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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	Application A.21-07-017

OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) ON THE PROPOSED DECISION DENYING SDG&E'S APPLICATION FOR INTERIM RATE RELIEF

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I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

The Proposed Decision[1] commits legal and factual error in denying SDG&E's Application seeking an interim relief mechanism to address cost recovery for nearly five years of wildfire mitigation costs incremental to its applicable General Rate Case (GRC).[2] SDG&E's unrebutted testimony clearly demonstrated the unprecedented growth in wildfire mitigation costs that were necessary to respond to the catastrophic 2017 and 2018 fires and the subsequent passage of Senate Bill (SB) 901 and Assembly Bill (AB) 1054. Without interim relief, the growth of these uncollected balances leaves SDG&E carrying extensive debt far beyond typical rate recovery cycles—simply for engaging in critical wildfire mitigation efforts that the Commission has recognized as essential and for which credit rating agencies have recognized SDG&E as an industry leader. The Proposed Decision errs in denying SDG&E's application for relief because it unnecessarily exposing SDG&E to additional financial risk and unfairly requiring ratepayers to pay additional and unnecessary costs.

As a rationale for its conclusion, the Proposed Decision assumes facts not in evidence and outside the scope of this proceeding. Furthermore, it contravenes existing Commission precedent addressing interim recovery for costs associated with wildfire mitigation. And it rewrites the requirements for future interim recovery mechanisms to, in essence, require that a utility be in significant financial distress—or even in or near bankruptcy—in order to grant

[1] Proposed Decision Denying San Diego Gas & Electric Company's (SDG&E) Application for Interim Rate Relief (March 15, 2022) (Proposed Decision).
[2] SDG&E hereby submits these Opening Comments pursuant to Rule 14.3 of the California Public Utility Commission's (Commission) Rules of Practice and Procedure.

interim relief. The California Supreme Court previously specifically declined to establish such a requirement for interim rate recovery,[3] and the Commission should decline to do so now.

Interim recovery of the balances in SDG&E's Wildfire Mitigation Plan Memorandum Account (WMPMA) meets the Commission's established criteria for approval of interim relief. The Proposed Decision should be revised to approve SDG&E's Application for the following reasons:

- The Proposed Decision commits legal error by failing to consider the additional and unfair burden placed on ratepayers by the denial of interim relief.[4] *If the Proposed Decision is adopted, the Commission will force SDG&E's ratepayers to pay an estimated $40 million in additional cumulative interest expense*. For this reason alone, interim recovery is justified here.

- The Proposed Decision commits legal and factual error in its conclusion that financial impact to the utility is a "crucial factor" when reviewing interim rate recovery requests, and in assigning too much consideration to SDG&E's financial condition. The Commission clearly reiterated the criteria warranting interim relief with respect to wildfire mitigation costs in Decision (D.)20-10-026 and noted that a utility only need to meet *one of those criteria*.[5] While promoting the financial integrity of a utility is one potential consideration for interim relief, *there is no requirement that a utility be in financial distress to receive interim relief.*[6]

- The Proposed Decision commits legal error by ignoring the Commission's established "objective" of "mitigating sharp rate increases" in approving interim recovery of wildfire mitigation costs.[7] SDG&E's interim relief proposal is designed to avoid the sharp rate increases and subsequent decreases that result from recovery of memorandum account balances that will have gone unaddressed for five years, meeting the Commission's established objectives warranting interim recovery.

- The Proposed Decision commits legal and factual error in its discussion of intergenerational equity and long-term amortizations. First, the Proposed Decision assumes or includes a number of facts not supported by the record, including discussion of a proposed "three-year amortization" period by SDG&E. *SDG&E made no such proposal and would object to any proposal for such a long-term amortization*. The discussion of amortizing rate recovery through SDG&E's GRC is also legal error in that

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[3] *See TURN v. PUC*, 44 Cal.3d 870 (1988) at 875-879.
[4] In *TURN v. PUC*, the California Supreme Court approved an interim recovery mechanism partially because "the situation was one in which fairness to both the utility and the public required immediate action." *Id*. at 879.
[5] *See* SDG&E Reply Brief (January 20, 2022) at 2; D.20-10-026 at 25-26 ("[A]ny one of those factors may be sufficient for the Commission to grant relief") (citing D.02-07-031 at 12-13).
[6] *TURN v. PUC*, 44 Cal.3d at 875-879.
[7] D.20-10-026, Finding of Fact (FOF) 14 at 40.

