Application No.: A.24-05-010
Exhibit No.: SDGE-11
Witness: Sheri Miller

# PREPARED REBUTTAL TESTIMONY OF

# SHERI MILLER

# ON BEHALF OF

# SAN DIEGO GAS & ELECTRIC COMPANY

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

**September 9, 2024**

**TABLE OF CONTENTS**

**PREPARED REBUTTAL TESTIMONY OF**
**SHERI MILLER**
**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

## I. INTRODUCTION

The purpose of my rebuttal testimony is to address the August 19, 2024, Prepared Direct Testimony of Carlo Bencomo-Jasso on behalf of San Diego Community Power and Clean Energy Alliance (collectively the "Joint CCAs") in San Diego Gas and Electric Company's ("SDG&E") Application for Approval of its 2025 Electric Procurement Revenue Requirement Forecasts, 2025 Electric Sales Forecast, and GHG Related Forecasts ("Application"). More specifically, my rebuttal testimony addresses the following areas raised in Mr. Bencomo-Jasso's testimony:

- Recommendations that SDG&E should allocate its Procurement Operations and Maintenance ("O&M") costs across various procurement accounting categories by gross revenue requirement.
- Recommendations that SDG&E should include in its forecast a market value for Renewable Energy Certificates ("RECs") that represents all RECs necessary to comply with its forecasted renewable portfolio standard ("RPS") requirement for 2025.

In addition, since the prehearing conference, SDG&E has received inquiries regarding how the recently adopted "slice of day" ("SOD") framework for calculation 2025 Resource Adequacy ("RA") compliance set forth in D.24-06-004 (issued on June 20, 2024) impacts SDG&E's forecast, in particular the 2025 Power Charge Indifference Adjustment ("PCIA") forecasted revenue requirement. Section III below addresses this issue.

SDG&E's failure to address any particular intervenor testimony or individual issue in this rebuttal testimony does not imply agreement by SDG&E with any argument, position or proposal asserted by the intervenors.

## II. SDG&E'S RESPONSE TO RECOMMENDATIONS MADE BY THE JOINT CCAS

### A. The Commission Should Adopt SDG&E's Proposal to Assign the Cost of its Procurement Department to Non-Vintaged Subaccounts

SDG&E appreciates the Joint CCAs' acknowledgement that the Commission should re-evaluate the allocation of SDG&E's Procurement O&M and appreciates the alternative approach offered by Mr. Bencomo-Jasso, which is that instead of placing Procurement O&M costs in the non-vintaged PABA subaccount as SDG&E proposes, that Procurement O&M costs be spread among all procurement-related balancing accounts and across PCIA vintages.[1]

SDG&E has carefully reviewed the Joint CCAs' proposal and understands Mr. Bencomo-Jasso's concerns regarding unbundled customers not wanting to pay for costs that they do not benefit from. However, unbundled customers are served both directly and indirectly from more of SDG&E's procurement activity than is mentioned in his testimony, and because of the many ways that Procurement supports departed load customers, SDG&E's proposed methodology is appropriate and the most equitable distribution of costs. For example:

- The Procurement Back Office group provides monthly settlement invoicing and annual true-up for RECs and RA sold to CCA/DAs, and manages the sales account receivables; provides ERRA Forecast and Compliance testimony for PCIA and the related balancing accounts; tracks RECs sold to CCA/DAs, and

[1] Bencomo-Jasso Testimony at pp. 10-17.

transfers the RECs to those counterparties in WREGIS; administers the related sales contracts; and calculates the market value that is credited to PABA monthly.

- The Back Office CAISO Validation sub-group determines the monthly CAISO revenues that are booked as actuals in PABA and affect PCIA expense; and provides monthly volumes that are included in the PCIA volumes data request sent to CCAs.
- The Procurement Front Office group manages the day-to-day operations of the RA sales to CCAs under the Modified CAM directive, provides direct communication with CCA operations, and manages substitution for resources that are on outage.
- SDG&E serves as the Provider of Last Resort ("POLR") for SDG&E's territory in case of an LSE failure.
- The Procurement Origination group executes RFOs to sell excess RA which is then available to CCAs; negotiate and sign contracts for additional resources that were mandated by the Commission in order to support California in times of extreme weather and to maintain reliability, thereby providing stability to California's grid, which supports all customers by preventing grid outages; and by creating the contracts for PCIA VAMO and other agreements with CCAs.

