

Application: A.17-09-005
Exhibit No.: SDG&E-08
Witness: Todd Cahill

**PREPARED REBUTTAL TESTIMONY OF
TODD CAHILL
CHAPTER 8
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

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

May 23, 2018



TABLE OF CONTENTS

I. OVERVIEW AND PURPOSE.....1

II. THE RATE RELIEF PROVIDED BY THE EMP IS NOT AN ECONOMIC DEVELOPMENT RATE AND SHOULD BE APPROVED AS FILED.....1

 A. The District’s current circumstance was brought about by regulatory requirements, which SDG&E’s Assembly Bill 628 Application addresses1

 B. AB 628 is the appropriate standard of review and a Contribution to Margin analysis should not apply4

III. SDG&E’S APPLICATION SHOULD BE APPROVED FOR A FIVE-YEAR PERIOD AND REVIEWED AT THE CONCLUSION OF FIVE YEARS6

IV. SUMMARY AND CONCLUSION7

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

**PREPARED REBUTTAL TESTIMONY OF
TODD CAHILL
CHAPTER 8**

I. OVERVIEW AND PURPOSE

The purpose of my rebuttal testimony is to respond to the prepared direct testimony submitted by intervening parties in San Diego Gas & Electric Company’s (“SDG&E’s”) Application for Authority to Implement Rate Relief and Increase Spend in Support of the San Diego Unified Port District’s Energy Management Plan (“A.”) 17-09-005 (“Application”). In my rebuttal testimony, I will address and dispute the recommendation from the intervening parties, the Office of Ratepayer Advocates (“ORA”) and the Utility Consumers Action Network (“UCAN”), that SDG&E’s rate relief proposal be rejected.

My rebuttal testimony is organized as follows:

- **Section II** – The rate relief provided by the Port District of San Diego’s (“District”) Energy Management Plan (“EMP”) is not an Economic Development Rate and should be approved as filed.
- **Section III** – SDG&E’s application should be approved for a five-year period and reviewed at the conclusion of five years.

II. THE RATE RELIEF PROVIDED BY THE EMP IS NOT AN ECONOMIC DEVELOPMENT RATE AND SHOULD BE APPROVED AS FILED

A. The District’s current circumstance was brought about by regulatory requirements, which SDG&E’s Assembly Bill 628 Application addresses

California Assembly Bill 628 (“AB 628”)¹ recognizes the need for California harbor and port districts to reduce energy costs and air pollution emissions in their operations. Approved by Governor Brown on October 11, 2013, AB 628 authorizes ports such as the

¹ Assembly Bill 628, Stats. 2013, Ch. 741.

1 District to partner with their local utility and jointly prepare and implement EMPs to
2 accomplish their goals.² As such, SDG&E and the District initiated an EMP on August 22,
3 2017.³ The EMP provides a comprehensive roadmap for the District and its various
4 stakeholders, especially the disadvantaged communities of National City and Chula Vista, to
5 achieve significant reductions in greenhouse gas (“GHG”) emissions and increase energy
6 efficiency.⁴ The EMP focuses on five main areas in support of the District’s Climate Action
7 Plan (“CAP”): Energy Efficiency, Advanced Technologies, Clean Generation, Clean
8 Transportation and Electric Rates.

9 As noted above, one piece of the EMP relates to electric rates. In 2010, the District
10 installed a shore power system at its cruise ship berths, pursuant to regulations developed by
11 the California Air Resources Board (“CARB”) to reduce GHG emissions of docked cruise
12 ships.⁵ At the time of installation of the shore-based power system, the seasonality of cruise
13 ship visits permitted the District to take service under SDG&E’s Schedule A (now Schedule
14 TOU-A), a small commercial rate that does not include demand charges. Subsequently,
15 pursuant to Decision (“D.”) 17-08-030, SDG&E amended the applicability of its standard
16 small commercial rates such that any commercial customer whose demand exceeds 200kW

² See, Cal. Pub. Res. Code Section 25990(a).

³ See Application (“A.”)17-09-005, Appendix G, San Diego Unified Port District Energy Management Plan.

⁴ Disadvantaged communities as ranked in the top 25% of disadvantaged communities by the California Environmental Protection Agency (CalEPA). See, Cal/EPA, *CalEnviroScreen 3.0* (January 2017), available at <https://oehha.ca.gov/media/downloads/calenviroscreen/report/ces3report.pdf>.

⁵ California Air Resources Board Final Regulation Order, *Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port*, available at: <https://www.arb.ca.gov/ports/shorepower/finalregulation.pdf>. The regulations apply to cruise ships that call at a specific California port five or more times per calendar year.

