Company:	San Diego Gas & Electric Company (U 902 M)
Proceeding:	2024 General Rate Case
Application:	A.22-05-015/-016 (cons.)
Exhibit:	SDG&E-238

REBUTTAL TESTIMONY

OF JACK M. GUIDI

(WORKING CASH)

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

May 2023

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REBUTTAL TESTIMONY OF
JACK M. GUIDI
(WORKING CASH)

I. SUMMARY OF DIFFERENCES

Table JMG-1 – Summary of Differences

TOTAL WORKING CASH REQUIREMENT – Test Year 2024 ($000)					
	Operational Cash Requirement	**Working Cash Not Supplied by Investors**	**Lead/Lag Working Capital Requirement**	**Total Working Cash Requirement**	**Difference**
SDG&E[1]	**$186,518**	**($101,383)**	**$216,994**	**$302,129**	
CAL ADVOCATES[2]	**$186,518**	**($101,383)**	**$165,672**	**$250,807**	**($51,322)**
TURN[3]				**$192,972/ $197,188**	**($109,157)/ ($104,941)**
FEA[4]				**$262,516**	**($39,613)**

II. INTRODUCTION

This prepared rebuttal testimony regarding San Diego Gas & Electric Company's (SDG&E) request for Working Cash addresses the following testimony from other parties:

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1 SDG&E Revised Prepared Direct Testimony of Jack M. Guidi (Working Cash) (August 2022) (Ex. SDG&E-38-R (Guidi)) at JMG-1. SDG&E identified an immaterial error during the finalization of the revised testimony, which is reflected in the amounts included the table. The error resulted in a $3,000 increase in the 2024 net working cash requirement.

2 Prepared Direct Testimony of Brandon Benitez, Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2024 General Rate Case, Rate Base and Working Cash (March 27, 2023) (Ex. CA-16 (Benitez)) at 15. Cal Advocates recommends a total reduction of $51,319,000.

3 Prepared Direct Testimony of Jennifer Dowdell Addressing Sempra's Working Cash Proposals, on behalf of The Utility Reform Network (March 27, 2023) (Ex. TURN-13 (Dowdell)) at 2. TURN's total working cash requirement appears to be based on SDG&E's May 2022 testimony (Ex. SDG&E-38), which does not reflect the updates made in the revised testimony served in August 2022 (Ex. SDG&E-38-R). TURN recommends a total reduction of either $109,928,000 to align SDG&E's Expense Lag Days to be consistent with Southern California Gas Company (SoCalGas), or $105,712,000 to disallow SDG&E's Goods and Services component of Working Cash.

4 Prepared Direct Testimony of Ralph C. Smith, On behalf of the Federal Executive Agencies (March 27, 2023) (Ex. FEA-01 (Smith)) at 14. FEA recommends a total reduction of $39,610,000.

- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates) as submitted by Brandon Benitez (Ex. CA-16), dated March 2023.
- The Utility Reform Network (TURN), as submitted by Jennifer Dowdell (Ex. TURN-13), dated March 2023.
- The Federal Executive Agencies (FEA), as submitted by Ralph Smith (Ex. FEA-01), dated March 2023.

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SDG&E with the proposal or contention made by these or other parties. The forecasts contained in SDG&E's direct testimony, are based on sound estimates of its revenue requirements at the time of testimony preparation.

A. Cal Advocates

Cal Advocates does not oppose SDG&E's request for its operational working cash requirements, but SDG&E will address the following Cal Advocates proposals on SDG&E's revenue lag and expense lag for tax payments requests:

- Cal Advocates recommends adjusting down SDG&E's proposed revenue lag, billing lag, and bank lag days.[5] SDG&E contends that Cal Advocates methodology is flawed, and SDG&E's proposal is more reasonable and better supported.
- Cal Advocates recommends using estimated tax payment installment days rather than actual base year 2021 lead-lag days to determine the Federal Income Tax (FIT) and California Corporate Franchise Tax (CCFT) lag days. This results in a significant increase in lags days over those proposed by SDG&E.[6] SDG&E contends that Cal Advocates methodology is inconsistent with the California Public Utilities Commission's (CPUC) Standard Practice (SP) U-16 W and SDG&E's proposal is more reasonable and better supported.

[5] Ex. CA-16 (Benitez) at 3.

[6] *Id.* at 3.

