

Application No: A.08-02-001

Exhibit No.: \_\_\_\_\_

Witness: Jason Bonnett

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In the Matter of the Application of San Diego Gas & )  
Electric Company (U 902 G) and Southern California )  
Gas Company (U 904 G) for Authority to Revise )  
Their Rates Effective January 1, 2009, in Their )  
Biennial Cost Allocation Proceeding. )  
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A.08-02-001  
(Filed February 4, 2008)

**PREPARED REBUTTAL TESTIMONY**  
**OF JASON BONNETT**  
**SAN DIEGO GAS & ELECTRIC COMPANY**  
**AND**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**PHASE II**

**BEFORE THE PUBLIC UTILITIES COMMISSION**  
**OF THE STATE OF CALIFORNIA**  
January 27, 2009

**TABLE OF CONTENTS**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Page

I. RESPONSE TO DRA ..... 1

    A. Borrego Springs ..... 1

    B. Core C&I Rate Design ..... 2

        1. Consolidation of Customer Charges ..... 2

        2. Elimination of Seasonality in Rates ..... 2

II. RESPONSE TO BRIDGE HOUSING ..... 3

III. SUMMARY OF RECOMMENDATIONS ..... 5

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
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**PREPARED REBUTTAL TESTIMONY  
OF JASON BONNETT**

My name is Jason Bonnett. My business address is 8330 Century Park Court, San Diego, California, 92123-1530. I have previously submitted testimony in this proceeding.

The purpose of my rebuttal testimony is to respond to the testimony of the Division of Ratepayer Advocates (DRA) regarding the Borrego Springs LNG rate and Core C&I rate design. Additionally, I am responding to the proposal brought forth in the testimony of Bridge Housing, Inc. regarding the ability of “common area use” customers to migrate to the Core C&I rate.

**I. RESPONSE TO DRA**

**A. Borrego Springs**

In its initial petition, SDG&E proposed to maintain the current Commission-approved rates and eliminate the requirement that the Borrego Springs combined LNG and electric bill not exceed the Borrego Springs all-electric bill.

In its November 21, 2008 testimony, DRA did not oppose maintaining the current Commission-approved LNG rate but did oppose the permanent elimination of the existing requirement that the Borrego Springs combined LNG and electric bill not exceed the Borrego Springs all-electric bill.<sup>1/</sup> DRA cites California Public Utilities Commission (Commission) Decision (D.) 97-04-082 in support of its position and notes that the current rates are approximately 10 percent higher than what Borrego Springs customers would pay under the requirement.

Throughout its testimony, DRA consistently uses past Commission decisions to argue its case but provides no discussion on the effect that California Assembly Bill 1X (AB1X) has upon residential electric rates and ultimately the Borrego Springs rate requirement. Natural gas commodity and transportation rates to residential customers have continued to reflect real costs, without the subsidies inherent in AB1X. This mismatch between gas and electric pricing results in growing subsidies for Borrego Springs by other Residential customers. SDG&E believes it would be prudent to eliminate the current restriction to the Borrego Springs rate. However, in balancing the consideration of developing rates based on true cost to serve with the preference to mitigate significant rate impacts, SDG&E proposed to maintain the Borrego Springs rate at its current level.

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<sup>1/</sup> See DRA Exhibit 5, pgs. 1 and 5-7.

1           **B.     Core C&I Rate Design**

2                   **1.     Consolidation of Customer Charges**

3           In its initial petition, SDG&E proposed to consolidate its existing three customer charges  
4 into a single customer charge of \$10 per month. Currently, GN-3 Tier 1 customers pay a \$5.58  
5 monthly customer charge, Tier 2 customers pay a \$11.16 monthly customer charge and Tier 3  
6 customers pay a \$111.61 monthly customer charge. DRA opposes changing the current tier  
7 structure.<sup>2/</sup>

8           DRA limits its review to the customer charge and ignores SDG&E’s discussion of the effect  
9 of overall rates on the customers’ bill. In its testimony, DRA cites a data request response<sup>3/</sup> without  
10 disclosing that DRA, in its question, asked for the data to be provided on a stand-alone basis. Thus,  
11 instead of the 79 percent increase that DRA cites in its testimony the actual increase for customers  
12 using 100 therms per month is closer to 9.0 percent and approximately a 1.0 percent and 3.0 percent  
13 decrease for customers using 500 therms and 1,000 therms per month, respectively.

