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Application: A.18-07-024
Witness: Sharim Chaudhury
Chapter: 19

PREPARED REBUTTAL TESTIMONY OF
SHARIM CHAUDHURY
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY

(RESIDENTIAL BASELINE TIERS)

May 2019

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1 **CHAPTER 19**

2 **PREPARED REBUTTAL TESTIMONY OF SHARIM CHAUDHURY**

3 **(RESIDENTIAL BASELINE TIERS)**

4 **I. PURPOSE**

5 The purpose of my prepared rebuttal supplemental testimony on behalf of Southern
6 California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E)
7 (collectively, Applicants) is to address the specific recommendations with respect to the changes
8 in Applicants’ residential baseline allowances and baseline seasons in the direct supplemental
9 testimony of The Utility Reform Network (TURN).

10 The California Public Advocates Office (Cal PA) recommends that the Commission
11 adopt Applicants’ proposed baseline allowances and baseline seasons.¹ TURN, notably, also
12 “does not object to the ultimate proposed changes in the baseline allowances”² and “supports the
13 proposed change related to [Senate Bill] 711 to introduce two winter seasons to reduce bill
14 volatility.”³ However, TURN proposed specific recommendations with respect to:

- 15 (i) implementing phases for new residential baseline allowances and two winter baseline seasons,
16 (ii) implementing months for new baseline allowances and two winter baseline seasons, and
17 (iii) deferring adoption of the Applicant-proposed customer charge changes. In the sections
18 below, I address each of TURN’s recommendations.

¹ April 26, 2019, Report on Triennial Cost Allocation Proceeding for SoCalGas and SDG&E for Test Year 2020: Supplemental Testimony for SB 711 Issue, Exhibit PubAdv-09 (Sabino) at 2.

² April 26, 2019, Supplemental Testimony on Residential Baseline Allowances in SoCalGas’ and SDG&E’s Triennial Cost Adjustment Proceeding, Prepared Testimony of William Perea Marcus on Behalf of The Utility Reform Network (TURN), TURN-SUPP (Marcus) at 2.

³ *Id.*

1 **II. THE COMMISSION SHOULD IMPLEMENT APPLICANTS' PROPOSED**
2 **BASELINE SEASONS AND ALLOWANCES IN A SINGLE PHASE, NOT IN**
3 **TWO PHASES AS RECOMMENED BY TURN**

4 In Section V of my supplemental testimony (Chapter 13), I set forth Applicants' proposed
5 restructuring of baseline seasons and allowances consistent with Senate Bill (SB) 711.

6 Specifically, I proposed to change the current six-month winter season to a three-month winter
7 on-peak season and a three-month winter off-peak season based on Applicants' average year
8 Heating Degree Days (HDD) weather design as presented in this TCAP Application.⁴ This
9 proposal reflects Applicants' intent to implement the new baseline seasons and allowances
10 consistent with SB 711 at the same time.⁵

11 As a point of clarification, Applicants are not proposing to implement updated baseline
12 allowances pursuant to Public Utilities Code Section 739 (Section 739) separately from
13 Applicants' proposed baseline seasons and allowances pursuant to SB 711. Should the
14 Commission choose to adopt Applicants' proposed plan consistent with implementing SB 711,
15 SoCalGas believes that it can implement the new baseline seasons and allowances consistent
16 with SB 711 concurrently, within 18 months from a final decision in this 2020 TCAP
17 proceeding.⁶ As stated in my supplemental testimony, SDG&E is implementing a new Customer
18 Information System (CIS) which is expected to "go live" in January 2021. Given the timeline
19 for the new CIS implementation, it is not possible for SDG&E to specify exactly when it will be
20 able to implement its proposed baseline seasons and allowances pursuant to SB 711. However,

⁴ February 22, 2019, Prepared Supplemental Direct Testimony of Sharim Chaudhury on Behalf of SoCalGas and SDG&E, Chapter 13 (Chaudhury) at 22.

⁵ Implementing SB 711 would comply with Section 739 in that baseline quantities will be maintained at 50 to 60 percent of average residential consumption and 60 to 70 percent of such consumption during the winter heating season for residential gas customers and all-electric residential customers.

