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October 10, 2011

The Honorable Mark J. Ferron, Commissioner
California Public Utilities Commission
505 Van Ness Avenue, Room 5213
San Francisco, CA 94102

Dear Commissioner Ferron:

As the elected Second District Supervisor of San Diego County, I represent San Diego Gas and Electric (SDG&E) ratepayers who live in the eastern portion of the region. I am vehemently opposed to SDG&E's efforts to raise rates by $1.5 billion over the next four years. (A.10-12-005) and very strongly urge the California Public Utilities Commission (CPUC) to reject SDG&E's proposal.

While justifiable for a regulated utility to pass along the *reasonable* cost of doing business to ratepayers, the current proposal is not reasonable. First, SDG&E's electric rates are completely out of sync with the rates of California's other regulated utilities and ignore the current economic climate. Second, SDG&E is proposing duplicative and economically foolish projects that demonstrate the utility's poor fiscal management. Third, SDG&E reputation and safety record are so utterly abysmal that its cost justifications and other data are suspect.

<u>SDG&E's proposed increases ignore the current economic climate and exceed rates of state's other regulated utilities</u>

At the time of SDG&E's last General Rate Case in 2008, SDG&E residential rates increased from 15.6 cents per kWhr to 18.4 cents per kWhr. At that time, residential rates for Southern California Edison (SCE) and Pacific Gas and Electric (PG&E) were 15.0 cents per kWhr. The 2008 General Rate Case had the effect of catapulting residential rates for SDG&E customer 13% higher than SCE customers and some 15% higher than PG&E customers. This inequity still exists today.

Over the past five years, SDG&E rates have increased almost four times faster than the consumer price index while the local and national economies continue to struggle mightily. The County of San Diego and other municipalities have engaged in austerity measures to save taxpayer dollars, including hiring freezes and asking employees to shoulder a greater portion of their pension costs.

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Our region's utility, on the other hand, is proposing to increase, not decrease, its budget and has shown itself to be entirely oblivious to the economic plight of ordinary San Diegans.

As part of its rationale for its raising rates in 2008, SDG&E blamed higher insurance costs caused the 2007 wildfires in San Diego. (The CPUC determined that three of the fires were started by SDGE's failure to properly inspect and maintain its infrastructure.) SDG&E's purported fire insurance affordability problem wears thin, however, because SDG&E's parent company, Sempra Energy, has demonstrated that it can afford to shoulder the costs of increased insurance premiums. Sempra Energy buys insurance for SDG&E. In 2008, Sempra Energy awarded its top five executives $29 million in bonuses. That $29 million figure mirrors the amount of money SDG&E sought to charge ratepayers in a separate proceeding to deal with higher insurance premiums caused by the fires (A.09-08-019).

In the current General Rate Case, SDG&E again cites rising fire insurance costs as a significant justification for the increase. Interestingly, in the years 2008, 2009 and 2010, SDG&E managers and executives have received bonuses and incentive pay totaling more than $607 million, according to documents filed by the Utility Consumer Action Network (UCAN). These bonuses are separate from bonuses awarded to executives of SDG&E's parent company, Sempra Energy. SDG&E must not be allowed to pass insurance costs along to ratepayers at the very same time the company is heaping lavish bonuses on the very same managers that were, in some cases, responsible for the negligence that led to the 2007 firestorms.

SDG&E proposes projects that are duplicative, unnecessary and could be achieved through safer, less costly means

SDG&E recently opened its "Energy Innovation Center" which is described in glossy SDG&E brochures as a "showcase facility where people learn about energy efficiency and offers education, training, and certification programs." The problem is: the San Diego region already has a center that serves this exact function, the California Center for Sustainable Energy. Instead of partnering with the California Center for Sustainable Energy to save money and enhance services at an existing facility, SDG&E used energy efficiency dollars to create a second unnecessary center. Now, the utility is seeking $8 million from ratepayers to operate it.

Members of the business community, staff from the California Center for Sustainable Energy and others questioned the duplicative nature of SDG&E's Energy Innovation Center at a meeting of the Energy Working Group (EWG) of the San Diego Association of Governments (SANDAG).

I raised concerns about the wasteful nature of the center to members of the CPUC directly. Unfortunately, the utility barreled forward with its ill-advised use of efficiency dollars.

Like the unnecessary Energy Innovation Center, SDG&E has demonstrated poor fiscal decision-making regarding the hardening of its system to prevent wildfires, a critically important endeavor for people living in rural areas and overall fire protection for the region. SDG&E is proposing to spend $7 million to build infrastructure to serve its 32 customers on Mount Laguna, according to the UCAN. Ratepayer dollars would be far better spent installing solar power with battery backup on each of these 32 homes rather than undertake a sizeable undergrounding project on fire prone lands. Because SDG&E cannot legally make money on electricity itself and, instead, profits from transmission and distribution of electricity, it is no small wonder why the utility is proposing a fix that— while indeed lessening the fire threat— does so in a manner that fleeces ratepayers.

The needless Energy Innovation Center and the push to underground infrastructure when solar would be cheaper, safer and less intrusive are examples of the reckless manner in which SDG&E had handled money since the 2008 General Rate Case. The utility has been reluctant to partner with same-service entities in order to save money and has shown an aversion to technologies that would cut into its bottom line.

SDG&E's methodology cannot be trusted because of its historic disregard for the truth

SDG&E relationship with the truth has long been suspect. The CPUC fined SDG&E fined $2 million for false statements made during the statewide 2000-2001 energy crisis. The CPUC fined SDG&E $14 million for interfering with the CPUC's investigation into the 2007 wildfires. The CPUC fined SDG&E $1 million for false statements the utility made about its highly-controversial Sunrise Powerlink transmission project, which was approved against the advice of the assigned administrative law judge in 2008. Regulatory fines have done little to prevent the culture of deception that continues to exist at SDG&E.

Two harrowing examples of SDG&E's deliberate attempts to conceal its mistakes were uncovered last month by *the San Diego Union-Tribune*. The tail rotors of two helicopters working on the Sunrise Powerlink project smacked into objects on the ground on February 12, 2011 and on August 23 of 2011. SDG&E did not report either incident to regulators as required by the CPUC. Were it not for a concerned resident communicating with the Federal Aviation Administration, the CPUC would have never learned of the potentially deadly rotor strikes.

Since the beginning of the Sunrise Powerlink construction, SDG&E crews have flagrantly violated project safety obligations. A Sunrise helicopter breached a nesting golden eagle buffer zone multiple times. In June of 2011, a Sunrise helicopter dropped many thousands of pounds of steel lattice towers from the sky twice in four days and violated CPUC mitigation rules by returning the helicopter to service without proper approval from the CPUC after the first drop. In addition, Sunrise helicopters have dropped an air compressor and other equipment from the sky during construction.

A utility that has shown a pattern of deception and flagrant disregard for CPUC rules cannot be trusted to present truthful data to support its proposal to raise rates. I very strongly urge the Commission to consider the analyses of the Division of Ratepayer Advocates, the Utilities Consumer Action Network and other ratepayer advocate groups to determine whether this rate increase is, indeed, justified. Both of the aforementioned groups have arrived at calculations that differ wildly from SDG&E's numbers. Both of the aforementioned groups have concluded that SDG&E should be *decreasing*, not increasing rates.

For the reasons outlined above, I urge the Commission to reject SDG&E's proposal and stand firm with San Diego ratepayers who are already unfairly subject to unreasonably high rates.

Sincerely,

Dianne Jacob

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Supervisor, Second District