14           Additionally, DRA takes SDG&E’s argument out of context when it cites from my direct  
15 testimony. SDG&E’s argument was that, in theory, in order to match rate recovery with cost  
16 causation (i.e., cost-based rates) all non-variable costs should be recovered through fixed charges.  
17 One way to achieve cost-based fixed fees is to have multiple customer charges, with higher charges  
18 for higher-use customers. Another way to achieve the same thing is to have a single customer  
19 charge and declining block rates. Both approaches take into account the fact that larger-use  
20 customers may require more sophisticated meter reading and maintenance relative to a smaller-use  
21 customer. Thus, the concept of cost-based recovery of customer costs is preserved under the  
22 proposed rate structure.

23                   **2.     Elimination of Seasonality in Rates**

24           In its initial petition, SDG&E proposed to eliminate the seasonality aspect of its rates while  
25 DRA opposed this change.<sup>4/</sup> Currently, GN-3 summer rates are in effect April 1<sup>st</sup> through  
26 November 30<sup>th</sup> while winter rates are effective December 1<sup>st</sup> through March 31<sup>st</sup>. Based on  
27 SDG&E’s response to DRA data request no. JNM-10, Question 1, the impact on customers’  
28 monthly bills will be:

- 29                   • approximately 50% of core C&I customers will see a decrease;

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<sup>2/</sup> See DRA Exhibit 5, pgs. 7-8.

<sup>3/</sup> JNM-10, Q. 1 (Attachment A).

<sup>4/</sup> See DRA Exhibit 5, pg 8.

- approximately 65% of customers using 100 therms/month will see a decrease; and
- approximately 53% of Tier 1 customers will see a decrease.

SDG&E’s proposals for both the single customer charge and elimination of seasonal rates are intended to promote rate simplicity. SDG&E continues to claim that rate simplicity is a viable reason. In order for a business operator to make business decisions they need to estimate the costs of the options available to them. The tariff schedules applicable to core C&I customers are complex and with a change to a single customer charge and consistent rates, businesses will be able to make more informed decisions regarding their energy use.

## **II. RESPONSE TO BRIDGE HOUSING**

In its December 23, 2008 testimony, Bridge Housing, Inc. (BHI) proposed allowing residential common area natural gas customers of both SDG&E and SoCalGas the option of migrating to the Core C&I rate schedule. BHI defines common area customers as customers using “gas in the common areas of multifamily properties, but not in the residential units themselves. These common areas often include laundry rooms, recreation rooms, hallways, management offices, barbecues, swimming pools and spas.”<sup>5/</sup> In support of its proposal, BHI claimed that the revenue impact from its proposal would be minimal.

SoCalGas and SDG&E oppose BHI’s proposal on the following grounds:

- BHI has requested the option to take service at the lower C&I rate without providing a cost study or load study showing that the cost to serve or the usage pattern for common area customers is more similar to core C&I customers than residential customers.
- Neither SDG&E nor SoCalGas has had the opportunity to perform such a cost study to identify the specific costs of common area customers. Currently, the cost to serve these customers is reflected in the costs used to develop residential rates.
- BHI has provided no justification for the administrative complexity and cost of offering an option to choose the rate, rather than changing the rate class or introducing a new rate. In addition to the complexity and cost of administering the rate option, adopting BHI’s proposal would also affect the cost and effectiveness of SDG&E and SoCalGas’ energy efficiency programs because eligibility is based on customer class.

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<sup>5/</sup> BHI Testimony, page 3.

- 1 • In making a determination on the policy to provide service to these customers at C&I  
2 rates, the Commission should consider if natural gas consumption behavior is more  
3 similar to Residential or Core C&I customers. Further, the Commission should  
4 consider if the conservation incentives it provides to these customers are better  
5 achieved through the rate design for Residential or C&I customers. To promote  
6 statewide conservation, the Commission has adopted an inverted rate structure for  
7 Residential customers, which serves to promote energy conservation. Conservation  
8 objectives for C&I customers are met by providing incentives through energy  
9 efficiency programs, rather than rate design. The Commission should consider  
10 whether these common area customers receive the proper incentive under the  
11 Residential rate design to conserve natural gas or they are unduly penalized because  
12 conservation efforts are better achieved through energy efficiency programs and  
13 incentives.
- 14 • The actual number of eligible customers remains unknown. In response to BHI, data  
15 request no. 3 (Attachment B); SDG&E stated that there are 17,017 master metered  
16 customers with service on Schedule GM. Additionally, SDG&E estimated that  
17 approximately 5,576 of those customers had service to common areas but that  
18 SDG&E's customer information system does not specifically identify common area  
19 customers.
- 20 • The actual usage volume that would be affected by this proposal remains unknown.  
21 BHI attempts to use historical average usage figures in an attempt to quantify the  
22 revenue impact for both utilities. However, without actual data neither SoCalGas  
23 nor SDG&E can accurately calculate the potential revenue impact to the remaining  
24 core customers.<sup>6/</sup>

