDG&E's 2019 GRC in 2024, and 50 percent of the remaining balance in each subsequent year until a final cost recovery mechanism is approved in rates. This proposal will save customers over $15 million and smooth out rate impacts.

SDG&E respectfully requests the following expedited schedule for Commission consideration of this interim rate relief request. SDG&E understands that this is an accelerated schedule. This requested schedule is consistent with the CPUC Rules of Practice and Procedure Rule 11.1(e) and Rule 11.1(f). SDG&E requests that a draft decision be issued in order allow SDG&E to implement the interim relief as of January 1, 2024. SDG&E has modeled this schedule on the Commission's current ERRA schedule to allow interim relief into rates by January 1, 2024, to maximize benefits to ratepayers.[55]

[55] As discussed, in the event that SDG&E's expedited schedule is not adopted, SDG&E respectfully requests a decision for implementation in rates no later than March 1, 2024.

Activity	**Proposed Date**
Interim Rate Relief Motion Filed	October 27, 2023
Responses to Motion	November 6, 2023
Reply to Responses	November 9, 2023
Final Decision or Ruling	December 14, 2023 CPUC Business Meeting
IRR Effective in Rates	January 1, 2024

Respectfully submitted this 27th day of October, 2023.

Respectfully submitted,

/s/ Laura M. Fulton

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DECLARATION OF RACHELLE R. BAEZ IN SUPPORT OF THE MOTION OF SAN DIEGO GAS AND ELECTRIC COMPANY (U 902 M) FOR INTERIM RATE RELIEF

1. I, Rachelle R. Baez, make this declaration to support SDG&E's Motion for Interim Rate Relief requested in the above-referenced submission (referred herein as the Track 2 submission). The statements in this declaration are true and correct to the best of my knowledge.

2. I am the Electric Rates Manager for San Diego Gas and Electric Company (SDG&E, the Company or the Utility).

I. BACKGROUND

3. On October 27, 2023, SDG&E filed its Track 2 submission seeking recovery of costs recorded to its Wildfire Mitigation Plan Memorandum Account (WMPMA) submitted for reasonableness review. SDG&E's seeks review of incremental operations and maintenance (O&M) costs totaling $284 million and capital expenditures totaling $1,188 million, recorded in SDG&E's Electric and Gas Wildfire Mitigation Plan Memorandum Accounts (WMPMAs) from May 2019 through the end of 2022 and not previously approved in the 2019 General Rate Case (GRC), authorization to recover the undercollected balance associated with those costs from 2019-2022, totaling $372 million, and authorization to collect the revenue requirement associated with SDG&E's WMPMA through SDG&E's Test Year (TY) 2028 General Rate Case (2023-2027), totaling $775 million. Further details regarding these amounts are addressed in SDG&E's Track 2 submission and supporting testimony.

4. Concurrent with the Track 2 submission, SDG&E also submitted a Motion for Interim Rate Relief requesting approval for interim rate recovery of 50% of the WMPMA

recorded wildfire mitigation electric expenses as of December 31, 2022 that are incremental to those authorized for recovery in SDG&E's 2019 GRC in 2024, and 50 percent of the remaining balance in each subsequent year until a final cost recovery mechanism is approved in rates.[56]

5. SDG&E proposes to collect the interim revenue over a 12-month period commencing January 1, 2024 and concluding on December 31, 2024. Any interim revenues would be subject to refund, with interest, to the extent that the Commission's final decision on the Track 2 submission approves a lower recovery than authorized through interim rates.

6. Should a decision be issued after January 1, 2024, SDG&E respectfully requests the flexibility to have the option to shorten the amortization period so that the revenue requirement would continue to roll off December 31, 2024. This flexibility is desired to allow SDG&E to manage ratepayer impacts based on the timing of implementation. For example, if a decision were issued in January 2024 and implemented in electric rates in March 2024, SDG&E could choose whether to amortize the balance over 10-months instead of 12-months.

7. SDG&E proposes to recover the balance through distribution rates in accordance with its current allocation methodology of System Average Percent Change (SAPC), approved in its GRC Phase 2 proceedings, from both bundled and departing load customers.

[56] SDG&E anticipates approval of a final cost recovery mechanism no later than the end of 2025, assuming a final decision on the reasonableness of costs by the end of 2024, and approval of a financing order by the end of 2025 with implementation of the fixed charge in rates likely starting in 2026.

II. SDG&E's PROCESS CONTROLS

8. SDG&E took appropriate steps to record the costs to the WMPMA, both electric and gas subaccounts at issue in the Track 2 submission, consistent with the approved preliminary statement, Commission decision and Public Utilities code Section 8386.4(a), as modified by Assembly Bill 1054.

9. SDG&E differentiates and tracks the costs charged into the WMPMAs using cost centers, budget codes, and internal orders in its financial accounting system, SAP, to properly track and record all relevant expense and capital expenditures. Each cost center, budget code and internal is assigned to a responsible person to ensure cost ownership and transparency.

10. To ensure only incremental balances are being requested, SDG&E also records revenues authorized by the Commission in SDG&E's 2019 General Rate Case. The WMPMA balances are calculated by subtracting the actual costs from the authorized revenues. SDG&E excluded FERC-jurisdictional costs from its recovery request in the Submission.

