

ORA

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California Public Utilities Commission
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December 4, 2017

CPUC, Energy Division
Attention: Tariff Unit, Room 4005
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Subject: Protest of the Office of Ratepayer Advocates of SDG&E's Advice
Letter 3137-E – Annual Electric Regulatory Account Update for Rates
Effective January 1, 2018

I. INTRODUCTION AND RECOMMENDATIONS

The Office of Ratepayer Advocates (ORA) hereby submits this protest of San Diego Gas & Electric Company's (SDG&E) Advice Letter (AL) 3137-E. In AL 3137-E, SDG&E proposes to revise rates effective January 1, 2018 resulting from the amortization of certain regulatory accounts, such as On-Bill Financial Balancing Account (OBFBA), Demand Response Generation Balancing Account (DRGBA), Rewards and Penalties Balancing Account (RPBA), etc. ORA protests AL 3137-E because it fails to reflect the impact of all approved and pending concurrent rate changes to be effective January 1, 2018.

The following summarizes ORA's findings and recommendations:

- SDG&E has had too many rate change filings during a short time frame which makes it difficult to observe the actual and cumulative rate impacts.
 - The Commission should reject SDG&E's AL 3137-E and direct SDG&E to consolidate its proposed rate changes so that the Commission and parties can accurately consider the effect of its annual electric regulatory account update. The revised AL should reflect all anticipated revenue changes pending before and/or to be filed with the Commission in the last quarter of 2017 that would impact January 1, 2018 rates; and not present a biased comparison that ignores pending rate changes.
- SDG&E's rates are increasing at an alarming pace.
 - The Commission should direct SDG&E to explain why its residential average rates (RAR) have increased 24%,¹ which is more than triple the inflation rates,² between 2015 and December 2017.

¹ See Table 3 in this protest for RAR change between 2015 and Dec. 2017.

² https://www.bls.gov/data/inflation_calculator.htm, 6% inflation between Jan 2015 to Oct. 2017.

II. DISCUSSION

A. SDG&E’s Advice Letter 3137-E Provides Misleading Rates for January 1, 2018.

AL 3737-E presents rates for January 1, 2018 that are misleading because they ignore other rate increases that are pending or to be filed soon, so the rates in AL 3137-E appear to be smaller increases than what will actually occur. When SDG&E files its rate change advice letters, it normally presents a table to demonstrate the rate change impact by comparing the current rate (at the time when the filing occurs) to the new rate. SDG&E’s AL 3137-E was filed with the Commission on 10/27/2017. At the same time, there were a number of other rate changes that were pending between the time when SDG&E’s advice letter was filed and now. Some of these rate changes were approved by the Commission and did not going into effect until after AL 3137-E was filed. Therefore, SDG&E should have included these changes in AL 3137-E

As shown in Table 1 below, SDG&E’s “current rates” are expected to change substantially from the time when AL 3137-E was filed and when it would take effect in January, with all other rate changes stacking on top of one another by January 2018.

Table 1- List of Recent Advice Letters Impacting SDG&E Residential Rates

Advice Letters	Status	Filed	“Current” Rates ¢/kWh	Proposed Rates ¢/kWh
AL 3110-E Implements ERRA Trigger and Resolution E-4870 Rate Changes ³	Approved	9/8/2017	9/1/2017 SAR: ¢22.504 RAR: ¢26.030	Effective November 1, 2017 SAR: ¢23.129 RAR: ¢26.675
AL 3124-E Implements Public Purpose Program Rate Changes	Approved	10/2/2017	9/1/2017 SAR: ¢22.504 RAR: ¢26.030	Effective January 2018 SAR: ¢22.619 RAR: ¢26.238
AL 3137-E Annual Electric Regulatory Account Update	Pending	10/27/2017	9/1/2017 SAR: ¢22.504 RAR: ¢26.030	Effective January 2018 SAR: ¢22.344 RAR: ¢25.929
AL 3130-E-A & AL 3130- E-B Implements GRC 2 rate changes pursuant to D.17- 08-030	Pending	11/2/2017	11/1/2017 SAR: ¢23.129 RAR: ¢26.675	Effective December 1, 2017 SAR: ¢24.162 RAR: ¢28.353