the upcoming rate case has not yet even been filed and hypothetical discussions or conclusions regarding its GRC cost recovery are out of the scope of this proceeding.[8]

II. THE PROPOSED DECISION COMMITS LEGAL ERROR IN NOT CONSIDERING THE UNFAIR INCREASED COSTS FOR RATEPAYERS WITHOUT INTERIM RELIEF

As established below, interim cost recovery is warranted if it meets any one of the several criteria outlined in previous Commission decisions. Rather than financial impact perhaps the most "crucial factor" in the Commission's recent consideration of wildfire mitigation interim recovery mechanisms is its clearly stated "objective" to "mitigate sharp rate increases" and avoid the unfairness of requiring ratepayers to absorb the additional interest expense associated with long term debt.[9] Fairness to the public and minimizing costs to ratepayers are two of the Commission's four established criteria for interim relief.[10] SDG&E's Application and the unrebutted supporting testimony establish that the proposed interim recovery mechanism achieves these goals both by mitigating the sharp rate increases that might result if five years of WMPMA balances are incorporated into rates at once, and minimizing costs to ratepayers.

Yet, the Proposed Decision commits legal and factual error by disregarding the fact that, in the absence of interim relief, an estimated *$40 million in additional interest expense will be passed on to SDG&E ratepayers*. The Proposed Decision accepts this unrebutted testimony as true, but then factually errs in framing this as evidence of SDG&E's good financial position rather than acknowledging the unfair negative ratepayer impact resulting from the denial of interim recovery.[11] As discussed below, under the Commission's established framework for evaluating interim relief, it should consider whether interim recovery qualitatively reduces customer costs. Allowing ratepayers to avoid this additional unnecessary interest expense alone meets the Commission's established objectives and merits approving SDG&E's Application.

[8] *See* SDG&E Reply Brief (January 20, 2022) at 7.
[9] D.20-10-026 at 27. While the Decision discusses PG&E's increased interest expense as a result of its financial condition, the Commission was in fact recognizing the unfairness to ratepayers because that increased expense would be passed on in additional costs. *See also,* D.20-10-026 at 16. Thus, the Proposed Decision wrongly interprets this as a discussion of financial impact when it was in fact addressing the need to promote fairness to ratepayers and the utility.
[10] D.20-10-026 at 25-26 (citations omitted).
[11] PD at 14.

III. THE PROPOSED DECISION COMMITS LEGAL ERROR AND CONTRAVENES EXISTING COMMISSION DECISIONS IN OVERLY EMPHASIZING UTILITY FINANCIAL CONDITION AS CRITERIA FOR INTERIM RELIEF

Contrary to past Commission decisions and guidance, including its recent decision grating PG&E interim relief for wildfire mitigation-related expenditures only 18 months ago, the Proposed Decision wrongfully concludes that "the Commission considers financial impact and the degree of the financial impact to be crucial factors in review and resolution of interim rate recovery requests."[12] This conclusion, which is largely based on non-binding decisions of the Administrative Law Judges (ALJ) in previous cases brought by Southern California Edison Company (SCE) and Pacific Gas & Electric Company (PG&E), ignores the precedent of *TURN v. PUC*,[13] and contravenes the four clearly established criteria that the Commission has repeatedly considered in considering interim recovery requests, including requests related to wildfire mitigation relief.[14]

In addition to not speaking for the Commission,[15] the ALJ Rulings cited in the Proposed Decision were the result of motions made *during the course* of filed and pending cost recovery applications, such as PG&E's Catastrophic Event Memorandum Account,[16] and SCE's Application for Authority to Increase Rates.[17] Thus, those ALJ Rulings lack the development of the necessary factual record to assume that they establish any Commission precedent, nor can they support the erroneous conclusion that financial condition is a "critical factor" when the Commission considers interim relief. As detailed below, utility financial impact is just one of several factors that may merit interim relief. While not a routine practice, the Commission has routinely approved interim relief to avoid negative ratepayer impacts such as rate shock and should do so here.

