

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of San Diego Gas & Electric
Company (U 902 M) for Establishment of an
Interim Rate Relief Mechanism for its
Wildfire Mitigation Plan Costs

Application A.21-07-017
(Filed July 30, 2021)

**OPENING BRIEF OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)**

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PROCEDURAL HISTORY	2
III.	THE COMMISSION SHOULD GRANT SDG&E’S REQUEST TO ESTABLISH AN INTERIM RATE RELIEF MECHANISM	4
A.	SDG&E HAS SUFFICIENTLY DEMONSTRATED A NEED FOR RATE RELIEF	4
IV.	SDG&E’S PROPOSAL TO UPDATE THE RECORDED WMPMA BALANCES AND AMORITIZE THEM IN RATES THROUGH THE ANNUAL REGULATORY ACCOUNT BALANCE UPDATE PROCESS IS REASONABLE	14
A.	SDG&E’S PROPOSAL TO RECOVER 50 PERCENT OF RECORDED BALANCES VIA INTERIM RELIEF IS REASONABLE AND SHOULD BE ADOPTED WITHOUT CHANGE.....	14
B.	THE COMMISSION SHOULD ACCEPT SDG&E’S PROPOSED AMORTIZATION SCHEDULE AS REASONABLE AND SHOULD NOT IMPOSE ADDITIONAL REPORTING REQUIREMENTS.....	16
V.	CONCLUSION.....	17

TABLE OF AUTHORITIES

STATUTES AND LEGISLATION

Public Utilities Code Section 8386.4	5, 6
Public Utilities Code Section 8386(j)	5
AB 1054, Stats. 2019-2020, Ch. 79 (Cal. 2019)	4, 5, 6, 10, 12
SB 901, Stats. 2017-2018, Ch. 626 (Cal. 2018)	5, 6

CALIFORNIA PUBLIC UTILITIES COMMISSION DECISIONS

D.12-12-034, 2012 Cal. PUC LEXIS 593	12
D.16-08-003, 2016 Cal. PUC LEXIS 423	3, 15
D.19-04-039, 2019 Cal. PUC LEXIS 165	9
D.19-05-036, 2019 Cal. PUC LEXIS 287	5
D.19-09-051, (<i>not available on Lexis</i>)	8
D.20-07-038, 2020 Cal. PUC LEXIS 589	8
D.20-10-026, 2020 Cal. PUC LEXIS 934	9, 11, 12, 13, 15
D.21-10-025, 2021 Cal. PUC LEXIS 519	14

CALIFORNIA CASE LAW

<i>TURN</i> v. <i>PUC</i> , 44 Cal. 3d 870, 877 (1988)	9
--	---

OTHER AUTHORITIES

Commission Rules of Practice and Procedure, Rule 13.12	1
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I. INTRODUCTION

Pursuant to Rule 13.12 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure and Assigned Commissioner Darcie L. Houck’s Scoping Memo and Ruling, dated October 28, 2021, San Diego Gas & Electric Company (SDG&E) submits this Opening Brief.

In response to the catastrophic wildfires that affected California in 2017 and 2018, SDG&E has undertaken significant additional wildfire mitigation projects to better protect the safety of its customers and service territory. These mitigations were—consistent with statutory direction—undertaken on an expedited basis to address the immediate needs of the state. Many of these mitigation activities – and the associated Wildfire Mitigation Plan (WMP) costs – were not anticipated in 2017, when SDG&E filed its previous General Rate Case (GRC). Thus, SDG&E has and will continue to incur significant, incremental undercollections in its Wildfire Mitigation Plan Memorandum Account (WMPMA) prior to the filing or approval of its next GRC. Consistent with mechanisms that have been approved by this Commission in similar instances in the past, implementation of an interim relief mechanism, by which SDG&E will recover 50% of the recorded incremental WMPMA balance by year for 2019 through 2023 (the years until SDG&E’s next GRC Test Year), is reasonable and warranted to address the growing