B. TURN

The following is a summary of TURN's positions on Working Cash:

- TURN recommends a downward adjustment of SDG&E's revenue lag arguing that uses 2021 base year recorded is inappropriate due to the customer arrearage impacts associated with the disconnection moratorium in three quarters of 2021.[7] SDG&E defends why its proposed methodology, including the use of 2021 recorded data, is appropriate and unbiased.
- TURN recommends adopting a Good and Services lag either: 1) equal to the adopted revenue or 2) equal to the value of Good & Service lag value adopted for SoCalGas.[8] TURN's methodology is flawed, and SDG&E's proposal is more reasonable and better supported.

C. FEA

The following is a summary of FEA's position on Working Cash:

- FEA recommends a downward adjustment of SDG&E's revenue lag, arguing that using 2021 base year recorded is inappropriate due the potential impacts of the COVID-19 pandemic, and that SDG&E should instead utilize 2019 data to calculate its revenue lag.[9] SDG&E defends why its proposed methodology is appropriate and unbiased.

III. GENERAL METHODOLOGY REBUTTAL

Certain parties propose changes to SDG&E's Working Cash proposal that deviate from SDG&E's holistic and long-standing methodology of determining working cash from an unbiased position. As stated in my prepared direct testimony, SDG&E uses 2021 recorded data as a proxy for Test-Year 2024.[10] While 2024 revenue and expense lags may be different from those of 2021, some revenue and expense lags may be longer while others may be shorter, potentially offsetting each other. Cherry-picking adjustments to only certain aspects of the

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[7] Ex. TURN-13 (Dowdell) at 3.

[8] *Id.* at 7.

[9] Ex. FEA-01 (Smith) at 12.

[10] Ex. SDG&E-38-R (Guidi) at JMG-3 – JMG-4.

working cash study can result in parties only making adjustments that will favorably impact their party's end goal. SDG&E applies a uniform approach using 2021 recorded data for the purposes of producing an impartial, neutral result. The intervenors' approach, in contrast, appears to adjust revenue lag items for the primary purpose of generating lower working cash requirements for SDG&E. Because SDG&E evaluates all revenues and expenses using the same approach, that is by using 2021 actual revenue and expense lag as a basis for test year 2024, SDG&E's methodology is more reasonable than those proposed by other parties.

IV. REBUTTAL TO PARTIES' PROPOSALS

A. Revenue Lag

1. Cal Advocates

As discussed in my prepared direct testimony, revenue lag is comprised of four components: meter reading lag, billing lag, collection lag, and bank lag.[11] Figure JMG-1 below illustrates the revenue lag components in connection with SDG&E's customer billing and collection process.

Figure JMG-1

Revenue Lag Component Illustration

Cal Advocates agrees with SDG&E's lag day proposal for certain revenue lag components such as the meter reading lag and collection lag but disagrees with SDG&E's billing lag and bank lag proposals. Cal Advocates asserts that billing lag, bank lag, and the resulting overall revenue lag, should be reduced to account for "the increasing utilization of technology to receive mail and send payments."[12] This proposal is misguided, as discussed further below.

a. Cal Advocates' Proposal to Reduce Revenue Lag Days Lacks Sufficient Support

Cal Advocates bases its proposal to reduce revenue lag days on historical data for years 2019-2021 regarding the percentage of customer payments that were paid electronically and their

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[11] *Id.* at JMG-16 – JMG-17.

[12] Ex. CA-16 (Benitez) at 17.

assumption that the trajectory of these payments will continue at the same rate into the future. Cal Advocates states as follows:

> SDG&E's responses show an increasing trend in electronic payments. Cal Advocates projects that this trend will continue in a linear trajectory. Thus, in the year 2024, approximately 73.3% of all payments to SDG&E will be made electronically. If 73.3% of customers will be making payments electronically in TY 2024, then it is likely that those customers will be receiving their bills electronically 73.3% of the time. Because emailed bills and electronic payments reduce the amount of time it takes to travel to the customer and from the customer to the bank, this reduction results in reduced lag time.[13]

Cal Advocates is over-estimating the predictability of future customer behavior and over-simplifying the impact of these results on the revenue lag days analysis. Although there was a 50% greater increase in electronic payments from 2019 to 2020, increasing from 61% to 64% in a single year,[14] which was very likely due to changes in customer behavior brought about by the COVID-19 pandemic and shelter-in-place orders, it is still nonetheless unclear whether those changes will remain and whether they will increase at the same pace, as Cal Advocates predicts. Indeed, the increase from 2020 to 2021 was smaller at only 2%, with 66% of payments made electronically in 2021.[15] It is unreasonable to expect that increases in electronic payments would continue at the rate that Cal Advocates suggests leading up to the 2024 test year with increases of approximately 2% per year.

