

Application of San Diego Gas & Electric  
Company(U 902 E) for Approval of Energy  
Storage and Energy Efficiency Contracts Arising  
from the Track IV Local Capacity Requirement  
All Source Request for Offers

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Application 16-03-xxx  
Exhibit No.: (SDG&E- \_\_\_\_)

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

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

**March 30, 2016**



## TABLE OF CONTENTS

<b>I.</b>	<b>OVERVIEW AND PURPOSE</b> .....	1
<b>II.</b>	<b>TRACK IV RESOURCES COST RECOVERY</b> .....	2
	<b>A. Energy Storage Resources</b> .....	2
	<b>1. Background</b> .....	2
	<b>2. Cost Recovery through CAM</b> .....	2
	<b>B. Energy Efficiency Resources</b> .....	3
	<b>1. Background</b> .....	3
	<b>2. Cost Recovery through PPP</b> .....	3
<b>III.</b>	<b>RATE AND BILL IMPACTS</b> .....	4
<b>IV.</b>	<b>SUMMARY</b> .....	5
<b>V.</b>	<b>QUALIFICATIONS</b> .....	7



1 **II. TRACK IV RESOURCES COST RECOVERY**

2 The Track IV Decision (D.14-03-004) instructs SDG&E to propose a cost allocation  
3 methodology for the resources procured through the Track IV All Source RFO:

4 We find that the procurement authorized in this decision is for the purpose of ensuring  
5 local reliability in the SONGS service area, for the benefit of all utility distribution  
6 customers in that area. We conclude that such procurement meets the criteria of Section  
7 365.1(c)(2)(A)-(B). Therefore, SCE and SDG&E shall allocate costs incurred as a result  
8 of procurement authorized in this decision, and approved by the Commission. In most  
9 cases we expect this allocation to be consistent with D.13-02-015 and the CAM adopted  
10 in D.06-07-029, D.07-09-044, D.08-09-012 and D.11-05-005, but there may be resources  
11 where an existing alternative method of allocating resources costs may be preferred; for  
12 example, cost may be recoverable through the Energy Program Investment Charge.<sup>1</sup>  
13

14 SDG&E proposes to use existing mechanisms to recover the costs of the ES (Hecate)  
15 contract through the Cost Allocation Mechanism (“CAM”) rate and the costs of the EE (Willdan)  
16 contract through the Public Purpose Programs (“PPP”) rate.<sup>2</sup> SDG&E is not proposing any  
17 changes to the cost recovery as it exists today in this instant application.

18 **A. Energy Storage Resources**

19 **1. Background**

20 In D.13-03-029, the Commission authorized SDG&E to implement the Local Generation  
21 Charge (“LGC”) rate component, which is designed to recover new generation costs for local  
22 reliability that are deemed to be subject to the CAM policy adopted in D.06-07-029 and D.11-05-  
23 005, as a per kilowatt hour non-bypassable charge from all benefiting customers. Benefiting  
24 customers include all bundled service, Direct Access (“DA”) and Community Choice  
25 Aggregation (“CCA”) customers.

26 **2. Cost Recovery through CAM**

27 The proposed ES (Hecate) contract is discussed in the Direct Testimony of Patrick  
28 Charles. SDG&E intends to recover the forecasted contract costs net of Independent System  
29 Operator (“ISO”) supply revenues, through the LGC consistent with the Commission’s CAM

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<sup>1</sup> D.14-03-004 (Track IV Decision) at page 120.

<sup>2</sup> Updates to the allocation of revenues to customer classes are currently pending before the Commission in SDG&E’s 2016 General Rate Case (“GRC”) Phase II (A.15-04-012).

1 policy. The revenue requirement will be allocated among all customer classes based on the 12-  
2 month coincident peak (“12 CP”) demand methodology, and then the customer class allocated  
3 revenues will be divided by the authorized sales by customer class. The proposed resulting per  
4 kilowatt hour rates by customer class will be charged to all benefiting customers, including all  
5 bundled service, DA and CCA customers, through the LGC rate component. The forecast of  
6 costs of the proposed ES (Hecate) contract will be trued-up to their assessed recorded costs  
7 through the Local Generating Balancing Account (“LGBA”) and addressed in future Energy  
8 Resource Recovery Account (“ERRA”) Forecast Proceedings.

## 9 **B. Energy Efficiency Resources**

### 10 **1. Background**

11 In D.03-04-027, the Commission authorized SDG&E to establish a rate component,  
12 within the PPP rate component, to recover costs related to Electric Procurement Energy  
13 Efficiency (“EE”).<sup>3</sup> These costs are recovered as a per kilowatt hour non-bypassable charge  
14 from all customers, including all bundled service, DA and CCA customers.

### 15 **2. Cost Recovery through PPP**

16 The proposed EE (Willdan) contract is discussed in the Direct Testimony of George  
17 Katsufraakis. SDG&E intends to recover the costs through the PPP component consistent with  
18 other EE costs. The revenue requirement will be allocated among all customer classes based on  
19 authorized sales by customer class and then the customer class allocated revenues will be divided  
20 by the authorized sales by customer class. The proposed resulting per kilowatt hour rates by  
21 customer class will be charged to all customers, including all bundled service, DA and CCA  
22 customers, through the PPP rate component. The forecast of costs of the proposed EE (Willdan)  
23 contract will be trued-up to their assessed recorded costs through the Electric Procurement  
24 Energy Efficiency Balancing Account (“EPEEBA”) and addressed in future PPP Advice Letters.

