

PREPARED TESTIMONY OF ENRIQUE GALLARDO

Regarding Phase 2 Interim Rate Changes of

San Diego Gas & Electric Company, R.12-06-013

On Behalf of the Greenlining Institute and the Center for Accessible Technology

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March 5, 2014

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2 **Regarding Phase 2 Interim Rate Changes of**

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8 **SUMMARY**

9 This testimony is presented on behalf of the Greenlining Institute (Greenlining) and the
10 Center for Accessible Technology (CforAT) by Enrique Gallardo, Legal Counsel for
11 Greenlining. It presents recommendations in response to San Diego Gas & Electric Company’s
12 (SDG&E) proposals for residential rate design in the Revised Testimony of SDG&E in Support
13 of Phase 2 Interim Rate Changes (“SDG&E Testimony”) and the Revised Prepared Direct
14 Testimony of Cynthia Fang on Behalf of SDG&E (“Fang Testimony”), both filed on January 28,
15 2014.

16 SDG&E proposes to increase Tier 2 rates with and at the same level as system average
17 rate (“SAR”) increases for any revenue increases, and to increase Tier 1 rates by the SAR plus an
18 additional 1 cent/kWh.¹

19 For any revenue requirement decreases, SDG&E proposes to allocate them exclusively to
20 Tier 3 and Tier 4, with no decreases to Tier 1 and Tier 2 until a 20% rate differential between
21 upper and lower tiers has been reached.

22 SDG&E proposes that California Alternate Rates for Energy (“CARE”) rates move with
23 SAR changes effective from the date of the filing.

24 SDG&E proposes to reduce the rate differential between Tier 3 and Tier 4 non-CARE
25 rates from 2 cents/kWh to 1 cents/kWh.

¹ See Fang Testimony, p. 1.

1 In general, SDG&E proposals would result in bill impacts that are excessive. Moreover,
2 many of its proposals constitute fundamental changes to its rate design that are inappropriate for
3 a streamlined, interim ratemaking process.

4 **I. SDG&E's Proposals Must Be Considered Alongside Recent Increases in the Lower**
5 **Tiers.**

6
7 SDG&E's proposed rate increases to Tiers 1 and 2 are excessive in their own right,
8 resulting in large bill impacts for customers who have most of their usage in these tiers.
9 Moreover, the proposed rate increases must be viewed alongside additional recent increases in
10 SDG&E Tiers 1 and 2. SDG&E provided bill impact data presenting SDG&E's proposal,
11 assuming full revenue increases for pending cases for 2014, as compared to November 1, 2013.²

12 SDG&E's proposals for raising rates, assuming full revenue increases, would mean
13 excessive bill shock for certain customers in the summer of 2014 as compared to the rates they
14 paid a few months before in November 2013. Given that SDG&E proposes to make an
15 additional 1 cent/kWh rate increase on Tier 1, the largest bill impacts are strongly concentrated
16 on customers with most of their usage in Tier 1. A total of 439,605 non-CARE customers with
17 most of their usage in Tiers 1 would experience bill impacts exceeding 25% compared to their
18 November rates.³ SDG&E's proposal to concentrate a rate increase in Tier 1 drives the large bill
19 impact focused on Tier 1 customers.

20 Even if bill impacts from SDG&E's proposals are considered excluding recent increases
21 to Tiers 1 and 2, they are excessive, especially for customers with their usage limited to Tier 1.
22 As SDG&E shows in testimony, assuming full revenue increases, customers with their usage
23 entirely in Tier 1 would experience a 24.8% increase in their bills as compared to February 1,

² See Tables Served Pursuant to Guidance Provided by Energy Division On January 22, 2014, served on Fe. 11, 2014, tab B.

³ See *id.*

1 2014. SDG&E’s emphasis on concentrating rate increases in Tier 1 leads to untenable bill
2 impacts for customers with basic energy needs.

3 SDG&E’s proposals, assuming full revenue increases, also mean large summer bill
4 increases for CARE customers as compared to their November rates. A total of 171,329 CARE
5 customers, representing 76% of the CARE population, would have bill impacts exceeding 20%.⁴

6 **II. SDG&E Proposes Fundamental Structural Changes, Rather than Modest Changes**
7 **to its Rate Design.**

8
9 The Assigned Commissioner’s Ruling Inviting Utilities to Submit Interim Rate
10 Change Applications (“Phase 2 Ruling”), filed on October 25, 2013, directed utilities to
11 provide “Short Term Transitional Rate Change” Applications.⁵ The Phase 2 Ruling
12 directed utilities to make “modest, easy to evaluate” proposals; the ruling reasoned that
13 “more complex” proposals would not be productive.⁶

14 The scope of Phase 2 was further clarified by the Second Amended Scoping
15 Memo and Ruling of Assigned Commissioner and Assigned Administrative Law Judge
16 (“Second Amended Scoping Memo”), filed on January 24, 2014. The Second Amended
17 Scoping Memo stated that the IOU’s proposals should:

18 The simplified rate change proposals that are to be submitted by the IOUs should
19 maintain the existing four-tiered structure and should not entail any major
20 adjustments to California Alternative Rates for Energy (CARE), Family Electric Rate
21 Assistance Program (FERA) or medical baseline programs. Instead, changes should
22 be limited to increases in the lower tiers commensurate with projected increases in the
23 overall revenue requirement allocated to the residential class, plus no more than a few
24 percentage points, if necessary, to keep the upper tiers within a range that will avoid
25 the potential for significant bill volatility and rate shock in the summer.⁷

26
⁴ *See id.*

⁵ Phase 2 Ruling, p. 4.

