Application 23-05-010
Exhibit No. __________

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) For Authority to Increase Its Authorized Revenues for Electric Service In 2025, Among Other Things, and to Reflect That Increase in Rates.	**Application 23-05-010 (Filed May 12, 2023)**

Rebuttal Testimony of

SAM HARPER

on behalf of

California Large Energy Consumers Association, Agricultural Energy Consumers Association, California Farm Bureau Federation, California Manufacturers & Technology Association, California Metals Coalition, Energy Users Forum, and Energy Producers and Users Coalition

April 15, 2024

HARPER
ADVISORY

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REBUTTAL TESTIMONY OF SAM HARPER ON BEHALF OF CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION, AGRICULTURAL ENERGY CONSUMERS ASSOCIATION, CALIFORNIA FARM BUREAU FEDERATION, CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION, CALIFORNIA METALS COALITION, ENERGY USERS FORUM, AND ENERGY PRODUCERS AND USERS COALITION

EXECUTIVE SUMMARY

This rebuttal testimony responds to the testimony of parties in this proceeding, including opposition to the Joint Truck OEM’s incorrect assessment of the risk of stranded assets; responses to Terawatt Infrastructure, Inc. (Terawatt) regarding the importance of off-peak electricity vehicle charging for rate affordability, while opposing additional costs in favor of dynamic price signals; responses to Tesla, Inc. (Tesla) regarding the importance of asset utilization and off-peak charging on rate affordability; the importance of electric rate affordability on electric vehicle adoption; and responses to Small Business Utility Advocates (SBUA) regarding expanded affordability metrics.

I am appearing on behalf of the California Large Energy Consumers Association (CLECA),[1] Agricultural Energy Consumers Association (AECA),[2] California Farm Bureau Federation (CFBF),[3] California Manufacturers & Technology Association (CMTA),[4] California Metals Coalition

[1] CLECA member companies produce goods essential for daily life including critical infrastructure, oxygen for hospitals and food distribution. CLECA's members represent the steel, cement, industrial and medical gas, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electrical demand exceeds 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in the Base Interruptible Program (BIP), providing reliability demand response to the grid in times of need.

[2] AECA is a nonprofit organization that represents the energy interests of California agriculture. AECA was founded in 1991 by growers and other members of the agricultural community concerned about rapidly rising electricity costs. AECA represents the collective interests of the state's leading agricultural associations and works on behalf of the combined interests of several county Farm Bureaus and more than forty agricultural water districts. AECA's membership is broad-based, reflecting family farmers from Redding in the north to San Diego in the south who grow crops ranging from alfalfa to walnuts. Through its members and membership associations, AECA represents in excess of 40,000 California agricultural producers.

[3] CFBF is California's largest farm organization, working to protect family farms and ranches on behalf of its more than 26,000 members statewide and as part of a nationwide network of nearly 5.8 million members. Organized over 100 years ago as a voluntary, nongovernmental and nonpartisan organization, it advances its mission throughout the state together with its 54 county Farm Bureaus. CFBF works closely with its county Farm Bureaus to advance their concerns with matters arising at the Commission.

[4] CMTA represents the interests of 25,000 large and small manufacturers in California with 1.2 million employees, about 8% of total state employment and about 11% of gross state product. Manufacturing creates the most wealth of any sector – for every $1 invested in manufacturing, another $1.35 is added to the economy, and every one manufacturing job supports an additional 2.5 jobs in the local region. Since 1918, CMTA has supported state laws and regulations to maintain a competitive business climate to encourage manufacturing investment and job growth.

(CMC),[5] Energy Users Forum (EUF),[6] Energy Producers and Users Coalition (EPUC)[7] (collectively, the Joint Ratepayers). The Joint Ratepayers represent a broad array of customers across various economic sectors, whose long-term success is essential to achieving the state's policy goals. My statement of qualifications is included as Attachment A to my direct testimony, dated February 29, 2024.

<u>RESPONSE TO JOINT TRUCK OEMS</u>

Q Do the Joint Truck OEMs correctly assess the risk of stranded assets?

