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CHAPTER 2

PREPARED REBUTTAL TESTIMONY OF

MINDY GUARDADO

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

February 7, 2024



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**PREPARED REBUTTAL TESTIMONY OF
MINDY GUARDADO
(CHAPTER 2)**

I. INTRODUCTION AND PURPOSE

This rebuttal testimony chapter addresses the following testimony regarding revenue allocation from other parties:

- The Public Advocates Office (Cal Advocates) of the California Public Utilities Commission (CPUC or Commission), submitted by Mr. Adam Barsch (Chapter 5), dated January 19, 2024.
- California Farm Bureau Federation (Farm Bureau), as submitted by Mr. Lloyd Reed, dated January 8, 2024.
- California City County Street Light Association (CALSLA), as submitted by Ms. Alison Lechowicz, dated January 8, 2024.
- Federal Executive Agencies (FEA) as submitted by Mr. Maurice Brubaker, dated January 8, 2024.
- The Utility Reform Network (TURN), as submitted by Mr. Garrick Jones, dated January 17, 2024.
- Utility Consumers’ Action Network (UCAN), as submitted by Ms. Mary Neal, dated January 8, 2024.

In this rebuttal testimony, failure to address any individual issue does not imply agreement by San Diego Gas & Electric Company (SDG&E) with the proposal or contention made by these or other parties.

Additionally, this prepared rebuttal testimony chapter adopts the Chapter 2 Revised Prepared Direct Testimony of Ray C. Utama filed on September 29, 2023.

1 **A. Cal Advocates**

2 Cal Advocates submitted errata testimony on revenue allocation on January 19, 2024.¹

3 The following is a summary of Cal Advocates’ positions that will be addressed in this rebuttal
4 testimony:²

- 5 • Marginal cost inputs to allocate revenue responsibility among customer classes
6 should be adjusted for approved sales using the System Average Percent Change
7 (SAPC) method;
- 8 • Wildfire mitigation costs should be removed from an equal percent of marginal
9 cost (EPMC) distribution revenues, and instead allocated based on an equal cents
10 per kilowatt hour (kWh) allocation; and
- 11 • SDG&E should provide a capping and flooring (rate collaring) capability in their
12 rate model to moderate class average rate changes.

13 **B. Farm Bureau**

14 Farm Bureau submitted testimony on January 8, 2024.³ The following is a summary of
15 Farm Bureau’s positions that will be addressed in this rebuttal testimony:⁴

- 16 • Farm Bureau questions the change in allocations of the public purpose programs
17 (PPP) sub-components Flex Alert Balancing Account (FABA) and School Energy
18 Efficiency Stimulus Program Balancing Account (SEESPBA); and
- 19 • Farm Bureau questions if SDG&E’s proposed Energy Efficiency (EE) cost
20 allocation is consistent with the current allocation methodology.

¹ January 19, 2024, Errata Prepared Testimony on Revenue Allocation in San Diego Gas & Electric’s 2024 General Rate Case Phase 2, Chapter 5 – Revenue Allocation (Adam Barsch) (Cal Advocates (Barsh)).

² Cal Advocates (Barsh), p. 5-1.

³ January 8, 2024, Direct Testimony of Lloyd C. Reed on behalf of the California Farm Bureau Federation Concerning San Diego Gas and Electric’s 2024 General Rate Case Phase 2 (Farm Bureau (Reed)).

⁴ Farm Bureau (Reed), p. 2.

1 **C. CALSLA**

2 CALSLA submitted testimony on January 8, 2024.⁵ The following is a summary of
3 CALSLA’s positions that will be addressed in this rebuttal testimony:⁶

- 4 • For revenue allocation purposes, CALSLA supports Cal Advocates’
5 recommended New Customer Only (NCO) marginal customer access cost
6 calculations; and
- 7 • CALSLA proposes rate collaring, specifically a +/- 2.5% collar applied to the
8 current distribution allocation and wildfire allocations of each customer class
9 adjusting for current electric sales, to mitigate significant increases or decreases in
10 the allocation of revenues to any customer class.

11 **D. FEA**

12 FEA submitted testimony on January 8, 2024.⁷ The following is a summary of FEA’s
13 positions that will be addressed in this rebuttal testimony:

- 14 • FEA recommends adjustments to class revenues in order to move them closer to
15 class cost of service (EPMC);⁸
- 16 • FEA agrees with SDG&E’s current approach to wildfire costs in that they should
17 be allocated on the same basis as other distribution system-related costs;⁹ and
- 18 • FEA agrees with SDG&E’s use of the SAPC mechanism, provided that the SAPC
19 allocations do not begin until after any inter-class revenue adjustments approved
20 in this case take effect.¹⁰

⁵ January 8, 2024, Prepared Direct Testimony of the California City County Street Light Association in San Diego Gas and Electric Company’s 2024 Test Year General Rate Case Phase 2 (Alison Lechowicz) (CALSLA (Lechowicz)).