25 For the reasons discussed above SDG&E and SoCalGas oppose BHI's proposal. The  
26 proposal only recently became an issue in this proceeding. The utilities need further time to  
27 conduct the appropriate studies and review the appropriate tariffs, and related computer systems in  
28 order to gather the necessary data to determine the impacts on the remaining core customers.  
29 Additionally, BHI does not discuss in its testimony issues concerning customer notification,

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<sup>6/</sup> BHI's assessment only reflects the impact on transportation rates and does not consider the potential undercollection in the PPP surcharge that would result from this change.

1 eligibility timeframes, administrative costs associated with the change, dispute procedures, etc.,  
2 which would need to be addressed prior to moving forward with a proposal like this.

3 **III. SUMMARY OF RECOMMENDATIONS**

4 In response to DRA's testimony, SDG&E continues to recommend that the Commission:

- 5 • eliminate the requirement that the average combined LNG and electric bill not  
6 exceed the average Borrego Springs area all-electric bill;
- 7 • approve SDG&E's request to consolidate its current series of three customer charges  
8 into a single customer charge of \$10 per month; and
- 9 • approve SDG&E's request to simplify its core C&I rates by eliminating the seasonal  
10 difference in rates.

11 In response to BHI's testimony SDG&E recommends that the Commission:

- 12 • deny BHI's request to allow residential common area natural gas customers the  
13 option of migrating to the Core C&I rate schedule.

14 This concludes my rebuttal testimony.

# **ATTACHMENT A**

**SAN DIEGO GAS & ELECTRIC CO.  
SOUTHERN CALIFORNIA GAS COMPANY  
2009 BIENNIAL COST ALLOCATION PROCEEDING (A.08-02-001)**

**DRA DATA REQUEST NO. JNM-10**

**[Subject: Direct Testimony of Jason Bonnett and Gary Lenart]**

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**QUESTION NO. 1**

In response to DRA Data Request No. JNM 9, Q1, SDG&E provided a preliminary bill analysis conducted in the early stages of developing its BCAP proposals. Please provide a similar bill impact summary and analysis for each of the specific core commercial and industrial proposals (consolidation of customer charges and elimination of seasonal rate differentiation).

**RESPONSE NO. 1**

In response to DRA's request, SDG&E has provided updates to its analysis provided in JNM 9, Q1, it's important to note that the model previously provided only focused on the comparison between transportation rates and does not include an analysis of commodity and PPP rates. SDG&E has provided two charts for review.

The first chart contains the bill impact on core commercial customers of SDG&E's October 2008 errata proposal compared to rates in effect on January 1<sup>st</sup>, 2008. The chart compares the monthly bill based on the rates and rate design in effect as of January 1, 2008 compared to the rates proposed in SDG&E's October errata filing reflecting the elimination of seasonal rates, a simplified customer charge structure and the allocation of costs based on the embedded cost methodology.

<b>TABLE 1: Rate Information for Chart 1</b>		
	<b>January 1, 2008 Rates</b>	<b>2009 BCAP Volumetric Rates at Proposed Customer Charge</b>
<b>Customer Charge</b>	\$5.58, \$11.16, and \$111.61	\$10.00
<b>Tier 1</b>	\$0.41225/th Winter \$0.32425/th Summer	\$0.33386/th
<b>Tier 2</b>	\$0.16514/th Winter \$0.16036/th Summer	\$0.20155/th
<b>Tier 3</b>	\$0.11280/th Winter \$0.09659/th Summer	\$0.16417/th

The first chart shows that a typical Tier 1 customer using 100 therms per month will see a monthly increase in rates of \$3.78 whereas typical Tier 1 customers using 500 and 1000 therms per month will see a monthly decrease in rates of approximately \$2.22 and \$11.36, respectively.