WMPMA balances and smooth out the pattern of cost recovery to the benefit of ratepayers. The Commission should grant SDG&E's interim relief as proposed because it has met its burden to demonstrate:

- SDG&E has sufficiently demonstrated a need for interim rate relief.
- SDG&E's interim rate relief proposal promotes fairness, minimizes both utility and customer costs, provides better rate stability for its customers, and minimizes the potential for undue customer rate shock.
- SDG&E has demonstrated that—as with previously approved interim relief mechanisms—its proposal to update recorded balances for 2019 through 2023 through the Annual Regulatory Account Balance Update process is reasonable.
- SDG&E's proposal to amortize 50 percent of the recorded WMPMA balance reasonably balances the interim and long-term rate and recovery amounts and smooths the pattern of cost recovery.

II. PROCEDURAL HISTORY

On July 30, 2021, SDG&E filed the instant application (Application), which asks the Commission to approve an interim rate relief mechanism for wildfire mitigation expenditures incremental to its GRC and recorded in its WMPMA. SDG&E did not request, nor does it seek, a reasonableness review or final recovery of the WMPMA costs at issue. Rather, SDG&E sought an interim mechanism by which it could begin to recover 50 percent of its actual wildfire mitigation balance balances recorded in its WMPMA incremental to those previously authorized in its General Rate Case. The proposed mechanism was modeled after the mechanism approved

by the Commission in Phase 2 of SDG&E's and Southern California Gas Company's (SoCalGas) Pipeline Safety Enhancement Plan (PSEP) proceeding.¹

On September 3, 2021, The Utility Reform Network (TURN) and Utility Consumer Action Network (UCAN) filed a joint protest to SDG&E's Application. The California Farm Bureau Federation (Farm Bureau) also filed a protest. The Public Advocates Office (Cal Advocates) and Southern California Edison Company (SCE) filed motions for party status, which were granted by the Commission. SDG&E filed its Reply to the Joint Protest of TURN and UCAN and the Protest of the Farm Bureau on September 13, 2021.

During the Prehearing Conference on October 13, 2021, TURN and UCAN objected to the schedule proposed by SDG&E, which provided for a final decision in this case prior to May 2022, when SDG&E will file its next General Rate Case. As ordered by the Administrative Law Judge, the parties met and conferred to come to an agreed schedule on October 18, 2021. The agreed schedule, which included time for intervenor testimony and evidentiary hearings in December 2021, was filed with SDG&E's comments on the Proposed Scope on October 20, 2021. The Assigned Commissioner's Scoping Memo largely accepted the agreed schedule, adding that parties must request the opportunity to serve intervenor testimony and/or to cross examine by November 30, 2021. No party sought to file intervenor testimony or cross examine witnesses, and the Administrative Law Judge filed an email ruling taking the tentatively scheduled evidentiary hearings off calendar on December 1, 2021.

¹ See Decision (D.)16-08-003.

By separate motion filed concurrently with this Opening Brief, SDG&E requests the admission of the testimony submitted with its Application as evidence for the record, specifically the prepared direct testimony of Jonathan Woldemariam, Eric Dalton, and Casey Butler.²

III. THE COMMISSION SHOULD GRANT SDG&E'S REQUEST TO ESTABLISH AN INTERIM RATE RELIEF MECHANISM

As an initial matter, it is important to note that SDG&E is *not seeking a final determination regarding cost recovery* through the proposed interim relief mechanism. SDG&E will seek a reasonableness review of its incremental wildfire mitigation costs through a separate application or through its next GRC. SDG&E's proposed mechanism—based on similar mechanisms that have been previously approved by the Commission—will permit SDG&E to begin collecting needed revenues more promptly than its GRC cycle, which will in turn lead to customer benefits in the form of avoided rate shock, rate smoothing, and the avoidance of additional financing costs that would ultimately be borne by ratepayers. While SDG&E does not anticipate any significant disallowed amounts, its customers also remain protected in that any potential disallowed amounts will be returned to them with interest.