⁶ CALSLA (Lechowicz), p. 1.

⁷ January 8, 2024, Direct Testimony and Schedules of Maurice Brubaker on behalf of The Federal Executive Agencies (FEA (Brubaker)).

⁸ FEA (Brubaker), p. 3.

⁹ FEA (Brubaker), p. 21.

¹⁰ FEA (Brubaker), p. 27.

1 **E. TURN**

2 TURN submitted errata testimony on January 17, 2024.¹¹ The following is a summary of
3 TURN’s positions that will be addressed in this rebuttal testimony:¹²

- 4 • TURN does not oppose SDG&E’s proposal to allocate revenue allocations based
5 on the SAPC method; and
- 6 • If the Commission does not adopt SDG&E’s proposal to use the SAPC revenue
7 allocation methodology, TURN seeks approval of its allocation proposal, based
8 on the traditional EMPC allocation method, TURN’s marginal cost
9 recommendations, and the allocation of wildfire costs with an equal cents per
10 kWh allocator, given the socialized cost of wildfire.

11 **F. UCAN**

12 UCAN submitted testimony on January 8, 2024.¹³ The following is a summary of
13 UCAN’s positions that will be addressed in this rebuttal testimony:¹⁴

- 14 • If the Commission accepts SDG&E’s proposal to use SAPC-adjusted revenue
15 allocation factors, UCAN disagrees with carve outs for specific revenue
16 allocations for wildfire mitigation costs or any other costs.
- 17 • However, if the Commission decides to base revenue allocation on a cost study,
18 UCAN proposes that the Commission allocate wildfire mitigation costs on an
19 equal cents per kWh basis in the test year; and

¹¹ January 17, 2024, Prepared Testimony of Garrick Jones, Marginal Cost, Revenue Allocation and Rate Design Policy Issues for San Diego Gas and Electric Company, on behalf of The Utility Reform Network (TURN (Jones)).

¹² TURN (Jones), p. 1.

¹³ January 8, 2024, Direct Testimony of Mary Neal on Behalf of the Utility Consumers’ Action Network Concerning San Diego Gas & Electric Company’s Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design (UCAN (Neal)).

¹⁴ UCAN (Neal), pp. 2-3.

- For purposes of SAPC rate changes, UCAN proposes that revenues at current rates be determined by multiplying SDG&E’s current detailed rates by its proposed forecasted billing determinants.

II. REBUTTAL TO PARTIES’ PROPOSALS

A. SDG&E’s Proposal To Maintain SAPC Methodology Is Reasonable, Maintains Stability, and Should Be Adopted

1. SDG&E’s current SAPC methodology helps minimize the disruption between customer classes while allowing for movement toward cost-based rate design

As detailed in SDG&E’s revised prepared direct testimony, SDG&E proposes to maintain SAPC methodology for its Distribution, Demand Response, Commodity, Competition Transition Charge (CTC), and Local Generation Charge (LGC) rate components.¹⁵ Importantly, no party suggested different allocation factors or methodologies for demand response, CTC, or LGC, nor opposed SDG&E’s proposed continued use of SAPC for these rate components. The only rate components which parties seem to disagree on are distribution and commodity.

Cal Advocates and FEA are supportive of the use of SAPC *between* General Rate Case (GRC) Phase 2 cycles, however they wish to “reset” the test year using their proposed allocation factors for distribution and commodity before adjusting with SAPC (*i.e.*, adjusting the factors when new sales forecasts are implemented to smooth out rate impacts related to changes in customer usage).¹⁶ Additionally, Cal Advocates recommends adding rate collaring to limit the increases and decreases as a result of updating any revenue allocation factors to mitigate impacts to customers.¹⁷ TURN does not oppose SDG&E’s proposal to continue to allocate revenues

¹⁵ The only adjustment SDG&E made was to split out the current Medium/Large Commercial & Industrial (M/L C&I) class between the new Medium Commercial and Large C&I classes.

¹⁶ CAL Advocates-5 (Barsh), pp. 5-3 – 5-5 and FEA (Brubaker), p. 27.

¹⁷ CAL Advocates-5 (Barsh), pp. 5-14.