11. SDG&E's finance organization and operational lines of business establish controls to ensure costs are booked to the correct cost centers, budget codes and internal orders. These controls include detailed cost accounting instructions to the appropriate lines of business and analysis of recorded costs in comparison to budget through monthly spending reports. Through regular and rigorous reconciliation processes costs may be identified that do not belong in a certain program and are adjusted out of the account. The procedures and cost monitoring activities are designed to ensure that costs associated with specific activities that are tracked in memorandum or balancing accounts for which SDG&E seeks cost recovery in a separate application are not co-mingled with the costs that are funded by the General Rate Case or other regulatory proceedings. If the incremental amounts being requested are due to an overrun of a two-way balancing account, then the distinct cost center, budget code or

internal order would include costs originally adopted in the balancing account, but the cost recovery request only includes the amounts above that original adopted amount.

12. As part of the financial closing process, a monthly review of the expenditures is performed by SDG&E's respective departments, including the accountable program managers and the finance organization. This monthly review, as well as account reconciliations and Sarbanes-Oxley controls testing, are conducted to ensure the appropriateness of the charges to a given cost center, budget code or internal order.

13. Prior to the formal filing of an application for cost reasonableness, SDG&E further scrutinizes and adjusts the costs recorded in the memorandum and balancing accounts. This examination looks for any costs improperly booked to these accounts and also adjusts the cost recovery request to take into account all applicable Commission decisions and accounting orders.

14. Ernst & Young (E&Y) completed a review to evaluate that costs were appropriately booked to the WMPMAs and were incurred for activities incremental to those contemplated by rates authorized in SDG&E's 2019 GRC. E&Y performed analytics across each population of cost category and developed specific testing procedures tailored to each category of cost based on its unique nature and associated risks. In addition to detailed transaction testing, E&Y held multiple discussions internally, across the organization with the Finance, Regulatory, and Line of Business Departments, to review and validate the costs. The combination of analytical procedures, statistical sampling, and transaction testing is designed to provide adequate coverage across all cost categories within the scope of the account. In addition to the analytical procedures and transaction testing, E&Y also considered the incrementality of the costs included in the WMPMA compared to the last approved 2019 GRC and other rate recovery mechanisms. E&Y, based on their analysis, found no evidence of systemic errors or omissions that would raise questions relating to management's

conclusions that costs were: 1) incurred for the activities set forth in the corresponding relevant CPUC approved Account; 2) accurately recorded; and 3) recorded in only one account. E&Y identified items totaling approximately $0.8 million (extrapolated to $2.6 million) that were not properly evidenced for inclusion in the WMPMA. SDG&E has removed these costs identified by E&Y as transmission related and other items identified for exclusion, totaling the $0.8 million, from this request. In internal reviews to prepare this submission addition to the adjustments identified by E&Y, SDG&E also identified additional electric O&M costs of $1.4 million through reviews. These costs have also that have been removed from the costs being requested SDG&E's request.

III. CUSTOMER BENEFITS FROM INTERIM RATE RECOVERY

1. The customer benefit from interim relief comes in two main forms: savings in direct interest costs and smoothing rates for customers and alleviating the potential for rate shock.

2. Customers will see a direct cost benefit resulting from interim rate recovery by reducing financing costs that would otherwise be paid for in customer rates associated with memorandum account undercollections. In accordance with SDG&E's Commission-approved balancing and memorandum account tariffs, this interest (financing) rate is set at the 90-day commercial paper rate, as reported by the Federal Reserve. Those rates have increased substantially over the last year as inflation has spiked to the highest levels in 40 years, with the 90-day commercial paper rate set at 5.34% as of September 2023. For every $100 million of undercollection recorded in the WMPMA, the monthly interest expense for customers is just under $450,000 today.

3. If the Commission grants SDG&E's interim relief request commencing January 1, 2024, direct customer rate savings will be approximately $15.6 million in

reduced interest costs compared to recovery commencing in 2025 after a final decision (assuming it is timely) is received in this proceeding. If a final decision is not issued to be put in rates by January 1, 2025, the direct customer savings would be even more substantial under an interim relief approach.

4. In July 2021, SDG&E filed an application to establish an interim relief mechanism for wildfire mitigation expenditures. If SDG&E had received a favorable decision in the request for interim relief, ratepayers would have saved approximately $7.4 million through December 2023.

5. Interim rate recovery implemented on January 1, 2024 would further benefit customers by smoothing rates and alleviating the potential for rate shock and bill volatility by recovering a portion of SDG&E 2022 WMPMA recorded balance in 2024—before SDG&E's Track 2 GRC decisions would (presumably) go into rates beginning in 2025 and before SDG&E's GRC Track 1 decision will likely also go into rates that same year.

6. Interim rate recovery would also offer more stability to customers to see one rate change with a minimal overall change than to see potentially back-to-back rate changes with dramatic swings (i.e., a decrease followed by an increase). SDG&E is forecasting decreasing revenue requirements for January 1, 2024 rates in key proceedings that make up 57% of SDG&E's current system revenue requirements. SDG&E's GRC revenue requirements make up 43% of SDG&E's current system revenue requirements and are not changing on January 1, 2024 based on the current procedural schedule.

7. If SDG&E's Interim Relief Recovery proposal is adopted and implemented on January 1, 2024, SDG&E still forecasts an overall decrease to its system average

delivery and total bundled rates for its customers on January 1, 2024. If a decision on this Motion is delayed beyond SDG&E's proposed schedule, SDG&E's customers are likely to see greater volatility in rates and bills in a short period of time.

8. SDG&E's interim rate relief proposal to recover 50% of the 2022 recorded wildfire mitigation electric expenses in 2024 and 50 percent of the remaining balance in each subsequent year until a final cost recovery mechanism is approved in rates is less than requested in prior Commission decisions granting interim relief.

9. Interim relief will support SDG&E's cash flows.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on October 27, 2023, at San Diego, California.

/s/ Rachelle R. Baez
Rachelle R. Baez