

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit: SDG&E-248

REBUTTAL TESTIMONY OF
JEFF P. STEIN
(PRESENT AND PROPOSED ELECTRIC REVENUES AND RATES)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2023

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**REBUTTAL TESTIMONY OF
JEFF P STEIN
(PRESENT AND PROPOSED ELECTRIC REVENUES AND RATES)**

I. INTRODUCTION

My rebuttal testimony regarding SDG&E’s Present and Proposed Electric Revenues and Rates addresses the following testimony from:

- Small Business Utility Advocates (SBUA) as submitted by Dr. Richard McCann and Steven Moss, 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, performed at the project level, are based on sound estimates of its revenue requirements at the time of testimony preparation.

The following is a summary of SBUA’s positions on SDG&E’s electric rates¹:

- SBUA’s testimony contains statements regarding the high nature of SDG&E’s electric rates. This assertion is similar to those made in the 2016 and 2019 GRCs where SDG&E provided rebuttal arguments with updated factual support.
- SBUA’s testimony proposes different options related to distribution hardening and microgrids and attempts to forecast resulting post-test year revenue requirements and electric rates.

¹ March 27, 2023, SBUA, Prepared Direct Testimony of Richard McCann, PH. D and Steven J. Moss, MPP, Exhibit (Ex.) SUBA at 6-7 and 24-26.

1 **II. REBUTTAL TO SBUA’S PROPOSALS**

2 **A. Comparison of SDG&E’s Electric Rates and Customer Bills**

3 SBUA expresses concerns regarding SDG&E’s rates. SBUA states that “SDG&E has
4 among the highest, if not the highest, retail rates in the continental U.S.,” and that “SDG&E is
5 requesting another increase amounting to one-third of its current rates.”² Mr. Bruce Folkman’s
6 policy testimony (Ex. SDG&E-01-R) discusses SDG&E’s overall approach to how its TY 2024
7 revenue requirement request is needed to continue delivering safe and reliable gas and electric
8 services at reasonable rates. My rebuttal testimony explains that when considering customer rates
9 for electricity, it is important to look at more than just rates themselves; one should also focus on
10 customer’s usage and resulting bills.

11 SBUA’s statement regarding SDG&E’s retail rates were based on the U.S. Energy
12 Information Administration’s data for 2021. As previously stated in SDG&E’s 2016 and 2019
13 GRCs, SDG&E’s average monthly residential usage is among the lowest in the nation when
14 compared to other IOUs, which results in higher than average electric rates due to fewer electric
15 sales (kilowatt hours or “kWhs”) over which to recover those costs. Attached Appendix C shows
16 in 2021, SDG&E had among the lowest average monthly residential usage nationwide. This is
17 driven by milder temperatures and higher technology adoption generally leading to lower
18 electricity usage.

19 Attached Appendix D compares SDG&E’s average residential bills in 2021 with other
20 IOUs nationally. SDG&E had the lowest average residential electric bill among the three large
21 IOUs in California and SDG&E’s average residential bill was lower than the national average.
22 The average residential usage and average customer bills provide a better indication of
23 SDG&E’s cost to serve its customers. Attached Appendix E and Appendix F illustrate the
24 average usage and average bill at the system level.

25 **B. SBUA’s Forecast of Rate Impacts and Post Test Year Revenue Requirements**
26 **Lacks Merit and Should be Rejected**

27 Table SBUA-4 and Figure SBUA-4 in SBUA’s testimony proposes different options
28 related to distribution hardening and microgrids. Mr. Jonathan T. Woldemariam’s rebuttal
29 testimony (Ex. SDG&E-213) discusses SBUA’s proposals. My rebuttal testimony addresses

² Ex. SBUA (McCann/Moss) at 7.

1 SBUA's derivation of the forecasted electric rates in Table SBUA-1, Table SBUA-4 and Figure
2 SBUA-4 which stem in part from the post-test year revenue requirements developed as part of
3 SBUA's testimony.