1 based on SAPC; however, should the Commission not adopt SDG&E’s proposal, TURN set
2 forth its own proposed distribution and commodity allocation factors.¹⁸ UCAN proposes that
3 absent a NEM-related cost-of-service analysis, it agrees with SDG&E’s SAPC proposal.¹⁹
4 Lastly, CALSLA does not offer or endorse a specific revenue allocation methodology, but
5 proposes collaring to the current distribution and wildfire allocations to mitigate significant
6 increases or decreases in the allocation of revenues to any class.²⁰

7 SDG&E maintains that its proposal is reasonable and should be adopted to help
8 support rate and bill stability, while moving rate design towards cost-based rates. As
9 discussed in Chapter 3 (Rate Design) of SDG&E’s revised prepared direct testimony,
10 SDG&E is proposing various rate design changes to move toward cost-based rates.
11 These rate design proposals do not shift costs between customer classes, they just change
12 how the costs are recovered within each customer class. For example, SDG&E’s
13 proposals to increase Monthly Services Fees (MSF) would have a corresponding
14 decrease to volumetric energy rates.²¹ However, if revenue allocations change as well,
15 some classes will have additional costs shifted to them, on top of other rate design
16 changes, if approved. Additionally, Cal Advocates, TURN and UCAN discuss the
17 potential to carve out wildfire mitigation costs from base distribution costs as a separate
18 rate design (equal cents per kwh). This change may result in a significant shift in cost
19 recovery responsibilities between classes, as discussed in more detail below in section

¹⁸ TURN (Jones), p. 1.

¹⁹ UCAN (Neal), p. 12.

²⁰ CALSLA (Lechowicz), p. 6.

²¹ SDG&E Chapter 3 Rebuttal testimony, p. RD-10.

1 II.B.2. Keeping the base distribution and commodity revenue allocations constant using
2 SAPC can help minimize the disruption between customer classes, while at the same
3 time allowing for movement toward cost-based rates and potentially other policy driven
4 rate designs. If SAPC is maintained, there is zero impact to customer classes for revenue
5 allocations and thus no need to include capping or flooring constraints.

6 Should the Commission decide to adopt cost-based revenue allocation factors, or
7 movement toward cost-based distribution and/or commodity revenue allocation factors, SDG&E
8 believes its cost studies are appropriate and discusses in detail its methodologies and rebuttal to
9 parties in Chapters 4 and 5 of direct and rebuttal testimony. SDG&E agrees with Cal Advocates
10 that basing revenue allocation “solely on marginal costs can create large increases or decreases in
11 rates for any customer class, which can be confusing and shocking, impeding access to
12 electricity.”²² In this instance, SDG&E would agree that a rate change cap should be adopted to
13 mitigate rate shock to any one customer class.

14 Finally, SDG&E submits that it would likely be futile to attempt to move revenue
15 allocations toward cost-based levels if the SAPC methodology is going to be applied between
16 GRC cycles only because the revenue allocations will adjust each time a new sales forecast is
17 adopted to allow for all class average rates to move at the system level (*i.e.*, SAPC). For
18 example, Tables 1 and 2 below show the distribution and commodity revenue allocation factors,
19 respectively, that were implemented through the last GRC Phase 2 cycle (first implemented in
20 rates on 11/1/2021).

²² CAL Advocates (Barsh), pp. 5-14.

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Table 1 – Distribution Revenue Allocation Factors

Rate Change Date	11/1/2021	1/1/2022	6/1/2022	1/1/2023	1/1/2024
Implementation AL	AL 3855-E	AL 3928-E, AL 3928-E-A	AL 4004-E	AL 4129-E	AL 4344-E
Sales Forecast decision	D.21-07-010	D.21-07-010	D.22-03-003	D.22-12-042	D.23-12-021
Residential	42.4%	42.4%	42.5%	45.7%	43.7%
Small Commercial	15.8%	15.8%	15.6%	14.6%	16.1%
M/L C&I	39.8%	39.8%	39.8%	37.6%	38.1%
Agriculture	1.3%	1.3%	1.4%	1.4%	1.4%
Street Lighting	0.7%	0.7%	0.7%	0.7%	0.6%
System	100.0%	100.0%	100.0%	100.0%	100.0%

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Table 2 – Commodity Revenue Allocation Factors

Rate Change Date	11/1/2021	1/1/2022	6/1/2022	1/1/2023	1/1/2024
Implementation AL	AL 3855-E	AL 3928-E, AL 3928-E-A	AL 4004-E	AL 4129-E	AL 4344-E
Sales Forecast decision	D.21-01-017	D.21-12-040	D.22-03-003	D.22-12-042	D.23-12-021
Residential	52.8%	49.5%	49.9%	53.8%	41.1%
Small Commercial	15.4%	11.9%	11.8%	10.9%	12.1%
M/L C&I	29.5%	35.5%	35.4%	33.5%	45.0%
Agriculture	1.9%	2.4%	2.4%	1.5%	1.5%
Street Lighting	0.4%	0.6%	0.5%	0.4%	0.3%
System	100.0%	100.0%	100.0%	100.0%	100.0%

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As shown above, when utilizing the SAPC methodology, the revenue allocation factors are adjusted when a new sales forecast is implemented and have the potential to increase or decrease. The commodity factors in particular have seen swings as SDG&E has experienced large transitions to Community Choice Aggregators (CCAs). Thanks to SAPC, the customer impacts were mitigated and all customer classes saw the same change for components that used SAPC as the CCA transition took place. If the Commission adopts a new revenue allocation for the test year, such as moving towards “cost-based” levels, and *then* SAPC is applied in the years between GRC cycles as Cal Advocates and FEA propose, the adopted revenue allocations will change as sales forecasts are implemented.