⁶ Phase 2 Ruling, pp. 4-5.

⁷ Second Amended Scoping Memo, pp. 2-3.

1 The schedule proposed for the interim Phase 2 of this rulemaking has been
2 initially set as an extremely streamlined rate design application process. Fundamental
3 changes to rate design should not be enacted in a rushed ratemaking process that fails to
4 respect due process. Phase 2 of this proceeding seems to contemplate only modest,
5 interim changes. However, SDG&E proposes changes that are fundamental changes to
6 its rate design, rather than transitional interim changes

7 **A. A Rate Increase Focused on Tier 1 Is a Fundamental Rate Design**
8 **Change.**

9
10 SDG&E’s proposal to concentrate rate increases on non-CARE Tier 1 is a
11 fundamental change to its current rate design. Although an additional rate increase of 1
12 cent/kWh may not seem like such a change, that increase by itself constitutes a 6.5%
13 increase in Tier 1 as compared to the February 1, 2014 rate of \$0.154/kWh. Such an
14 increase in Tier 1 brings its very close to the level of Tier 2. The disproportionate
15 increase of Tier 1 also flattens SDG&E’s tier design in a manner that is not appropriate as
16 an interim, transitional step. Combined with SDG&E’s proposal to reduce the tier
17 differential between Tiers 3 and 4, SDG&E is effectively proposing to move to a two
18 tiered rate structure, despite express instructions to retain the existing four-tiered
19 structure, as set out in the Second Amended Scoping Memo.

20 Just as significantly, the additional increase to Tier 1, combined with other recent
21 and proposed increases to Tier 1 leads to the excessive bill impacts focused on Tier 1
22 customers, as discussed above.

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1 **B. SDG&E’s Proposal for Revenue Decreases Constitutes a**
2 **Fundamental Determinant of Rate Design.**

3
4 SDG&E proposes, in regard to any potential revenue requirement decreases, that
5 Tier 1 and Tier 2 rates not decrease until a 20% rate differential between upper and lower
6 tiers has been reached.⁸ This proposal seeks to have the Commission make a
7 fundamental decision regarding rate design, in prescribing that a 20% rate differential
8 between the upper and lower tiers is appropriate. However, such a fundamental rate
9 design decision is not appropriate for this interim, transitional ratemaking process.

10 **C. SDG&E’s Proposal to Reduce the Tier Differential between Tier 3**
11 **and Tier 4 also Constitutes a Fundamental Change.**

12
13 SDG&E proposes to reduce the rate differential between Tier 3 and Tier 4 non-
14 CARE rates from 2 cents/kWh to 1 cents/kWh.⁹ With such a change, the difference
15 between Tiers 3 and 4 will become less than 0.3%, such that the tier differential is
16 negligible. SDG&E seeks to effectively eliminate the fourth tier. Combined with its
17 proposal to raise Tier 1, SDG&E seeks to flatten its rate design to only two tiers. Such a
18 change is not appropriate for an interim, transitional ratemaking process, and runs counter
19 to the express instructions of the Phase 2 Ruling and the Second Amended Scoping
20 Memo.

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⁸ See Fang Testimony, p. 1.

⁹ See Fang Testimony, p. 2.

1 **Conclusion**

2 SDG&E's proposals, if the utility is granted its full requested revenue requirement
3 increase, would lead to excessive bill impacts on customers. SDG&E's proposals would be
4 mitigated somewhat if the utility is granted less than its full requested revenue requirement, but
5 the bill impacts are still excessive. In particular, SDG&E's additional rate increase concentrated
6 on Tier 1 especially leads to untenable bill impacts. SDG&E's proposals also fails to comply
7 with the Commission's instructions to maintain its existing rate structure at this time.

8 SDG&E's proposed changes to rates for the summer of 2014 should be rejected.

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1 **STATEMENT OF QUALIFICATIONS OF ENRIQUE GALLARDO**

2 My name is Enrique Gallardo and my business address is the Greenlining
3 Institute, 1918 University Avenue, Second Floor, Berkeley, California, 94704. I am
4 currently Legal Counsel with Greenlining. Since early 2010, I have represented
5 Greenlining before the Commission on energy utility regulatory law and policy matters
6 and regarding effective programs for low-income customers. My work at Greenlining
7 has focused on programs targeting low-income consumers, as well as utility general rate
8 cases and rate design.

9 Prior to joining Greenlining, I performed work advocating for effective programs
10 for low-income energy and telecommunications customers before the Commission as
11 Staff Attorney with Latino Issues Forum. I performed this work with Latino Issues
12 Forum from 2001 to 2008.

13 My education includes a Bachelor of Arts degree in Sociology from the
14 University of California at Berkeley (1991) and a law degree from the University of
15 California, Berkeley School of Law (1997).

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