4 SBUA's post-test revenue requirements as described in SBUA's workpapers are based on
5 hypothetical assumptions and oversimplified allocations.³ SBUA's calculations lack the rigor of
6 typical revenue requirement calculations, which includes the understanding of a project's
7 underlying assets, direct costs (including O&M), overhead allocations, escalation factors,
8 AFUDC, SDG&E's authorized capital structure, rate of return, federal and state income taxes,
9 property taxes, working cash, and franchise fees and uncollectibles. It appears these components
10 were not individually calculated to derive the post-test year revenue requirements. Since SBUA's
11 derivation of the post-test year revenue requirements is unsupported, the forecast of electric rates
12 from those calculations can not be relied on for consideration of its proposals in this proceeding.

13 **III. CONCLUSION**

14 To summarize, SDG&E's residential usage and average customer bills provide a better
15 indication of SDG&E's cost to serve its customers. In addition, SDG&E contends that SBUA's
16 analysis in Table SBUA-1, Table SBUA-4 and Figure SBUA-4 in SBUA's testimony is
17 oversimplified, not supported, lacks merit and should be rejected.

18 This concludes my prepared rebuttal testimony.

³ Appendix B, Response of SBUA to SCG-SDGE-SBUA-001

APPENDIX A
GLOSSARY OF TERMS

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GLOSSARY OF TERMS

<u>ACRONYM</u>	<u>DEFINITION</u>
AFUDC	Allowance for Funds Used During Construction
GRC	General Rate Case
IOUs	Investor-Owned Utilities
kWhs	Kilowatt-hours
O&M	Operations and Maintenance
SBUA	Small Business Utility Advocates
SDG&E	San Diego Gas and Electric

APPENDIX B
DATA REQUEST RESPONSES

**DATA RESPONSE OF SMALL BUSINESS UTILITY ADVOCATES TO
REQUEST SCG-SDGE-SBUA-001 SoCalGas and SDG&E's 2024 GENERAL RATE
CASE**

A.22-05-015 and A.22-05-016

DATE: April 10, 2023

TO: Jamie York
Southern California Gas Company
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Will Fuller
San Diego Gas & Electric
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FROM: Jennifer Weberski
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Question 1: Please provide any and all underlying workpapers in their native format and please describe the methodology used to develop the following tables/figures provided in the March 27, 2023 Direct Testimony of Richard McCann:

- Table SBUA-1 – SDG&E Proposed Rate Increases,
 - Table SBUA-4: Comparison of Revenue Requirements for Distributive Hardening Options, and
 - Figure SBUA-4: SDG&E Projected Average Rates Compared to WMPU versus Microgrid Alternatives.
-

Response 1: Attached is the spreadsheet file *SBUA-SDGE microgrid v2024 GRC.xlsx* that contains the calculations creating the tables and figures requested.

Table SBUA-1 is created on sheet *Rates*. Rates for the 2022 to 2024 period are drawn directly from SDG&E testimony. Rates for 2025-2027 are projected based on SDG&E's requested revenue requirements and the relationship of rate increases to revenue requirements in the 2022-2024 period.

Table SBUA-4 and Figure SBUA-4 are also created on sheet *Rates*. The undergrounding revenue requirements are calculated on sheet UG Costs-2024 assuming that SDG&E will install 150 miles annually (i.e., 600 miles over four years.) The fixed charge rate for revenue requirements is calculated from PG&E General Rate Case methodology with a similar cost of capital. Costs are drawn from SDG&E testimony cited in the workpapers.