A. SDG&E HAS SUFFICIENTLY DEMONSTRATED A NEED FOR RATE RELIEF

In the wake of the catastrophic wildfires that affected California in 2017 and 2018, California enacted legislation requiring the submission of annual Wildfire Mitigation Plan and Plan Updates.³ SDG&E submitted its first WMP in February 2019. The Commission issued a

² Joint Motion of San Diego Gas & Electric Company and The Utility Reform Network to Accept Records into Evidence, A-21-07-17 (January 10, 2022).

³ Senate Bill (SB) 901 first required the submission of annual Wildfire Mitigation Plans. Assembly Bill (AB) 1054, passed in 2019, changed the process such that Wildfire Mitigation Plans would be filed every three years (starting in 2020), with Plan Updates filed and approved annually.

Guidance Decision⁴ pertaining to all 2019 WMPs that, consistent with the direction of SB 901, made it clear that the Commission would not consider or permit cost recovery in the context of the WMP approval proceedings.⁵ Rather, the Commission interpreted the direction of SB 901 to mean that “[it] should consider cost recovery related to WMPs in GRCs, not in this [WMP approval] proceeding.”⁶

The Legislature passed AB 1054 in 2019, following the catastrophic wildfires that ignited in the fall of 2018. AB 1054 added Section (§) 8386.4 of the Public Utilities (Pub. Util.) Code, which specifically provided that reasonableness reviews of WMP costs recorded in the electrical corporations’ WMP memorandum accounts would occur either in the electrical corporations’ next General Rate Case or in a proceeding initiated by a separate application at the conclusion of the time period covered by the three-year Wildfire Mitigation Plan.

SDG&E has been a recognized leader in wildfire mitigation efforts for over a decade. Historically, the Commission has reviewed and approved SDG&E’s wildfire mitigation forecasts in its General Rate Cases. SDG&E’s currently authorized revenue requirement for wildfire mitigation was included in SDG&E’s Test Year 2019 GRC, submitted in October 2017 and based on costs forecasted by SDG&E in the 2016-2017 timeframe. Thus, SDG&E’s current General Rate Case forecasts and authorized revenue requirement do not include the unprecedented increase in wildfire expenditures that SDG&E undertook in response to the mandates of SB 901 and AB 1054. The scope of the electrical corporations’ wildfire mitigation

⁴ D.19-05-036.

⁵ *Id.* at 20-25.

⁶ *Id.* at 22.

efforts has dramatically expanded since 2016-2017, and the costs have correspondingly increased.

Both the Legislature and the Commission clearly anticipated an incremental increase in wildfire mitigation expenditures—SB 901 specifically directed the electric corporations to establish memorandum accounts to track costs for fire risk mitigation (*i.e.*, Fire Risk Mitigation Memorandum Accounts) that were incremental to established revenue requirements.⁷ As previously noted, AB 1054 specifically provided for means to address incremental wildfire mitigation expenditures.⁸ Further, there is no doubt that wildfires remain a serious and significant risk for Californians, that the Legislature mandated a concerted and immediate statewide response to address that risk,⁹ and that mitigation efforts are both necessary and warranted.¹⁰ Because of the constantly evolving wildfire science and the impacts of climate change, the rapid changes in SDG&E’s understanding of wildfire risk require an equal level of effort to continue to develop wildfire risk mitigation capabilities and invest in the electrical system to maintain its safety for the future.¹¹

In recognition of this risk, and in response to directives from both the Legislature and the Commission, SDG&E dramatically intensified its efforts to mitigate the risk of wildfire and enhance grid resilience.¹² SDG&E’s core wildfire mitigation strategy is risk-based and embodies

⁷ Pub. Util. Code §8386(j) (since superseded by AB 1054).