SDG&E acknowledges that at a granular or minute level not every single activity in SDG&E's Procurement group benefits CCA customers directly. However, the same is true of bundled customers in that not every single aspect of the activities listed above directly benefit bundled customers. There are however indirect benefits to both bundled and unbundled customers.

Because SDG&E Procurement does provide support to all customers, allocating procurement O&M cost across SDG&E's total electric commodity revenue requirement as Mr. Bencomo-Jasso's testimony proposes is not reasonable, inherently flawed, and would disproportionately impact bundled customers, because the amount of balancing account revenue requirement (ERRA, PABA, and NGBA) does not correspond to the administrative effort required for each account. In addition, the revenue requirements are significantly impacted by gas and electric prices, and because of this are subject to year-over-year volatility, which is not in step with SDG&E's relatively stable O&M costs. In times of rising electric load costs, this method shifts the O&M costs to bundled customers unfairly. In addition, due to the nature of costs and revenues netting within PABA, it is possible for individual PABA vintage revenue requirements to be negative, while ERRA revenue requirements will always be a charge because of electric load costs not being netted against any CAISO revenues within ERRA. In the Joint CCAs' proposed methodology this would shift O&M expense from unbundled to bundled customers. In contrast, SDG&E's proposal to base the allocation on forecasted electric usage will more accurately reflect the current forecasted proportion of bundled and unbundled customers and equitably recover these costs.

In addition, in analyzing the data in Table 1 of Mr. Bencomo-Jasso's proposal, it is apparent that it allocates the O&M cost to bundled customers in far greater proportion than the current bundled customer consumption, which in July 2024 was estimated at 20.8%.[2] While it may appear that bundled customers are not being allocated costs within the PABA based on the Joint CCAs' Table 1, because PCIA rates are cumulative, the Joint CCAs' proposal results in bundled customers paying significantly more than SDG&E's proposal. For example, the Joint

---

2 Bencomo-Jasso Testimony, p. 15.

CCAs' proposal to allocate 30.2% of costs to PABA Vintage 2009 does not result in Vintage 2009 paying 30.2% of O&M costs. Instead, all customers who departed since 2009 *and bundled customers* pay for this 30.2%. As seen in Tables 1 and 2 below, the Joint CCAs' methodology would result in bundled customers paying a disproportionate and inequitable percent of these costs. For these reasons, an allocation based on customer volumes as reflected in the PCIA rates is the most durable method to recover the Procurement O&M costs, and an equitable way to update the prior methodology which spread the cost only to the PCIA UOG resource vintages. As such, the Commission should adopt SDG&E's proposal to allocate Procurement O&M costs.

**Table 1 – Comparison of Joint CCA and SDG&E Proposed Methodologies to Recover Procurement O&M Costs**

| Balancing Account | Subaccount | CCA Proposed* | CCA Proposed Actual Mechanics | SDG&E Proposed Actual Mechanics |
|---|---|---|---|---|
| ERRA | ERRA | 19.7% | 19.7% | 0.0% |
| LGBA | CAM | 17.5% | 17.5% | 0.0% |
| PABA | CTC | 0.2% | 0.0% | 0.0% |
| PABA | Non-Vintage | 0.6% | 0.0% | 0.0% |
| PABA | UOG Legacy | 0.1% | 0.1% | 14.9% |
| PABA | Vin 2002 | 0.0% | 0.0% | 0.0% |
| PABA | Vin 2003 | 0.0% | 0.0% | 0.0% |
| PABA | Vin 2004 | 10.5% | 0.0% | 0.0% |
| PABA | Vin 2005 | 1.5% | 0.0% | 0.0% |
| PABA | Vin 2006 | 2.0% | 0.0% | 0.0% |
| PABA | Vin 2007 | 13.4% | 0.0% | 0.0% |
| PABA | Vin 2008 | 0.6% | 0.0% | 0.0% |
| PABA | Vin 2009 | 1.9% | 0.3% | 0.9% |
| PABA | Vin 2010 | 5.9% | 0.6% | 1.3% |
| PABA | Vin 2011 | 11.4% | 0.4% | 0.8% |
| PABA | Vin 2012 | 2.6% | 0.0% | 0.0% |
| PABA | Vin 2013 | 0.1% | 0.0% | 0.0% |
| PABA | Vin 2014 | 0.1% | 0.0% | 0.0% |
| PABA | Vin 2015 | 0.1% | 0.4% | 0.7% |
| PABA | Vin 2016 | 0.0% | 0.0% | 0.0% |
| PABA | Vin 2017 | 0.4% | 0.6% | 1.0% |
| PABA | Vin 2018 | 0.0% | 0.5% | 0.8% |

