Exhibit No: SBUA-01

Date: June 30, 2025

Witness: Matt Sheriff

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902-E) for Authority to Establish a Ratemaking Mechanism for Energization Projects Pursuant to Senate Bill 410	Application 25-04-015 (Filed April 25, 2025)

PREPARED TESTIMONY OF MATT SHERIFF ON BEHALF OF SMALL BUSINESS UTILITY ADVOCATES

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SBUA

Small Business Utility Advocates

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I. IDENTIFICATION & QUALIFICATIONS

Q: MR. SHERIFF, PLEASE STATE YOUR NAME, OCCUPATION, BUSINESS ADDRESS AND PROFESSIONAL EDUCATION AND EXPERIENCE.

A. My name is Matt Sheriff, my business address is 5052 Range Horse Ln., Rolling Hills Estates, CA 90274 and my qualifications are stated in Attachment 1.

Q: HAVE YOU TESTIFIED PREVIOUSLY IN UTILITY PROCEEDINGS?

A. Yes.

Q: ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Small Business Utility Advocates (SBUA). SBUA's mission is to represent the utility concerns of the small business community. Promoting an electricity rate structure that facilitates the success of small commercial customers with cost effective utilities supplying clean and renewable energy is central to this mission.[1] In San Diego Gas & Electric's territory there are over 166,000 small business customers (circa 2022) that could be impacted by the costs and benefits of the proposed memorandum account.

Small businesses are vital to California's economic health and welfare and constitute an important class of ratepayers for utilities. There are approximately 4.1 million small businesses in California, comprising 99.8% of all employer firms.[2] These businesses employ 7.5 million people, which accounts for 47.6% of California's workforce; between March 2021 and March 2022, small businesses created a net increase of 769,454 jobs, comprising 65.5% of the state's net job growth; additionally, small firms contributed 42.2% of the state's

[1] *See,* SBUA website at www.utilityadvocates.org.

[2] California Small Business Profile, U.S. Small Business Administration Office of Advocacy. https://advocacy.sba.gov/wp-content/uploads/2023/11/2023-Small-Business-Economic-Profile-CA.pdf.

$163.9 billion in exports, amounting to $69.1 billion.[3] The interests of this class often diverge from residential ratepayers and larger commercial customers on a variety of utility matters, including the development of new programs, revenue expenditures, rates and cost allocations. Small businesses in California face high and rising electricity costs driven by complex rate structures, wildfire mitigation expenses, and policy mandates, which strain margins and reduce competitiveness. Many lack the resources to invest in alternatives like solar or energy efficiency, making it difficult to manage costs or adapt to frequent regulatory changes.

II. PREPARED DIRECT TESTIMONY

Q: WHAT IS SDG&E REQUESTING?

A. SDG&E requests that the Commission authorize the establishment of a new memorandum account – the Electric Energization Memorandum Account (EEMA), allowing the utility to track and recover incremental energization costs above its 2024 GRC revenue requirement for 2025 and 2026. Moreover, SDG&E requests that the Commission establish a cost cap for incremental energization work sufficient to cover all forecasted cost increases with headroom in case actual 2025 and 2026 costs exceed the updated forecasts. Specifically, SDG&E requests a cost cap of $144,631,000 for 2025 and 2026, with permission to roll over unspent 2025 funds to 2026 if needed.[4]

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[3] *Id*.

[4] SDGE-2 at ED-7

Q. WHAT ISSUES DOES YOUR TESTIMONY ADDRESS?

A. My testimony primarily addresses the following scoping memo issues:

- Does SDG&E's request for a ratemaking mechanism meet the requirements of Senate Bill (SB) 410 (Stats. 2023, Ch. 394), Pub. Util. Code Sections 937(b)-(c)?
- Should the Commission authorize SDG&E's requested ratemaking mechanism or another mechanism for energization projects consistent with Pub. Util. Code Sections 937(b)-(c)?
- Do the cost categories for which SDG&E seeks funding support energization as defined by Pub. Util. Code Section 931(b)?
- What should be the annual caps on the amount that SDG&E can recover within the ratemaking mechanism established by Pub. Util. Code Section 937(b)(2)? How should they be determined?