SDG&E Proposed Rate Increases

Rates	Average Cents per KWH						Rates to Revenue change							Avg relationship trend
	2022	2023	2024	2025	2026	2027	2022-27	2022	2023	2024	2025	2026	2027	
Residential	34.5	35.8	38.0	40.7	43.1	45.3	31.3%	0.0207	0.0206	0.0204	0.02032	0.02020	0.02009	0.99445
% Increase over 2022		3.8%	10.1%	18.0%	25.1%	31.3%								
Small Commercial	32.2	33.4	35.6	38.2	40.6	42.7	32.5%	0.0577	0.0572	0.0568	0.05632	0.05587	0.05541	0.99193
% Increase over 2022		3.7%	10.6%	18.7%	26.0%	32.5%								
Total	31.1	32.0	33.8	36.0	37.9	39.5	27.0%	0.0076	0.0075	0.0075	0.00740	0.00733	0.00726	0.99025
% Increase over 2022		2.9%	8.7%	15.7%	21.8%	27.0%								
Revenue Requirements	2022	2023	2024	2025	2026	2027	Revenue allocation shares						Avg share change	
Residential	\$1,670	\$1,740	\$1,860	\$2,004	\$2,136	\$2,254	2022	2023	2024	2025	2026	2027		
Small Commercial	\$558	\$584	\$627	\$679	\$726	\$770	40.9%	41.0%	41.1%	41.2%	41.3%	41.4%	1.00245	
Total	\$4,080	\$4,243	\$4,522	\$4,861	\$5,167	\$5,440	13.7%	13.8%	13.9%	14.0%	14.1%	14.2%	1.00689	
Increase		\$163	\$279	\$339	\$306	\$273								
% Increase		4.0%	6.6%	7.5%	6.3%	5.3%								
% Cumulative Increase			10.8%			33.3%								

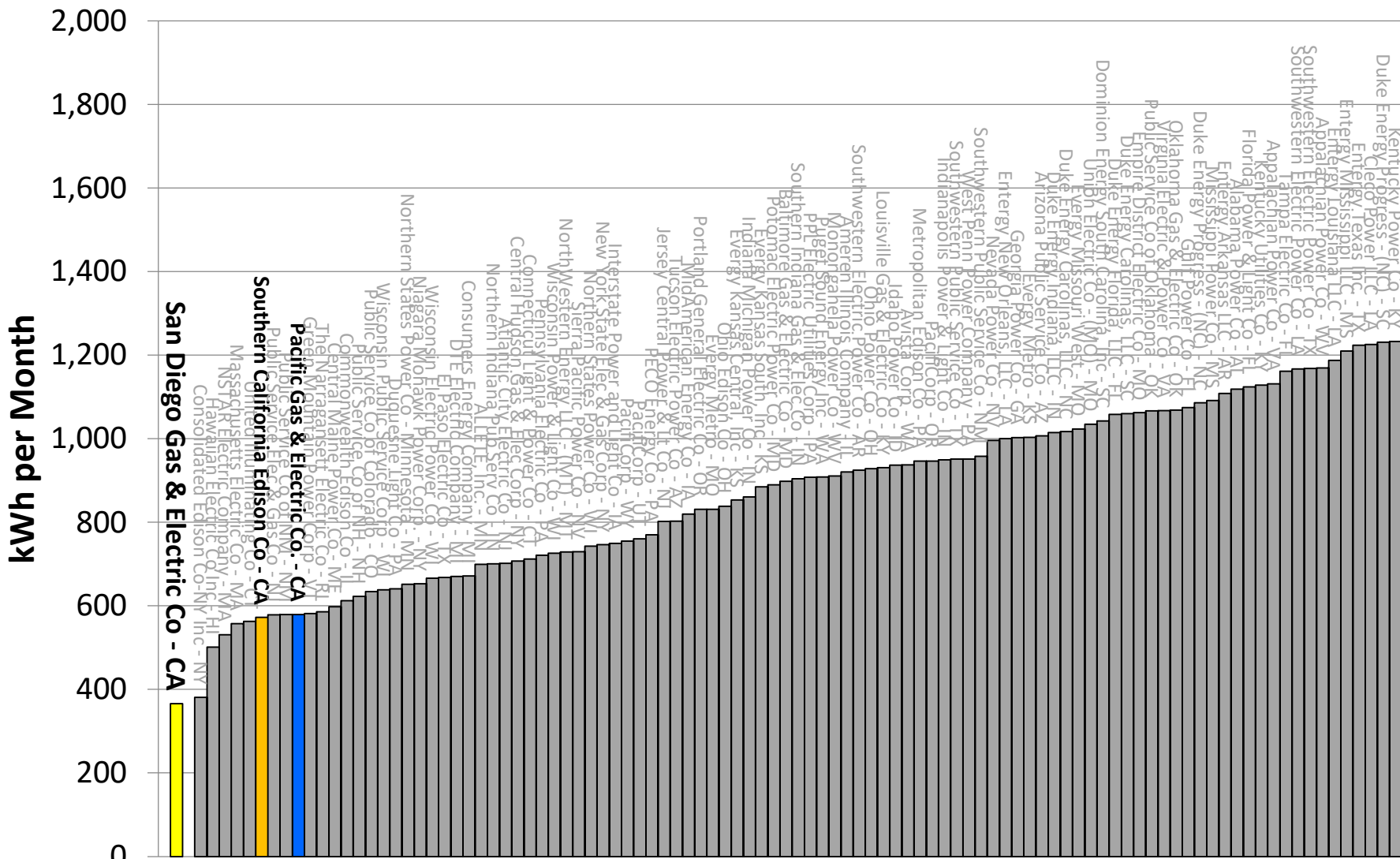
Revised Prepared Direct Testimony Of Jeff P. Stein (Present And Proposed Electric Revenues And Rates), Exhibit SDG&E-48-R, August 2022, pp. JPS-2-3.
 Revised Prepared Direct Testimony Of Melanie E. Hancock (Post-Test Year Ratemaking), Exhibit SDG&E-45-R, August 2022