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[12] PD at 12.
[13] 44 Cal.3d at 875 (Allowing interim recovery absent financial emergency because "it does not follow that no other circumstances can justify an interim increase.").
[14] PD at 11-12.
[15] *See* D.15-07-010 at 10 ("the Commission speaks only through its decisions, and not through the statements of any individual Commissioner or staff person.").
[16] PD at 11, citing A.18-03-015, ALJs' Ruling Denying Pacific Gas and Electric Motion for IRR (November 2, 2018), at 2.
[17] PD at 12, citing A.19-08-013, ALJs' Ruling Denying SCE's Motion for Interim Rate Recovery (May 22, 2020) at 1.

Additionally, while the ALJ Ruling denying interim relief for SCE did note that the ALJs were "unconvinced that interim rate recovery [was] needed to preserve SCE's financial integrity,"[18] the Ruling addressed SCE's financial health *only after assessing the customer impacts of implementing a rate increase*, including the timing of that rate increase—which would have occurred both at the height of the COVID-19 pandemic and during the summer months.[19] The SCE ALJ Ruling thus did not look to SCE's financial health as a "crucial factor" in denying relief; it rather found that a rate increase in May of 2020—when most of California was still under stay at home orders and when the COVID-19 Emergency Customer Protections were still in place—was not in the public interest.[20]

By contrast, the only recent Commission decision authorizing interim recovery for wildfire mitigation costs specifically declined to include financial distress as a requirement to grant interim relief. In approving a nearly identical interim relief mechanism for PG&E, the Commission—over very similar objections from intervening parties[21]—concluded that "*any one"* of the following four factors is sufficient to grant interim relief: (1) to promote fairness to both the utility and the public, (2) to reduce the potential for rate shock, (3) preserve the financial integrity of the utility, minimize costs incurred by ratepayers and ensure rate stability, and (4) smooth rate impacts on customers.[22] The Commission then went on to explain that PG&E's interim recovery request was justified because the mechanism:

- Helped "smooth customer rates;"
- Avoided the "significant increases and subsequent decreases that are associated with approval of costs" tracked in similar memorandum accounts; and
- "[P]rovide[d] a hedge against the potentially larger rate increase on customers after a reasonableness review."[23]

Thus, the Commission's approval of PG&E's interim relief mechanism was in no way based on the "crucial factor" of PG&E's (already improving) financial health. While noting that

[18] *Id.* at 11.
[19] If the Commission approves SDG&E's interim recovery proposal, SDG&E would support timing the implementation of the mechanism in rates to occur after the summer months, such as October 2022.
[20] PD at 9-10.
[21] *See* D.20-10-026 at 10-23.
[22] D.20-10-026 at 25-26, *citing* D.02-07-031 at 14, D.19-04-039 at 6, D.16-08-003 at 9, and D.88-05-074 at 14.
[23] D.20-10-026 at 26.

any factor on its own might justify relief, the Commission rooted its approval of PG&E's interim relief mechanism in its potential to provide relief for ratepayers who, in the absence of interim recovery, would experience lumpy and inconsistent rate increases and decreases, would pay the additional and unnecessary costs of carrying debt at higher rates, and to avoid the compounding rate increases that might result if the entire undercollected balance was incorporated into rates at one time after a reasonableness review. These criteria were also consistent with *TURN v. PUC*, which established both the Commission's authority to authorize interim recovery and noted that the Commission need not quantify financial benefits or find that emergency circumstances justify interim relief.[24] It was only after restating the established criteria for interim relief—and finding that PG&E met those criteria—that the Commission looked at PG&E's financial status to demonstrate the benefits to ratepayers that interim relief would provide through lower financing costs.[25]

Moreover, unlike D.19-04-039, by the time the Commission approved D.20-10-026, PG&E had already emerged from bankruptcy and was facing a more stable credit environment, further indicating that its financial health was not a major factor in the Commission's approval of its wildfire relief mechanism. In fact, the Public Advocates Office objected to the approval of PG&E's wildfire mitigation interim relief mechanism because (as argued by The Utility Reform Network (TURN) in its protest to the instant Application) PG&E had not established that "the 'extremely rare and unique facts that appl[ied] to PG&E's' [financial condition]" in 2019 were still present by the end of 2020.[26] But even with PG&E's improved financial status, the Commission approved its interim recovery mechanism.