1 **2. SDG&E’s current methodology to calculate SAPC should remain**
2 **unchanged**

3 UCAN disagrees with SDG&E’s current methodology to calculate SAPC, stating,
4 “Effectively, rate classes are not receiving the rate stability benefits UCAN had hoped for in
5 supporting the SAPC methodology as part of the previous GRC Phase 2 settlement” because rate
6 classes do not all receive the same average rate change.²³ UCAN states the issue stems from
7 SDG&E using a simplified estimate of class average rates multiplied by the projection of sales
8 for each class to develop the new factor instead of using forecasted detailed billing determinants
9 multiplied by the current rates to calculate the estimated revenues.²⁴ This simplified calculation
10 does not take into account the complex rate design that incorporates time-of-use (TOU) rates,
11 demand charges, and customer charges.

12 First, SDG&E disagrees with UCAN’s premise that its SAPC methodology has not
13 provided rate stability benefits. If that were true, then Cal Advocates, FEA, TURN *and* UCAN,
14 would not have agreed to continue SAPC in some form in this proceeding.

15 Nonetheless, there are multiple ways to achieve SAPC and SDG&E does not disagree
16 with UCAN that it uses the simplified SAPC methodology based on class average rates versus
17 detailed billed rates. However, this is the same methodology that was agreed upon in the 2019
18 GRC Phase 2 Settlement Agreement, as adopted in D.21-07-010, to which UCAN was a
19 signatory. SDG&E’s simpler methodology allows for quicker review and validation, especially
20 at the class average rate level, which is typically the level at which rate changes are

²³ UCAN (Neal), p. 15.

²⁴ *Id.*, p. 16.

1 | communicated to customers. This simpler SAPC methodology also allows for a good
2 | comparison in how customer classes are impacted relative to one another and over time.

3 | Fundamentally, as this is a revenue allocation formula, shifting to the methodology using
4 | detailed billed rates and determinants as described by UCAN will shift costs to different
5 | customer classes and will inevitably cause some customers to be better off and some to be worse
6 | off. UCAN admits that attempting to quantify the impact of this change in future rate changes
7 | would be too speculative.²⁵ As discussed above, Cal Advocates, FEA and TURN are generally
8 | supportive of SDG&E’s SAPC methodology. Only UCAN is proposing a change to the
9 | underlying SAPC methodology. As such, SDG&E does not see value in changing its SAPC
10 | methodology at this time.

11 | **B. Wildfire Mitigation Costs Should Not Be Collected On An Equal Cents**
12 | **Per kWh Methodology**

13 | **1. Distribution revenue allocation is the most appropriate recovery**
14 | **allocation for wildfire mitigation costs**

15 | Cal Advocates proposes to remove wildfire mitigation costs from EPMC distribution
16 | revenues and instead allocate these costs based on an equal cents per kWh allocation on the
17 | reasoning that these costs provide shared societal benefits to all customers and the equal cents
18 | per kWh method reflects those benefits.²⁶ TURN and UCAN also agree with Cal Advocates,
19 | although UCAN’s agreement is conditional.²⁷ If the Commission adopts SDG&E’s proposal of
20 | continuing SAPC, then UCAN does not recommend a specific carve-out for wildfire mitigation

²⁵ *Id.*, p. 17.

²⁶ Cal Advocates (Barsh), p. 5-12.

²⁷ TURN (Jones), pp. 35-36; UCAN (Neal), p. 13.

1 costs.²⁸ Conversely, FEA opposes Cal Advocate’s proposal, arguing that energy consumption is
2 not correlated to the incurrence of wildfire related costs and “inasmuch as the wildfire mitigation
3 costs are related to the distribution system, these distribution-system related costs are reasonably
4 allocated on the same basis as other distribution costs.”²⁹

5 SDG&E agrees with FEA that wildfire mitigation efforts are operational and capital
6 expenditures that improve the distribution system used to serve all customers and thus the base
7 distribution revenue allocators are the most appropriate. Additionally, as discussed further
8 below, although Cal Advocates states that an equal cents per kWh allocation approach would be
9 “consistent with previous Commission decisions relating to wildfire cost allocation in the
10 [investor-owned-utilities] IOUs’ GRC Phase 2 cases,”³⁰ SDG&E wants to distinguish that what
11 was adopted in Southern California Edison Company (SCE) and Pacific Gas and Electric’s
12 Company (PG&E) recent GRC Phase 2 proceedings was not an equal cents per kWh allocation,
13 but a unique revenue allocation factor.³¹ It is also important to note that the Commission
14 explicitly noted in D.22-08-001 that the complexity of the wildfire-related costs settlement “is
15 not precedential, or even preferential, for SCE’s next GRC Phase 2 proceeding, any other
16 proceeding where the parties or the Commission reopen the question of wildfire cost allocation,
17 or for any other jurisdictional electric utility.”³²

²⁸ UCAN (Neal), p. 13.