1 in two out of twelve consecutive months is no longer eligible for service on the rate.⁶ Thus,
2 the District became constrained by conflicting regulations. On the one hand, the District's
3 cruise ship terminal is required by CARB regulations to "plug in" its cruise ships. Uniquely
4 situated compared to other ports in California, the District has one meter at its cruise ship
5 terminal that receives all cruise ship load. Therefore, in complying with CARB regulations,
6 the District found itself unable to remain on its current electric rate upon the Commission's
7 approval of small commercial rate applicability changes in D.17-08-030. Essentially,
8 barring rate mitigation as requested herein, complying with both CARB and CPUC
9 regulations would result in astronomical electric rate increases for cruise ships visiting the
10 District.

11 As a result, SDG&E requested interim rate relief from the Commission to allow the
12 District's cruise ship terminal account to remain on the small commercial rate until a longer-
13 term solution could be implemented.⁷ In approving SDG&E's request, the Commission
14 found that the high demand charges and cost uncertainty that would otherwise be
15 experienced on the cruise ship account are "contrary to AB 628's goal of greater stability
16 and certainty in the cost of energy services for ports."⁸ Furthermore, the Commission
17 acknowledged that cruise ship visits "are an important aspect of the San Diego economy"
18 and that the District should not face "such significant negative bill impacts that may affect
19 the continued operation of the Port and docking of cruise ships."⁹ The Commission also

⁶ AL 3226-E, filed May 17, 2018.

⁷ AL 2896-E, filed May 13, 2016 and effective August 10, 2017.

⁸ Res. E-4812 (August 10, 2017) at 4.

⁹ *Id.* at 5.

1 recognized that SDG&E cannot allow cross subsidization to occur indefinitely.¹⁰ In sum,
2 the District was thrust into an untenable situation by having to comply with CARB and
3 having to now take service on a medium/large commercial rate.

4 **B. AB 628 is the appropriate standard of review and a Contribution to**
5 **Margin analysis should not apply**

6 In their prepared direct testimony, both ORA and UCAN recommend that SDG&E's
7 rate relief plan for the District's cruise ship terminal be denied or significantly curtailed.
8 While UCAN focuses its testimony on the shore power rate discount proposal, ORA
9 recommends rejection of SDG&E's rate proposal, as well as SDG&E's incremental Energy
10 Efficiency proposal and Enhanced Partnership Program ("EPP"). In particular, ORA
11 incorrectly assumes that SDG&E's rate discount proposal is an Economic Development
12 Rate ("EDR"). Under this assumption, ORA maintains that under any rate relief scenario,
13 the District must contribute a positive Contribution to Margin ("CTM"). ORA's sole
14 justification for considering SDG&E's proposal an EDR is simply that "like EDRs, it is
15 intended to retain business in the San Diego region."¹¹

16 ORA's conclusion that SDG&E's application is simply an EDR is a flawed leap in
17 logic and an early-adopted assumption in their testimony that fails to account for SDG&E's
18 Application as a whole. SDG&E did not file an EDR application for the District's cruise
19 ship terminal. A CTM analysis is not required, should not be required, and has no relevance
20 in this Application. Furthermore, as stated in the rebuttal testimonies of District witnesses,
21 ORA exhibits a lack of understanding of the cruise ship industry as it attempts to justify a

¹⁰ *Id.*

¹¹ Direct Testimony of ORA ("ORA Testimony") (Danforth) at 1-6:7-8.

1 CTM analysis. As stated in their testimony, ORA argues that a CTM for the District's
2 cruise ship rate must provide a positive CTM because:

3 To do otherwise could set a harmful precedent, especially if the rate is
4 granted to a single account of a single customer that has many
5 accounts with SDG&E. Other customers that think the rate changes
6 will impact their businesses will be incentivized to individually ask
7 for similar rate discounts.... Notably, this problem could be avoided if
8 the Shore Power Rate were considered an EDR because customers
9 would have to demonstrate that, but for the discounted rate, they
10 would not retain, expand, or locate their load in California.¹²

11 ORA directly applies EDR standards to SDG&E's proposal but such analysis is not
12 relevant. An EDR is not appropriate in this circumstance. The District is not comparable to
13 a commercial customer considering operations in a new location outside the state. The
14 District is an integral part of the San Diego economy. Moreover, ORA fails to recognize the
15 uniqueness of the District's cruise ship terminal, comprised of a single customer account,
16 dedicated solely to the shore powering of cruise ships, where supplemental load through the
17 shore powering of commercial vessels or other means is severely limited. Adopting
18 SDG&E's proposal does not set a precedent. No other customer in SDG&E's service
19 territory has the same physical limitations, regulatory requirements, or specialized maritime
20 tourism activity as the District's cruise ship terminal. No customer besides the District has
21 been required to follow CARB regulations to improve air quality while simultaneously
22 experiencing a re-classification of its electric account, which would result in a more than
23 400% increase to their electric bill.