Q: WHAT CHANGES TO SDG&E REQUEST DO YOU RECOMMEND?

A. SDG&E's request must be modified by:

- Requiring SDG&E to submit detailed workpapers.
- Denying inclusion of non "energization" related cost categories.
- Clarifying that recovery of "*additional miscellaneous compliance costs that may be needed to comply with SB 410 and D.24-09-020*" are not permissible.
- Rejecting the request to set costs carryover from year to year but rather are set annauly.
- Showing annual caps in terms of revenue requirement amounts.
- Proposing a method for annual update of rates.

Q. IS THE LEVEL OF DETAIL A MAJOR SHORTCOMING IN SDG&E'S REQUEST?

A. Yes. The application is not sufficient for a detailed review of the proposed annual caps on incremental costs. While SDG&E's request for an incremental funding cap may be acceptable generally, given that no workpapers were provided, I am unable to review the incremental and imputed cost estimates in detail at this time. This application was filed only slightly over 30 days ago with limited time for discovery. It's possible that other intervenors were able to submit and receive data responses with enough time for inclusion in direct testimony, and I will endeavor to review this discovery when available. After review, SBUA requests the opportunity to submit supplemental testimony on the reasonableness for the forecasts underlying the annual caps.

Notwithstanding this limitation, it does seem odd that SDG&E's 2025 estimate is 250% higher and its 2026 estimate is 100% higher than the previous years, while the anticipated number of energizations are only 10% higher for the same years. [5] This is the sort of disconnect in forecasting must be supported with detailed workpapers. Indeed, I appreciate the frank description of SDG&E's methods for estimating incremental upgrades which are described as "best guest estimates" to determine which upgrades can be reasonably in service by December 31, 2026.[6] A guess is not sufficient support for recovery in rates, even if a future review of reasonableness is required.

[5] See Tables 11 and 12 in SDGE-01 at BB-34 and BB-35

[6] SDGE-01 at BB-13

Table 1

Table 11: Incremental Capex

	2024	2025	2026
Total Capital	20,864	73,061	144,631
Increase		250%	98%

Table 12: Anticipated Energization Projects per Year

	2024	2025	2026
Projects	3,242	3,566	3,923
Increase		10%	10%

Q. DOES SDG&E'S ENERGIZATION FORECAST TAKE INTO CONSIDERATION CURRENT EVENTS AND TRENDS?

No. If the application was the "best" guess based on 2024, and earlier, thinking, it is out of date now. SDG&E's discussion of energization trends draws on data primarily from 2022 and 2023.[7] There is no discussion of any of the transformative developments over the past six months.

The Inflation Reduction Act of 2022 provided significant subsidies for electric vehicle buyers and manufactures. However, many of those subsidies are slated for repeal and the budget bill passed by the House, and currently debated by Senate, includes a new $250 annual fee on electric vehicle ownership to compensate for lost gas tax revenue.[8] The Trump Administration is seeking to withhold funding for charging stations.[9] Additionally, trade tariffs that SDG&E likely did not anticipate in 2024 could significantly increase the

[7] SDGE-01 at BB-18-22.

[8] Jack Ewing, "How Electric Vehicles Are Targeted by the Republican Policy Bill", *New York Times*, May 27, 2025, https://www.nytimes.com/2025/05/23/business/electric-vehicles-house-tax-bill.html?unlocked_article_code=1.S08.MKF2.zSEpw8lc4zOe&smid=url-share.

