

San Diego Gas & Electric Company

Exhibit No. SDG-2

Prepared Direct Testimony of

Jeffrey Shaughnessy

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

San Diego Gas & Electric Company

Docket No. ER13-___-000

**SUMMARY OF
PREPARED DIRECT TESTIMONY OF JEFFREY SHAUGHNESSY ON
BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

Mr. Shaughnessy explains how Reliability Service (RS) costs are used to develop a RS cost of service; how RS cost of service is allocated to SDG&E's single wholesale customer; how the RS costs are allocated to SDG&E's retail customer classes; and the retail rate design and customer rate impacts.

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12

13 I. INTRODUCTION

14 Q1. Please state your name and business address.

15 A1. My name is Jeffrey Shaughnessy. My business address is 8330 Century Park Court –
16 CP32E, San Diego, CA 92123-1548.

17 Q2. By whom are you employed and in what capacity?

18 A2. I am employed by San Diego Gas & Electric Company (“SDG&E”) as a Business
19 Analyst. One of my responsibilities is to develop and analyze transmission revenue
20 requirements, retail cost allocation, and rate design for SDG&E in proceedings before the
21 Federal Energy Regulatory Commission (“FERC” or “Commission”).

22 Q3. Please briefly describe your educational background.

23 A3. I received a Bachelor of Arts in Finance from Michigan State University in 2007. I
24 received a Master of Arts in Economics from San Diego State University in 2011. I am a
25 certified Energy Manger in Training by the Association of Energy Engineers.

26 Q4. Please describe your professional experience and employment history.

27 A4. I have been employed by SDG&E since 2011. I am currently employed as a Business
28 Analyst in the Electric Rate Design Group of the Rates and Revenue Requirements
29 Department at SDG&E.

30 II. PURPOSE

31 Q5. What is the purpose of your testimony?

32 A5. The purpose of my testimony is to explain the following:

- 33 1. How Reliability Service (“RS”) costs, as discussed in Mr. Soderlund’s testimony
34 (Exhibit No. SDG-1), are used to develop an RS cost of service.

2. How the RS cost of service is allocated to SDG&E's single wholesale customer.
3. How the RS costs are allocated to SDG&E's retail customer classes.
4. The retail rate design and customer rate impacts.

III. DISCUSSION

A. How the RS Cost Components Are Used to Develop an RS Cost of Service

Q6. Please describe how the RS cost components are used to develop RS revenue requirement components in the instant filing.

A6. Statement BK page 1 of 2, shown in Exhibit No. SDG-3 (Cost Statements), derives SDG&E's total RS cost of service. Lines 1 and 3 in Statement BK show the demand and energy cost components brought forward from Statement AH, Operation and Maintenance Expenses. Lines 8 and 9 show the demand and energy cost components of the RS Balancing Account, which were brought forward from Statement AG, Specified Deferred Debits. The balancing account reflects the RS revenue and RS expense activity for the period 12-months ended November 30, 2012. Lines 14 and 16 reflect SDG&E's applicable city franchise fee rate and uncollectible rate that need to be added to the RS costs. Line 18 shows the total RS cost of service. Statement BK page 2 of 2 separates the RS cost of service into demand and energy cost components that are used for customer class allocation and rate design.

B. Allocation of RS Costs to SDG&E's Single Wholesale Customer

Q7. Please explain how you allocated the RS costs to SDG&E's single wholesale customer.

A7. Pursuant to Letter Order issued February 16, 2012, in Docket No. ER12-634-000 ("Order"), SDG&E has allocated RS costs to its sole wholesale customer on the basis of energy. SDG&E used this method to remain consistent with how this customer class is charged for High Voltage and Low Voltage Transmission service under the California Independent System Operator's ("CAISO") Tariff. Under the CAISO tariff, wholesale customers are allocated and assigned fixed transmission costs using an energy allocation methodology.

Q8. Please explain the process SDG&E used to allocate RS costs to SDG&E's single wholesale customer and the RS rate derivation applicable to this customer.

