Decision 15-08-040 August 27, 2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company for Authority to Update Electric Rate Design Effective on January 1, 2015	Application 14-01-027 (Filed January 31, 2014)

DECISION ON SAN DIEGO GAS & ELECTRIC COMPANY'S 2014 RATE DESIGN WINDOW APPLICATION

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DECISION ON SAN DIEGO GAS & ELECTRIC COMPANY'S 2014 RATE DESIGN WINDOW APPLICATION

Summary

This decision denies without prejudice San Diego Gas & Electric Company's (SDG&E's) request to modify its time-of-use periods by shifting the on-peak period to occur later in the day and by creating a "super off-peak" period, with offsetting adjustments to the current mid-peak period and elimination of the off-peak period. SDG&E may introduce such a proposal in its currently-open General Rate Case Phase 2 proceeding, should it choose to do so. SDG&E's rate design changes that depend on its proposed time-of-use periods are denied. SDG&E is also found to be in compliance with the requirements of Decision (D.) 11-07-029 regarding the preparation and submittal of certain rate design proposals and analyses regarding plug-in hybrid and electric vehicles.

Our reasons for denying SDG&E's time-of-use (TOU) proposal at this time are twofold. Intervenors opposed consideration of SDG&E's proposal in this Rate Design Window from the outset of this proceeding, on both procedural and substantive grounds. In their initial protests, parties recommended that SDG&E's proposal should be reviewed in either the currently-open "residential rate reform" Rulemaking 12-06-013[1] or in a future SDG&E General Rate Case (GRC). The assigned Commissioner addressed these concerns in the Scoping Memo and included SDG&E's TOU proposal within the scope of this proceeding, but stated that if in the course of this proceeding it became clear that more data and/or more analysis is needed to support a Commission decision on SDG&E's

[1] "Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations."

proposal, the option of deferring the matter to a future SDG&E GRC would still be available.[2]

As explained below, during this proceeding it did in fact "become clear that more data and/or more analysis is needed to support a Commission decision on SDG&E's proposal" and this prevented the Commission from considering the proposal in detail within the relatively compressed schedule allowed for the "rate design window" proceedings created by D.89-01-040. For this reason, we conclude that SDG&E's proposal may be resubmitted in SDG&E's general rate case (GRC) proceeding, and we deny SDG&E's request without prejudice. Should SDG&E choose to introduce a revised TOU proposal in its pending GRC Phase 2 proceeding, Application 15-04-012, we will review it at that time.

This proceeding is closed.

1. Procedural History

On January 31, 2014, San Diego Gas & Electric Company (SDG&E) filed Application (A.) 14-01-027, its *Application of San Diego Gas & Electric Company for Authority to Update Electric Rate Design Effective on January 1, 2015* (Application).[3] This proceeding is a so-called "rate design window"(RDW); as explained below, the Commission created RDWs in 1989 in order to provide, under certain circumstances, a mechanism to allow the Commission to address electric rate

[2] May 15, 2014 Scoping Memo and Ruling of Assigned Commissioner at 5.

[3] In Decision (D.) 89-01-040, the Commission adopted a modified Rate Case Plan, which includes a procedure for SDG&E and other investor-owned utilities to request rate design changes in years other than those covered by the rate design portions of their GRCs. Specifically, the Rate Case Plan provides that SDG&E may make a Rate Design Window (RDW) filing between November 20th and 25th of a year prior to an attrition year. SDG&E received permission to file this application on January 31, 2014 by means of two extensions in time granted by the Commission's Executive Director.

design more often than the once-every-three-year opportunity afforded by the GRC scheduling plan.

On March 7, 2014, the following organizations protested SDG&E's Application: Office of Ratepayer Advocates (ORA); The Utility Reform Network; Solar Energy Industries Association, the California Solar Energy Industries Association (CALSEIA), the Alliance for Solar Choice and Vote Solar Initiative (jointly); Sierra Club and Natural Resources Defense Council (jointly); San Diego Consumers' Action Network; Utility Consumers' Action Network (UCAN); Greenlining Institute (Greenlining) and Center for Accessible Technology (jointly); and the City of San Diego. SDG&E replied to the protests on March 17, 2014. The Prehearing Conference (PHC) took place in San Francisco on April 2, 2014, in order to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding. At the PHC, the California Farm Bureau Federation (Farm Bureau) and Sullivan Solar Power were also granted party status.

The assigned Commissioner and Administrative Law Judge's (ALJ) Scoping Memo and Ruling (Scoping Memo) was issued on May 15, 2014. The Scoping Memo confirmed the preliminary categorization of the proceeding as ratesetting, and also confirmed the need for evidentiary hearings, defined the issues that would be considered in the proceeding, and established a schedule. The following issues were identified as within the scope of this proceeding:

1. SDG&E's proposed changes to its time-of-use (TOU) periods, and intervenor proposals to "grandfather" certain customers to avoid adverse effects from any future TOU period changes;

2. Recovery of California Solar Initiative and Self-Generation Incentive Program costs in Public Participation Program rates instead of distribution rates;
3. SDG&E's proposed reduction in Peak Time Rebate (PTR) incentive levels;
4. SDG&E's compliance with D.11-07-029, which required SDG&E and the other electric utilities to file certain specified plug-in hybrid and electric vehicle rate design proposals and associated analyses; and
5. Any safety issues identified by parties with respect to SDG&E's application.