²⁹ FEA (Brubaker), pp. 3-4, 21.

³⁰ Cal Advocates (Barsh), p. 5-14.

³¹ See PG&E D.21-11-016 and SCE D.22-08-001.

³² D.22-08-001, p. 15.

1 **2. Shifting wildfire mitigation costs from current distribution**
2 **allocators to equal cents per kWh may have significant impacts to**
3 **the M/L C&I Commercial customer class**

4 Cal Advocates, TURN, and UCAN assume that because wildfire costs provide benefits to
5 all customers that somehow allocating these costs based on an equal cents per kWh allocation
6 approach is more reasonable than allocating these costs based on distribution revenue allocators.
7 SDG&E disagrees with this assumption. Parties failed to provide support that an equal cents per
8 kWh allocation approach would be fairer in the allocation of these distribution costs than
9 allocating based on distribution revenue factors. Distribution costs are normally allocated based
10 on distribution revenue allocators and allocating these distribution wildfire costs based on an
11 equal cents per kwh allocation methodology has the potential to significantly impact SDG&E’s
12 medium and large commercial customers, first due to increasing its allocation of revenues and
13 second due to movement of costs from demand charges (\$/kW) to volumetric charges (\$/kWh).

14 Because an equal cents per kWh allocation is based on volumetric energy usage, naturally
15 the largest users such as SDG&E’s medium/large commercial and industrial (M/L C&I)
16 customers are going to see the highest amount of allocated costs, even though the “rate” itself is
17 equal amongst all classes. For example, Table 3 illustrates the effective allocation factors when
18 applying an equal cents per kwh allocation to its current adopted sales forecast. The M/L C&I
19 customer class would be allocated ~53% of costs as compared to the current distribution revenue
20 allocation of ~38%.³³

³³ Effective factors as of January 1, 2024 and implemented per advice letter (AL) 4344-E. These allocation factors change with each sales forecast implementation.

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Table 3 – Distribution vs Equal Cents per kWh Allocation Factors (as of 1/1/24)

	Distribution (SAPC)	Equal cents per kWh
Residential	43.72%	32.09%
Small Commercial	16.14%	12.85%
M/L C&I	38.14%	52.79%
Agriculture	1.38%	1.85%
Street Lighting	0.62%	0.42%
System	100.00%	100.00%

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Once costs are allocated to the various customer classes, the costs are then allocated to the detailed billed rates based on the adopted rate design. There are some M/L C&I schedules, including the default turn-on schedule AL-TOU, where current distribution rate design includes cost recovery through MSFs and demand charges³⁴ and do not recover any costs through volumetric energy rates.³⁵ Thus, pulling out wildfire costs, which would otherwise go through the base distribution rate design, would pull costs from the MSF and demand charge and into a volumetric energy rate, increasing an otherwise minimal volumetric energy rate. This would be particularly disruptive to SDG&E’s largest customers who have high kWh usage.

For example, Table 4 below compares the change in Delivery rates for Schedule AL-TOU for a \$100 million revenue requirement collected through the current distribution revenue allocators versus through equal cents per kWh.

³⁴ Schedules AL-TOU, AL-TOU-2, and A6-TOU.

³⁵ SDG&E’s proposals in Chapter 3 of direct and rebuttal testimony do not propose a change to this rate design structure for its Large Commercial and Industrial customers. However, for the new medium customer class SDG&E is proposing to add a volumetric component.

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Table 4 – Illustrative Delivery Rate Impact for \$100 Million in Distribution Allocators vs Equal Cents per kWh³⁶

	Unit	Current Effective Delivery Rates 1/1/24	\$100M via Distribution Allocators	Change from Current (%)	\$100M via Equal Cents per kWh	Change from Current (%)
MSF						
≤ 500kW	\$/Month	213.30	213.30	0%	213.30	0%
> 500kW	\$/Month	766.91	766.91	0%	766.91	0%
NCD	\$/kW	28.52	29.18	2%	28.52	0%
On-Peak Demand						
Summer	\$/kW	26.72	28.00	5%	26.72	0%
Winter	\$/kW	28.13	29.64	5%	28.13	0%
Energy (all TOU periods)						
Summer	\$/kWh	0.02375	0.02375	0%	0.02916	23%
Winter	\$/kWh	0.02375	0.02375	0%	0.02916	23%

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It is unclear what specific costs parties would have carved out as “wildfire-mitigation related” costs (as discussed further below). However, SDG&E’s Test Year 2024 GRC Application (A.22-05-015) is currently pending before the Commission, where SDG&E is requesting ~\$132 million for its 2024 wildfire mitigation revenue requirement.³⁷ In Track 2 of A.22-05-015, SDG&E is seeking a reasonableness review and recovery of its 2019-2022 costs, which total \$372 million.³⁸ The Commission should carefully consider the impact this GRC Phase 2 proposal of collecting wildfire mitigation related costs on an equal cents per kWh basis will have on medium and large commercial customers.

