

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit: SDG&E-224

REBUTTAL TESTIMONY OF
ERICA MARTIN
(ENVIRONMENTAL SERVICES AND
SAN ONOFRE GENERATING STATION (SONGS))

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2023

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**REBUTTAL TESTIMONY OF
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(ENVIRONMENTAL SERVICES AND
SAN ONOFRE NUCLEAR GENERATING STATION (SONGS))**

I. SUMMARY OF SDG&E'S FORECAST

Table EM-1

| TOTAL O&M - Constant 2021 (\$000) | | | |
|--|---------------------------|---------------------------|---------------|
| | Base Year 2021 | Test Year 2024 | Change |
| SDG&E | \$8,505 | \$9,976 | \$1,471 |
| TURN ¹ | \$8,505 | \$9,976 | \$1,471 |

No party submitted testimony contesting San Diego Gas and Electric Company's (SDG&E) Test Year (TY) 2024 forecast for Environmental Services and San Onofre Nuclear Generating Station (SONGS) Operations and Maintenance (O&M).

II. INTRODUCTION

This rebuttal testimony (1) adopts the direct testimony of Brittany Applestein Syz regarding SDG&E's request for Environmental Services and SONGS,² and (2) addresses the following testimony from other parties:

- The Utility Reform Network (TURN), as submitted by Robert Finkelstein (Ex. TURN-15 (Finkelstein)), dated March 27, 2023.

TURN's testimony does not contest SDG&E's TY 2024 forecast for Environmental Services' O&M. TURN only submitted testimony regarding SDG&E's proposal to continue the Commission-approved two-way balancing account for costs to comply with certain environmental regulations. My rebuttal testimony therefore is limited to that issue.

¹ TURN does not contest SDG&E's TY 2024 forecast for Environmental Services' O&M. TURN contests the rate recovery proposal of SDG&E's two-way balancing account NERBA; therefore, the table above reflects SDG&E Environmental Services' forecast.

² May 2022, Prepared Direct Testimony of Brittany Applestein Syz, Ex. SDG&E-24, adopted by Erica Martin.

1 **A. TURN**

2 The following is a summary of TURN’s position on the New Environmental Regulatory
3 Balancing Account (NERBA):

- 4 • TURN recommends that the Commission reject the rate recovery proposal of two-
5 way balancing accounts, including the NERBA, and instead require an application
6 supported by evidence should the utility seek to recover any under collection
7 associated with the underlying program.
- 8 • TURN proposes that two-way balancing accounts including NERBA should
9 generally be modified to become one-way balancing accounts.
- 10 • Where there is a valid public policy purpose served by permitting the utility an
11 opportunity to recover above authorized spending, TURN contends that the
12 Commission should establish a companion memorandum account that would
13 record above-authorized spending for potential recovery after a reasonableness
14 review in an application proceeding (rather than via advice letter).³

15
16 **III. GENERAL REBUTTAL**

17 **A. NERBA**

18 TURN states that the current structure of the NERBA enables SDG&E to recover in rates
19 substantial amounts of above-authorized spending without any meaningful reasonableness
20 review of that spending. TURN proposes that two-way balancing accounts including NERBA
21 should generally be modified to become one-way balancing accounts.

22 SDG&E disagrees with TURN. SDG&E is requesting that the existing structure of the
23 NERBA balancing accounts be authorized to continue during this General Rate Case (GRC)
24 cycle. Specifically, SDG&E proposes to continue the established and proven methodology
25 whereby any under collected balance is recovered through the utility’s annual regulatory
26 accounts update advice letter. SDG&E conducts a thorough reasonableness review of all
27 spending that is recorded to the NERBA, and the Commission has the opportunity to do so
28 through the advice letter process. Establishing a companion memorandum account to record
29 above-authorized spending for potential recovery, followed by an application for cost recovery,

³ Ex. TURN-15 (Finkelstein) at 24-25.

1 would be administratively burdensome and would not add value to ratepayers. Please refer to
2 SDG&E Regulatory Accounts rebuttal testimony (Ex. SDG&E-243 (Kupfersmid)) for further
3 response to the TURN proposal to eliminate two-way balancing accounts.