Moreover, Cal Advocates' application of a linear trajectory is flawed because, by definition, a linear trajectory would continue to increase beyond the test year until 100% of payments are being made electronically. There are currently customers who do not have the means or the know-how to pay their bills electronically and it is unreasonable to expect that these circumstances would change in such a short period of time.

Lastly, Cal Advocates' methodology for its proposal to reduce revenue lag by 73.3% is flawed. Even if it were true that SDG&E's electronic payments were expected to increase from 66% in 2021 to 73.3% in the 2024 test year <u>and</u> that this should result in a decrease in SDG&E's

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[13] *Id.* at 17 (citation omitted).

[14] *Id.* at 18.

[15] *Id.*

revenue lag days, this would still not result in a 73.3% decrease over SDG&E's revenue lag proposal. The increase from 66% in 2021 to 73.3% in the 2024 test year is 7%. Cal Advocates proposal would suggest that the increase over that time period was 73.3%, rather than 7%, which is incorrect and illogical. On this fact alone, Cal Advocates revenue lag day proposal should be disregarded by the Commission.

As described above, SDG&E uses a consistent and holistic approach to its revenue and expense lead-lag analysis and, using this methodology and consistently applying the 2021 base year remains the best indicator available for the 2024 test year, especially for difficult-to-predict items like customer behavior.

b. Cal Advocates Misunderstands the Concept of Billing Lag and Bank Lag

"Cal Advocates recommends that SCG's[16] Billing Lag time be reduced by 73.3% to reflect the increasing utilization of technology to send and receive mail. If 73.3% of customers will be making payments electronically in TY 2024, then it is likely that those customers will be receiving their bills electronically 73.3% of the time."[17] Similarly, Cal Advocates suggests that SDG&E's bank lag request should be "reduced by 73.3% to reflect the increasing utilization of technology to send payments electronically" based on "the same methodology as discussed for Revenue Lag time."[18] Cal Advocates misunderstands the concept of billing lag and bank lag and the impact of increased electronic billing and/or payments on both.

As stated in my prepared direct testimony and as illustrated in Figure JMG-1 above, "Billing lag [3.4 days] reflects the lag from the date the meter is read until the time the bill is prepared and mailed to the customer."[19] To further clarify, the word "mailed" refers to the act of either physically or electronically sending the bill to the customer. Accordingly, billing lag is not impacted by changes in the percentage of electronic bills and/or payments since it pertains to the time it takes SDG&E to internally calculate, produce, and send the customer bill. The time it

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16 *Id.* SDG&E assumes the reference to "SCG" in this sentence is a typographical error. SDG&E response assumes this sentence and section in Cal Advocates testimony are directed at SDG&E.

17 *Id.*

18 *Id.* at 18 – 19.

19 Ex. SDG&E-38-R (Guidi) at JMG-17.

takes for the customer to receive the bill, once the bill is sent from SDG&E, is part of the collection lag, not billing lag.

Further, although changes in the percentage of electronic payments *could* have an impact on the bank lag days calculation, the calculation is not as simple as Cal Advocates suggests. As discussed in my direct testimony, "Bank Lag [0.81 days] reflects the amount of days from the bank inflow until those funds become available."[20] In other words, bank lag is the number of days between when the customer pays their bill and when SDG&E receives that payment as a deposit in its bank accounts. Cal Advocates assumed that an increase in electronic payments is directly correlated with a decrease in bank lag days.[21] In fact, the inverse is more often true, meaning that customers switching from a non-electronic form of payment to an electronic form of payment often results in an increase in overall bank lag days. For example, if a large number of customers were to switch from making cash payments in person at SDG&E branch offices (non-electronic payment) to making payments through SDG&E's "My Account" online payment system (electronic payment), the bank lag days would *increase.* The bank lag associated with a customer paying cash at a SDG&E branch office is zero lag days because that cash is immediately available for SDG&E's use, whereas the bank lag associated with a customer payment via the My Account system is one day because of the time necessary for the system to process and transfer the payment from the customer to SDG&E's bank account. Thus, a significant number of customers switching from non-electronic payment to electronic payment result in an increase in bank lag days, rather than a decrease as Cal Advocates argues.