SAR: System average rate. RAR: Residential average rate.
Both Illustrative January 2018 rates do not incorporate expected GRC phase 2, and 2018 ERRA forecast changes. Between November 2017-January 2018, customers’ rates will have changed in accordance with the ERRA trigger mechanism, GRC phase 2, ERRA consolidated Advice Filing,⁴ PPP Rate, and SDG&E’s ERRA 2018 forecast.⁵

³ Implements the high usage charge for residential tiered rates.

Recent rate changes have occurred separately, frequently and often in parallel, and the rate impacts have not been presented to the Commission for consideration in a global or cumulative manner. For instance, there were at least four different advice letter filings associated with rate changes filed by SDG&E in the 4th quarter of 2017.⁴ These rate changes occurred in tandem via different advice letters, and thus, the rate impacts shown in each advice letter only showed the rate impacts stemming from that particular advice letter rather than the total cumulative changes. Conservatively,⁷ the proposed rate changes presented above will result in cumulative rate increases of about 1.613 cents (7.2%) to the system average rate (SAR) and 2.43 cents (9.3%) to the residential average rate (RAR) between November 2017 and January 2018. These estimates have not yet incorporated the 2018 Energy Resource Recovery Account (ERRA) forecast⁸ and the year-end consolidated rate filing.⁹ SDG&E's piece-meal approach to proposing rate changes contributes to "current rates" fluctuating frequently, and makes it difficult to compare rates and properly assess ratepayer impacts. It allows SDG&E to propose rate changes that compare more favorably to "current rates" because it ignores the pending rate increases that will have a cumulative impact. Proposing rate changes in this manner is not consistent with the Commission's rate design principle that rates should be stable and understandable.¹⁰

To enable a more holistic and complete evaluation of the rate impacts, the Commission should establish a method for consolidating rate changes so that the Commission and parties can reasonably assess the overall level of rate changes that would occur during the same period.

⁴ 3137-E merely provides a regulatory account update. ORA expects SDG&E will file a consolidated filing of changes in December 2017.

⁵ SDG&E anticipates 0.492 cent and .467 increases to system and residential average rates respectively per SDG&E's ERRA 2018 forecast, A.17-04-016. Updated Prepared Direct Testimony of Cynthia Fang on Behalf of San Diego Gas & Electric Company, filed November 20, 2017, p. CF-5.

⁶ AL 3110-E was filed on September 8, 2017 to reflect ERRA trigger amortization and HUC rates, and rates were supposed to be effective Nov 1, 2017; AL 3124-E filed on Oct. 2, 2017 to update public purpose program (PPP) rate, which in turn impacts all rate schedules, and rates are expected to be effective on January 1, 2018; AL 3130-E-A to implement 2016 GRC Phase 2 Release 1 rates, was filed on Nov. 2, 2017 and was supplemented on Nov. 21, 2017 by AL 3130-E-B to correct some of the rates provided in AL 3130-E-A, and these rates are to be effective on December 1, 2017; and AL 3137-E was filed to reflect multiple balancing account updates, and rates are expected to be effective on Jan 1, 2018.

⁷ This is a conservative calculation given that the proposed rate increases stemming from the regulatory account updates do not account for the sales drop which would be implemented by 3130-E-A. All proposed rate changes filed before approval of 3130-E-A will consequently understate rate impacts.

⁸ 3137-E merely provides a regulatory account update. ORA expects a consolidated filing of changes December 2017.

⁹ SDG&E anticipates 0.492 cent and .467 increases to system and residential average rates respectively per SDG&E's ERRA 2018 forecast, A.17-04-016. Updated Prepared Direct Testimony of Cynthia Fang on Behalf of San Diego Gas & Electric Company, filed November 20, 2017, p. CF-5.

