

Application: A.17-09-005
Exhibit No.: SDG&E-11
Witness: Cynthia Fang

PREPARED REBUTTAL TESTIMONY OF
CYNTHIA FANG
CHAPTER 11
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 23, 2018



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**PREPARED DIRECT TESTIMONY OF
CYNTHIA FANG
CHAPTER 11**

4 **I. OVERVIEW AND PURPOSE**

5 The purpose of my rebuttal testimony is to respond to the prepared direct testimony
6 submitted by intervening parties in San Diego Gas & Electric Company’s (“SDG&E”)
7 Application for Authority to Implement Rate Relief and Increase Spend in Support of the
8 San Diego Unified Port District’s Energy Management Plan (Application (“A.”) 17-09-005).
9 Specifically, I will respond to the portion of direct testimony related to the proposed Electric
10 Shore Power Rate Discount (“Discount”) for the San Diego Unified Port District (“District”)
11 Cruise Ship Terminal account, the Contribution to Margin (“CTM”) analysis, and cost
12 recovery.

13 I will address the recommendations and concerns presented by the following parties:

- 14 • Office of Ratepayer Advocates (“ORA”)
15 • Utility Consumers’ Action Network (“UCAN”)

16 My rebuttal testimony is organized as follows:

- 17 • Section II – Positive CTM Limit to the Discount Does Not Apply Here
18 • Section III – Alternative Rate Options
19 • Section IV – Cost Recovery

20 **II. POSITIVE CTM LIMIT TO THE DISCOUNT DOES NOT APPLY HERE**

21 ORA argues that SDG&E’s proposed Discount should be regarded as an Economic
22 Development Rate (“EDR”), and “... a CTM analysis should be performed, because like

1 EDRs, it is intended to retain business in the San Diego region.”¹ As described in the
2 prepared rebuttal testimony of SDG&E witness Todd Cahill, SDG&E’s proposed Discount
3 is not an EDR proposal and as such the California Public Utilities Commission
4 (“Commission”) should determine that the metrics that apply to an EDR rate do not apply
5 here. The goal of an EDR tariff is to retain or to stimulate new or expanded load and
6 employment opportunities within an investor owned utility’s (“IOU’s”) service territory.²
7 SDG&E’s Discount proposal seeks to provide an option for the District’s Cruise Ship
8 Terminal to provide shore power to docked cruise ships instead of the ships’ diesel engines
9 per California Air Resources Board (“CARB”) regulations intended to reduce greenhouse
10 gas (“GHG”) emissions from ships while docked.³ Finding 2 of Commission Resolution E-
11 4812 recognizes that “[p]roviding shore-based power to docked cruise ships rather than
12 power generated from the ships’ diesel engines lowers GHG and other harmful emissions
13 and is in accordance with California Air Resources Board regulations.” In insisting on the
14 requirement of a positive CTM, ORA fails to recognize the difference between an EDR and
15 the SDG&E’s proposed Discount to address the unique situation facing the District.

16 CTM is “the difference between the average rate paid by a customer and the
17 marginal cost of serving that customer.”⁴ Price points set at or above marginal costs result
18 in “positive” CTM. Price points set below marginal costs result in “negative” CTM.⁵ The
19 goal of an EDR is to provide a limited discount to certain customers to retain load or to

¹ Prepared Direct Testimony of ORA (“ORA Testimony”) (Danfort) at 1-6:6-7 (footnote omitted).

² Decision (“D.”) 13-10-019 at 2.

³ Resolution E-4812 (Aug. 10, 2017) at 2.

⁴ D.96-08-025 at 5.

⁵ D.13-10-019 at 3, fn. 1.

1 stimulate new or expanded load and employment opportunities within an IOU’s service
2 territory. Therefore, the Commission requires that such EDRs be set at a price point that
3 maintains a positive CTM, among other measures, to protect non-participating ratepayers
4 from rate impacts by ensuring an upper limit to the discount allowed for the customer
5 receiving an EDR rate. The Commission recognized in D.13-10-019, a decision authorizing
6 Pacific Gas & Electric Company to offer EDR tariff options, that “recognition of the indirect
7 benefits of the increased employment opportunities that the program is designed to create”⁶
8 is reasonable when considering the margin of discount allowed.