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**SAN DIEGO GAS & ELECTRIC CO.  
SOUTHERN CALIFORNIA GAS COMPANY  
2009 BIENNIAL COST ALLOCATION PROCEEDING (A.08-02-001)**

**DRA DATA REQUEST NO. JNM-10**

**[Subject: Direct Testimony of Jason Bonnett & Gary Lenart]**

<b>Chart 1</b>		
Usage Level th/mo	Number of Premises	Increase/Decrease \$/Month
100	12,632	\$ 3.78
500	5,313	\$ (2.22)
1,000	2,465	\$ (11.36)
5,000	2,277	\$ 12.00
10,000	238	\$ 199.24
15,000	85	\$ 409.51
20,000	42	\$ 607.56
25,000	23	\$ 742.46
30,000	15	\$ 1,028.12
35,000	10	\$ 1,305.52
40,000	4	\$ 1,596.97
50,000	5	\$ 1,990.37
60,000	2	\$ 2,654.29
70,000	2	\$ 3,540.28
100,000	1	\$ 4,577.20
200,000	4	\$ 8,566.35

The second chart compares SDG&E's October 2008 errata filing containing a single monthly customer charge, as proposed in Mr. Bonnett's testimony, to SDG&E's October 2008 errata filing containing the existing three tiered customer charge structure of \$5.58 for Tier 1, \$11.16 for Tier 2, and \$111.61 for Tier 3. The rates for this comparison are based on embedded cost rates from the October 2008 errata filing. SDG&E notes that the volumetric rates for each Tier changes due to the different customer charges.

<b>TABLE 2: Rate Information for Chart 2</b>		
	<b>2009 BCAP Volumetric Rates at Current Customer Charge</b>	<b>2009 BCAP Volumetric Rates at Proposed Customer Charge</b>
Customer Charge	\$5.58, \$11.16, and \$111.61	\$10.00
Tier 1	\$0.34561/th	\$0.33386/th
Tier 2	\$0.20674/th	\$0.20155/th
Tier 3	\$0.16752/th	\$0.16417/th

**SAN DIEGO GAS & ELECTRIC CO.  
SOUTHERN CALIFORNIA GAS COMPANY  
2009 BIENNIAL COST ALLOCATION PROCEEDING (A.08-02-001)**

**DRA DATA REQUEST NO. JNM-10**

**[Subject: Direct Testimony of Jason Bonnett & Gary Lenart]**

The second chart shows that typical Tier 1 customers using 100 and 500 therms per month will see a monthly increase in rates of approximately \$4.14 and \$1.31, respectively. Whereas a typical Tier 1 customer using 1000 therms per month will see a monthly decrease in rates of approximately \$3.86.

<b>Chart 2</b>			
Usage Level th/mo	Number of Premises	Increase/Decrease \$/Month	
100	12,632	\$	4.14
500	5,313	\$	1.31
1,000	2,465	\$	(3.86)
5,000	2,277	\$	(18.06)
10,000	238	\$	(43.50)
15,000	85	\$	(71.09)
20,000	42	\$	(97.00)
25,000	23	\$	(190.61)
30,000	15	\$	(238.40)
35,000	10	\$	(255.08)
40,000	4	\$	(272.23)
50,000	5	\$	(295.41)
60,000	2	\$	(329.14)
70,000	2	\$	(372.61)
100,000	1	\$	(429.16)
200,000	4	\$	(667.27)

**RESPONSE NO. 2 – seasonal rate differentials (REVISED)**

The following is a comparison of the monthly bill using the October BCAP filing with current tier structure, compared to the monthly bill using the October BCAP filing at proposed tier structure, at various usage levels.

The current tier structure is seasonally based with multiple set of rates depending upon the time of year. The proposed tier structure is a removal of the seasonality aspect by using a single set of rates year-round. All other assumptions are based on the 2009 BCAP proposal (the errata filing version 10/3/2008) using embedded cost method. The monthly bill is an average of 12 bills calculated using actual therms used in each month for each customer. All of the monthly bill estimates include the same core gas procurement rate of \$0.766/therm; PPPS rate of \$0.05798/therm; and, G-PUC regulatory fee of \$0.00068/therm.

**SAN DIEGO GAS & ELECTRIC CO.  
SOUTHERN CALIFORNIA GAS COMPANY  
2009 BIENNIAL COST ALLOCATION PROCEEDING (A.08-02-001)**

**DRA DATA REQUEST NO. JNM-10**

**[Subject: Direct Testimony of Jason Bonnett & Gary Lenart]**

The volumetric rates used in the monthly bill comparison are shown in the following table.