¹⁰ D. 14-06-029, p. 12.

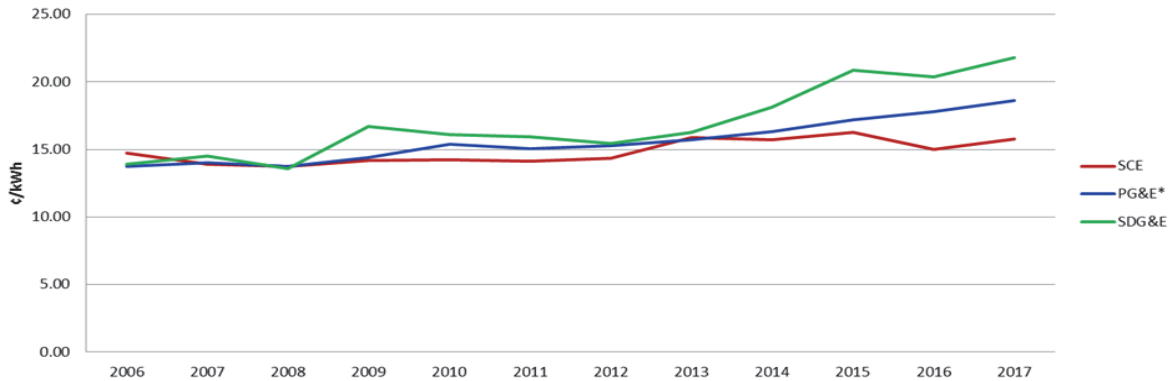
B. SDG&E’s rates have increased at an alarming pace.

SDG&E’s system average rates also are the highest and have the steepest increases among the three largest California investor owned utilities (IOUs) as shown in Table 2 and Figure 1 below.

Table 2¹¹

Bundled System Average Rate (¢/kWh)

Utility	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SCE	14.72	13.93	13.74	14.21	14.22	14.14	14.34	15.87	15.70	16.27	15.00	15.80
PG&E *	13.76	14.00	13.72	14.41	15.38	15.06	15.30	15.70	16.31	17.18	17.78	18.61
SDG&E	13.94	14.51	13.61	16.73	16.11	15.96	15.45	16.27	18.13	20.86	20.37	21.78



* This reflects System Bundled Average Rates filed in PG&E’s Annual Electric True-up (AET)
 Source: Energy Division Data Request 06/2017

The Commission should consider the cumulative effects of the various rate changes in the past few years in addition to all pending and anticipated changes. SDG&E has been filing multiple applications, such as ERA, General Rate Case (GRC), requesting revenue increases for various purposes. Because these cases often move forward on separate tracks, the Commission may not be able to see cumulative rate impacts until the decisions are rendered and implemented.

SDG&E’s lower usage residential customers have experienced particularly drastic rate increases since the residential rate reform started in 2015. As part of the residential rate reform tier consolidation and flattening, the summer and winter baseline rates (i.e. Tier 1) have seen a 55% and 31.7% increase, respectively, while the RAR has increased by 23.6% from 2015 through 2017 as shown in Table 3 below. Increases of this scale on usage are concerning. The Commission should direct SDG&E to explain how both its SAR and RAR have increased so drastically.

Table 3 below shows SDG&E residential electric rates from January 2015 to SDG&E’s proposed rates for December 1, 2017.