9 Unlike an EDR, the indirect benefits earned by granting the Discount for the District
10 requested in this Application are far broader and warrant consideration, as already
11 recognized by the Commission in Finding 2 of Resolution E-4812⁷ and Assembly Bill 628.⁸

12 Moreover, at this time, any payment from the District for service for its cruise ship
13 terminal account results in some contribution towards costs. Even one dollar of payment
14 from the District reduces the burden on ratepayers that would otherwise occur if service
15 were to be eliminated at the District’s Cruise Ship Terminal. As discussed further in the
16 rebuttal testimony of SDG&E witness Todd Cahill, failure to approve SDG&E’s proposed
17 Discount cannot result in a change in location as presumed under an EDR; rather, the
18 District’s Cruise Ship Terminal must remain in place, but will serve fewer cruise ships. In
19 that event, SDG&E would be collecting less revenues to pay for fixed costs incurred to

⁶ *Id.* at 9.

⁷ Resolution E-4812 (Aug. 10, 2017) at 7.

⁸ Assembly Bill 628, Stats. 2013, Ch. 741.

1 service the District’s Cruise Ship Terminal, which would increase the revenue burden on
2 other ratepayers.

3 UCAN also proposes “[a]ny discount that is offered should be applicable only for
4 existing load at the terminal so that the discount could not be used to attract new load”⁹ to
5 ensure the proposed Discount does not attract business from other ports in California.

6 SDG&E’s proposed Shore Power Rate Discount is applicable only to the District’s current
7 Cruise Ship Terminal.

8 **III. ALTERNATIVE RATE OPTIONS**

9 UCAN proposes to place the District’s Cruise Ship Terminal account on Schedule
10 DG-R.¹⁰ UCAN acknowledges that the District does not meet the eligibility requirements of
11 Schedule DG-R. Instead, UCAN proposes the Commission temporarily expand the
12 eligibility requirements of Schedule DG-R to allow the District’s Cruise Ship Terminal
13 account to take service on Schedule DG-R during the proposed 5-year period of the
14 Discount.¹¹

15 SDG&E strongly opposes UCAN’s recommendation to expand the applicability
16 requirements of Schedule DG-R in an effort for the District to be eligible under this
17 schedule. The applicability for Schedule DG-R is as follows:

18 Service under this Schedule is available on a voluntary basis for all
19 metered non-residential customers whose peak annual load is equal to
20 or less than 2MW, and who have operational, distributed generation,
21 and the capacity of that operational distributed generation is equal to
22 or greater than 10% of their peak annual load. Distributed generation
23 that qualifies for service under this Schedule is limited to solar, fuel

⁹ Prepared Direct Testimony of UCAN (“UCAN Testimony”) at 22:18-19 (footnote omitted).

¹⁰ *Id.* at 25:22-23.

¹¹ *Id.* at 26:7-12.

1 cells (regardless of fuel source), and other renewable distributed
2 generation.¹²

3 Given that the District's Cruise Ship Terminal account fails to meet both the limit to
4 customer size of an annual load "equal to or less than 2MW" *and* the requirement that
5 applicable customers "have operational, distributed generation, and the capacity of that
6 operational distributed generation is equal to or greater than 10% of their peak annual load,"
7 it would be inappropriate to move the District's Cruise Ship Terminal account onto Schedule
8 DG-R. The Commission has already determined that the specific benefits of Schedule DG-
9 R are appropriately limited to the customers defined by the current applicability and as such
10 SDG&E asks that the Commission reject UCAN's proposal.

11 In addition, allowing the District's Cruise Ship Terminal account to be on Schedule
12 DG-R would contradict the direction provided by the Commission in Resolution E-4812.
13 As noted in my direct testimony, Resolution E-4812 instructs SDG&E to "pay particular
14 attention to the cost basis of the long-term rate solution it proposes."¹³ Schedule DG-R is
15 not a cost-based rate as acknowledged by the Commission in D.08-02-034, approving the
16 rate. D.08-02-034 recognized that the rate design for Schedule DG-R resulted in cost-shifts
17 to other customers:

18 The cost shifts that result from the Schedule DG-R commodity
19 demand charge exemptions will be retained in the total C&I
20 commodity charges. The cost shifts that result from the Schedule
21 DG-R distribution demand charge will be retained in the total C&I
22 distribution charges.¹⁴

¹² Schedule DG-R Applicability Sheet 1 http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-SCHEDS_DG-R.pdf.