⁶ Ch. 13 (Chaudhury) at 22.

1 like SoCalGas, SDG&E intends to implement new baseline seasons and baseline allowances
2 concurrently.

3 TURN proposes a two-phase implementation of the new baseline allowances: (i)
4 implement half of the baseline quantity reduction pursuant to Section 739 with the
5 implementation of this TCAP decision, and (ii) implement the other half of baseline quantity
6 reduction at the time the new baseline seasons pursuant to SB 711 are implemented.⁷ TURN's
7 proposal appears to be based on the misconception that the Applicants had proposed to
8 implement updated baseline allowances and modified baseline seasons separately. As clarified
9 above, this is not the Applicants' proposal; Applicants proposed to implement baseline quantity
10 reductions and new baseline seasons concurrently in a single phase. Therefore, TURN's two-
11 phased baseline allowance reduction is not necessary.

12 **III. APPLICANTS ARE NOT OPPOSED TO TURN'S RECOMMENDATION**
13 **REGARDING WHEN TO IMPLEMENT APPLICANTS' PROPOSED BASELINE**
14 **SEASONS AND ALLOWANCES**

15 In my supplemental testimony, I did not address which months of the year would be
16 appropriate to introduce the new baseline allowances and baseline seasons. TURN recommends
17 that the first phase of its proposed two-phase baseline allowance reduction be implemented when
18 the season changes from winter to summer after the 2020 TCAP decision.⁸

19 TURN states:

20 The second phase, completing the baseline quantity reduction, should only occur after the
21 winter baseline season is split. Such a winter baseline season change must be
22 implemented at the beginning of a winter season to enable customers to receive their full
23 baseline allowances, no more and no less. This fact informs the decision as to when to
24 implement the other half of the baseline quantity change. TURN would prefer

⁷ TURN-SUPP (Marcus) at 3.

⁸ *Id.*

1 implementing the baseline quantity reduction in a summer season (i.e., at the beginning
2 of the summer season before the utility’s implementation of the new winter baseline
3 seasons at the beginning of the following winter). However, implementing the baseline
4 quantity reduction concurrently with the first divided winter season would be acceptable.⁹
5

6 Setting aside the phasing proposal (which is not necessary), Applicants agree with TURN
7 on implementing the new baseline seasons, new baseline allowances, and the resulting new
8 lower residential rates in the summer season (between May 1st and November 1st).

9 **IV. THE COMMISSION SHOULD REJECT TURN’S RECOMMENDATION TO**
10 **DEFER ADOPTION OF APPLICANTS’ PROPOSED CUSTOMER CHARGE**
11

12 **A. TURN’s Analysis That Virtually All SDG&E’s Residential Customers Will**
13 **Experience Significant Bill Increases If Residential Customer Charge and**
14 **Baseline Changes Are Implemented At the Same Time Is Misleading**

15 Table 3 in TURN’s supplemental testimony purports to analyze the bill impact of
16 SDG&E’s proposed \$10 fixed customer charge per month and baseline quantity changes relative
17 to SDG&E current \$3 per month minimum bill and current baseline quantities.¹⁰ TURN claims
18 that “[t]he increase due to the combination of the customer charge and the baseline rate is over
19 \$25 for many SDG&E customers based on 2017 usage patterns, with smaller customers seeing
20 even bigger increases due to the customer charge. Because the baseline quantity is reduced so
21 significantly, many customers will see bill increases in excess of \$25, regardless of the size of
22 the customer.”¹¹ As I explain below, this statement by TURN is misleading and is based on an
23 incomplete analysis.

24 What TURN fails to mention is that the allocated residential revenue requirement to be
25 recovered from residential rates is fixed. Alternative residential rate structures must generate the

⁹ *Id.*

¹⁰ *Id.* at 5.