4 In the 2012 GRC, the Commission approved the NERBA as a two-way balancing account
5 to record costs associated with certain new and proposed environmental rules or regulations. *See*,
6 *e.g.*, D.13-05-010 at 95-96, 239, 248-249. The currently authorized NERBA gas and electric
7 subaccounts include (1) Assembly Bill 32; (AB32) Administration Fees; (2) Municipal Separate
8 Stormwater Sewer Systems (MS4); (3) Polychlorinated Biphenyls (PCBs) Phase-Out, (4)
9 Subpart W of Part 98 of Title 40 of the Code of Federal Regulations; and (5) Leak Detection
10 Abatement Repair (LDAR). SDG&E believes it is likely that additional subaccounts will be
11 added in the future with new or emerging environmental regulations.

12 The intent of the NERBA is to record costs meeting the following key criteria: (1)
13 uncertainty as to the scope, magnitude, and mechanics of the compliance requirements associated
14 with new, proposed, or evolving environmental rules or regulations; and (2) potential for
15 incurring significant incremental costs related to environmental regulations with uncertain scope
16 and cost. SDG&E uses a rigorous approach so that all costs recorded to the NERBA are
17 reasonable and supportable. Each activity or regulation has its own NERBA subaccount for
18 individual tracking and review as further explained in the following paragraphs.

19 20 AB32 Fees

21 The AB32 Cost of Implementation (COI) fees are billed to SDG&E for our power
22 generation plants, out-of-state electric imports, and natural gas supplies to our customers. The
23 fees are calculated based on the Greenhouse Gas (GHG) emissions from these sectors (in
24 conjunction with the statewide common carbon cost, \$/MT CO₂e, that the California Air
25 Resources Board (CARB) sets every year). The common carbon cost (CCC) is not a fixed value,
26 and CARB may change it each year. For example, the CCC has fluctuated considerably over the
27 program's duration, ranging from a low of 0.1213 in 2012 to 0.3459 in 2020. In another
28 example, the CCC was 0.2978 in 2018, and then dropped to 0.2683 in 2019, and then back up
29 again in 2020.⁴ Since the GHG emissions fluctuate every year due to variation in MW output of

⁴ CA.Gov, CARB, Common Carbon Cost & Fuel Fee Rates, available at <https://ww2.arb.ca.gov/our-work/programs/ab-32-coi-fee-regulation/common-carbon-cost-fuel-fee-rates>.

1 our power plants, electric imports, and natural gas supplied to customers (governed by market
2 forces, weather conditions, economic settings, and other factors), there is uncertainty in the
3 annual GHG emissions from these sectors. Furthermore, the CCC is not a fixed value, and
4 CARB may change it each year. This introduces unpredictability in the annual AB32 COI fees
5 billed by CARB and establishes the need for a NERBA account.

6
7 MS4
8

9 The MS4 permit is issued by the San Diego Regional Water Quality Board to
10 cities/municipalities and other jurisdictions in the region (aka Co-permittees) to protect
11 stormwater runoff and water resources. As part of the MS4, the Co-permittees are required to
12 develop Water Quality Improvement Plans (WQIPs) for each of the Watershed Management
13 Areas in the San Diego Region (to improve water quality in the MS4 discharge and receiving
14 waters). The measures and water quality benefits identified in the WQIPs are then used to
15 update stormwater ordinances and local codes by the cities and municipalities. These updated
16 ordinances/codes are then applied to existing operations or planned developments by
17 downstream industrial/commercial entities (like SDG&E). The existing MS4 Permit expired on
18 June 27, 2018, but remains in effect under an administrative extension until it is reissued by the
19 San Diego Regional Board. The draft version of the new MS4 permit has not yet been released
20 and there is a degree of uncertainty about what it may require, which necessitates a NERBA
21 account. There is a possibility that the new MS4 may tighten water quality objectives and
22 pollutant waste loads in the region and that may in turn prompt the cities to make their
23 ordinances more stringent and require additional best management practices (BMPs) and
24 stormwater controls and water quality control plans. Environmental Services would then have to
25 survey its Construction & Operations centers, substations, and other facilities to ensure that we
26 take the steps to comply with the city's ordinances. Also, for any new construction we would
27 have to ensure that the project complies with the low-impact development standards of the MS4
28 permit and city's ordinances and standards. If there are deficiencies, we would make
29 recommendations to Facilities and Capital projects to implement structural BMPs or make
30 changes to our existing housekeeping practices. As a result of the uncertainty regarding the new
31 MS4 permit, the costs to be incurred are uncertain and could be significant.
32