1 A8. On Statement BL page 2 of 11, shown in Exhibit No. SDG-3, I first calculated an average
2 per kWh rate by dividing total RS revenue requirements from Statement BK, demand
3 plus energy costs, by the total energy sales for all of SDG&E's customers. I then
4 multiplied this energy rate by SDG&E's single wholesale customer's annual energy sales
5 to derive the amount of RS revenues allocated or applicable to the wholesale customer.
6 Once I derived the RS revenues applicable to the wholesale customer, I subtracted this
7 amount from the total RS revenues to derive revenues applicable to retail end use
8 customers. This calculation is shown on Statement BL page 2 of 11 at the bottom of the
9 page. Once I subtracted the wholesale revenue from the total cost of service, I then
10 separate the total RS cost of service in proportion to the total RS demand and energy
11 costs as shown at the bottom of page 2 of 11. I then carried forward total demand and
12 energy to Statement BL page 3 and 4 of 11 and allocated the total to each customer class.

13 **C. Allocation of RS Costs to SDG&E's Retail Customer Classes**

14 **Q9. How is SDG&E proposing to allocate its RS costs to its retail customer classes?**

15 A9. SDG&E is proposing to allocate its RS costs consistent with the Order. Specifically,
16 SDG&E has allocated its fixed or demand related RS costs to retail customers using a 12
17 coincident peak methodology ("12CP") as shown in Exhibit SDG-3, Statement BB,
18 Allocation Demand and Capability Data. Statement BB, Allocation Demand and
19 Capability Data, shows a 5 year historical average for each customer class.

20 This data is for the 5-year period ended December 31, 2009, using SDG&E's
21 most current available information. The 5-year average is used to smooth out annual
22 customer class contributions to system peak data to provide customer class stability. As
23 additional yearly data is available, SDG&E will add the most current year of data and
24 drop the oldest data to maintain a running 5-year average. Once the 5-year average is
25 developed, the 12CP data, shown on Statement BB, is adjusted by adding the distribution
26 losses for each customer class to reflect the data as if it were measured at the transmission
27 level. Allocation of fixed costs using all data at the transmission level will ensure
28 customer classes are allocated demand costs on a consistent and equitable basis.

29 **Q10. How did you allocate RS energy costs?**

1 A10. Consistent with the Order, SDG&E allocated RS energy costs using a customer class
2 energy allocation factor as shown in Exhibit No. SDG-3, Statement BD, Allocation of
3 Energy, page 2 of 2.

4 **Q11. What cost statements show the results of allocating demand and energy costs to each**
5 **customer class?**

6 A11. Exhibit No. SDG-3, Statement BL, page 3 of 11, shows the amount of demand costs
7 allocated to each customer class using the 12 CP demand allocation factor. Statement BL
8 page 4 of 11 shows the amounts of energy costs allocated to each customer class using
9 the energy allocation factor. The sum of the demand and energy costs allocated to each
10 customer class is summarized on Statement BL page 5 of 11, Column C. This total
11 represents the total cost of service requirements for each customer class.

12 **D. RS Retail Customer Class Rate Design and Customer Rate Increase Impacts**

13 **Q12. How does SDG&E propose to design the rates related to RS revenue requirement**
14 **recovery?**

15 A12. SDG&E is using the same rate design that the Commission approved in its last RS filing
16 in Docket No. ER12-634-000, which went into effect on January 1, 2012. The customer
17 classes with the designations of the CPUC are as follows:

- 18 • **Residential Customers** – DR, DR-LI, DR-TOU, EV-TOU, EV-TOU-2, DR-SES,
19 DM, DS, DT, and DT-RV.
- 20 • **Small Commercial Customers** – A, A-TC, A-TOU, and PA.
- 21 • **Medium & Large Commercial Customers** – AD, AY-TOU, AL-TOU, DG-R,
22 A6-TOU, OL-TOU, and PA-T-1.
- 23 • **Street Lighting** – DWL, OL-1, OL-2, LS-1, LS-2, and LS-3.
- 24 • **Standby Service** – S

25 The multiple schedules within each customer class are a function of CPUC rulings and
26 orders dealing mostly with distribution cost of service ratemaking issues. Because these
27 distribution rate design designations do not have to be reflected in transmission rate
28 design, SDG&E has developed one transmission rate applicable to each End Use
29 customer class to simplify its transmission rates.