⁸ Pub. Util. Code §8386.4.

⁹ AB 1054, Section 1(a)(1) (“The increased risk of catastrophic wildfires poses an *immediate* threat to communities and properties throughout the state.” (Emphasis added.)).

¹⁰ For example, in 2020, California set another record in its wildfire history, with nearly 10,000 wildfires that burned over 4 million acres, more than double the previous record set in 2018. See CA.Gov, Cal Fire 2020 Incident Archive, available at <https://www.fire.ca.gov/incidents/2020/>.

¹¹ Prepared Direct Testimony of Jonathan T. Woldemariam (Wildfire Policy) (July 30, 2021) (Exhibit SDG&E-01 (Woldemariam)) at JTW-6.

¹² *Id.* at JTW-1.

a culture of continuous improvement.¹³ It is important that SDG&E remain flexible to respond to evolving understandings of risk from external factors such as climate change so that it may continue to address its mitigation efforts in a manner optimized to promote the safety of its customers and its service territory. Even more recently, SDG&E has also undertaken additional efforts – partially in response to mandates from this Commission – to minimize and mitigate the customer impacts of PSPS, including additional generator programs and the deployment of additional microgrids, which are also recorded to its WMPMAs.¹⁴

The unanticipated but necessary costs associated with wildfire mitigation expenditures are precisely the type of costs for which interim relief is warranted. SDG&E modeled the instant interim relief mechanism proposal on the PSEP mechanism, partly because the circumstances giving rise to it are similar to those pertaining to the Wildfire Mitigation Plan. Both the Wildfire Mitigation Plan and the PSEP were created to address the risk identified after catastrophic events – the wildfires of 2017 and 2018, and the San Bruno gas pipeline explosion in 2010, respectively.¹⁵ But the expenditures associated with SDG&E’s wildfire mitigation efforts are substantial, and significantly exceed its previous GRC forecasts, which will result in the accumulation of a large undercollection in its WMPMAs before approval of the next General Rate Case. Indeed, SDG&E projects a potential under-collected balance of nearly \$750 million by the end of 2023. Table 1 below, also included in the instant Application and Mr. Butler’s testimony,¹⁶ provides the recorded amounts from when the WMPMAs were made effective in

¹³ *Id.* at JTW-2 – JTW-3.

¹⁴ *Id.* at JTW-5.

¹⁵ *Id.* at JTW-9.

¹⁶ Prepared Direct Testimony of Casey Butler (Cash Flow Impacts) (July 30, 2021) (Exhibit SDG&E-03 (Butler)) at CB-5.

May 2019 through fourth quarter (December) 2020. SDG&E also presents forecasts for 2021 through 2023. These forecasts are provided to illustrate the potential impact of the mechanism in future years from 2021-2023. To be clear, if the mechanism is approved, SDG&E will include only actual wildfire mitigation costs recorded to the WMPMAs for the applicable year.

TABLE 1
Illustrative Incremental Forecasted Revenue Requirement Summary
(In Millions)

	2019	2020	2021	2022¹⁷	2023¹⁸	Total
CPUC WMP Revenue Requirement (excluding TTBA)	\$44.4	\$140.6	\$224.0	\$307.4	\$356.6	\$1,073.0
WMP GRC Revenue Requirement	(\$23.6)	(\$68.5)	(\$76.4)	(\$82.4)	(\$88.4)	(\$339.3)
Incremental WMP Revenue Requirement	\$20.8	\$72.1	\$147.6	\$225.0	\$268.2	\$733.7
Regulatory Interest¹⁹	\$0.0	\$0.2	\$0.2	\$0.4	\$0.8	\$1.6
Total Incremental WMP Revenue Requirement	\$20.8	\$72.3	\$147.8	\$225.4	\$269.0	\$735.3

Unlike a traditional utility project, which is usually the product of long-term planning and projection, the WMPs came about as a result of legislative and Commission direction, and were implemented in an expedited fashion to respond to the immediate risk presented. This is why SDG&E's costs are so misaligned from its General Rate Case and why interim relief is

¹⁷ Amounts shown for 2022 and 2023 are consistent with Application (A.)17-10-007/008, Joint Petition for Modification of [Test Year 2019 General Rate Case] D.19-09-051 of SoCalGas and SDG&E (April 9, 2020). *See also* D.20-07-038, Order Modifying Decision (D.) 19-09-051 and Denying Rehearing, As Modified.