Value per kW	Load Factor	Annual value/kW				
Residential	49.6%	\$1,968				
Rate increases	2022	2023	2024	2025	2026	2027
Rates without WMPU	30.9	31.5	32.9	34.7	36.2	37.5
with WMPU	31.1	32.0	33.8	36.0	37.9	39.5
All Residential MGs	31.1	32.0	33.7	35.8	37.7	39.2
All Community MGs	31.1	32.0	33.6	35.6	37.3	38.8
WMPU increment	0.2	0.5	0.9	1.3	1.6	2.0
All Residential MGs	0.2	0.5	0.8	1.1	1.4	1.7
All Community MGs	0.2	0.5	0.7	0.9	1.1	1.3
Revenue Requirements	2022	2023	2024	2025	2026	2027
UG RRQ	\$24	\$68	\$119	\$171	\$222	\$274
Increase over 2022	0.6%	1.6%	2.6%	3.5%	4.3%	5.0%
Residential MG RRQ	\$24	\$68	\$110	\$151	\$193	\$234
Increase over 2022	0.6%	1.6%	2.4%	3.1%	3.7%	4.3%
Community MG RRQ	\$24	\$68	\$95	\$123	\$151	\$178
Increase over 2022	0.6%	1.6%	2.1%	2.5%	2.9%	3.3%

APPENDIX C
RESIDENTIAL AVERAGE USAGE

Residential Average Usage

(Based on January 2021 to December 2021 U.S. Energy Information Administration Form EIA-861M)