SDG&E provides customers with an array of electronic and non-electronic payment options to accommodate the various needs of our millions of customers. In calculating the appropriate bank lag day request, SDG&E considers each of these individual payment methods and assigns a bank lag day to each based on actual historical data of bank lag timing and calculates the weighted average bank lag days. Over the period of 2019 through 2021, there was an increase in electronic payments received. This increase consisted primarily of customers switching from various forms of non-electronic payment to electronic payments through SDG&E's My Account system, which is the most common payment method among all

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[20] *Id.*

[21] Ex. CA-16 (Benitez) at 19.

customers and has a bank lag of one day. If the increase in customers transitioning from other payment methods to My Account continues, SDG&E would expect an *increase* from its current request of 0.81 bank lag days in future GRC bank lag requests, not a decrease as Cal Advocates suggests.

Accordingly, because Cal Advocates makes the incorrect and unsupported assumption that an increase in electronic payments should reduce SDG&E's revenue lag (bank lag and billing lag), the Commission should reject its proposal.

2. TURN & FEA

TURN proposes to adjust SDG&E's requested revenue lag days to exclude the impacts of the COVID pandemic lockdown and the CPUC disconnection moratorium, arguing that they contributed to higher-than-historical customer arrearage levels and make a "base year adjusted" methodology an inappropriate forecasting method.[22] As an alternative, TURN proposes averaging the "the base years from the past three GRCs."[23] Similarly, FEA proposes to adjust SDG&E's requested revenue lag days because it "is concerned that revenue collection lag contains the effects of the Covid-19 pandemic and may be overstated."[24] As an alternative, FEA proposes using a "recalculated revenue collection lag using 2019 data, the year prior to the start of the pandemic using data provided in response to Data Request FEA-02-01."[25]

As discussed in detail above, SDG&E applies an unbiased, holistic approach to calculating revenue and expense lead/lag days. By using 2021 actuals as a proxy for the 2024 test year, SDG&E acknowledges that in some cases the actual 2024 lead/lag days may differ from 2021, however, there will likely be some lead/lag days that are increased, while others decrease, resulting in a small change in overall revenue and expense lead/lag. The impact of COVID-19 on 2021 data does not and should not change that logic. Test year 2024 actuals will continue to see some revenue and expense lags that are higher and others that are lower than we experienced in 2021, challenging the basis for TURN's and FEA's arguments to specifically adjust SDG&E's revenue lag days in isolation of the many other lead/lag components.

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[22] Ex. TURN-13 (Dowdell) at 3 – 6.

[23] *Id.* at 5.

[24] Ex. FEA-01 (Smith) at 12.

[25] *Id.* at 14.

SDG&E disagrees with TURN and FEA; SDG&E's holistic methodology determines working cash from an unbiased position. SDG&E uses 2021 recorded data as the proxy for test-year 2024. By applying a uniform approach using 2021 recorded data, SDG&E does not cherry-pick items for its study, and therefore produces an impartial, neutral result that is most likely approximates SDG&E's 2024 revenue lag.

a. TURN's Assumption That 2021 Arrearage Levels Were an Outlier Is Flawed

SDG&E disagrees with TURN's suggestion that it is unrealistic for 2021 arrearage levels to reflect arrearage levels going forward and therefore that the revenue lag needs to be "normalized."[26] TURN suggests that this normalization is necessary to bring arrearages and revenue lag back in line with pre-pandemic levels. However, SDG&E takes issue with the implication that pre-pandemic arrearage and revenue lag levels are equivalent with "normal" levels into the 2024 Test Year.

TURN points to the COVID pandemic lockdown and CPUC disconnection moratorium as the drivers of higher arrearage levels for California utilities in 2021.[27] SDG&E agrees that these were likely contributing factors; however, SDG&E disagrees with TURN's apparent conclusion that future arrearage levels will decrease now that the COVID pandemic lockdown and CPUC disconnection moratorium have ended. In fact, SDG&E continued to experience arrearage levels throughout 2022 which were higher-than-historical levels and even higher than 2021. In fact, December 2022 residential customer arrearages were approximately $239 million, representing an increase of $43 million from 2021 levels of approximately $196 million.[28] This continued trend supports SDG&E's assertion that elevated arrearage levels are not wholly caused by the disconnection moratorium in 2020 and 2021. Moreover, there are other new and ongoing customer assistance policies and programs implemented by the CPUC that will likely continue to contribute to higher-than-historical arrearage levels into test year 2024. For instance, the

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[26] Ex. TURN-13 (Dowdell) at 5.