¹⁸ *Id.*

¹⁹ Based on SDG&E's average regulatory interest rate (Commercial Paper Rate) of 0.13% over the period June 2020 – May 2021. *See also* SDG&E Exhibit SDG&E-03 at CB-5.

warranted. There is no doubt that the Commission has the authority to grant interim rate relief.²⁰ In approving a similar application by Pacific Gas & Electric Company (PG&E) to seek interim recovery of amounts recorded to its wildfire mitigation-related memorandum accounts, the Commission reiterated that “[it] has the authority to authorize interim rate recovery prior to reviewing the reasonableness of spending.”²¹

Contrary to the Joint Protest of TURN and UCAN, the Commission is not limited to approving interim relief only under “extraordinary circumstances.”²² While TURN and UCAN that term undefined, their protest implies that interim relief should be limited to circumstances where a utility faces undue or “extraordinary” financial risk. But that is not the case. While SDG&E contends that “extraordinary circumstances” exist here, the Commission has recently concluded that a utility need not establish a financial emergency to merit interim relief. Rate increases may be granted to “(1) promote fairness to both the utility and the public; (2) reduce the potential for rate shock; (3) preserve the financial integrity of a utility, minimize costs incurred by ratepayers and ensure rate stability; and (4) smooth rate impacts on customers.”²³ And “any one of those factors may be sufficient for the Commission to grant relief.”²⁴ Interim relief in this instance meets all four of the circumstances the Commission described, as further addressed below.

²⁰ See *TURN v. PUC*, 44 Cal. 3d 870, 877 (1988). See also D. 19-04-039 at 5 and Conclusion of Law 2 at 13.

²¹ D.20-10-026 at 25. The Commission authorized rate recovery, subject to refund, of 55 percent of the identified revenue requirement recorded to PG&E’s various wildfire mitigation related memorandum accounts. *Id.* at 31.

²² Protest of The Utility Reform Network and Utility Consumers’ Action Network (September 3, 2021) at 3 – 4.

²³ D.20-10-026 at 25-26 (citations omitted).

²⁴ *Id.* at 26.

With respect to fairness to the utility and preserving SDG&E’s financial integrity and stability, SDG&E faces growing incremental WMPMA balances, but lacks the ability to seek immediate recovery of those balances in the near term. SDG&E anticipates filing for recovery of its WMPMA balances through the General Rate Case process, consistent with AB 1054. But even if SDG&E were able to apply for recovery of all WMPMA costs in the General Rate Case application in May 2022, it would still be nearly two years before SDG&E receives approval to begin recovery.²⁵ During this time, SDG&E would be facing significant undercollections and anticipates the need to issue long-term debt to offset those balances. The funding requirements associated with this long-term debt significantly exceed the entirety of SDG&E’s typical annual debt issuance, resulting in incremental annual interest expenses.²⁶ And the debt leverage presented by the growing undercollections and lack of near-term recovery mechanism also presents a financial risk to SDG&E.²⁷ Because of the “disconnect and the potential for regulatory lag between expending substantial costs on wildfire mitigation activities and the timing of cost recovery”²⁸ due to factors outside SDG&E’s control, SDG&E has established a need for interim relief.