¹¹ CPUC website: <http://www.cpuc.ca.gov/General.aspx?id=12057>

Table 3¹²

SDG&E Rate Changes								
Summer Residential (Non-CARE) (\$ / kWh)	1/1/2015	9/1/2015	1/1/2016	1/1/2017	3/1/2017	11/1/2017	12/1/2017	Rate change 1/1/2015 - 12/1/2017
Baseline	0.172	0.181	0.186	0.205	0.208	0.224	0.268	55.4%
101 - 130% of Baseline	0.203	0.205	0.212	0.205	0.208	0.224	0.268	32.2%
131% - 200% of Baseline	0.401	0.396	0.409	0.422	0.430	0.392	0.469	16.9%
201% - 300% of Baseline	0.421	0.396	0.409	0.422	0.430	0.392	0.469	11.4%
Above 300% of Baseline	0.421	0.396	0.409	0.422	0.430	0.392	0.469	11.4%
Over 400% BL (SUE)						0.457	0.547	
Winter Residential (Non-CARE) (\$ / kWh)	1/1/2015	9/1/2015	1/1/2016	1/1/2017	3/1/2017	11/1/2017	12/1/2017	Rate change 1/1/2015 - 12/1/2017
Baseline	0.172	0.165	0.171	0.189	0.193	0.206	0.227	31.7%
101 - 130% of Baseline	0.203	0.187	0.195	0.189	0.193	0.206	0.227	12.1%
131% - 200% of Baseline	0.366	0.361	0.376	0.389	0.397	0.369	0.398	8.7%
201% - 300% of Baseline	0.386	0.361	0.376	0.389	0.397	0.369	0.398	3.0%
Above 300% of Baseline	0.386	0.361	0.376	0.389	0.397	0.369	0.398	3.0%
Over 400% BL (SUE)						0.419	0.464	
Summer Residential (CARE) (\$ / kWh)	1/1/2015	9/1/2015	1/1/2016	1/1/2017	3/1/2017	11/1/2017	12/1/2017	Rate change 1/1/2015 - 12/1/2017
Baseline	0.112	0.107	0.110	0.124	0.126	0.138	0.166	47.8%
101 - 130% of Baseline	0.131	0.123	0.126	0.124	0.126	0.138	0.166	26.3%
131% - 200% of Baseline	0.199	0.245	0.253	0.261	0.266	0.246	0.291	46.0%
201% - 300% of Baseline	0.199	0.245	0.253	0.261	0.266	0.246	0.291	46.0%
Above 300% of Baseline	0.199	0.245	0.253	0.261	0.266	0.246	0.291	46.0%
Over 400% BL (SUE)						0.288	0.339	
Winter Residential (CARE) (\$ / kWh)	1/1/2015	9/1/2015	1/1/2016	1/1/2017	3/1/2017	11/1/2017	12/1/2017	Rate change 1/1/2015 - 12/1/2017
Baseline	0.112	0.097	0.100	0.114	0.116	0.126	0.141	25.3%
101 - 130% of Baseline	0.131	0.111	0.116	0.114	0.116	0.126	0.141	7.1%
131% - 200% of Baseline	0.186	0.223	0.232	0.241	0.246	0.225	0.247	32.5%
201% - 300% of Baseline	0.186	0.223	0.232	0.241	0.246	0.225	0.247	32.5%
Above 300% of Baseline	0.186	0.223	0.232	0.241	0.246	0.225	0.247	32.5%
Over 400% BL (SUE)						0.264	0.287	
Residential class average rates (\$/kWh)	0.220	0.227			0.260		0.272	23.6%

III. CONCLUSION

For the above reasons, ORA recommends that the Commission direct SDG&E to consolidate all the advice letter rate changes that SDG&E filed in the 4th quarter of 2017, to present the aggregate effect of SDG&E's pending and anticipated rate change requests. SDG&E's proposed rates are unacceptable. The Commission should establish a method for consolidating rate changes so that the Commission and parties can reasonably assess the overall level of rate

¹² Rates are extracted from AL 3130-E-A, and <https://www.sdge.com/total-electric-rates>.

changes that would occur during the same period. Please contact Nathan Chau (Nathan.Chau@cpuc.ca.gov) at (415) 703-4622 or Dexter Khoury (dexter.khoury@cpuc.ca.gov) at (415) 703-1200 should you have questions or comments regarding this Protest.

Sincerely

/s/ Michael Campbell

Michael Campbell

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cc: Edward Randolph, Director, CPUC Energy Division
Paul Phillips, Supervisor, CPUC Energy Division
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Service List A.14-11-003