[27] *Id.* at 3 – 4.

[28] *See* Rulemaking (R.) 18-07-005, Disconnection Settlement Monthly Report of San Diego Gas & Electric Company (January 20, 2023) at Section 3 – Arrearages, p. 24; *see also* R.18-07-005, Disconnection Settlement Monthly Report of San Diego Gas & Electric Company (January 20, 2022) at Section 3 – Arrearages, p. A23.

COVID-19 Relief Payment Plan (RPP)[29] and the Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs, Rulemaking 18-07-005 (Disconnection OIR)[30] are two examples of current customer assistance efforts that SDG&E expects may impact arrearage levels into the test year. Thus, even assuming the disconnections moratorium contributed to a longer collections lag and therefore a longer revenue lag than pre-moratorium, these and other Commission programs and policies may contribute to a continuing collections lag that is significantly higher than pre-COVID.

b. TURN and FEA's Alternative Revenue Lag Methodologies Are Not Reasonable

As alternatives to SDG&E's 2021 base year methodology, TURN and FEA propose revenue lag methodologies that are inconsistent with SP U-16-W and unreasonable in light of the circumstances. For instance, TURN recommends averaging the base years of SDG&E's past three GRCs (including the current TY 2024 GRC) as the appropriate forecasting method for revenue lag.[31] The base years of SDG&E's last three GRCs are 2013, 2016, and 2021, which is an unreasonably wide timeframe to use if the goal is to normalize data for the 2024 test year. The 2013 base year data is more than ten years removed from the 2024 test year and even the 2016 base year falls outside the three to five calendar years that TURN suggests as the ideal period for normalizing data.

FEA proposes to adjust SDG&E's requested revenue lag days because it "is concerned that revenue collection lag contains the effects of the Covid-19 pandemic and may be overstated."[32] As an alternative, FEA proposes using a "recalculated revenue collection lag using 2019 data, the year prior to the start of the pandemic using data provided in response to Data

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[29] *See* D.21-06-036. The COVID-19 RPP required California utilities, including SDG&E, to automatically enroll qualifying residential and small business customers into payment plans up to 24-months long and defer any type of collection activity leading to disconnection. Enrollment in the program slows collections by SDG&E as compared to pre-pandemic collection timelines, thus extending and increasing customer arrearages while the program is ongoing.

[30] *See* R.18-07-005 and D.20-06-003. In June 2020, the CPUC issued a Decision limiting SDG&E's annual residential service disconnections and requiring extended payment plans prior to disconnections. *See* D.20-06-003 at 145 – 146. SDG&E expects D.20-06-003 to continue to impact operations through the 2024-2027 GRC period, and very likely increasing overall arrearage timelines as a result.

[31] Ex. TURN-13 (Dowdell) at 5.

[32] Ex. FEA-01 (Smith) at 12.

Request FEA-02-01."[33] FEA provides no rationale to support this proposed deviation from SP U-16-W practice, aside from stating that "[t]he revenue lag should return to more normal levels in the TY 2024 and the Post Test Years ("PTYs")."[34] However, FEA doesn't provide any support or evidence to indicate why the revenue lag should return to what they consider more normal levels in the TY2024 and the PTYs. As such, the Commission should disregard FEA's revenue lag days proposal.

Thus, SDG&E's approach is more reasonable because it does not cherry-pick items to disregard or emphasize for its study, and therefore produces an impartial, neutral result for SDG&E's 2024 revenue lag. Accordingly, SDG&E maintains that the use of SDG&E's holistic, unbiased methodology based on the SP U-16-W is the most reasonable approach to determining its TY 2024 working cash requirements.

B. Goods & Services Expense Lag

1. TURN

TURN argues that SDG&E should receive no value for its Goods & Services expense lag or the same value as SoCalGas because of a "lack of reasonable showing."[35] SDG&E disagrees that its Goods & Services expense lag testimony and analysis are deficient.