¹³ Prepared Direct Testimony of Cynthia Fang at CF-5 and Resolution E-4812 (Aug. 10, 2017) at 5.

¹⁴ D.08-02-034 at 32.

1 ORA proposes a phasing in of the non-coincident demand charges where “[t]he
2 phase-in should be accomplished by gradually increasing the non-coincident demand charge,
3 on whatever applicable M/L C&I schedule the District chooses, such that the demand
4 charges in the first, second, third, fourth, and fifth years are 20%, 40%, 60%, 80%, and
5 100% of the full demand charge shown in the tariff.”¹⁵ This proposal would effectively
6 result in the creation of a new rate and rate structure specific to the District’s Cruise Ship
7 Terminal account. There are billing system limitations associated with the implementation
8 of a new rate options and structures as SDG&E commences implementation of its Customer
9 Information System (“CIS”) replacement program.¹⁶ However, these limitations would not
10 be implicated when implementing the Discount in the manner SDG&E has proposed.

11 ORA also proposes a 5-year transition to cost-based rates,¹⁷ and argues against any
12 energy efficiency (“EE”) or Enhanced Partnership Program (“EPP”) funding requested by
13 SDG&E to support the District’s Energy Management Plan (“EMP”). SDG&E’s response
14 to ORA related to EE and EMP funding are discussed further in the rebuttal testimonies of
15 SDG&E witnesses Paul Pruschki and Julia Mendoza, respectively. As discussed in the
16 rebuttal testimony of Stephen Shafer of the District, the steep 5-year transition option
17 proposed by ORA would have severe ramifications, and the loss of the EE and the EPP

¹⁵ ORA Testimony (Danforth) at 1-1:18-22.

¹⁶ The April 28, 2017 prepared direct testimony of Charlie Snyder in A.17-04-027 (beginning at 23:20) notes that “to reduce risk during the transition to the new CIS system (see Chapter 6), SDG&E will request a ‘freeze period’ to its current legacy CIS approximately one year prior to the SAP CR&B implementation date (*i.e.*, starting at the beginning of 2020). In other words, SDG&E will request that **any new structural rate changes or other initiatives be deferred for a period of one year to permit transition off of the legacy CIS and related subsystems to the new SAP CR&B system.** This is necessary to avoid further complicating an already complex undertaking.” [emphasis added]

¹⁷ *Id.* at 1-1:13-17.

1 funding would hinder, not help, the District find alternative ways to manage the Cruise Ship
2 Terminal's load. Resolution E-4812 allows for the consideration of a "long-term" solution.
3 SDG&E requests that the Commission approve SDG&E's requested five-year discount and
4 enable a longer transition period to ensure that the District has the necessary time to
5 implement changes.

6 **IV. COST RECOVERY**

7 UCAN recommends that SDG&E's proposal to recover the cost of the Discount
8 through Public Purpose Program ("PPP")¹⁸ be rejected. SDG&E requested that the costs of
9 the Discount, EE and EPP proposals be recovered through PPP rates from all customers.
10 PPP rates recover the costs of various legislative and Commission programs determined to
11 meet a public purpose and are appropriate for recovery from all customers.

12 SDG&E's proposed methodology of recovering the costs of the EE, EPP, and
13 Electric Shore Power Rate Discount through PPP of all customers is appropriate because all
14 SDG&E customers benefit from the retention of the District's Cruise Ship Terminal on the
15 SDG&E system, even at discounted rates. As stated above in the CTM section, the loss of
16 some, or all, of the District's cruise ship calls will *increase* the revenue burden faced by
17 SDG&E's remaining customers. Given the benefits received by all customers by the
18 retention of the District's Cruise Ship Terminal, SDG&E recommends the Commission
19 allow the recovery of the Discount through PPP rates from all customers.

20 This concludes my prepared rebuttal testimony.

¹⁸ Testimony at 3:19-20.