Thus, the Commission's "prior treatment of interim rate recovery specific to wildfire-related costs"[27] indicates that the financial health of a utility remains but one of the four criteria which may justify the approval of interim rate recovery. Financial impact is certainly not a

[24] *TURN v. PUC*, 44 Cal.3d at 875-879.
[25] D.20-10-026 at 27, Conclusion of Law (COL) 3 at 41.
[26] D.20-10-026 at 13. It should be noted that the Public Advocates Office did not object to SDG&E's interim relief proposal and recommended only minor modifications related to scheduling future filings and the exclusion of gas-related costs.
[27] PD at 10.

"crucial factor" above all else in assessing such requests and the Proposed Decision should be revised to reflect as such.[28]

The Proposed Decision is particularly concerning because, in forcing SDG&E to assume and pay for wildfire mitigation efforts through long term debt—increasing SDG&E's financial risks[29]—it undermines SDG&E's access to investment capital at reasonable rates,[30] which contradicts the intent of AB 1054. Indeed, by October 2020 when the Commission approved D.20-10-026, PG&E's financial health had improved in no small part because of the legislative efforts to pass AB 1054 and address the immediate needs to "invest in hardening of the state's electrical infrastructure and vegetation management to reduce the risk of catastrophic wildfire," and for electrical corporations to "have access to capital at reasonable cost to make safety investments."[31] As the legislature in AB 1054 stated, the "[e]lectrical corporation[s] need capital to fund ongoing operations and make new investments to promote safety, reliability, and California's clean energy mandates and ratepayers benefit from low utility capital costs in the form of reduced rates."[32] If the Commission requires SDG&E to continue the accumulation of years of undercollected balances, SDG&E's financial risks and the potential for reduced credit will increase, which in turn impacts its ability to make the necessary investments in wildfire safety, reliability, and clean energy at the lowest cost to ratepayers.[33]

While SDG&E agrees that it is not in the same credit position as PG&E was in 2019, there is a long spectrum from excellent creditworthiness to bankruptcy. SDG&E's credit ratings

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[28] Requiring a utility to be near bankruptcy or in bankruptcy to receive interim relief is additionally concerning as a matter of precedent. While the Commission considers applications on their own merit and the facts presented, if financial distress is established as a "crucial factor" in the Proposed Decision, it may severely limit the utilities' access to interim recovery in the event of future unforeseen significant projects, such as electrification efforts, reacting to climate change, or state-mandated programs.

[29] *See* D.19-12-056 at 6 (Commission must ensure that the cost of capital and capital structure is sufficient to maintain reasonable credit ratings); D.12-12-034 at 8-9 ("as long-term debt ratios are increased, credit ratings tend to be downgraded which results in increased financial risks for common equity holders, thereby requiring greater returns on common equity.").

[30] The Proposed Decision acknowledges that "[t]he FFO-to-Total Debt ratio [is] a key indicator of creditworthiness," and "[a] higher ratio indicates a stronger ability to retire debt, and thus lower financial risk." PD at 14 (citation omitted).

[31] AB 1054 at Sec. 2(b) and (c).

[32] AB 1054 at Sec. 1(a)(4).