1 Subpart W

2 As stated in SDG&E’s testimony (Ex. SDG&E-24 (Syz)),⁵ the NERBA account is needed
3 for Subpart W (of the mandatory GHG reporting rule) since EPA’s proposed changes to Subpart
4 W have not been finalized and there is a degree of uncertainty in what the final version will look
5 like. The proposed rule introduces an option for utilities to conduct direct measurements of leaks
6 using technology such as a high-volume sampler or calibrated bag methodology to allow
7 reporting of more accurate emissions data for our Transmission & Distribution (T-D) and Meter
8 & Regulator (M&R) stations (associated with our natural gas infrastructure). The current
9 version of Subpart W is less intensive (and less accurate) and allows for annual surveys of T-D
10 gate stations (to detect component leaks above 10,000 ppm) and use the leak counts to develop
11 emissions factors (that are used to estimate total emissions from T-D and M&R stations). This
12 proposed Subpart W method will allow for more accurate emissions data but may introduce
13 higher testing costs and labor hours. Therefore, there is uncertainty in the costs to be incurred,
14 which may be significant.

15
16 LDAR

17 LDAR mainly applies to the testing, monitoring, and repair of leaks in compressor
18 engines, pneumatic controllers, and piping (at the compressor stations and transmission systems)
19 as part of the CARB Oil and Gas regulation (and other emerging rules at the
20 State/Federal/AQMD level). LDAR costs for SDG&E are mainly attributable to leak
21 testing/repairs at Moreno Compressor Station that SoCalGas personnel oversee. The
22 components at the Moreno facility are currently checked for leaks twice a week. It is uncertain
23 how emerging regulations may shape future testing frequencies and protocols. There is therefore
24 a need for continuation of the NERBA balancing account.

25 The potential for such a wide fluctuation in estimated costs is a key reason why the
26 NERBA continues to be an effective mechanism to recover costs since operating funds may be
27 adversely impacted by such a large variance in actual costs compared to authorized.

⁵ Ex. SDG&E-24 (Syz) at BAS-23.

1 **IV. CONCLUSION**

2 To summarize, since its inception in 2012, the NERBA has been an effective mechanism
3 to manage costs associated with new and existing environmental regulations. Because the costs
4 for the programs included in NERBA are both uncertain and can be incrementally significant, I
5 believe that continuing the two-way balancing account mechanism is justified. The Commission
6 established precedent in approving the use of the NERBA in the 2012, 2016 and 2019 GRC
7 cycles.⁶ We are respectfully requesting to continue using the NERBA in its current form during
8 the TY2024 GRC.

9 This concludes my prepared rebuttal testimony.
10

⁶ D.19-09-051 at 444 (“We also find that the two-way balancing account for NERBA should continue to be authorized in this GRC period.”).

1 **V. WITNESS QUALIFICATIONS**

2 My name is Erica Martin. My business address is 8690 Balboa Avenue, CPA 2A1, San
3 Diego, CA 92123. My title is Director of Environmental Services in the Energy Procurement and
4 Sustainability organization. The Environmental Services and SONGS organizations provide
5 services to SDG&E.

6 I joined Sempra Energy in 2008 and have been in my current role since July of 2022. I
7 received my Bachelor of Arts in history and political science cum laude from the University of
8 California at Los Angeles and my juris doctor from the Antonin Scalia School of Law at George
9 Mason University. I am an attorney licensed in the state of California. I have not previously
10 testified before the Commission.

11

12

APPENDIX A
GLOSSARY OF TERMS

| ACRONYM | DEFINITION |
|----------------|--|
| AB32 | Assembly Bill 32 |
| AQMD | Air Quality Management District |
| BMPs | Best Management Practices |
| CARB | California Air Resources Board |
| CCC | Common Cost of Carbon |
| COI | Cost of Implementation |
| Commission | California Public Utilities Commission |
| D. | Decision |
| EPA | Environmental Protection Agency |
| GHG | Greenhouse Gas |
| GRC | General Rate Case |
| LDAR | Leak Detection Abatement Repair |
| M&R | Meter & Regulator |
| MW | Megawatt |
| NERBA | New Environmental Regulatory Balance Account |
| PCBs | Polychlorinated Biphenyls |
| SDG&E | San Diego Gas & Electric Company |
| SoCalGas | Southern California Gas Company |
| SONGS | San Onofre Nuclear Generating Facility |
| T-D | Transmission & Distribution |
| TURN | The Utility Reform Network |
| TY | Test Year |
| WQIPs | Water Quality Improvement Plans |