On October 22, 2014, SDG&E filed a motion to withdraw two of the issues listed above from this proceeding: (1) its request to move recovery of California Solar Initiative and Self-Generation Incentive Program costs from distribution rates to the Public Participation Program rates; and (2) its request to reduce PTR incentive levels. SDG&E made the motion at the request of ORA, and stated that these issues could be presented in another future proceeding such as SDG&E's next GRC Phase 2 proceeding. On December 3, 2014 the assigned ALJ issued a ruling granting the motion.

On December 17, 2014 the assigned ALJ issued a ruling granting party status to the Alpine Union, Bonsall, Escondido Union High School, Lemon Grove, and San Marcos Unified School Districts, and to the Padre Dam and Valley Center Municipal Water Districts (San Diego County Public Agencies or SDCPA).

ORA, UCAN, Farm Bureau, City of San Diego, SDCPA and CALSEIA served prepared direct testimony on November 14, 2014. SDG&E, Farm Bureau, City of San Diego, and SDCPA served rebuttal testimony on December 12, 2014.

Evidentiary hearings were held on January 6 and 7, 2015. Following hearings, on January 20, 2015, SDG&E filed a motion to admit responses to

written cross-examination, prepared with the agreement of other parties. On January 21, 2015, SDG&E filed a motion to admit revised testimony and clarify rebuttal testimony of Cynthia Fang (previously admitted as SDG&E-Exhibit 5). Each motion is granted.

Opening Briefs were filed on February 12, 2015 by SDG&E, ORA, UCAN, Farm Bureau, City of San Diego, SDCPA and CALSEIA. Reply Briefs were filed on February 26, 2015 by SDG&E, ORA, UCAN, Farm Bureau, City of San Diego, SDCPA and CALSEIA, at which time this proceeding was submitted for Commission decision.

2. Requested Relief

SDG&E seeks the following relief in this proceeding:

1. Approval, effective November 2015, of SDG&E's proposal to change its TOU periods, which will result in including more evening hours in the peak TOU period and the addition of a super off-peak period;
2. Approval, effective November 2015, of the new rates resulting from these TOU period changes; and
3. Approval of the following specific rate design changes:
   - Change the event period associated with dynamic pricing offerings from the current 11 a.m. to 6 p.m. year-round to 2 p.m. to 6 p.m. year-round.

     Specifically, this would change the event periods for:

     i. Default Critical Peak Pricing (CPP-D) applicable to Medium/Large Commercial & Industrial (M/L C&I) customers;

     ii. Dynamic pricing offerings available to small non-residential and residential customers; and

     iii. PTR available to residential customers;
   - Delay the default to CPP-D for Medium C&I customers until November 2015;

- Begin mandatory TOU rates for M/L C&I customers (specifically, the commodity portion of Schedule AD, which will now have a TOU energy with peak demand charge structure), effective November, 2015;
- Begin mandatory TOU rates for all agricultural customers, including medium and large agricultural customers (consistent with the treatment of small agricultural customers in D.12-12-004), effective November, 2015;
- Modify the PA-T-1 TOU period definitions to be consistent with the proposed TOU periods for all other customers and SDG&E's proposed changes to the on-peak summer demand options. Specifically the 7-hour option would align with the new standard summer on-peak period of 2 p.m. to 9 p.m. and the three shorter on-peak summer demand options would now cover the same number of hours (i.e., each covering a 3-hour period rather than options covering 4 hours, 3 hours, and 2 hours), and these three options would then be staggered to cover the entire 7-hour on-peak period rather than overlap; and
- Begin mandatory TOU rates for small non-residential customers, effective November 2015 (consistent with D.12-12-004, which specifies that "[f]lat rates will no longer be available to small non-residential customers after November 2014") and which permits implementation of mandatory TOU rates on a rolling basis over a six-month period.

4. Confirmation of SDG&E's compliance with the direction given in D.11-07-029 as it relates to plug-in hybrid and electric vehicle rate design;

3. Contested Issues

3.1. Positions of the Parties

The only contested issues in this proceeding arise out of SDG&E's proposal to revise its TOU periods. However, the Commission's disposition of this matter will also affect certain of SDG&E's more technical rate change proposals listed above.