| Balancing Account | Subaccount | CCA Proposed* | CCA Proposed Actual Mechanics | SDG&E Proposed Actual Mechanics |
|---|---|---|---|---|
| PABA | Vin 2019 | 1.5% | 0.2% | 0.4% |
| PABA | Vin 2020 | 0.0% | 14.0% | 22.2% |
| PABA | Vin 2021 | 9.8% | 14.4% | 18.0% |
| PABA | Vin 2022 | 0.0% | 9.2% | 11.5% |
| PABA | Vin 2023 | 0.0% | 4.0% | 5.0% |
| PABA | Vin 2024 | 0.0% | 1.1% | 1.4% |
| PABA | Vin 2025 | 0.0% | 16.9% | 21.2% |

*Includes allocation to non-vintaged vintage, which was excluded from the CCAs' allocation although there is a revenue requirement for this vintage.

**Table 2 – Customer Cost Recovery Under Joint CCA and SDG&E Proposals to Recover Procurement O&M Costs**

| Proposed Methodology | Bundled Customer Cost Recovery |
|---|---|
| SDG&E | 21.2% |
| CCA | 40.4% |

### B. SDG&E Agrees in Part with the Joint CCAs' Recommendations on the Quantity and Value of Retained RECs

The Joint CCAs pointed out that the amount of retail sales in SDG&E's testimony is higher than the amount of retained RPS included for the market value of RECs forecasted in ERRA. Their recommendation is that SDG&E increase the number of forecasted retained RECs to match the forecasted retail sales volumes. They further recommend that to bridge the difference, SDG&E should use banked RECs from 2019 or later to cover any shortfall in meeting its 2025 annual RPS compliance target for bundled customers.[3] The Joint CCAs further argue that the directive in D.22-11-021 to value unsold RECs at zero does not supersede the directive in D.19-10-001 (Attachment B) to define forecasted retained RECs as the quantity the IOU needs for compliance for that year. In addition, the Joint CCAs assert that the market value of the retained RECs must reflect the RPS requirement and be included in rates for the year of

[3] Bencomo-Jasso Testimony, pp. 17-23.

generation being forecasted, even though RECs and final CAISO volumes generally have a time lag that may preclude recording the final actual amounts in 2025 business.

While the specific PCIA forecasting and accounting requirements are somewhat unclear on these points due to several different directives in the PCIA, VAMO, and RPS programs and ERRA decisions being applicable, SDG&E does find the Joint CCAs' recommendation to calculate the REC market value based on SDG&E's RPS requirement to be a reasonable interpretation of the Commission's issued guidance. Therefore, in its October Update filing, SDG&E will increase the amount of retained RECs to match its 2025 RPS requirement of 46.67% of its forecasted retail sales, unless directed to do otherwise by the Commission.

However, there are two additional subtopics that SDG&E would like to address here. First, in its May forecast, there is a small amount of forecasted 2025 RECs that were neither allocated nor sold. In the filed May forecast, SDG&E followed the guidance in D.22-11-021 and valued them at zero. SDG&E will change this in its October Update in keeping with the Commission's emphasis in D.20-02-047 on RPS compliance quantities and will retain these RECs -- valued at the forecasted 2025 REC benchmark, rather than value them at zero -- since it is planning on needing to use its REC bank.

The second subtopic concerns the valuation of SDG&E's 2019 banked RECs. SDG&E agrees with the Joint CCAs' recommendation for SDG&E to use its REC bank beginning with RECs generated in 2019. During 2019, SDG&E's PABA received market value credits at the final 2019 benchmark of $16.44/MWh for all RECs that were not sold, and ERRA received the corresponding expense. These amounts were recorded in the balancing accounts as part of SDG&E's monthly accounting close process. The reason that these RECs were retained at the benchmark rather than being marked as unsold is that SDG&E did not conduct any solicitations to sell 2019 RECs after the current PCIA methodology was implemented as of January 1, 2019.

Since the RECs that were retained were not offered for sale after D.18-10-019 was adopted ordering the PCIA implementation, they were not classified as 'unsold', and therefore were not valued at zero.