[9] Ashleigh Fields, "Judge blocks Trump from withholding EV charger infrastructure funds", *The Hill,* June 24, 2025, https://thehill.com/homenews/administration/5367974-judge-blocks-trump-from-withholding-ev-funds/.

price of raw materials used in batteries.[10] Dramatically altered federal funding polices foreign retaliatory tariffs have harmed consumer confidence and increase the risk of an economic slowdown that can affect the economic activity and liquidity that drives demand for energization, such as new home construction or businesses expansion.[11] Immigration restrictions and increased enforcement can also raise the price of construction labor in SDG&E's territory,[12] and even the total population, a major driver of housing and economic activity, may decline in Southern California.[13] These factors would result in less energization demand that forecasted based only on 2022-2024 data. At the same time, some of these constraints could result in SDG&E's own costs for energization materials and labor being higher than expected.[14]

The Commission accepted in its decision on PG&E's 2023 Energy Resource Recovery Account that utilities must be mindful of publicly-available reporting on economic trends.[15] Recently, the Commission also approved the cancellation of PG&E's EV charging subsidy program when PG&E contended that the budget was not sufficient to provide the forecasted number of chargers and new anticipated governmental support made

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[10] Ed, Garsten, "Threat Of Tariffs And Ending Tax Credits Could Tank EV Sales, Hurt Suppliers", *Forbes*, March 11, 2025, https://www.forbes.com/sites/edgarsten/2025/03/11/tariff-uncertainty-dangerous-to-suppliers-ev-sales-law-firm-predicts/.

[11] *Transcript of Chair Powell's Press Conference*, June 18, 2025, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20250618.pdf.

[12] Brandon Kochkodin, "Trump's Immigration Raids Worsen Construction's $10.8 Billion Labor Shortage", *Forbes*, June 16, 2025, https://www.forbes.com/sites/brandonkochkodin/2025/06/16/trumps-immigration-raids-worsen-constructions-108-billion-labor-shortage/.

[13] Mikhail Zinshteyn, "California's population shrank in Trump's first immigration crackdown. It could happen again", *CalMatters*, June 27, 2025, https://calmatters.org/politics/2025/06/trumps-first-immigration-crackdown-shrank-californias-population-it-could-happen-again/,

[14] See SDGE-01 at BB-23.

[15] D.22-12-044 at 10-14 ("SBUA has reasonably demonstrated that PG&E's current methodology may well under-reflect COVID-19 impacts" leading to changing trends related to remote work and delivery services).

the program unnecessary at that time.[16] While different factors are at play, that decision counsels that approval of SDG&E's application must be appropriate under real world conditions. SDG&E should be required to revise its application to consider the impact of recent political and policy developments.

In denying Southern California Edison's costly building electrification program last year, the Commission recognized that it has a "statutory duty to establish just and reasonable rates so Californians have access to affordable electricity that is essential for their health, safety, and wellbeing."[17] It would be inappropriate to risk imposing rate shock on customers by allowing interim collection of forecasted funds to only have them reversed later if actual spending is far out of line with forecasts.

Q. SHOULD THE COMMISSION DENY SDG&E'S REQUEST FOR RECOVERY OF NON "ENERGIZATION" RELATED COST CATEGORIES, IN PARTICULAR IT ENHANCMENTS?

A. Yes. This category is not exclusive to distribution and the Commission should deny recovery of non-energization related cost categories. I carefully reviewed SDG&E's requested categories and I recommend removal of categories not exclusively required to support energization, specifically all of the costs in the **IT Enhancements** category. SB 410 describes energization as "connecting customers to the electrical distribution grid and establishing adequate electrical distribution capacity or upgrading electrical distribution or transmission capacity to provide electrical service for a new [or existing] customer."[18] In the same section the law reiterates its intent describing the scope as "adequate electrical distribution capacity." The law has placed a bright line around 'capacity' and this is the spend that is relevant. With this focus in mind, it's clear that SDG&E has taken liberty to try to include unrelated spending.

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[16] D.23-09-005 at 13.

[17] D.24-01-004 at 1.

[18] Pub. Util. Code § 931(b).

SDG&E claims that the energization timelines required by D.24-09-020 have "created increased and enhanced customer communications requirements, and established extensive and novel biannual data collection and reporting requirements.[19] SDG&E describes these IT costs as "significant software and IT system enhancements."[20] At over $16 million in 2025 and $34 million in 2026, I will agree, these incremental costs are **significant**. "Reporting requirements" are unrelated to increased distribution capacity and therefore IT enhancements are not consistent with the SB 410 definition of 'energization' costs. However, even if the IT category is within the scope of SB 410, SDG&E's testimony lacks a showing that this magnitude of costs are reasonably necessary to providing distribution capacity. For these reasons, I recommend the removal of $1,475,000 in 2024, $16,636,000 in 2025, and $34,572,000 in 2026 from inclusion in the capped amounts, for a total of $52,683,000 reduction to incremental recovery.