[33] *See TURN v. PUC*, 44 Cal.3d at 876 (noting that the Commission approved interim recovery because of the "evidence that cash flow is currently important in keeping down PG&E's costs of raising capital.").

remain reduced by at least two notches by all three credit rating agencies since 2018.[34] As evidenced by the Moody's report in the record of this proceeding, if SDG&E is forced to continually increase its funds from operations as a percent of total debt, it faces the possibility of credit downgrades.[35] While that may not ultimately come to pass, the *mere possibility* of a credit downgrade as a result of a regulatory denial of financial relief is a scenario that all parties—SDG&E, its ratepayers, and the Commission—should seek to avoid. Such an outcome would be unfair to both SDG&E and its ratepayers (as it would result in further increased customer costs), in contravention of the Commission's established criterial for interim relief.[36]

That possibility would in turn reduce SDG&E's ability to implement the wildfire mitigation efforts found necessary by the legislature, the Commission, and SDG&E to protect public safety, and to do so at the lowest cost for ratepayers.[37] While interim relief remains an extraordinary remedy, it should not be so extraordinary that it becomes a "last resort" for utilities facing an erosion of credit. For that reason alone, the Proposed Decision should be revised to remove the language recognizing that the degree of financial impact is a "crucial factor" in reviewing interim rate recovery requests.

As established in its Application, SDG&E has met more than one of the criteria repeatedly established by the Commission as justifying interim rate relief. Interim relief:

- *Promotes fairness for both the utility and the public* because SDG&E is not unfairly burdened with the potential for adverse credit consequences and increased long term debt cost. Customers are not burdened with millions in increased interest costs, as addressed below.

- It *reduces the potential for rate shock*, because customers do not suddenly face over $730 million in WMPMA balances at one time.

- It *preserves the financial integrity of SDG&E and minimizes costs* because SDG&E is at less risk of a potential credit downgrade and customers avoid unnecessary interest expense.

- It *smooths rate impacts on customers* by '"hedg[ing] against a potentially larger rate increase"' after a reasonableness review.[38]

[34] D.19-12-056 at 9, FOF 32.
[35] Opening Brief of San Diego Gas & Electric Company (January 10, 2022) at 12; *see also* Reply Brief of San Diego Gas & Electric Company (January 20, 2022) at 12 – 13, Ex. SDG&E-04 at 3.
[36] D.20-10-026 at 25-26 (citations omitted).
[37] *See* D.19-12-056 at FOF 26 ("Financial risk is tied to the utility's capital structure.").
[38] SDG&E Reply Brief (January 20, 2022) at 2, citing D.20-10-026 at 26.

IV. THE PROPOSED DECISION COMMITS LEGAL AND FACTUAL ERROR BY ASSUMING AMORTIZATION PERIODS NOT YET LITIGATED OR DETERMINED IN SDG&E'S GRC AND OUTSIDE THE SCOPE OF THIS PROCEEDING

The Proposed Decision further commits legal and factual error in denying interim relief based on the Commission having "many tools" to smooth out rate increases. The Proposed Decision's assumptions regarding Commission authorization of an extended amortization for SDG&E's WMPMA balances assume facts not supported by the record in this proceeding, not consistent with the legal framework applicable to SDG&E's recovery of its 2019-2023 wildfire expenditures, and outside of the scope of this proceeding.

The Proposed Decision first predetermines an amortization schedule for recovery of 2019-2023 wildfire mitigation costs as proposed by TURN and applies those assumptions as facts. But SDG&E's GRC has not yet been filed, let alone litigated. There has not been, nor can there be, any determination regarding amortization of cost recovery or the reasonableness of that recovery period through SDG&E's GRC because there is no record on the matter. As such, a determination based on such assumptions includes both factual error and issues outside the scope of this proceeding.

At the outset, SDG&E would object to any GRC authorized amortization schedule that is not consistent with general ratemaking and accounting principles, which usually include recovery over a 12-24 month period.[39] There is thus no factual support for the Proposed Decision to conclude that SDG&E did not prove that the interim relief mechanism provided rate stability that "cannot be achieved in a GRC filing," that "[u]nder *ordinary* ratemaking practices and review schedules, SDG&E can reasonably expect to achieve rate recovery within a relatively few years after 2022 and 2023," and that "[t]here is a relatively minor difference between the proposed rate recovery period and the rate recovery process that would occur as a result of" ordinary ratemaking.[40] Without foresight into the outcome of SDG&E's upcoming GRC, these

[39] While SDG&E maintains that such discussion is outside the scope of this proceeding, to the extent that the Commission considers or approves amortization of wildfire mitigation balances in excess of 24 months, it should do so by permitting SDG&E to securitize those balances—including operations and maintenance (O&M) expenses—to reduce SDG&E's exposure to long term interest expense and to benefit ratepayers in the form of more consistent rates at a lower present value. *See* Pub. Util. Code §850.1.