1 same residential revenue requirement. TURN's Table 3 shows that virtually all of SDG&E's
2 residential customers will experience significantly higher bills from the combined effect of
3 introduction to \$10 customer charge and updating baseline allowance pursuant to Section 739.¹²
4 Because of revenue neutrality, all else being equal, the proposed change in residential customer
5 charge combined with updating residential baseline allowances would not lead to significant
6 customer bill increase for all customers. Therefore, TURN's assertion that virtually all of
7 SDG&E's residential customers will experience significant bill increase due to the combined
8 effects of SDG&E proposed \$10 per month customer charge and updating baseline allowances
9 per Section 739 is misleading.

10 **B. The Commission Should Reject TURN's Recommendation To Defer Applicants'**
11 **Residential Customer Charge Based On TURN's SDG&E Bill Impact Analysis**

12 Based on its analysis summarized in Table 3, TURN concludes in its testimony that the
13 change of baseline quantities and baseline seasons:

14 "... will produce significant bill impacts for a material number of residential customers,
15 particularly for SDG&E. As demonstrated in my direct testimony, the proposed customer
16 charge changes would also have significant bill impacts for a material number of
17 residential customers for both utilities. Compounding these changes would somewhat
18 mitigate the adverse bill impacts for some residential customers, while exacerbating them
19 for others. Rather than seek to make several such substantial changes at once, the
20 Commission should see the need to modify baseline amounts and the effort to introduce a
21 split winter season as higher priority changes, and, defer adoption of the proposed
22 customer charge changes."¹³
23

24 Should the Commission adopt the Applicants' proposed \$10 customer charge in 2019,
25 SoCalGas would implement the customer charge with the implementation of the TCAP decision,

¹¹ *Id.*

¹² Curiously, TURN did not provide analysis of the combined effect of \$10 customer charge and baseline seasons and allowance changes pursuant to SB 711.

1 as early as the beginning of 2020. As I discuss in Section II, SoCalGas believes that it can
2 implement the new baseline seasons and allowances consistent with SB 711 concurrently within
3 18 months from a final decision in this 2020 TCAP proceeding. In other words, it would take
4 time to implement the SB 711 changes, likely the longer side of 18 months. Therefore, the bill
5 impacts resulting from the proposed customer charge and the SB 711 changes would not impact
6 customers at the same time. In fact, the customer charge proposal, if adopted, would precede the
7 SB 711 changes. As a result, TURN's concern over compounding bill impacts would not
8 materialize for SoCalGas.

9 Given the timeline for its new CIS implementation, it is not possible for SDG&E to
10 specify exactly when it will be able to implement either of its proposed customer charge or its
11 proposed baseline seasons and allowances pursuant to SB 711. To address TURN's concern
12 regarding compounding bill impacts, it is possible to implement a customer charge for SDG&E,
13 should the Commission choose to adopt one, at a different date than the date of implementing
14 new baseline seasons and allowance.

15 TURN's concern about compounding bill impacts notwithstanding, the Commission
16 should consider implementing SDG&E's customer charge, should the Commission choose to
17 adopt one, and changing baseline seasons and baseline allowances at the same time. As
18 described in my direct testimony (Chapter 12), the proposed customer charge for SDG&E would,
19 in general, increase bills for low gas usage customers, while decrease bills for high usage
20 customers.¹⁴ In my prepared supplemental direct testimony (Chapter 13), I explained that the

¹³ TURN-SUPP (Marcus) at 5-6.

¹⁴ July 2018, Prepared Direct Testimony of Sharim Chaudhury on Behalf of SoCalGas and SDG&E, Chapter 12 (Chaudhury) at 21.

1 proposed new baseline seasons and new baseline allowance would decrease monthly bills for
2 low gas usage customers and increase bills for high usage customers.¹⁵ These offsetting effects
3 make it reasonable to implement both of these changes at the same time. TURN also recognizes
4 such offsetting effects in its supplemental testimony.¹⁶

5 For these reasons, Applicants urge the Commission to reject TURN's proposal of
6 deferring adoption of the proposed customer charge just because the Commission is likely to
7 adopt new baseline seasons and baseline allowances.

8 This concludes my prepared rebuttal testimony.

¹⁵ Ch. 13 (Chaudhury) at 12.

¹⁶ TURN-SUPP (Marcus) at 4.