Q. SHOULD THE COMMISSION DENY SDG&E'S "MISCELLANEOUS COMPLIANCE COSTS" REQUEST?

A. Yes. After a lengthy discussion of IT Enhancements, in a footnote no less, SDG&E added this language, "SDG&E notes that its proposed ratemaking mechanism includes flexibility to recover additional miscellaneous compliance costs that may be needed to comply with SB 410 and D.24-09-020."[21] I am unsure what this "miscellaneous compliance" refers to. And therefore, it should be eliminated in either errata or supplemental testimony or SDG&E must provide an explanation for what costs it envisions would be relevant and consistent with SB 410.

[19] SDGE-01 at BB-26

[20] *Id.*

[21] SDGE-01 at BB-27

Q. SHOULD THE COMMISSION DENY SDG&E'S "STAGGERING THE CAP" REQUEST?

A. Yes. SB 410 is very clear that only annual caps are to be considered in the memo account. In fact the word 'annual' is repeated in the law itself: **(emphasis added)**

> (b) If requested by the electrical corporation, the commission shall authorize, within 180 days of the request, the use of a ratemaking mechanism that does all of the following:
>
> (1) Authorizes the electrical corporation to track costs for energization projects placed in service after January 1, 2024, that exceed the costs included in the electrical corporation's **annual** authorized revenue requirement for energization, as established in the electrical corporation's general rate case or any other proceeding.
>
> (2) Requires the commission to establish an up-front **annual** cap on the amount that each electrical corporation can recover within the mechanism. Before establishing the cap, the commission shall review all information submitted by the electrical corporation pursuant to subdivision (c).
>
> (3) Requires the commission to authorize the recovery of costs tracked within the mechanism through an **annual** rate adjustment until it determines whether the costs are just and reasonable in the electrical corporation's next general rate case. The commission shall require the electrical corporation to include in its next general rate case application a demonstration that the costs incurred were just and reasonable. Any costs that the commission finds were not just and reasonable shall be subject to refund.
>
> (4) Requires only costs associated with energization to be included in the mechanism and requires costs to be tracked using the same cost categories as used by the electrical corporation in its general rate case application.
>
> (5) Prevents the electrical corporation from recovering any costs through the mechanism in any year until its recorded spending for energization projects exceeds its **annualized** revenue requirements for energization projects as established in the electrical corporation's general rate case.[22]

SDG&E explains that it understands that "each year's annual cap be applied as a limit on annual incremental direct energization costs" and that "each year's annual cap [should]

[22] Pub. Util. Code § 931(b).

be applied as a limit on annual incremental direct energization costs."[23]However, curiously, SDG&E recommends "that the cap for each year be set equal to the highest forecasted year (2026), with the condition that any unused cap in 2025 be added to 2026's cap."[24] In other words, SDG&E is suggesting that the Commission ignore its 2025 annual cap request of $72 million and instead allow this year's cap to be $144 million AND allow any amounts under $144 million in 2025 to be carried over to 2026. This creativity in interpretation of straightforward legislative language is perplexing and must be denied with prejudice. An annual cap is just that - annual.

Q. DOES SDG&E'S FORECAST OF INCREMENTAL COSTS ALLOW FOR REVIEW OF RATE IMPACTS?

A. No, and SBUA is concerned that small commercial customers may be surprised after the fact. SDGE-02 discusses ratemaking treatment. However no information on the conversion of capital to revenue requirement is shown. Utilities do not record capital to memo accounts for recovery from customers and therefore our picture is incomplete. Capital accumulates each year, so it's also important to show revenue requirement since this accumulation very quickly becomes a significant driver of rate increases. Table 1 in SDGE-02 in particular should contain both revenue requirements and rate impacts.[25] SDG&E must update testimony to clearly show the revenue increases and rate impacts of its request for incremental spending caps.