[40] PD, FOFs 10-12 at 20-21 (emphasis added).

conclusions are unsupported by the record. And at a minimum, these conclusions are not findings of fact. They are matters of policy and opinion and should be removed as factual assertions.

Additionally, the Proposed Decision commits factual errors in its assumptions regarding the timeframe for recovery of SDG&E's WMPMA balances. Relying on TURN's assumed schedule for SDG&E's GRC, the Proposed Decision assumes that a review of SDG&E's 2022-2023 WMPMA balances would occur in SDG&E's upcoming GRC, with decisions issued in late 2024 and early 2025.[41] If these assumptions proved correct, rate recovery would occur between 2025 and 2027. But upon review of the record in this proceeding and the framework for recovery of wildfire costs, these assumptions prove false. First, the Proposed Decision inaccurately assumes a "three-year amortization period requested in SDG&E's proposal."[42] *SDG&E did not make such a proposal*.[43] As noted above, it would specifically object to an extended amortization that is inconsistent with its accounting principles and traditional ratemaking.

Second, although SDG&E will file its upcoming GRC later this year, that application will not include wildfire mitigation costs incurred from 2022-2023 because those costs have not yet been realized. SDG&E's next Test Year is 2024. SDG&E is unlikely to seek a reasonableness review for 2023 WMPMA balances until at least mid-2024, after those balances have been incurred. Assuming a final decision in late 2025, implementation in rates in 2026, and the three-year amortization schedule described in the Proposed Decision, rate recovery could occur *from 2026-2029*. It is both unreasonable and inaccurate to assume a recovery schedule from 2025 through 2027 for those balances.[44]

Recovering 2022-2023 balances four to six years after they have been incurred runs afoul of traditional ratemaking principles. And, as discussed below, it unfairly burdens both SDG&E and its ratepayers through additional interest expenses. It is also legally inconsistent with the Commission's recent Decision approving interim relief for PG&E's wildfire mitigation costs. In D.20-10-026, the Commission approved interim rate recovery for costs incurred in 2018 and

[41] The Proposed Decision simply ignores the growth or recovery of SDG&E's WMPMA balances from 2019-2021. While less substantial than the forecasted 2022-2023 undercollections, even if these balances were recovered on the schedule discussed in the Proposed Decision, customers would be incurring these costs up to six years after they were incurred.
[42] PD at 18.
[43] SDG&E's proposal includes a 20-month amortization of WMPMA balances over a three-year period (2019-2021).
[44] *See* PD at 17-18.

2019, *during PG&E's ongoing rate case*, because it might take another 12-18 months to achieve a resolution of costs.[45] The Commission thus concluded that by allowing recovery of 2018-2019 costs to occur starting in 2020, rather than 2021 or 2022, "there [was] a level of interim relief that [would] improve intergenerational equity and avoid the significant increases and subsequent decreases that are associated with the approval of costs."[46]

The Supreme Court has also affirmed that the Commission can and should consider if "a considerable period of time was expected to elapse before the final determination of the prudency of the utility's investment […]." Failure to approve interim relief when—even under TURN's assumed timeline—there will be a period of over five years between when money is spent by the utility and when it is recovered in rates gives current customers a "windfall, shifting the burden to future ratepayers" that does not align with the Commission's "key principle that costs borne by ratepayers should closely match benefits they receive."[47] It is legally and factually inconsistent for the Proposed Decision to now conclude that a four-to-six year period for cost recovery—far longer than that which the Commission sought to avoid in D.20-10-026—does not run afoul of principles of intergenerational equity.[48]

The house of cards upon which the Proposed Decision bases its denial of SDG&E's Application is founded partially on an inaccurate comparison of SDG&E's rate case cycle with those of PG&E and SCE. The Proposed Decision describes the Commission's efforts in undertaking the last two GRCs for PG&E and SCE, including a review of the recorded wildfire mitigation costs "in the three years leading up to the test year."[49]