Since bundled customers have already paid $16.44/REC for the 2019 banked RECs, SDG&E will make an additional entry to its balancing accounts to true-up the market value in ERRA, unless instructed to do otherwise by the Commission. SDG&E will include the necessary banked RECs in its 2025 forecast by adding credits to PABA and expense to ERRA for the difference in price between the final 2019 and forecasted 2025 REC market price benchmarks. Specifically, the number of additional RECs that are calculated in the October Update will be multiplied by the forecast 2025 REC MPB (that will be received from Energy Division in October), less the final 2019 REC MPB of $16.44, and the resulting amount will be included in the ERRA and PABA revenue requirements. By following this methodology, SDG&E will be in compliance with D.19-10-001, which states "if previously unsold RPS is used by the IOU for compliance in a future year, it should be valued at the applicable future year's RPS Adder."[4] SDG&E notes that the forecasted 2025 RPS generation volumes may be revised in the October Update filing to reflect updated market conditions, and therefore SDG&E is not including an estimate of the additional market value in this rebuttal testimony.

## III. ISSUES REGARDING SOD FRAMEWORK IMPLEMENTATION

On June 20, 2024 (following the filing of this application), the Commission issued D.24-06-004 which established the SOD framework for calculating 2025 RA compliance.[5] Upon initial review of the decision, and its mandate for immediate implementation of the SOD

[4] D.19-10-001, p. 30.

[5] D.24-06-004, OP 2.

framework, SDG&E understood this to include implementation of the SOD framework as it relates to the 2025 revenue requirements forecasted in the 2025 ERRA forecast proceeding. Indeed, SDG&E understands that Southern California Edison Company ("SCE") has submitted a proposal for implementing the SOD framework into the ERRA forecast proceeding via supplemental testimony submitted on August 16, 2024 in its 2025 ERRA forecast proceeding.[6]

However, SDG&E also understands that parties, including the CCAs in both SDG&E and SCE's territory, are opposed to any efforts by the utilities to implement the SOD framework in the ERRA forecast proceeding. For example, in briefing regarding the scope of this proceeding, the Joint CCAs argued that: "… revisions to the RA MPB calculation under the slice-of-day construct would constitute a major deviation in the current PCIA framework. Therefore, this policymaking proposal is equally inappropriate for inclusion in SDG&E's ERRA Forecast proceeding and would cause similar burdens to the parties in attempting to litigate thoroughly in an approximately two-week span."[7] Similarly, in response to SCE's supplemental testimony, California Community Choice Association requested that the Commission "defer consideration of SCE's SOD RA proposal to a later rulemaking because that proposal neither complies with the authorized PCIA methodology nor provides a comprehensive framework addressing the RA quantity and price a utility should use to value its capacity portfolio in a post-SOD implementation world."[8]

---

6 A.24-05-007 (SCE's 2025 ERRA Forecast Proceeding).

7 A.24-05-010 *Brief of San Diego Community Power and Clean Energy Alliance Regarding Scoping Issues in SDG&E's 2025 ERRA Forecast Proceeding* (July 26, 2024), p. 13.

8 A.24-05-007 *Prepared Testimony of Brian Dickman on Behalf of The California Community Choice Association in Southern California Edison Company's 2025 ERRA Forecast Proceeding PUBLIC* (Sept. 3, 2024) at p. 2.

In light of the divergent views on how and where the parties should address SOD implementation issues that impact the ERRA forecast proceeding, and to avoid unnecessary litigation, SDG&E will not attempt to tackle these issues regarding SOD implementation in this year's ERRA forecast proceeding. Rather, SDG&E respectfully requests that the Commission provide guidance to the utilities regarding when and in what forum it would like the utilities to address these issues. SDG&E is not opposed to the Commission initiating a separate and consolidated proceeding or rulemaking to address these issues.

## IV. CONCLUSION

This concludes my prepared rebuttal testimony.

## V. QUALIFICATIONS

My name is Sheri Miller. My business address is 8315 Century Park Court, San Diego, CA 92123. I am employed by SDG&E as a Principal Settlement Advisor in the Settlements & Systems group in the Energy Supply organization. My responsibilities include writing and reviewing ERRA witness testimony and advising on regulatory and legislative matters that impact SDG&E's energy and gas procurement settlements and cost recovery processes.

I joined SDG&E in October 2000, and since that time, I have held various positions at SDG&E including Senior Accountant, Principal Accountant, and Settlements Manager. I have experience with many aspects of SDG&E's accounting processes, including approving the gas and electric commodity invoices and overseeing the reporting processes.

I received a Bachelor of Science degree in Accounting and a Masters of Business Administration from National University. I am also a Certified Public Accountant licensed in the state of California.

I have previously testified before the California Public Utilities Commission.