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

Application of San Diego Gas & Electric Company (U 902 M) for Establishment of an Interim Rate Relief Mechanism for its Wildfire Mitigation Plan Costs	A. 21-07-017

REPLY BRIEF OF THE CALIFORNIA FARM BUREAU FEDERATION

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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 the schedule set forth in the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) issued October 28, 2021, the California Farm Bureau Federation[1] (Farm Bureau) submits this Reply Brief to San Diego Gas & Electric Company's (SDG&E) Application for Establishment of an Interim Rate Relief Mechanism for its Wildfire Mitigation Plan Costs (Application). Resource constraints prevented Farm Bureau from filing an Opening Brief, but fortunately The Utility Reform Network (TURN) and Utility Consumers' Action Network (UCAN) echoed many of Farm Bureau's sentiments from our Protest, capturing many of the flaws with SDG&E's request. As expected, SDG&E's Opening Brief entertained the same argument as their Application without any new insight or justification. Therefore, Farm Bureau's position remains that SDG&E's Application should be denied as they have not met the burden of proof required to show the relief is necessary or justified.

II. SDG&E HAS NOT MET THE BURDEN OF PROVING THERE ARE NOT ADDITIONAL RECOVERY OPTIONS AVAILABLE AND THE INTERIM RELIEF REQUESTED IS IN THE BEST INTEREST OF ALL PARTIES

As Farm Bureau stated in its Protest, there is important work that can and should be done to guard against utility infrastructure related wildfires. SDG&E has demonstrated important advancements in preventative work over the last decade; however, expenditures related to such work have grown significantly as

[1] The California Farm Bureau Federation is California's largest farm organization, working to protect family farms and ranches on behalf of its nearly 32,000 members statewide and as part of a nationwide network of more than 5.5 million members. Organized 100 years ago as a voluntary, nongovernmental, and nonpartisan organization, it advances its mission throughout the state together with its 53 county Farm Bureaus.

demonstrated in this Application and must be scrutinized and weighed against the impacts on utility rates. Not only are the costs of concern and deserving of a reasonableness review, the implications of granting interim relief absent a showing of an extreme or extraordinary circumstance must be carefully scrutinized as well.

To argue a decision granting SDG&E interim relief in this proceeding would not be precedent setting would be disingenuous. SDG&E bases much of their argument on the relief previously granted to PG&E and in the Sempra Utilities' Pipeline Safety Enhancement Program (PSEP) proceeding.[2] What SDG&E leaves out and TURN provides a detailed explanation of, is the dire financial situation PG&E was in when relief was granted and the several subsequent decisions that appropriately denied relief.[3] Each request must be assessed on its own merits and weighed against the carefully established and litigated processes for recovering wildfire costs. However, granting relief in this proceeding will no doubt lower the barrier to entry for granting relief, signaling to the utilities that interim relief is the new standard of rate recovery allowing them to operate outside completion of a wildfire mitigation plan or a General Rate Case proceeding with the added benefit of delaying a reasonableness review.

As TURN and UCAN point out, the *potential* impact on SDG&E credit rating even in a *worst case* scenario still allows them to keep their A3 rating.[4] The Moody's Report contemplates the very scenarios by which SDG&E seems to

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[2] Opening Brief of San Diego Gas & Electric Company (SDG&E Opening Brief), pp. 14-15.
[3] Opening Brief of The Utility Reform Network, pp. 1-8.
[4] *Id.* at pp. 19-20; Opening Brief of Utility Consumers' Action Network, p. 3.

suggest have not been considered and could impact their future creditworthiness.[5] The Moody's Report evaluation which took place in May 2021 with the current unrecovered wildfire costs available, clearly contemplates the reality that the current legislative structure rightfully delays some of this recovery.[6] Even with this unknown, the Moody's Report found SDG&E to be stable.[7]

Interim relief should only be granted for something unexpected and extraordinary. The relief requested in this proceeding does not meet that threshold. SDG&E's argument outside of speculative credit risk amounts to "well, we are going to get it anyway". To allow for recovery based on this premise would be a slight to both the Legislature and ratepayers. After experiencing a global pandemic, it is not inconceivable to think of a scenario where this type of interim relief may be necessary, but this Application is not it.

The customers of SDG&E are still facing tremendous economic challenges driven by COVID-19, power outages, wildfire impacts, and a severe drought. Farm Bureau members who SDG&E would expect to incur the cost of this interim relief are small customers. To layer additional cost on ratepayers at this time should require the utmost care and show of absolute necessity. Not only do a bulk of SDG&E's costs come from 2022-23 and are themselves inappropriate for recovery since they are costs that have yet to be incurred or recorded[8], but SDG&E fails to

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[5] Exh. 04 "Credit Opinion: San Diego Gas & Electric Company," Moody's Investor Service (May 10,
2021), pp. 8-9.
[6] *Id*. at pp. 1-2, 8-9.
[7] *Id*.
[8] Exh. SDG&E-03, p. CB-5. Table 3-4. Of the "total incremental WMP revenue requirement" of $735.3 million calculated by SDG&E for 2019-2023, roughly $494.4 million is estimated for 2022-23 or 67% of the request.

proffer why the Commission should be precluded from implementing an appropriate amortization schedule at the time the costs are deemed reasonable. One hopes by the time these costs are assessed, we will be seeing relief from drought as well as COVID-19. There can be speculation as to the state of utility rates two to three years from now, but speculation is guesswork and must be weighed against the actual cost to ratepayers now.

Further, SDG&E does not provide a compelling reason why recovery following the completion of their Wildlife Mitigation Plan or in the next GRC creates an extreme outcome warranting interim relief. If it follows the proper channels, SDG&E will obtain recovery based on *actual* and Commission determined *reasonable* costs. Parties will have the ability to fully participate and scrutinize SDG&E expenditures, rather than working backward to claw back potential unwarranted recovery. SDG&E claims their choice is made in fairness to "intergenerational equity" and that the cost should be more closely aligned with the timing of when the costs were incurred.[9] But what about the refunds? SDG&E's premise only works on the basis that SDG&E *will* recover its costs. If any portion is refunded, then we see a different form of intergenerational inequity. As Farm Bureau stated in its Protest, the statute makes no presumption that *any* portion of the investor-owned utilities expenditures are reasonable. Interfering with the proper course of available remedies without a showing of *extreme* need improperly places the burden of proof on ratepayers going forward, but also perpetuates the continual need for interim relief to undo harm on future generations.

[9] SDG&E Opening Brief, p. 11.

SDG&E does not ever truly address what the impacts would be following the appropriate recovery mechanisms or at least does not do so in a way that should compel the Commission to act. Again, the attitude of recovery being inevitable is not the standard for evaluation. SDG&E has the burden of proving to the Commission interim relief is warranted. They have not met that burden. To grant interim relief not only impacts ratepayers now, but it also shifts the burden of proving costs were reasonable to ratepayers. Farm Bureau is confident based on prior Commission statements that the Application will be rejected for failing to show why extreme or extraordinary relief should be granted.

III. CONCLUSION

Farm Bureau appreciates this opportunity to provide input in this proceeding and as stated above, is confident the Commission will determine that SDG&E has failed to meet their burden of why interim relief shall be granted and will reject their Application.

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Respectfully submitted,

By_______________________________

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