30 **Q13. Is SDG&E proposing any rate design changes in this proceeding?**

1 A13. No. SDG&E is not proposing any changes in its rate design methodology for RS in this
2 proceeding.

3 **Q14. What are the proposed retail and wholesale RS rates, by rate class that SDG&E is**
4 **seeking approval in the instant filing?**

5 A14. The proposed retail and wholesale rates are shown in Exhibit No. SDG-3, Statement BL,
6 page 1 of 11.

7 **Q15. How did you develop the rates shown in Exhibit No. SDG-3, Statement BL page 1 of**
8 **11?**

9 A15. On Statement BL pages 7 through 11, I show the derivation of each rate. The first step in
10 the rate design process is to take the revenue requirement for each customer class, as
11 shown on page 6 Column "A," and design the rates to collect this applicable revenue
12 requirement. The rate design on pages 7 through 11 are explained in the explanatory
13 notes that are shown in the reference column of each page. After designing each rate, I
14 rounded each rate to the appropriate significant digit used by SDG&E for billing
15 purposes. I then used the rounded rate to verify that it proved out to recover the revenue
16 requirement of the applicable customer class. The revenue proof is shown on column b
17 of page 6. Column c of page 6 then shows the difference between customer class revenue
18 requirements and proof of revenues to ensure that SDG&E collects its entire RS revenue
19 requirement.

20 **Q16. In deriving the Medium and Large Commercial class transmission rates, did you**
21 **recognize the fact that these customer are served at different voltage levels?**

22 A16. Yes I did. In recognition of the fact that some of these customers are served at
23 secondary, some at primary and some at transmission voltage levels, SDG&E derived
24 three voltage-differentiated RS demand rates for this class. Exhibit No. SDG-3,
25 Statement BL, Page 9 of 11, shows the derivation of these rates for this customer class.

26 **Q17. In deriving the standby class transmission rates, did you also recognize the fact that**
27 **these customers are served at different voltage levels, similar to customers in the**
28 **Medium and Large Commercial class?**

29 A17. Yes I did. Exhibit No. SDG-3, Statement BL, Page 11 of 11, shows the derivation of
30 these rates for this customer class.

1 **E. Revised Tariff Sheets**

2 **Q18. What tariff sheet revisions are you sponsoring?**

3 A18. I am sponsoring the following tariff sheet revisions to SDG&E's Transmission Owner
4 Tariff:

- 5 • Appendix V –Revised RS Revenue Requirements applicable to 2013 service.
6 • Appendix VII –Revised RS rates by customer class applicable to 2013 service.
7 • Appendix VII – Revised 2013 Wholesale RS Rate applicable to SDG&E's lone
8 wholesale customer.

9 **Q19. Does this conclude your testimony?**

10 A19. Yes it does.

VERIFICATION

STATE OF CALIFORNIA)
)
COUNTY OF SAN DIEGO) ss.

Jeffrey Shaughnessy, being duly sworn, on oath, says that he is the Jeffrey Shaughnessy identified in the foregoing prepared direct testimony; that he caused to be prepared such testimony on behalf of San Diego Gas & Electric Company; that the answers appearing therein are true to the best of his knowledge and belief; and that if asked the questions appearing therein, his answers would, under oath, be the same.



Jeffrey Shaughnessy

STATE OF California,
CITY/COUNTY OF San Diego, to-wit:

On this 18th day of December, 2012 before me, Rosalinda Rossi, a Notary Public, personally appeared Jeffrey Shaughnessy, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Rosalinda Rossi