³⁶ Based on current effective rates as of January 1, 2024, per AL 4344-E for Schedule AL-TOU, secondary service. Comparison based on total delivery rates, which exclude generation rates, as SDG&E no longer serves a majority of its customers’ electric generation service.

³⁷ Cal Advocates (Barsh), Appendix B at B-2.

³⁸ See A.22-05-015, SDG&E’s Submission and Supplemental Testimony Supporting its Track 2 Request to Authorize Recovery of Incremental Wildfire Mitigation Costs Incurred from 2019-2022 (October 27, 2023). The \$372 million balance is as of December 31, 2022 (at p. 1). SDG&E is also requesting the incremental revenue requirement through the next GRC cycle (2023-2027), totaling \$775 million (p. 2). The amounts include a small portion of gas costs.

1 **3. Should the Commission agree to allocate wildfire mitigation costs**
2 **outside traditional distribution allocators, SDG&E proposes an**
3 **alternative methodology, Equal Percent of Total Revenues**
4 **(EPTR)**

5 SDG&E is aware that this same issue was recently addressed and settled in both PG&E
6 and SCE’s most recent GRC Phase 2 proceedings.³⁹ In both proceedings, parties settled upon a
7 detailed and complex “new special allocator,” which splits the recovery of wildfire mitigation
8 costs and collects a portion using the traditional distribution allocator and the remainder from a
9 different set of allocation factors, equal percent of total revenues (EPTR).⁴⁰ EPTR essentially
10 allocates revenue in proportion to each class’s share of total revenue, with a generation revenue
11 imputed for Direct Access and Community Choice Aggregation (DA/CCA) customers.

12 Should the Commission agree to allocate wildfire mitigation related costs outside
13 traditional distribution allocation factors as proposed by SDG&E, SDG&E proposes for the
14 Commission to adopt the use of the EPTR to allocate these costs, versus the entire complex “new
15 special allocator” calculation which requires splitting the costs using two sets of allocators.
16 Table 5 compares the EPTR resulting revenue allocations to the base Distribution (using SAPC
17 as proposed and preferred by SDG&E) and the effective equal cents per kWh revenue
18 allocations.⁴¹

³⁹ PG&E D.21-11-016, discussed in section 6.6.4. and SCE D.22-08-001, discussed in section 4.1.7.

⁴⁰ PG&E refers to these allocators as “EPT” and SCE refers to these allocators as System Average Percent or “SAP”. SDG&E will refer to it as EPTR to differentiate it from its SAPC methodology.

⁴¹ Allocation factors based on 1/1/23, which is the current effective model SDG&E uses in the instant proceeding because it has the medium class split SDG&E is proposing. Also, imputed generation revenues from departed load customers not included because SDG&E does not have Power Charge Indifference Adjustment broken out for the medium class but should not materially alter the results as it made up ~3% total system revenue requirement on 1/1/23 and follows the same allocation factors as bundled commodity which is included.

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Table 5 – Illustrative Comparison of Different Revenue Allocation Methodologies

	Distribution (SAPC as of 1/1/23)	Equal Cents (effective allocation as of 1/1/23)	EPTR
Residential	45.66%	33.70%	41.05%
Small Commercial	12.61%	10.08%	11.35%
Medium Commercial	12.15%	15.69%	15.24%
Large Commercial & Industrial	27.51%	38.20%	30.41%
Agriculture	1.39%	1.88%	1.45%
Street Lighting	0.68%	0.46%	0.50%
System	100.00%	100.00%	100.00%

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SDG&E believes the EPTR, as taken in part from PG&E and SCE’s settlement methodologies, could offer a simplified approach which spread costs across more customer classes than traditional distribution allocators, while at the same time moderating the potential impacts an equal cents per kwh methodology could impose, as discussed above. EPTR is a new allocation methodology that SDG&E does not currently employ and it is based on the net allocated revenues of all rate components, so SDG&E does not make any guarantees that it will always produce allocations in the middle of traditional distribution revenue factors and equal cents per kWh methodologies, but given the overall size of SDG&E’s distribution revenue requirement as a percentage of total system⁴² and the potential size of the costs that would be carved out to be collected EPTR, SDG&E believes it is highly likely that the EPTR should remain between the two. The rate design for these costs (*i.e.*, demand charge versus volumetric energy) would follow the adopted rate design for distribution costs in effect as this will just be a

⁴² As of January 1, 2024, the revenue requirement subject to the base distribution allocation factors is 51% total system revenue requirement.

1 new revenue allocation methodology. All else will be equal to the approved distribution rate
2 design adopted by the Commission in this and any future rate design proceedings.