A No, the Joint Truck OEMs assert the risk that, "electric trucks become expensive stranded assets."[8] However, there is a far greater risk that electricity infrastructure assets become expensive stranded assets if they are built at the wrong time, at the wrong place, for the wrong purpose, or configured incorrectly for the loads that eventually materialize. Utility infrastructure projects that take a long time to plan, build, and commission carry significant risk of not meeting the needs of the grid when and where they are finally built. The risk is very real that these massive investments will end

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[5] CMC is a full-service, statewide organization supported by hundreds of metalworking companies throughout California. CMC was founded in 1972 to establish a unified voice for proactive metalworking businesses when engaging California's government on rulemaking and proposed laws. CMC members represent all sectors of the state's diverse metals industry, an economic sector that accounts for $87 billion in total economic activity and generates over 350,000 jobs in the state.
[6] EUF is an ad hoc coalition that represents the interests of medium and large bundled service, DA, and CCA customers in California, taking service on rate schedules for accounts with demands above approximately 50 kW.
[7] EPUC represents the electricity end-use interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., PBF Holding Company, Phillips 66 Company, and Tesoro Refining & Marketing Company LLC.
[8] *Direct Testimony of Diego Quevedo on Behalf of the Joint Truck OEMs*, Application (A.) 23-05-010, Feb. 29, 2024 at p. 14.

up underutilized if the load growth eventually materializes differently than expected, or much later than the investment.[9]

Notably, utility infrastructure assets cannot be easily moved. Electric trucks, on the other hand, can be deployed where and when they can be most effectively utilized. Private companies with private, unregulated profits are in the best position to plan and bear the risk for their fleet investments; whereas the risk of stranded or underutilized regulated utility assets are socialized to all ratepayers.

RESPONSE TO TERAWATT

Q Does Terawatt correctly acknowledge the importance of off-peak electricity vehicle charging for rate affordability?

A Yes, Terawatt correctly states that "shifting MDHD electric vehicle charging off-peak is critical to ensuring that the clean energy transition is affordable."[10] Terawatt further explains the substantial cost of Transportation Electrification Grid Readiness (TEGR) investments associated with "unmanaged" charging are "ten to fifteen times higher" than those assumed by SCE in this GRC submittal.[11] The Joint Ratepayers agree that effective "managed" charging is essential to avoiding even higher cost increases than SCE proposes in this proceeding.

Q Is Terawatt's recommendation to increase costs further reasonable?

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[9] *See Testimony of Sam Harper on Behalf of California Large Energy Consumers Association, Agricultural Energy Consumers Association, California Farm Bureau Federation, California Manufacturers & Technology Association, California Metals Coalition, Energy Users Forum, and Energy Producers and Users Coalition,* A.23-05-010, Feb. 29, 2024 (Joint Ratepayers Direct) at pp. 22-23.

[10] *Prepared Direct Testimony of Jason Berry on Behalf of Terawatt Infrastructure, Inc. in Southern California Edison's Test Year 2025 General Rate Case Application,* A.23-05-010, Feb. 29, 2024 at p. 17.

[11] *Id*. at p. 13.

A No, Terawatt's recommendation to increase SCE's TEGR budget by 50%[12] is not reasonable, despite its belief that MDHD electric vehicles will not charge off-peak, "to the level SCE believes solely due to time-of-use rates."[13] Adopting even higher costs than the double-digit increases proposed in this GRC submittal is not prudent.

Instead, the Commission should implement the rate designs necessary to achieve higher asset utilization that drive improved rate affordability. The Commission should expedite the development of dynamic electric vehicle rates that send effective price signals, including for the distribution system, and encourage adoption of dynamic rates for electric vehicle charging. Dynamic rates can maximize utilization of utility assets more effectively than time-of-use rates alone. The implementation of dynamic rates is especially critical given that the current electric vehicle rate design does not include demand charges, and there is no clear near-term timeline for demand charge implementation for electric vehicle rates. Before approving such costly expenditures on new distribution assets to integrate new loads, the Commission should ensure that effective dynamic electric vehicle rates are broadly available and encouraged.[14]

RESPONSE TO TESLA

Q Does Tesla acknowledge the importance of asset utilization and off-peak charging on rate affordability?