24 Importantly, the impact of the District's rate is not a result of increasing rates, as
25 ORA alludes, but is a result of strict compliance with CARB and Commission regulations.

¹² ORA Testimony (Danforth) at 1-7:9-16.

1 ORA simply fails to recognize the uniqueness of the District’s cruise ship terminal, and the
2 impact of such a drastic rate increase (ORA and UCAN’s alternative rates do not provide an
3 adequate alternative for the District).

4 **III. SDG&E’S APPLICATION SHOULD BE APPROVED FOR A FIVE-YEAR**
5 **PERIOD AND REVIEWED AT THE CONCLUSION OF FIVE YEARS**

6 In addition to opposition to SDG&E’s proposed rate, both ORA and UCAN express
7 concern around whether there exists any incentive on the part of the District to accomplish
8 energy savings, especially in light of the need to manage demand at the cruise ship terminal
9 and manage costs long-term. UCAN notes that “SDG&E’s rate proposal ... provides zero
10 incentive to make the necessary efforts and investments to reduce the District’s cost of
11 service.”¹³ Similarly, ORA, in justification of their own rate proposal, states that “there is
12 no guarantee that SDG&E and the District would not request an extension of this rate at the
13 end of the five-year period.”¹⁴

14 While a valid concern, both ORA and UCAN fail to recognize the value of the EMP
15 itself. Both SDG&E and the District are committed to resolving the issue of extending the
16 rate indefinitely. In 2016, SDG&E hired Rocky Mountain Institute (“RMI”) to identify
17 possible solutions for the District by researching methods of managing peak demand used at
18 other ports around the world. RMI considered solar distributed generation, energy storage,
19 shore power capacity expansion, liquefied natural gas barges, and fuel cells powered by
20 water electrolysis as possible means of reducing the District demand charges. The
21 conclusion of RMI’s findings was that none of these solutions was immediately feasible or

¹³ Direct Testimony of UCAN at 19:9-11.

¹⁴ ORA Testimony (Danforth) at 1-13.

1 viable within the time frame by which the cruise ship terminal would be subject to
2 SDG&E's M/L Commercial rate.¹⁵

3 For example, in A.17-05-009, SDG&E proposed a mobile battery for the District.
4 This proposal, if approved, will provide funding for a mobile battery system at the District's
5 cruise ship terminal during the peak cruise ship season and in other applications at other
6 locations during the non-peak season.¹⁶ This project is not yet deployed, has not been
7 approved, and cannot currently help the District's cruise ship terminal to mitigate demand.
8 However, it is expected that, once approved, such a project will be implemented within the
9 next five years.

10 A five-year period for the cruise ship rate is necessary to allow SDG&E to partner
11 collaboratively with the District and explore mitigation opportunities, while also executing
12 on all aspects of the EMP. The five-year period will allow a level of rate certainty for the
13 District and its cruise ship terminal that will permit expansion and incentivize growth to help
14 mitigate demand. Should an extension be necessary, SDG&E should have the opportunity,
15 along with the District, to file for and seek approval for such an extension. Nevertheless,
16 any uncertainty surrounding the question of what will happen in five years should not
17 obscure the fact that without SDG&E's proposed shore power rate, the District's cruise ship
18 terminal will face sudden and severe rate shock in 2019.

19 **IV. SUMMARY AND CONCLUSION**

20 The EMP developed by SDG&E and the District is intended to provide a
21 comprehensive energy roadmap for the District and its various stakeholders. The

¹⁵ See A.17-09-005, Appendix I, Rocky Mountain Institute Workshop Report

¹⁶ SDG&E Application for Approval of Electric Program Investment Charge Triennial Plan for Years 2018-2020, A.17-09-005, at 6.

1 Application in support of the EMP is to be taken as a whole, and requests approval of a rate
2 adjustment to be applied to the District's cruise ship terminal account's monthly bills as a
3 just and reasonable method of managing the District's shore power charges and associated
4 rate uncertainty resulting from CPUC and CARB requirements. A limited term of five years
5 is appropriate.

6 This concludes my prepared rebuttal testimony.