But SDG&E's rate case cycle puts it in a far different position than SCE and PG&E with respect to the amount of time its WMPMA balances will be allowed to accumulate. First, SDG&E has a four-year rate case cycle, running from test years 2019 to 2024. Even if SDG&E uses a "tracked" approach to its upcoming GRC, similar to those of PG&E and SCE, the timing of those recovery applications would be substantially different with respect to SDG&E because SDG&E cannot seek recovery of 2023 costs for another two years. And second, due to the timing of the implementation of the Wildfire Mitigation Plans compared to SDG&E's rate case

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[45] D.20-10-026 at 26.
[46] *Id*.
[47] *TURN v. PUC*, 44 Cal.3d at 877.
[48] *See* PD at 17-18.
[49] PD at 19 (citation omitted).

cycle, virtually none of its WMP initiatives were forecast in its Test Year 2019 GRC. As such, SDG&E is both the last of the three major utilities to seek recovery of its initial WMP balances and those balances have been allowed to accumulate for a much longer period than both SCE and PG&E.

Those large balances, in turn, implicate principles of intergenerational equity and have the potential to inconsistently and significantly increase and decrease rates for customers. The Commission rooted its approval of PG&E's wildfire mitigation interim recovery mechanism "in part, on the basis of farness and because interim recovery *will help smooth customer rates*."[50] SDG&E's proposed recovery mechanism mitigates the potential for rate shock associated with an even larger WMPMA balance than PG&E's (a forecasted $514.4 million versus the $447 million undercollection approved for PG&E)[51] spread across a significantly smaller customer base. If the Commission waits to place these costs—including the additional balances that would not otherwise be addressed by this mechanism—in rates at one time, the potential for rate shock may still exist even with a three-year amortization period. It was for this reason that the Commission concluded—as fact—that PG&E's wildfire interim rate relief mechanism "reasonably balances *the objective of mitigating sharp rate increases* with the need for Commission review of utility costs prior to collection from ratepayers."[52]

The Commission's factual determination in D.20-10-026 that a primary objective in approving PG&E's interim recovery mechanism was to "mitigate sharp rate increases" further undermines the Proposed Decision's erroneous conclusion that financial impact to the utility and the degree of said impact is a "crucial factor" when considering interim relief. To the contrary, the Commission's aim in D.20-10-026 was to mitigate the impact of implementing the balance of a large memorandum account in rates at one time.

As established by the record, SDG&E's proposed mechanism achieves the same objective. By inaccurately conflating the timeframes by which each utility records outstanding balances in their applicable memorandum accounts, and the schedule for review and recovery of those balances, the Proposed Decision's conclusions regarding intergenerational equity and rate stability lack factual support. Because of these errors of fact and law, as well as the erroneous

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[50] D.20-10-026 at 26 (emphasis added).
[51] D.20-10-026, COL 5 at 41.
[52] *Id.*, FOF 14 at 40 (emphasis added).

conclusion that interim relief should only be approved based on financial impact, the Proposed Decision should be revised to approve SDG&E's Application.

V. IF SDG&E'S APPLICATION IS NOT GRANTED AS PROPOSED, THE COMMISSION SHOULD APPROVE AN ALTERNATIVE INTERIM MECHANISM CONSISTENT WITH TURN'S PROPOSAL

As discussed above, the Commission should revise the Proposed Decision to adopt SDG&E's proposed interim recovery mechanism as proposed. A recovery mechanism consistent with SDG&E's proposal best mitigates against rate shock and reduces customer costs. However, as an alternative, SDG&E recommends that the Commission grant interim relief consistent with one of TURN's alternative proposals, namely, that the Commission deem 50% of "the costs added to the balance of the account in a given year" eligible for relief.[53] This proposal reduces the amount of costs eligible for interim recovery, but offers some relief to both SDG&E—who will be able to start recovering some of its WMPMA undercollections—as well as customers—who will avoid some unnecessary additional costs, experience more rate stability, and avoid additional rate shock.

VI. CONCLUSION

For the reasons stated above, the Commission should revise the Proposed Decision to reflect the proper legal standards regarding its consideration of interim recovery proposals, eliminate consideration of facts outside the scope of this proceeding and not supported by the record, and correct inaccurate factual assertions. Because SDG&E's interim recovery proposal meets the Commission's objectives, including mitigating rate shock and reducing customer expense, SDG&E's Application should be approved.