²⁵ Because SDG&E will file its General Rate Case in May 2022 – prior to realizing actual WMPMA expenditures for 2022 and 2023 – SDG&E anticipates seeking recovery of those costs through subsequent “tracks” of its General Rate Case, by which the Commission will be able to review the reasonableness of incurred costs through 2023. SDG&E also continues to consider the possibility of seeking a reasonableness review of WMP costs at the conclusion of the 2020-2022 Plan.

²⁶ Exhibit SDG&E-03 (Butler) at CB-7.

²⁷ *Id.* at CB-8 – CB-11.

²⁸ *Id.* at CB-6.

B. SDG&E’S PROPOSAL PROMOTES FAIRNESS, MINIMIZES CUSTOMER AND UTILITY COSTS, PROVIDES BETTER RATE STABILITY, AND MINIMIZES THE POSSIBILITY OF RATE SHOCK

The evidence presented by SDG&E establishes that it has met its burden to justify interim rate recovery. SDG&E’s interim relief proposal meets the criteria established by the Commission, “on the basis of fairness and because interim recovery will help smooth customer rates.”²⁹ If interim relief is granted, it’s a “win-win” for both the customers and SDG&E in many important ways.

1. Interim Relief Promotes Fairness

Interim relief promotes principles of fairness for both the customers and SDG&E. The amounts recovered through the mechanism reflect costs that the customers will ultimately have to pay upon authorization. While SDG&E recognizes that the WMP approval process and cost recovery through its General Rate Case are separate and distinct (and WMP approval does not necessarily mean full cost recovery), given the level of review of SDG&E’s wildfire mitigation projects that has already occurred, SDG&E also believes it is reasonable to assume that WMP disallowances will be minimal. But customer fairness is also preserved because any disallowed amounts will be returned to the customers. As noted in the Commission’s approval of PG&E’s wildfire expenditure interim relief mechanism, interim relief also promotes fairness because it will “improve intergenerational equity,”³⁰ because wildfire mitigation costs would be allocated to the customers in a manner that more closely aligns with the timing of when the costs were incurred.

²⁹ D.20-10-026 at 26.

³⁰ *Id.*

Interim relief is also fair for SDG&E because of the potential impacts that carrying unduly heavy debt balances may have on its credit and ability to obtain financing at reasonable costs for ratepayers. This helps reduce SDG&E's financial risk by allowing SDG&E to more quickly collect needed revenues than would otherwise be the case and to help SDG&E avoid issuing additional debt. As explained by Mr. Butler, an important component of SDG&E's credit ratings is derived from its funds from operations (FFO) as a portion of total debt. "SDG&E's inability to timely recover the WMP-related expenditures has the dual impact of not only increasing the amount of debt but also weakening the CFO)(Cash Flow from Operations) pre-W/C (Working Capital) (or FFO) metric due to the additional interest expense which reduces cash flow from operations."³¹ Without a mechanism for interim rate relief, SDG&E's pro forma FFO/debt of 21.2% nearly reaches Moody's minimum threshold for SDG&E to maintain its current A3 rating. The Commission has previously recognized that "maintain[ing] investment-grade creditworthiness" is an "important component of the *Hope* and *Bluefield* decisions."³² It would be unfair—and contrary to the intent of AB 1054³³—for SDG&E to sustain a hit in its credit ratings because it has to "carry the entire costs tracked in these memorandum accounts" for a sustained period of time.³⁴

2. Interim Relief Minimizes Customer and Utility Costs

Combining fairness with practicality, interim relief will work to minimize customer and utility costs by avoiding additional financing costs that will ultimately be absorbed in rates.

³¹ Exhibit SDG&E-03 (Butler) at CB-9.

³² D.12-12-034 at 37 (alteration in original).

³³ A primary objective of AB 1054 was to *restore* the creditworthiness of the electrical corporations so that they could obtain the capital necessary to invest in wildfire mitigation and upgrades to promote safe and reliable electrical infrastructure. AB 1054, Section 1(a)(4).

³⁴ D.20-10-026 at 27 (citation omitted).