	<b>2009 BCAP Volumetric Rates at Current Tier Structure</b>	<b>2009 BCAP Volumetric Rates at Proposed Tier Structure</b>
Customer Charge	\$10.00	\$10.00
Tier 1 < 1,000 th/mo.	30.323¢/th – Summer 36.062¢/th - Winter	32.866¢/th
Tier 2 1,001- 21,000 th/mo.	19.634¢/th – Summer 19.946¢/th - Winter	19.655¢/th
Tier 3 > 21,000 th/mo.	15.476¢/th – Summer 16.533¢/th - Winter	15.917¢/th

The following table shows the monthly bill at the current tier structure compared to the proposed tier structure. For usage under 100 therms/month, the average monthly bill decreases by \$0.18. Additionally, approximately half of the customers will experience increased monthly bills while half will experience decreased monthly bills.

Group th/Mo.	Monthly Bill @ Seasonal Tiers \$/Mo.	Monthly Bill @ Proposed BCAP Rates \$/Mo.	increase (decrease) \$/Mo.	# in Group	% of Customers increase	% of Customers decrease
100	\$36.98	\$36.80	(\$0.18)	13,751	35.35%	64.65%
500	\$292.29	\$292.44	\$0.15	5,176	64.14%	35.86%
1,000	\$774.70	\$777.19	\$2.48	2,207	82.92%	17.08%
5,000	\$2,065.44	\$2,069.41	\$3.97	1,922	88.61%	11.39%
10,000	\$6,959.13	\$6,958.69	(\$0.44)	182	48.90%	51.10%
15,000	\$12,113.52	\$12,113.64	\$0.12	70	20.00%	80.00%
20,000	\$16,681.14	\$16,703.10	\$21.95	31	58.06%	41.94%
25,000	\$21,348.90	\$21,415.80	\$66.90	15	100.00%	0.00%
30,000	\$26,192.34	\$26,309.46	\$117.12	10	100.00%	0.00%
35,000	\$31,015.66	\$31,160.93	\$145.27	10	100.00%	0.00%
40,000	\$35,696.51	\$35,881.66	\$185.16	3	100.00%	0.00%
50,000	\$39,057.70	\$39,235.61	\$177.91	1	100.00%	0.00%
60,000	\$50,227.02	\$50,383.21	\$156.19	3	100.00%	0.00%
70,000	\$65,415.02	\$65,677.82	\$262.80	1	100.00%	0.00%
200,000	\$147,211.56	\$147,321.47	\$109.92	3	66.67%	33.33%
					50.80%	49.20%

Notes:

**SAN DIEGO GAS & ELECTRIC CO.  
SOUTHERN CALIFORNIA GAS COMPANY  
2009 BIENNIAL COST ALLOCATION PROCEEDING (A.08-02-001)**

**DRA DATA REQUEST NO. JNM-10**

**[Subject: Direct Testimony of Jason Bonnett & Gary Lenart]**

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- 1) *The data set used in this response differs from that used in the response given on 11/13/2008. The difference is due to this response using a data set comprised of the monthly usage of each core C/I customer for each month of 2006 containing commodity, PPP, and regulatory fee and including seasonal rate figures. The previous response focused only on the transportation rate changes.*
- 2) *The table above excludes 3,933 customers whose monthly bill does not change due to no use of natural gas in 2006.*
- 3) *This analysis isolates the bill impact of just the change away from seasonal rates. The impact of the proposed changes in customer charge were previously provided in response JNM 10.*

# **ATTACHMENT B**

**QUESTION 3:**

1. How many Accounts are served on SDG&E Schedule GM? Of these, how many simultaneously serve the Master-Metered, Residential Dwelling Units and at least one Common Area in the Multi-Family Accommodation?

**RESPONSE 3:**

As of December 2006, there were approximately **17,017** master metered customers with service on Schedule GM. We estimate that, of this total, 11,441 represent the master meter multi family usage. We estimate that the total includes approximately 5,576 customers with service to common central space and/or water heating facilities.

Please note that, as we discussed over the phone, we do not keep any flags in the data warehouse that can identify the group of common area customers accurately. So, this data may not accurately reflect all the customers in the common area, but it is the best we can do at this time to respond to your request.