As discussed in my prepared direct testimony, SDG&E's expense lag is the number of days between the time the utility's expenses are incurred and the time SDG&E pays its suppliers.[36] The expense lag analysis reflects 2021 as-recorded expenses and the associated average expense lag days. To determine the number of Goods & Services expense lag days, SDG&E analyzed 12 months of invoices from calendar year 2021. The weighted-average number of expense lag days was derived by the following:

- For the total population of invoices for 2021, determine lag days for each expense category by comparing the service date (either the date service was provided or the midpoint of the service period) to the date cash payment was made;

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[33] *Id.* at 14.

[34] *Id.* at 12.

[35] Ex. TURN-13 (Dowdell) at 7.

[36] Ex. SDG&E-38-R (Guidi) at JMG-3.

- For each category, multiplying the lag days by the associated dollar amount for the payment, deriving “dollar-days;” and
- Summing the dollar-days for each payment and dividing that total by the total of the 2021 payment amounts to derive the average expense lag.

TURN argues that it “was unable to conduct a complete analysis of SDG&E’s Goods & Services expense lag due to SDG&E’s refusal to provide the requested invoice information in discovery.”[37] SDG&E disagrees with this characterization of its data request response, which is attached hereto at Attachment B. Although SDG&E did not use the exact invoice categories as those requested by TURN in its analysis and therefore could not produce those in response to TURN’s data request, it provided the invoice categories most closely aligned with those requested and sufficient information for TURN to recalculate the Goods & Services lag (i.e. the number of days between the time the utility’s expenses are incurred and the time SDG&E pays its suppliers).[38]

Moreover, SDG&E’s Goods & Services lag does not reflect inefficient cash management, but rather is focused on a strategy supporting small businesses and creating operational savings for our ratepayers. For example, SDG&E’s strategy for certain vendors are noted below:

- For companies with less than 25 employees and less than $5 million in revenue, SDG&E amends the net terms for billing and changes it to 15 days to pay them sooner; and
- For all companies that would like to be paid sooner than net-30, net-45, SDG&E will pay sooner but receives a discount on the invoice if they accept, reducing overall costs.

As such, the Commission should disregard TURN’s Goods & Services lag days proposal which is based on limited analysis and faulty assumptions and arrives at incorrect conclusions. SDG&E’s proposed Goods and Services lag day methodology is reasonable and prudent and should be approved as proposed in my direct testimony.

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37 Ex. TURN-13 (Dowdell) at 7.

38 Additionally, to the extent TURN did not understand the data provided, it did not request a meet and confer with SDG&E to allow for further explanation.

C. Federal Income Tax and California Corporate Franchise Tax Lag

Finally, Cal Advocates testimony proposes different methodology for arriving at the Federal Income Tax (FIT) lag as compared to SDG&E's standard and previously approved methodology.

SDG&E proposes to calculate lag days for FIT payments based on 2021 actuals.[39] This results in 2.98 lag days.[40] Cal Advocates, on the other hand, proposes to calculate lag days based on 2021 quarterly payment due dates, which results in a weighted average of 82.2 lag days.[41] Cal Advocates argues that "[a]ctual lag days for FIT payments are subject to the potential occurrence of refunds, extensions, true-ups, or net operating losses (i.e., no FIT payments), which increase the volatility of recorded lag days for FIT."[42] This logic assumes that an estimate of tax payments for the year ahead is more accurate than actual tax payments from a past year. There is no basis for this assumption. Cal Advocates new methodology is unrealistic because tax payments are impacted by income estimates, and the exact amount of total taxes due is not known until the fiscal year is complete. As a prudent operator, with a strong desire to comply with tax regulations, SDG&E adopts a conservative approach in paying its estimated tax payments. That is, a conservative enterprise like SDG&E will, more likely than not, pay more than what is required to avoid penalties, and this approach may result in tax refunds, thus generating lead days.

Accordingly, because SDG&E's approach is compliant with SP U-16-W and compliant with previous Commission decisions, including the 2019 GRC decision, as well as more prudent and reasonable based on the reasoning above, the Commission should continue the use of the methodology proposed by SDG&E and compliant with SP U-16-W.[43]

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39 *See* Ex. SDG&E-38-R (Guidi) at JMG-20; Ex. CA-16 (Benitez) at 19 – 20.

