BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Consider Revisions to Electric Rule 20 and Related Matters.	Rulemaking 17-05-010 (Filed May 11, 2017)

REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) ON PROPOSED DECISION REVISING ELECTRIC RULE 20

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Pursuant to Commission Rule 14.3(d), San Diego Gas & Electric Company ("SDG&E") submits this reply to comments filed April 27, 2021 on Commissioner Batjer's proposed decision ("PD").[1] SDG&E does not reply to each contention with which it disagrees, but limits this reply to certain important items in party comments.[2]

I. UTILITIES SHOULD NOT PAY FOR CERTAIN EASEMENTS REQUIRED FOR CONVERSION

Pacific Gas and Electric Company ("PG&E") (comments at 6) proposes modifications to the Rule 20 tariff which align with previous Commission decisions or address the operational issues raised in this proceeding, but were not addressed in the PD. SDG&E supports PG&E's proposed tariff revision providing that utilities are not required to pay for rights-of-way or easements appurtenant to conversion, adding a provision that service laterals can be more than 100 feet to meet safety needs, and to eliminate the restriction for conversion of electric service panels to accept underground service, up to $1,500 per service entrance, excluding permit fees, citing variance in labor costs.

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1 Proposed *Phase 1 Decision Revising Electric Rule 20 and Enhancing Program Oversight* (April 7, 2021). Citations to the PD are as follows: "… at [page number(s)]."

2 Citations to comments are as follows: Pacific Gas and Electric Company ("PG&E") (comments at 6), California Public Advocates Office ("Cal Advocates") (comments at 3 and 4), and City of Laguna Beach (comments at 3). Twenty-four parties submitted comments on the proposed decision. Of those, 14 were comments by local governments opposing the PD's suspension of work credit allocations and borrowing.

II. THE PUBLIC INTEREST SUPPORTS TRADING WORK CREDITS

California Public Advocates Office ("Cal Advocates") (comments at 3) supports the PD's immediate ban of work credit trading, alleging no legal or factual basis to allow for work credit trading. The short answer is that Cal Advocates show nothing in law or logic that prevents work credit trading, nor do they show any harm to ratepayers or to the public interest. Any traded allocations were issued to support conversions, and will be used only to support conversions, consistent with Commission decisions. Moreover, given the PD's stated concern with unused allocations, such trading gives cities flexibility to do projects more quickly and to avoid cost increases over time attendant to waiting for allocations to accumulate (costs increase over time, and there is no indexing of allocations for inflation). In sum, trading supports cities to do more projects sooner with available credits, and the practice therefore advances the public interest.

III. SOME COMMENTS MISTAKENLY TREAT RULE 20 WORK CREDIT ALLOCATIONS AS CASH

Rule 20 work credit allocations are sometimes misunderstood as cash equivalents. But work credits are not at all "cash-like." They are best understood as rights to call on future ratepayer funding; rights that can be used for one purpose only: conversion projects consistent with Rule 20. This reply addresses two instances of such misunderstanding in opening comments.

A. A balancing account is not useful here because utilities do not collect conversion funds in advance of construction

Cal Advocates (comments at 4) and City of Laguna Beach (comments at 3) support the requirement that all IOUs use one-way balancing accounts and sub-accounts to track program spending. They assert that this is needed to protect ratepayers, because the utility must return underspent funds to ratepayers (often as credits to the account itself), and any costs the utility incurs above authorized expenses will be borne by utility shareholders**.**

This assertion appears to assume, wrongly, that utilities collect the conversion funds in advance. But SDG&E does not collect conversion funds in advance. Costs are recovered when projects are complete and booked into rate base as "used and useful." This is why SDG&E is permitted to accrue an Allowance for Funds Used During Construction ("AFUDC") for Rule 20 conversion spending. General Rate Case ("GRC") approval of capital expenditure (including Rule 20 conversions) is an authorization to proceed with a project, not to immediately put project costs in rates.

As SDG&E's comments (at 11) point out, a one-way balancing account attempts to align a GRC forecast on an annualized basis with the actual timing (and incurred cost) of when cities choose to move forward with projects. This awkward mis-match would create unnecessary complications in program administration for both SDG&E and local communities, without any compliance oversight benefit. Few, if any, projects forecast in a GRC incur actual costs exactly as forecast. SDG&E adequately and appropriately manages its GRC-approved revenue requirements to meet all of its obligations, including Rule 20 tariff requirements. As for *spending* over approved allocations, the Commission already has a remedy in place via Resolution E-4001 that requires either shareholders or local governments - and not ratepayers - to pick of the cost of any project that exceeds its authorized allocations (including the 5-year borrowing provision). Whether SDG&E spends above the authorized expenses is not the appropriate measurement criterion. What should be measured is whether SDG&E incurred more costs on Rule 20A projects than the allocation formulae allow for that city or county.[3]

[3] Indeed, pursuant to Resolution E-4001, SDG&E has done self-audits, has self-reported audit findings, and taken a disallowance of expenditures in excess of Rule 20 allocation requirements. SDG&E Advice Letter 3714-E, (accepted and effective March 22, 2021).

B. There is no "windfall" for utilities if work credit allocations are eliminated

City of Laguna Beach (comments at 3) asserts: "To eliminate the program without allowing cities to utilize previously allocated credits creates a windfall for the utility companies at the expense of ratepayers." SDG&E appreciates the support of the City of Laguna Beach for continuing work credit allocations. But the City of Laguna Beach misunderstands the nature of the work credits. Work credits are not cash or cash equivalents; only a local government can use work credits allocated to that city to have SDG&E perform conversion work consistent with Rule 20. SDG&E has no way to "spend" or to re-allocate any work credits stranded if the PD is adopted.

IV. CONCLUSION

SDG&E asks that the PD be revised for the reasons set forth above and as described in its April 27, 2021 comments and in the Rule 14.3(b) Appendix to its comments.

Respectfully submitted,

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