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<sup>3</sup> PPP also recovers California Alternate Rates for Energy (“CARE”), Energy Savings Assistance (“ESA”) (formerly referred to as Low-Income Energy Efficiency [“LIEE”]) and the Electric Program Investment Charge (“EPIC”) (previously comprised of Research, Development and Demonstration [“RD&D”] and Renewables programs) programs.

1 **III. RATE AND BILL IMPACTS**

2 The testimonies of SDG&E witnesses Patrick Charles and George Katsufrakis address  
3 the costs associated with the proposed ES (Hecate) and EE (Willdan) contracts. Section II of my  
4 testimony addresses the cost recovery mechanisms. Table JS-1, below, presents the illustrative  
5 class average electric rate impacts of the proposed cost recovery when both contracts are in  
6 effect.

7 **Table JS-1: Class Average Total Rate Impact in cents/kWh<sup>4</sup>**

	1/1/2016 (AL-2840-E)	Proposed <sup>5</sup>	Cent Change	% Change
<b>Residential</b>	22.442	22.482	0.040	0.18%
<b>Small Commercial</b>	22.322	22.378	0.056	0.25%
<b>Medium/Large C&amp;I</b>	18.626	18.662	0.036	0.19%
<b>Agriculture</b>	16.421	16.463	0.042	0.26%
<b>Lighting</b>	18.682	18.714	0.032	0.17%
<b>System Total</b>	20.366	20.405	0.039	0.19%

8  
9 The proposed rate impacts are anticipated to have an average bill impact of approximately \$0.17  
10 per month for a typical residential customer using 500 kWh in the Inland climate zone and \$0.19  
11 per month in the Coastal climate zone, as compared to current (1/1/2016) rates. On a percentage  
12 basis, this equates to an increase of 0.16% for a 500 kWh residential customer in the Inland  
13 climate zone and 0.16% for a 500 kWh residential customer in the Coastal climate zone. Table  
14 JS-2, below, describes the illustrative bill impacts for Inland and Coastal Customers.<sup>6</sup>

<sup>4</sup> Includes California Climate Credit

<sup>5</sup> Assumes both contracts in effect as proposed which would begin in 2019.

<sup>6</sup> Bill impacts assume no change in rate design and tier differentials in place as current (1/1/2016) rates.

1 **Table JS-2: Average Monthly Illustrative Bill Impacts for Inland and Coastal Customers**

	1/1/2016 (AL-2840-E)	Proposed <sup>7</sup>	Cent Change	% Change
<b>Inland (Basic Service)</b>				
300 kWh	\$53.84	\$53.93	\$0.09	0.17%
500 kWh	\$107.29	\$107.46	\$0.17	0.16%
750 kWh	\$205.59	\$205.92	\$0.33	0.16%
1,000 kWh	\$303.90	\$304.38	\$0.48	0.16%
1,500 kWh	\$500.52	\$501.32	\$0.80	0.16%
<b>Coastal (Basic Service)</b>				
300 kWh	\$53.99	\$54.08	\$0.08	0.16%
500 kWh	\$116.80	\$116.99	\$0.19	0.16%
750 kWh	\$215.11	\$215.45	\$0.34	0.16%
1,000 kWh	\$313.41	\$313.91	\$0.50	0.16%
1,500 kWh	\$510.04	\$510.85	\$0.82	0.16%

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3 **IV. SUMMARY**

4 Consistent with the rate recovery proposed in my testimony, SDG&E requests the  
 5 following relief in the Commission’s forthcoming decision in this proceeding:

- 6 • adopt SDG&E’s proposed cost recovery of the new ES (Hecate) and EE (Willdan)  
 7 contracts. Specifically, SDG&E shall record the net capacity costs associated with the ES  
 8 contract (Hecate) in its LGBA and, upon commencement of the contract, recover those

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7 Assumes both contracts in effect as proposed which would begin in 2019, and no change in  
 rate design and tier differentials in place as current (1/1/2016) rates.

1 costs through its LGC on a non-bypassable basis from all customers, including bundled  
2 service, DA and CCA customers, on an equal per kilowatt-hour basis by customer class,  
3 consistent with the Commission-approved CAM. For the EE contract (Willdan), SDG&E  
4 will recover the costs through the PPP component. The forecast of costs of the EE contract  
5 (Willdan) will be trued-up to their assessed recorded costs through the EPEEBA.

6 This concludes my prepared direct testimony.



1 **V. QUALIFICATIONS**

2 My name is Jeffrey J. Shaughnessy. My business address is 8330 Century Park Court,  
3 San Diego, California 92123.

4 I have been employed as a Project Manager in the Rate Strategy & Analysis group in the  
5 Customer Pricing Department of San Diego Gas & Electric Company since 2014. My primary  
6 responsibilities include the development of cost-of-service studies, determination of revenue  
7 allocation, and support of electric rate design in various regulatory filings. I began work at  
8 SDG&E in 2011 as a Business Analyst and have held positions of increasing responsibility in the  
9 Electric Rates group.

10 I received a Bachelor of Arts in Finance from Michigan State University in 2007 and a  
11 Master of Arts in Economics from San Diego State University in 2011.

12 I have previously submitted testimony before the California Public Utilities Commission  
13 and the Federal Energy Regulatory Commission.