3 To avoid the need for circular calculations, the EPTR will be based on present revenues
4 in effect at the time of SDG&E's 2024 GRC Phase 2 implementation and reassessed once a year
5 during SDG&E's annual electric rates consolidated advice letter process, for rates effective
6 January 1 of each year. The EPTR factors will remain in place for the entire year, regardless of
7 any mid-year rate implementations.

8 **4. If the Commission adopts a separate allocation for wildfire-**
9 **related mitigation costs, it should be clear what costs, both**
10 **current and in proposed proceedings, would be applicable**

11 If the Commission does adopt a separate cost recovery for wildfire mitigation related
12 costs, it should be clear what costs, both current and pending proceedings, would be applicable.
13 For example, D.21-11-016 lists eight accounts that PG&E's special wildfire costs allocator
14 applies to as well as three open proceedings (at that time) that potentially were impacted.⁴³
15 Additionally, the settlement included a "catch-all category of wildfire mitigation costs: 'other
16 revenue requirements, including balancing or memorandum accounts PG&E might establish, that
17 are directly related to Wildfire Mitigation.'"⁴⁴ The decision continues, "While it is not clear what
18 future accounts might be included, the settling parties clarified that PG&E would have the
19 discretion to designate such future accounts as including wildfire mitigation costs, and the RA
20 [Revenue Allocation] settling parties would have the right to protest such designation."⁴⁵

⁴³ D.21-11-016, pp. 88-90.

⁴⁴ D.21-11-016, p. 89 (citation omitted).

⁴⁵ *Id.* (citation omitted).

1 Similarly, D.22-08-001 adopted categories of costs to which the special allocator would be
2 applied.⁴⁶

3 At the time of this filing, SDG&E has multiple open proceedings that contain cost
4 recovery requests that are similar to proceedings that were included in PG&E and/or SCE's
5 decisions, including the following:

- 6 • A.22-05-015 – TY 2024 GRC Application
- 7 • A.22-05-015 Track 2 – Request to Authorize Recovery of Incremental Wildfire
8 Mitigation Costs Incurred from 2019-2022
- 9 • A.22-10-021 – Application for Authorization to Recover Costs of Several
10 Catastrophic Events Recorded in its Catastrophic Expense Memorandum
11 Account (CEMA)
- 12 • A.22-12-008 – Application for Recovery of Undercollection Recorded in the Tree
13 Trimming Balancing Account

14 SDG&E notes that PG&E and SCE seem to include securitization proposals in their
15 special allocator formula. As SDG&E's alternative EPTR proposal is a simple allocation
16 methodology, any wildfire mitigation costs under a securitization financing order would be
17 exempt from this methodology as securitization under California Public Utilities Code Section
18 850.1(i) has a pre-defined recovery mechanism. For all other costs, SDG&E would similarly
19 request a guideline of what is to be included in any new cost recovery methodology.

20 **C. Responses to Questions Raised by Farm Bureau**

21 Farm Bureau raised two possible revenue allocation issues that it sees in SDG&E's
22 revenue allocation proposal. First, it states that SDG&E's testimony only described changes to
23 the recovery of EE costs in the PPP revenue allocation, but that the Farm Bureau also noticed
24 changes to the FABA and SEESPBA costs. For this reason, the Farm Bureau asks for

⁴⁶ D.22-08-001, p. 14.

1 clarification on whether SDG&E intentionally modified the allocation of FABA and SEESPBA
2 costs or if this was done by accident.⁴⁷ Second, the Farm Bureau questioned the proposed EE
3 allocation change for the agricultural class because this change results in a 51.6% increase in the
4 allocation of EE costs to the agricultural class, from 1.8% to 2.8%.⁴⁸ Because there are such
5 large differences in EE allocations by customer class, the Farm Bureau questions if SDG&E
6 made adjustments to the EE allocation methodology without explaining this in testimony.⁴⁹ The
7 Farm Bureau indicated that SDG&E utilizes forecasted 2022 EE program spending for each
8 customer class to develop the EE allocation factors but claims that SDG&E did not identify how
9 much of these forecasted EE dollars were actually spent and/or if these forecasted 2022 dollars
10 are good forward-looking estimates for the 2024 GRC Test Year.⁵⁰

11 FABA reflects costs associated with the Statewide Flex Alerts to educate customers on
12 actions they can take to reduce energy usage and SEESPBA reflects costs associated with energy
13 efficiency for schools, both of which reflect programs associated with customers reducing their
14 energy usage. This is the reason Figure RU-11 in SDG&E's revised direct testimony indicates
15 that EE, FABA, and SEESPBA costs are all allocated based on 2022 forecasted EE program
16 spending.⁵¹ Therefore, as proposed by SDG&E, FABA and SEESPBA costs are being treated
17 the same as EE for revenue allocation, which is consistent with current effective rates.