A Yes, Tesla correctly states that the rate impact of an investment "depends on the utilization rate of the load served by the new infrastructure," and

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[12] *Id.*

[13] *Id.*at p. 18.

[14] *See* Joint Ratepayers Direct at p. 32.

"whether that electricity usage occurs during the on-peak times or off-peak times."[15] Adequate price signals, such as dynamic rates to encourage off-peak charging, are essential to reduce "duck curve" grid challenges and to avoid rate increases that are even higher than the double-digit percentage increases proposed by SCE over this GRC time horizon.[16]

Further, affordable electricity rates are a critical driver of the next phase of electric vehicle adoption. California consumers will consider a variety of factors in their decision whether or not to adopt an electric vehicle, but post-early adopters will depend increasingly on the economics of purchasing and charging an electric vehicle.[17] Notably, Tesla discusses a survey of the top reasons consumers decline to purchase an electric vehicle, which includes purchase price as the number 2 ranked reason (at 48%), and cost of ownership as the number 6 ranked reason (at 34%).[18] Additionally, dynamic rates can provide an improved opportunity for these cost-sensitive customers to save money on charging, which could enable more adoption; and slow cost increases for other ratepayers, through improved utility asset utilization.

RESPONSE TO SBUA

Q What additional affordability metrics does SBUA propose?

[15] *Testimony of Damon Franz on Behalf of Tesla, Inc.*, A.23-05-010, Feb. 29, 2024 (Tesla Direct) at p. 13.
[16] *See* Joint Ratepayers Direct at pp. 15-16; *see also Id.* at pp. 32-33 (highlighting the need to ensure that effective dynamic rates are broadly available and encouraged, especially for new electrification loads).
[17] *Id.* at pp. 25-26.
[18] Tesla Direct at p. 9 (Figure 1).

A SBUA proposes additional affordability metrics for Commercial customers explaining that "[c]ommercial class customers face distinctly different economic pressures than residential ratepayers."[19]

In response to SBUA's discussion of affordability, the Joint Ratepayers propose that SCE evaluate affordability impacts for all customer classes, including customers in the large power classes. A full evaluation of the affordability impacts on all customers in the record will be key to the Commission's reasonableness review.

The Joint Ratepayers further propose affordability metrics for Energy Intensive Trade Exposed customers. As the Commission explains, "[e]missions leakage could occur if a production facility moved out of California to a jurisdiction without a Cap-and-Trade Program or other climate goals."[20] Electric rate affordability is an essential metric for whether existing rates and policies are adequately addressing carbon leakage consistent with state policy.

CONCLUSION

Q WAS THIS MATERIAL PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A Yes, it was.

Q INSOFAR AS THIS MATERIAL IS FACTUAL IN NATURE, DO YOU BELIEVE IT TO BE CORRECT?

A Yes, I do.

[19] *Direct Testimony of Theodore Love on Behalf of Small Business Utility Advocates*, A.23-05-010, Feb. 29, 2024 at p. 3.

[20] *See* California Public Utilities Commission, *California Industry Assistance*, available here.

Q **INSOFAR AS THIS MATERIAL IS IN THE NATURE OF PROFESSIONAL OPINION OR JUDGMENT, DOES IT REPRESENT YOUR BEST PROFESSIONAL OPINION OR JUDGEMENT?**

A Yes, it does.

Q **DO YOU ADOPT THIS TESTIMONY AS YOUR SWORN TESTIMONY IN THESE CONSOLIDATED PROCEEDINGS?**

A Yes

Q **DOES THIS CONCLUDE YOUR TESTIMONY?**

A Yes.

CERTIFICATION

I, the undersigned, hereby certify, pursuant to Rule 13.7(e) of the Rules of Practice and Procedure of the CPUC, under penalty of perjury under the laws of the State of California, that the foregoing is true and correct to the best of my knowledge, and that this Certification was executed on this 15th day of April, 2024 at Spring, Texas.

By: ______________________

Name: Sam Harper

Title: Consultant to California Large Energy Consumers Association