Respectfully submitted,

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[53] Opening Brief of TURN (January 10, 2022) at 21-22.

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APPENDIX A

PROPOSED MODIFICATIONS TO FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS[54]

Location	**Proposed Language**
FOF 6	6. Recent Commission actions in response to requests similar to SDG&E's show **<u>several factors, including fairness to ratepayers, are considered in the</u>** ~~that the financial impact and the degree of the financial impact have been crucial factors in~~ review and resolution of interim rate recovery requests.
FOF 9	~~Moody's Investor Service Credit Opinion of SDG&E, dated May 10, 2021, presents a favorable picture of SDG&E's current and upcoming financial condition and does not express any specific concern due to the potential for regulatory lag associated with SDG&E's recovery of wildfire related expenditures.~~
FOF 10	~~10. SDG&E did not provide a showing of substantial rate stability and rate shock benefits, that cannot be achieved in a GRC filing that they will be making within a few months of the issuance of this decision.~~
FOF 11	~~11. Under ordinary ratemaking practices and review schedules, SDG&E can reasonably expect to achieve rate recovery within a relatively few years after 2022 and 2023.~~
FOF 12	~~12. There is a relatively minor difference between the proposed rate recovery period and the rate recovery that would occur as a result of the ordinary ratemaking process in terms of achieving intergenerational equity.~~
FOF XX	**<u>As long-term debt ratios increase, that impacts the utility's credit, which results in increased financial risk to investors</u>.**
FOF XX	**<u>To support necessary investments in wildfire mitigation efforts at reasonable cost to ratepayers, SDG&E requires access to credit at a reasonable cost.</u>**
FOF XX	**<u>Implementing the five years of undercollected balances recorded in SDG&E's WMPMA at one time after a reasonableness review creates the possibility of rate shock.</u>**
FOF XX	**<u>Approving interim recovery of SDG&E's WMPMA recorded balances reduces costs to ratepayers because they avoid additional interest expense</u>.**
FOF XX	**<u>Interim rate relief, subject to later reasonableness review by the Commission, and subject to refund, with interest, to the extent final Commission decisions regarding these accounts award SDG&E a lower amount, reasonably balances the objective of mitigating sharp rate increases with the need for Commission review of utility costs prior to collection from ratepayers.</u>**
COL 1	1. The Commission's treatment of interim rate recovery specific to wildfire-related costs provides ~~the most~~ relevant guidance in this proceeding.
COL 2	~~2. Rate shock concerns regarding SDG&E's wildfire mitigation related expenses are best explored as part of a comprehensive review of these~~

[54] If the Commission adopts these changes, corresponding modifications would need to be made to the text of the PD as well.

	~~expenditures and rate impacts, alongside the rate impact of other expenditures in SDG&E's GRC.~~
COL 3	3. Based on the circumstances of this case, SDG&E's request for interim rate recovery is ~~not~~ reasonable and should be ~~denied~~ <u>granted</u>.
COL 4	~~4. Pursuant to Pub. Util. Code Section 8386.4(b), SDG&E should file for reasonableness review and cost recovery through its GRC or via a separate application filed at the conclusion of the three-year wildfire management plan cycle.~~
COL XX	**<u>The Commission has the authority to authorize interim rates to promote fairness to the utility and ratepayers, and to avoid rate instability.</u>**
COL XX	**<u>Approving interim rate recovery, subject to refund, for SDG&E's WMPMA balances achieves benefits to ratepayers through lower financing costs and supports SDG&E's access to credit.</u>**
COL XX	**<u>Granting SDG&E's request to recover, on an interim basis, fifty percent of the balances recorded in its WMPMA from 2019-2023 is reasonable and should be adopted.</u>**
OP 1	1. San Diego Gas & Electric Company's request for authorization to establish an interim rate recovery mechanism for costs recorded in the utility's Wildfire Mitigation Plan Memorandum Accounts, as proposed in Application 21-07-017, is ~~denied~~ <u>granted</u>.