Q. IS SDG&E'S PROPOSAL TO UPDATE RATES SUFFICIENT?

A. No, SDG&E "proposes to transfer the incremental revenue requirements recorded in the EEMA into the EDFCA[26] for recovery through distribution rates, on an annual basis. The amount transferred will be addressed in the annual Regulatory Account Update Filing, which

[23] SDGE-02 at ED-6

[24] SDGE-02 at ED-7

[25] SDGE-02 at ED-7

[26] Electric Distribution Fixed Cost Account (EDFCA)

will then be consolidated with the Annual Electric True Up advice letter for rates effective January 1."[27]

This is an inappropriate ratemaking proposal in that it does not provide the Energy Division sufficient ability to ensure that recorded spending in the memorandum accounts is consistent with Commission requirements and properly beneath capped amounts. SDG&E should be required to file a separate Tier 2 advice letter at least 60 days prior to January 1 with a table showing recorded and forecasted costs through the end of the year in the body of the letter, and the memorandum account details in an appendix. In this manner, the Energy Division will not be pressured to approve SB 410 amounts along with the myriad other rate changes that are addressed in year-end true-up advice letter.

III. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes.

Additional concerns regarding the reasonableness, prudence or lawfulness of expenditures will primarily may addressed in legal briefs.

[27] SDGE-02 at ED-6

ATTACHMENT 1

STATEMENT OF QUALIFICATIONS OF MATT SHERIFF

Matt Sheriff is a Senior Financial and Regulatory Policy Expert with Small Business Utility Advocates (SBUA). Prior to joining SBUA, Mr. Sheriff worked at Southern California Edison (SCE) for more than 17 years. His professional experience also includes financial and accounting roles in the consumer goods industry (Mars/Masterfoods), aerospace (Raytheon), and real estate development (KB Home).

Mr. Sheriff's utility experience includes seven years in financial analysis within the Treasurer's Department at SCE. His responsibilities involved cost-benefit analysis and preparing workpapers for SCE's largest capital projects, including the SONGS Steam Generator Replacement, the sale of the Four Corners Generating Station, and the SmartConnect (AMI 1.0) meter replacement project. He developed complex models related to the valuation of generation assets, the levelized cost of electricity for renewable energy projects and updated revenue requirement models to account for tax changes, such as the Investment Tax Credit and Federal Energy Regulatory Commission (FERC) tax incentives.

In 2014, Mr. Sheriff transitioned to a senior role in SCE's Regulatory Affairs department, focusing on cost recovery efforts. He contributed to multiple proceedings before the California Public Utilities Commission (CPUC), where he developed regulatory strategies, authored and sponsored testimony, prepared workpapers, and engaged in regulatory advocacy. Mr. Sheriff provided testimony on cost recovery, revenue requirements, rate impacts, balancing account recovery and review, cost effectiveness, and reasonableness assessments. Notable proceedings include SCE's energy storage, Charge Ready/Transportation Electrification, building electrification, Wildfire Fund Charge, demand response and energy efficiency, building decarbonization, ERRA Review, ERRA Forecast, and securitization cases.

From 2014 to 2024, Mr. Sheriff served as SCE's lead expert for the greenhouse gas (GHG) revenue and Climate Credit return chapter. In this role, he proposed significant improvements to the templates required by the Commission and the California Air Resources Board (CARB) for calculating and reporting the return of GHG funds to customers. Mr. Sheriff's work has led to favorable outcomes in numerous cases, gaining agreement and recognition from the Commission. Additionally, he developed an affordability reporting tool (Cost and Rate tracker) now a required submission for all major California Investor-Owned Utilities (IOUs). This tool is also used by Commissioners for enhancing transparency of the rate impacts of pending decisions. Mr. Sheriff has spearheaded initiatives to unpack the factors contributing to unprecedented electric utility rate increases over the past decade and has recommended measures to mitigate future rate hikes.

Mr. Sheriff holds a Bachelor of Arts degree in Political Science from the University of Maryland, Baltimore County, and an MBA in Finance from the University of Southern California's Marshall School of Business. Mr. Sheriff has also completed training in the development and application of AI models at Stanford University.