⁴⁷ Farm Bureau (Reed), pp. 1-4.

⁴⁸ *Id.*, p. 3.

⁴⁹ *Id.*

⁵⁰ *Id.*, pp. 1-4.

⁵¹ SDG&E Chapter 2 Revised Direct Testimony of Ray C. Utama (September 29, 2023), Figure RU-11 at p. RU-11.

1 Farm Bureau questions how SDG&E is allocating EE costs because it results in a large
2 increase in EE revenue allocation for the agricultural class. Below are answers to the Farm
3 Bureau's questions on the EE program spending:

- 4 • **Forecasted 2024 EE Program Spending:** SDG&E does not currently have
5 Commission adopted forecasted 2024 EE program spending.⁵² However, the
6 following sdge.com link ([www.sdge.com/rates-and-regulations/regulatory-](http://www.sdge.com/rates-and-regulations/regulatory-filing/914/energy-efficiency-filings)
7 [filing/914/energy-efficiency-filings](http://www.sdge.com/rates-and-regulations/regulatory-filing/914/energy-efficiency-filings)) provides the forecasted 2023 EE program
8 spending. In this link, at the "SDG&E 2022-2023 Biennial Energy Efficiency
9 Program and Portfolio Budget Request Advice Letter (BBAL) Appendices" line,
10 "SDG&E 2022-2023 BBAL Attachment A – Supplemental" link, "9 Portfolio
11 Summary" tab, the forecasted 2023 EE program spending by customer class,
12 absent Cross Cutting costs that are not allocated by customer class, can be found
13 that shows an agricultural EE allocation of approximately 2.7%.
- 14 • **Actual 2022 EE Program Spending:** The sdge.com link shown above provides
15 the actual 2022 EE program spending in line "SDG&E Energy Efficiency
16 Programs Annual Report 2022 Documents", "SDG&E Energy Efficiency
17 Programs Annual Report 2022 (PDF)" link, Table 5. This table identifies the
18 actual 2022 EE program spending by customer class absent Cross Cutting costs
19 that are not allocated by customer class, which show an agricultural EE allocation
20 of approximately 2.4%.

21 As presented in Figure RU-7 of SDG&E's revised direct testimony, the proposed EE
22 revenue allocation results in an EE allocation of 2.8% to the agricultural class.⁵³ This EE
23 allocation for the agricultural class is not much different from the 2.7% allocation to the
24 agricultural class based on forecasted 2023 EE spending or the 2.4% allocation to the agricultural

⁵² Advice Letter 4302-E submitted October 16, 2023, which was filed to present modifications to the 2024-2027 EE program cycle budget pursuant to D.23-06-055, is pending before the Commission.

⁵³ SDG&E Chapter 2 Revised Direct Testimony of Ray C. Utama (September 29, 2023), Figure RU-7 at p. RU-8.

1 class based on actual 2022 EE spending. SDG&E believes that the most current adopted forecast
2 of EE program spending available at the time the proposed EE revenue allocations were
3 developed is the best measure of the EE spending that will take place in the future, which is why
4 SDG&E proposed EE revenue allocations based on forecasted 2022 EE program spending.
5 While SDG&E understands why the Farm Bureau is questioning the proposed EE revenue
6 allocation due to the large resulting increase in the EE allocation for the agricultural class, recent
7 forecasted and actual EE program spending have shown a steady increase in EE program
8 spending for the agricultural class. For this reason, SDG&E recommends that the Commission
9 disregard the Farm Bureau's comments about SDG&E proposed EE revenue allocation and
10 adopt the EE revenue allocation that SDG&E proposed.

11 **III. CONCLUSION**

12 For the reasons stated above, the Commission should: (a) adopt SDG&E's proposal to
13 maintain the SAPC methodology adopted in D.21-10-070 to help support rate and bill stability
14 for all customer classes;⁵⁴ (b) maintain wildfire mitigation related revenue requirements to be
15 collected through base distribution rates, but if not, adopt SDG&E's EPTR proposal; and (c)
16 disregard Farm Bureau's comments about SDG&E's EE revenue allocations and adopt the EE
17 revenue allocations as updated by SDG&E.

18 This concludes my prepared rebuttal testimony.

⁵⁴ See also SDG&E Chapter 2 Revised Direct Testimony of Ray C. Utama (September 29, 2023).

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Mindy Guardado and I am a Business / Economics Advisor in the Customer
3 Pricing department for SDG&E. My business address is 8330 Century Park Court, San Diego,
4 California 92123. I have been in the Customer Pricing department for approximately two years
5 and have held various positions with increasing levels of responsibility within the Sempra
6 Energy family of companies for approximately six years. In my current position, my primary
7 responsibilities include various aspects of electric rate design and implementation.

8 I received a Bachelor of Science degree in Business Administration from California State
9 University, San Marcos in 2019. I have previously submitted testimony before the Federal
10 Energy Regulatory Commission.