

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
6-08-16
04:59 PM

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2016.

Application 14-11-003
(Filed November 14, 2014)

And Related Matter.

Application 14-11-004

**COMMENTS OF
THE OFFICE OF RATEPAYER ADVOCATES
ON THE PROPOSED DECISION OF
ADMINISTRATIVE LAW JUDGES JOHN WONG AND RAFAEL LIRAG**

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June 8, 2016

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the Office of Ratepayer Advocates (“ORA”) submits these Comments to the Proposed Decision of Administrative Law Judges (“ALJs”) John S. Wong and Rafael L. Lirag addressing the General Rate Case (“GRC”) Application of San Diego Gas & Electric Company (“SDG&E”), and the Southern California Gas Company (“SoCalGas”) (collectively “Sempra,” or the “Sempra Utilities.”)

ORA submits these Comments to address legal and factual errors in the Proposed Decision (“PD”) relating to the Post Test Year Settlement Agreement between the Sempra Utilities and ORA. ORA recommends that the final decision in these GRC applications adopt this Settlement that encompasses a 2019 attrition year.

II. BACKGROUND

SDG&E and SoCalGas filed their test year (TY) GRC applications on November 14, 2014. The Sempra GRC applications were accompanied by supporting testimony which included a mechanism for post-test year ratemaking. The Sempra Utilities’ proposal in their testimony was for a three-year term (2016-2018). The next GRC for each utility would be for a 2019 test year.

When ORA submitted its testimony in April 2015, ORA proposed a four-year GRC cycle. ORA recommended a four-year cycle for the following reasons:

With a 3-year GRC cycle, test years of the initial case serve as base years for the following rate case. This presents a problem because recorded test year costs may not be representative of future costs. As utilities often initiate new programs during the test year, and initial costs may not reflect a more stable or steady-state level of expenses or expenditures. A 4 –year GRC cycle allows for better utility financial and operational management of spending and investment.¹

In Rebuttal, the Sempra Utilities objected to ORA’s proposal to adopt a four-year GRC cycle in this case unless the GRC cycles were coordinated to avoid any overlap between the GRC proceedings of other California utilities and the additional attrition year used the attrition methodology as proposed by SDG&E and SoCalGas in their direct testimony.²

After hearings concluded, the Sempra Utilities and other parties engaged in settlement discussions ultimately resulting in Settlement Agreements. These Settlement Agreements resolved, among other things, the post-test year ratemaking escalation factors and the Utilities’ respective Z-factor mechanisms.

SDG&E, SoCalGas and ORA reached a Post-Test Year Settlement Agreement supporting a four year GRC cycle subject to the following conditions:

The Settling Parties agree to an attrition year escalation factor for 2019 of 4.3%. The attrition year escalation factors for 2017 (3.5%) and 2018 (3.5%) are included in the TY 2016 Settlement Agreement;

Commission adoption of the TY 2016 Settlement Agreements for both SDG&E and SoCal Gas, except as may be modified in a manner mutually acceptable to the Settling Parties; and

Commission adoption of four-year GRC cycles for all major California energy utilities, PG&E, SDG&E, SoCalGas and SCE to avoid overlapping GRC test years among them.

The Sempra Utilities and ORA also filed a Petition for Modification of Decision (D.) 14-12-025 in the GRC Order Instituting Rulemaking, (R.)13-11-006, on October 22, 2015.³ In that Petition, the Sempra Utilities and ORA ask the Commission to modify the GRC cycle

¹ Ex. 398, ORA/Tang, p 13.

² Ex. 97, SDG&E/ Hrna at pp. 5-6; Ex. 94 (SCG/ van der Leeden at p. 9.

³ Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities.

length it had adopted in that decision. Several parties filed oppositions to both the Post-Test Year Ratemaking Settlement Agreement and the Sempra/ORR Petition for Modification of D.14-12-025.⁴

III. DISCUSSION

Rule 14.3 states that Comments shall focus on "...factual, legal or technical errors in the proposed decision and in citing such errors shall make specific references to the record or applicable law." The Proposed Decision in this case lists the arguments the Sempra Utilities and ORR made in support of their Post-Test Year Settlement Agreement, but does not address them. Instead, it refers to a Proposed Decision addressing the Sempra/ORR Petition for Modification of D.14-12-025 and presumes from that PD that the Petition's request for a 4 year GRC cycle will be denied.⁵

The scope and purpose of R.13-11-006 are very different from the scope and purpose of this GRC proceeding. R.13-11-006 focused on developing a risk-based decision-making framework to evaluate safety and reliability improvements in GRC proceedings. The scope of the instant proceeding is to establish the revenue requirements and rates for its electric and natural gas services for the period from January 1, 2016 through December 31, 2018. The PD's reference to the Proposed Decision regarding the Sempra/ORR Petition does not adequately address the reasonableness of the settlement's escalation rate proposed for 2019, nor does it consider how ratepayers and the Sempra Utilities benefit from the terms of the Settlement Agreement proposed in the instant proceeding.

The GRC proceeding is the appropriate forum in which the Commission considers whether rates proposed by a public utility are just and reasonable.⁶ The PD in this instant proceeding does not discuss the merits of the proposed 4.3% escalation rate for 2019. As the Sempra Utilities and ORR have pointed out, in recent GRC proceedings, the large energy

⁴ PD, p. 227.

⁵ The Sempra Utilities and ORR have filed Comments to the Proposed Decision in R.13-11-006 discussing the erroneous assumption of D.14-12-025 that its Rate Case Plan schedules would be followed. The facts clearly show otherwise. The Rate Case Plan is based on the premise that a GRC proceeding will be completed in 384 days. To ORR's knowledge, since D.14-12-025 was adopted, no large energy utility GRC has resolved in that time frame. SCE's TY 2015 GRC took 723 days to resolve. Even if a decision on this Sempra GRC is adopted on June 23, 2016, that will be about 570 days since the Application was filed, and the vast majority of the issues in the Sempra GRC were resolved by settlements.

⁶ Public Utilities Code § 451.

utilities have received annual post-test year revenue increases ranging from 3.0% to 4.5%.⁷ In the TY 2014 GRC decision for PG&E, the Commission authorized attrition increases of 4.57% for 2015, and 5.0% for 2016.⁸ For SCE's TY 2015 GRC, the Commission authorized attrition increases of 4.0% for 2016 and 5.0% for 2017.⁹ Yet, the Proposed Decision in the instant proceeding does not address at all the reasonableness of a 4.3% escalation factor for 2019. It just refers to the "expected" outcome of the Petition for Modification.¹⁰

The Commission's decisions should be "supported by findings and the findings supported by substantial evidence in light of the whole record."¹¹ The PD, as it relates to the Post Test Year Settlement Agreement, fails to meet that standard.

IV. CONCLUSION

ORA recommends that the final decision in this matter adopt the Post Test Year Settlement Agreement in its entirety.

Respectfully submitted,

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⁷ Ex. 398, ORA/Tang, p. 7-8, as discussed in *Joint Motion of San Diego Gas and Electric Company, Southern California Gas Company and Office of Ratepayer Advocates for Adoption of Settlement Agreement Regarding the Post Test Year Period* (Joint Motion), p. 7.

⁸ D.14-08-032, p. 7.

⁹ D.15-11-021, p. 2.

¹⁰ See, PD, p. 305, Findings of Fact 160-163, and 229-230.

¹¹ Public Utilities Code § 1757.

APPENDIX A

Proposed Findings of Fact

164. As discussed in this decision, the 3.5% PTY ratemaking mechanism for 2017 and 2018 is reasonable.

164.a. As discussed in this decision, the 4.3% PTY ratemaking mechanism for 2019 is reasonable.

230.a. As discussed in this decision, the 4.3% PTY ratemaking mechanism for 2019 is reasonable.

Conclusions Of Law

61. [delete]

62. The 3.5% PTY ratemaking mechanism for 2017 and 2018 should be adopted; the 4.3% ratemaking mechanism should be adopted for 2019.

68. The PTY Settlement Motion should be granted.