SDG&E projects that the undercollection associated with its wildfire mitigation expenses will be nearly \$750 million by the end of 2023.³⁵ This amount alone exceeds SDG&E’s annual long-term debt issuance for the years 2017-2020.³⁶ And the incremental WMP-related revenue requirement alone “significantly exceeds the historical annual cash flow needs determined by SDG&E to support all other operational activities.”³⁷ Due to this imbalance, SDG&E anticipates that it will issue long term debt to offset the undercollection in its wildfire mitigation balances – which would correspondingly result in an incremental annual interest expense borne by ratepayers.³⁸ Interim relief reduces or avoids these costs, resulting in saving for SDG&E and, ultimately, its customers.

3. Interim Relief Promotes Rate Stability and Avoids Rate Shock

As the Commission concluded in approving interim relief for PG&E’s wildfire mitigation balances, “[i]nterim rate relief provides a hedge against a potentially larger rate increase on customers after the reasonableness review” has occurred.³⁹ By the time the Commission has had the opportunity to review SDG&E’s wildfire mitigation costs for reasonableness and costs are authorized for recovery, the accumulated balances will be even more significant. Via interim relief, the customers avoid the impact of absorbing the forecasted \$735 million undercollection at one time.⁴⁰ Commencing cost recovery now ultimately breaks down the process of amortizing the realized balances over a longer period (as opposed to recovering 100% of costs in one year

³⁵ Exhibit SDG&E-03 (Butler) at CB-7.

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ D.20-10-026 at 26.

⁴⁰ See Prepared Direct Testimony of Eric Dalton (Wildfire Interim Rate Relief Mechanism) (July 30, 2020) (Exhibit SDG&E-02 (Dalton)) at ED-8, Table 2-2 for an illustrative comparison of the impact of interim relief.

after a traditional GRC process) and permits cost recovery to be spread out. This alleviates the possibility of rate shock that could occur if the entirety of the WMP undercollection is incorporated into rates at one time, particularly along with any other rate increases that may result from SDG&E's General Rate Case.⁴¹

IV. SDG&E'S PROPOSAL TO UPDATE THE RECORDED WMPMA BALANCES AND AMORITIZE THEM IN RATES THROUGH THE ANNUAL REGULATORY ACCOUNT BALANCE UPDATE PROCESS IS REASONABLE

A. SDG&E'S PROPOSAL TO RECOVER 50 PERCENT OF RECORDED BALANCES VIA INTERIM RELIEF IS REASONABLE AND SHOULD BE ADOPTED WITHOUT CHANGE

SDG&E's Application proposes to amortize 50 percent of the incremental WMPMA balance incurred from 2019-2021 over a period of 20 months, and then to subsequently amortize remaining incremental balances on an annual basis through its Regulatory Account Balance Update Process. This proposal is reasonable and in accord with the accounting process for other Commission-approved interim relief mechanisms. First, SDG&E's proposal is based upon its existing PSEP mechanism. The amount of PSEP interim relief and the amortization schedule for the PSEP was derived from a proposal by Commission Staff that represented "a compromise measure" after Staff concluded that authorizing SDG&E to recover 50% of recorded PSEP costs in rates, subject to reasonableness review and possible refund, would reduce the potential for rate shock.⁴² The Commission agreed:

We find that the Staff Proposal for interim recovery, subject to refund, of 50% of the revenue requirements associated with properly recorded Pipeline Safety

⁴¹ The Farm Bureau proposed alternative methods of alleviating rate shock in their protest, such as securitizing costs over a longer period of time. *See* Protest of the California Farm Bureau Federation [...] (September 3, 2021) at 3 – 4. But the Commission recently rejected such an approach by SCE to securitize a portion of their wildfire cost recovery, including operations and maintenance (O&M) costs (while permitting securitization of certain capital costs). *See* A.21-06-016 and D.21-10-025. Without the option to securitize all wildfire mitigation costs (including O&M expenses), SDG&E currently views interim relief as the best vehicle to smooth rates and avoid rate shock.