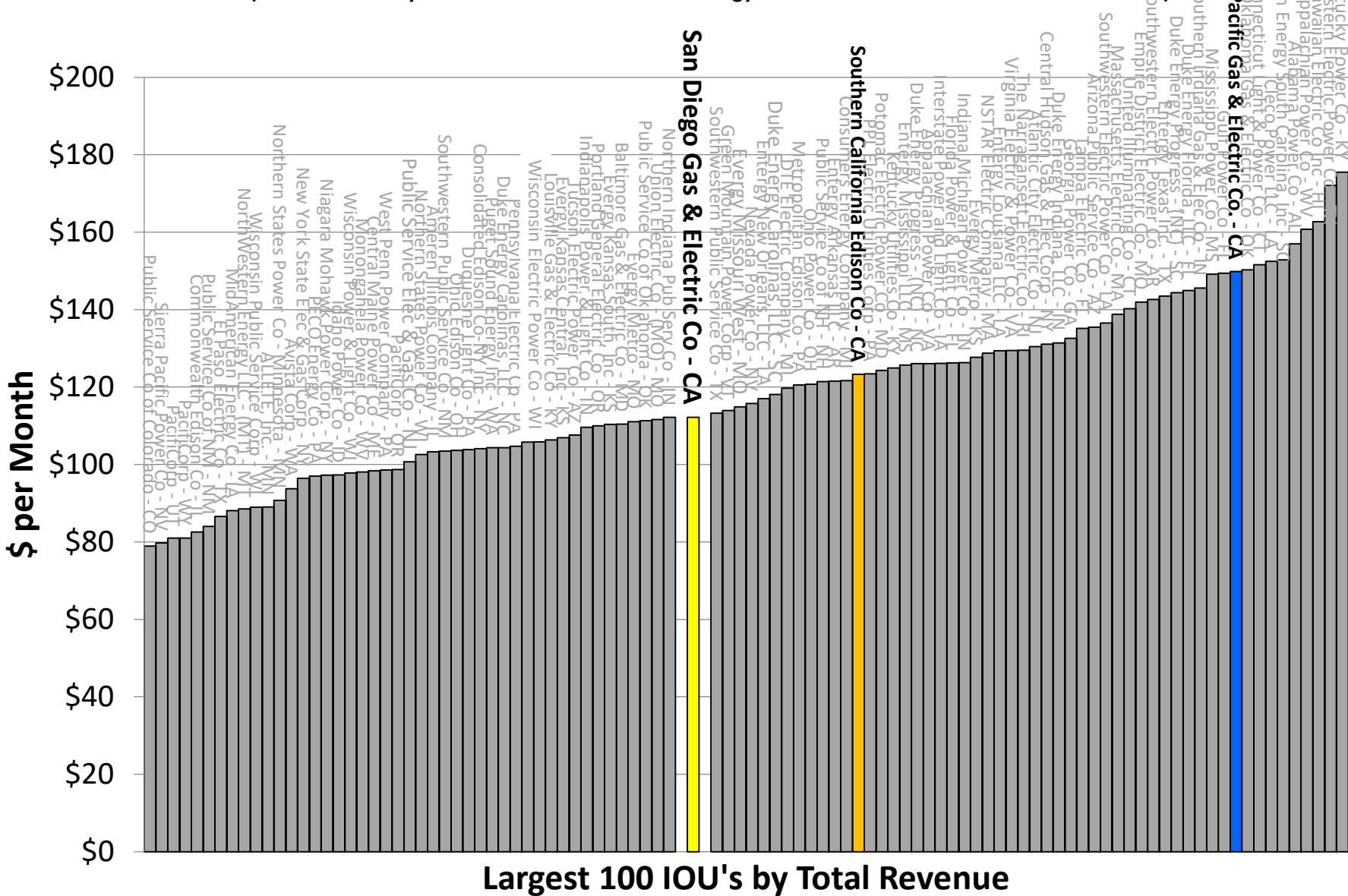


Largest 100 IOU's by Total Revenue

APPENDIX D
RESIDENTIAL AVERAGE BILL

Residential Average Bill

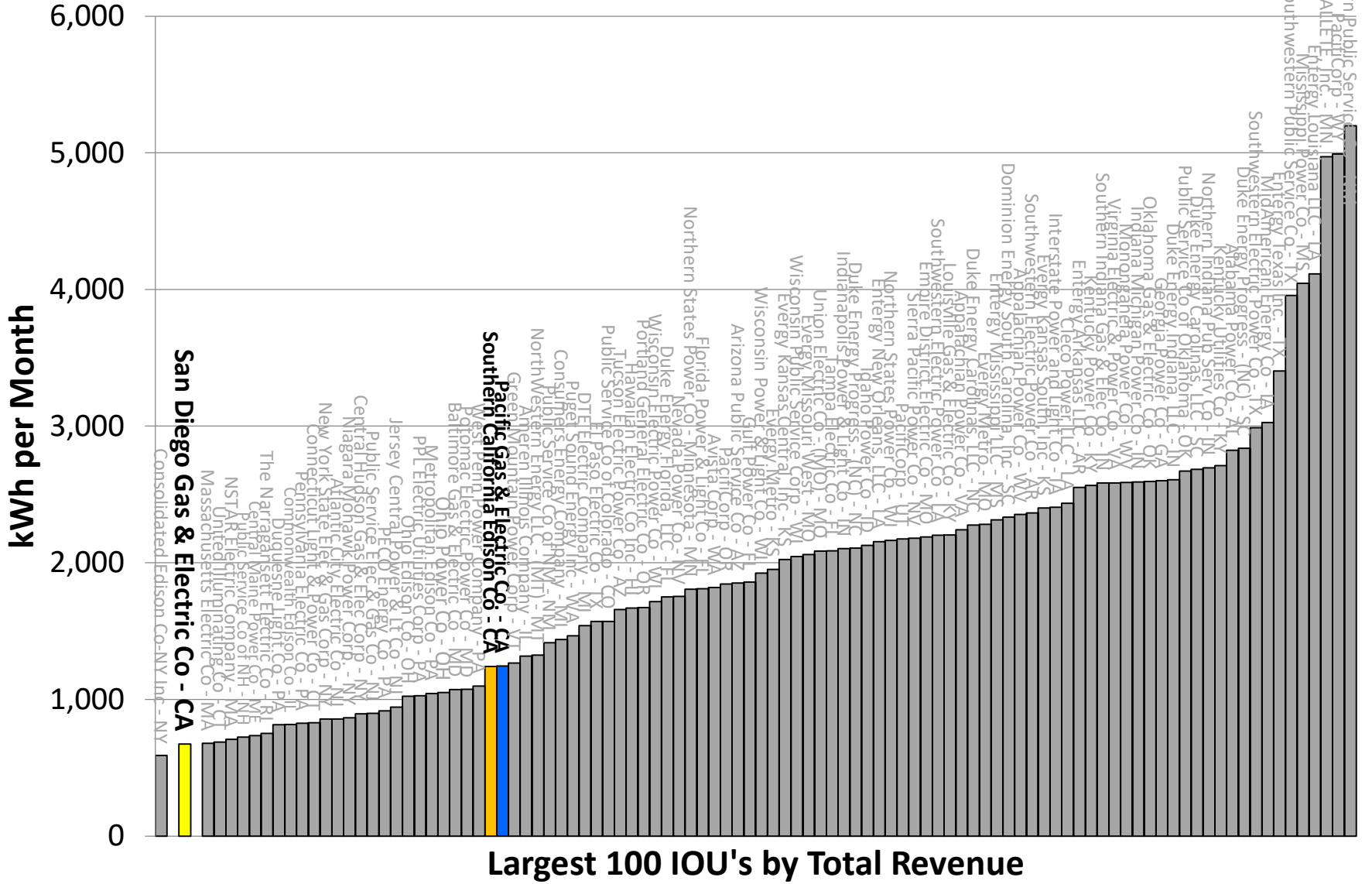
(Based on January 2021 to December 2021 U.S. Energy Information Administration Form EIA-861M)



APPENDIX E
SYSTEM AVERAGE USAGE

System Average Usage

(Based on January 2021 to December 2021 U.S. Energy Information Administration Form EIA-861M)



APPENDIX F
SYSTEM AVERAGE BILL

System Average Bill

(Based on January 2021 to December 2021 U.S. Energy Information Administration Form EIA-861M)