40 Additionally, at Ex. CA-16 (Benitez), p. 19, Cal Advocates indicates SDG&E has proposed "lead" days (i.e., negative lag days). However, SDG&E's proposal for FIT and CCFT results in 2.98 and 9.48 lag days, respectively. *See* Redacted Revised Workpapers to Prepared Direct Testimony of Jack M. Guidi on Behalf of San Diego Gas & Electric Company (August 2022) (Ex. SDG&E-38-WP-R (Guidi)) at 40 – 41.

41 Ex. CA-16 (Benitez) at 19 – 20.

42 *Id.* at 19.

43 *See* D.19-09-051 at 657 (approving SDG&E's conservative approach based on actual FIT payments).

Cal Advocates also recommends changing the California Corporate Franchise Tax (CCFT) lag days from actual base-year results of 9.48 lag days[44] to Cal Advocates calculated recommendation of 82.2 lag days similarly based on estimated tax payment days. This methodology is unrealistic for the same reasons stated above for the FIT.

SDG&E applies an unbiased, holistic approach to calculating its revenue and expense lead/lag days. By using 2021 actuals as a proxy for the 2024 test year, SDG&E recognizes that in some cases the actual 2024 lead/lag days may differ from 2021, however, there will be some lead/lag days that increase, while others decrease, likely resulting in a small net change in overall revenue and expense lead/lag. Cherry-picking adjustment to only certain aspects of the working cash study, can result in parties only making adjustments that will favorably impact their party's end goal. SDG&E applies uniform approach using 2021 recorded data and avoids cherry-picking data for the purpose of producing an impartial, neutral result.

SDG&E's proposed FIT and CCFT lead/lag day methodology is reasonable and prudent and should be approved as proposed in my opening testimony.

V. CONCLUSION

To summarize, SDG&E used a holistic, long-standing approach to determine its working cash requirement for test year 2024. A consistent approach was applied in the analysis of working cash items, and SDG&E considered the nature of its operations, per SP U-16-W, to determine the reasonableness of its request. SDG&E did not cherry-pick or make adjustments that will favorably or unfavorably impact one party's end goal. SDG&E applies uniform approach using 2021 recorded data and avoid cherry-picking data for the purpose of producing an impartial, neutral result.

This concludes my prepared rebuttal testimony.

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44 Ex. CA-16 (Benitez) at 20.

APPENDIX A

GLOSSARY OF TERMS

ACRONYM	DEFINITION
Cal Advocates	The Public Advocates Office
CPUC	California Public Utilities Commission
D.	Decision
GRC	General Rate Case
FEA	Federal Executive Agencies
OIR	Order Instituting Rulemaking
RPP	Relief Payment Plan
SDG&E	San Diego Gas & Electric Company
SCG	Southern California Gas Company
SoCalGas	Southern California Gas Company
SP	Standard Practice
TURN	The Utility Reform Network
TY	Test Year
WP	Workpaper

APPENDIX B

DATA REQUEST RESPONSES

SDG&E Response to TURN-SEU-028, Question 3, dated 2/22/2023

Data Request Number: TURN-SEU-028

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: The Utility Reform Network

Date Received: 2/7/2023

Date Responded: 2/22/2023

3. Referring to SDG&E-38, Schedule I, p. 32 of 58., please provide a listing in live excel format of each of the tested Invoices. Please include description, chart of accounts category, invoice amount, date received, payment date, and method of payment.

SDG&E Response 3:

SDG&E objects to this request as overbroad and unduly burdensome. The categories of information requested were not used in SDG&E's Other Goods & Services lead lag analysis for the 2024 General Rate Case, and therefore it would be a significant burden to attempt to compile, review, and analyze thousands of invoices for the requested categories of information. SDG&E is providing the following categories of information that were used in SDG&E's analysis and most closely align with the information sought in Question 3. For "description" and "chart of accounts category" SDG&E has provided the General Ledger Account and General Ledger Account Name and for "date received" SDG&E has provided the Document Date. Subject to and without waiving the foregoing objection, SDG&E responds as follows:

The separately attached document contains Confidential and Protected Materials which are provided pursuant to PUC Section 583, D.21-09-020 and GO 66-D (Revision (Rev.) 2) and/or an executed Non-Disclosure Agreement for this Proceeding.

Please see the confidential attachment "TURN-SEU-028_Q3_Attachment_CONFIDENTIAL.xlsx" for a listing of information pertaining to each of the tested invoices.