⁴² Exhibit SDG&E-02 (Dalton) at ED-2 – ED-3.

Enhancement Costs reasonably balances the objective of mitigating sharp rate increases with the need for Commission review of utility costs prior to collection from ratepayers.⁴³

The Commission further permitted a similar amortization structure for PSEP costs, allowing SDG&E to immediately amortize in rates “50% of the balances” already recorded in the relevant PSEP accounts from the date of the initial tariffs implementing the approved mechanism through the end of 2017, with remaining balances amortized “through the utilities’ annual regulatory account balance update process.”⁴⁴

More recently, the Commission found that interim recovery, subject to refund, of 55 percent of PG&E’s “identified revenue requirement” recorded in certain identified wildfire mitigation accounts would “best promote fairness, minimize costs to ratepayers, and promote rate stability.”⁴⁵ The Commission rejected PG&E’s proposal to recover 85 percent of the recorded balances, selecting 55 percent as it “balances the potential interim and long-term rate and recovery amounts,” finding it “reasonable and fair.”⁴⁶ Notably, the Commission rejected the proposals of TURN and Cal Advocates that would have limited PG&E’s interim relief to 25 percent, because they “underestimate[d] the potential recovery and are less likely than PG&E’s proposal [of 85 percent] to lead to rate stability.”⁴⁷

Like the approved PG&E mechanism, SDG&E’s interim relief Application is limited to the actual costs recorded in its WMPMA, and SDG&E does not seek to include costs included in

⁴³ D.16-08-003 at 10. *See also* D.16-08-003 at Appendix A (“That is, half the balances in the Safety Enhancement Capital Cost Balancing Account and the Safety Enhancement Expense Balancing account would be annually amortized in rates, subject to refund.”) and Conclusion of Law 2 (finding the Final Staff Proposal reasonable).

⁴⁴ D.16-08-003 at Ordering Paragraph 3.

⁴⁵ D.20-10-026 at 31.

⁴⁶ *Id.*

⁴⁷ *Id.*

other wildfire-related regulatory accounts at this time. SDG&E's proposal to recover 50 percent of the recorded balances in rates also adequately balances the objective of mitigating rate increases and avoiding rate shock with the requirement that the Commission review costs prior to collection from ratepayers. The proposed amount of recovery is reasonable and should be implemented as proposed.

B. THE COMMISSION SHOULD ACCEPT SDG&E'S PROPOSED AMORTIZATION SCHEDULE AS REASONABLE AND SHOULD NOT IMPOSE ADDITIONAL REPORTING REQUIREMENTS

SDG&E proposes to recover 50% of the actual recorded WMPMA balance on an annual basis, subject to refund, using the balance available at the time of filing SDG&E's Annual Regulatory Account Balance Update of electric and gas advice letter submittals. The annual updates are submitted as Tier 2 advice letters and subject to the review and approval of Commission staff. The balances that are recovered via the Annual Regulatory Account Balance Update filing are subject to audit, verification, and adjustment. Because SDG&E's proposed process reflects that which has already been approved for SDG&E's PSEP mechanism, it thus avoids regulatory confusion and should be deemed reasonable.

Because of the reporting process already embodied in the Annual Regulatory Account Balance Update filing, SDG&E's ongoing updates regarding its WMP (and related expenditures) to the Commission and the Office of Energy Infrastructure Safety, and the reasonableness review of costs and cost recovery that will ultimately occur in its General Rate Case, no further reporting requirements are necessary. SDG&E, stakeholders, and the Commission may already leverage the existing reporting structures to obtain the transparency necessary to allow the Commission to track and monitor the reconciliation of costs over the course of the coming years.

V. CONCLUSION

SDG&E appreciates the opportunity to provide this Opening Brief.

Respectfully submitted,

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