SDG&E proposes to revise its TOU schedules by grouping them into three periods (on-peak, semi-peak, and super off-peak). The hours of the periods would differ between summer and winter seasons.[4] SDG&E proposes to:

- Shift the summer on-peak period to later in the day: 2 p.m. to 9 p.m. on non-holiday weekdays (the current standard summer on-peak period is 11 a.m. to 6 p.m.);
- Extend the winter on-peak period one hour later: 5 p.m. to 9 p.m. on non-holiday weekdays (the current standard winter on-peak period is 5 p.m. to 8 p.m.);
- Create a super off-peak period on all TOU rate schedules, from midnight to 6 a.m. daily (the current standard off-peak period is 10 p.m. to 6 a.m.); and
- The remaining hours each day would be a semi-peak period (the current standard summer semi-peak periods are 6 a.m. to 11 a.m. and 6 p.m. to 10 p.m. weekdays; in winter they are 6 a.m. to 5 p.m. and 8 p.m. to 10 p.m. weekdays)

SDG&E's existing TOU schedules have different TOU periods applicable to different customer groups (e.g., electric vehicle users). SDG&E's proposed TOU periods would apply to all rate schedules equally. SDG&E's proposal is summarized in the table below:

[4] SDG&E's summer season runs from May through October. The winter season runs from November through April.

Summer on-peak	2 p.m. - 9 p.m.	Non-holiday weekdays
Winter on-peak	5 p.m. - 9 p.m.	Non-holiday weekdays
Super off-peak	Midnight - 6 a.m.	Daily
Semi–Peak	All other times	

SDG&E reasons that "all customers should have the same price signals as to when electricity is expensive and when it is less expensive to guide consumption and demand response decisions."[5] SDG&E also offers policy-related and record-based support for its proposal, asserting that legislation and Commission policy support its proposed TOU periods, and that its electric system requires accurate TOU periods.

As will be discussed in greater detail below, almost every intervenor opposes SDG&E's proposal on procedural and substantive grounds (with the exception of ORA, which offers an alternative set of TOU periods for the Commission's consideration).

UCAN's primary recommendation is that the Commission delay a decision on changing the TOU time periods until the next SDG&E GRC Phase 2 proceeding. UCAN believes that more information is needed about updated costs on which to design and assess proposed rates, such as detailed bill impacts.[6]

Farm Bureau states that due to significant questions about the underlying analysis of the SDG&E proposal, the most prudent course may be to wait to implement any TOU period changes as part of SDG&E's next GRC Phase 2.[7]

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[5] Exhibit SDG&E-7 at 5.

[6] UCAN Opening Brief at 4.

[7] Farm Bureau Opening Brief at 3.

The City of San Diego states that the evidence is not convincing that SDG&E's TOU periods need to be changed now, "without proper consideration of the consequential impacts that will necessarily follow when marginal costs, revenue allocation, and rate design are updated to conform to the new TOU periods in the rapidly-approaching Phase 2 of its 2016 Test Year GRC."[8]

San Diego County Public Agencies (SDCPA) consists of public schools and water districts located in the San Diego area that have invested "significant public resources" in renewable projects subject to net energy metering (NEM) based on SDG&E's existing TOU periods. On this basis, SDCPA members oppose SDG&E's TOU proposal, stating that it will unfairly devalue these investments. SDCPA urges the Commission to reject the proposal, or at the very least, grandfather SDCPA members and similarly situated NEM customers operating under existing TOU periods.[9]

CALSEIA states that "because major changes to TOU time periods would impact revenue allocation, they should only be considered in a GRC."[10] CALSEIA further states that it recognizes that the desire to get ahead of projected changes in system load shape has compelled the Commission to consider major TOU changes within this proceeding, but asserts that the record in this proceeding does not support granting SDG&E's proposal in full. According to CALSEIA, this leaves the Commission to choose between either granting the proposed changes for some but not all rate schedules or deferring consideration of the full proposal to the next GRC Phase 2.[11]

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[8] City of San Diego Opening Brief at 4.

[9] San Diego County Public Agencies Opening Brief at 1.

[10] CALSEIA Opening Brief at 1.

[11] *Id.* at 2.

Finally, ORA proposes new TOU periods as well, albeit different from those proposed by SDG&E and only on an "opt-in" basis.[12] Other parties oppose ORA's proposal.

3.2. Discussion

In light of the extensive procedural and substantive concerns raised regarding SDG&E's TOU proposal, we deny SDG&E's request without prejudice. Consistent with the approach to electric ratemaking that we traditionally follow, with occasional exceptions, we conclude that we should review proposals as significant as SDG&E's TOU proposal in Phase 2 of its GRC. We explain our reasoning below.

3.2.1. Procedural Concerns Regarding SDG&E's TOU Proposal

Parties identified significant procedural concerns regarding SDG&E's application. As noted in the Scoping Memo, the Commission is to some extent exploring new ground by considering SDG&E's TOU proposals in a rate design window proceeding, rather than as part of a Phase 2 proceeding in SDG&E's GRC. We do note that we have successfully resolved such proposals in at least one other RDW proceeding: in D.14-12-048 in Southern California Edison's (SCE) 2013 RDW proceeding, we approved a settlement that, among other things, involved shifting the on-peak period for a residential TOU schedule to later in the day. The instant proceeding has been more contentious, and parties opposed to SDG&E's proposal provided extensive testimony that specifically explained the underlying methodological merits of evaluating changes to TOU

[12] ORA Opening Brief at 15.

periods in a GRC instead of a RDW. The City of San Diego explains the challenges succinctly[13]:

> Q. Why is the timing of SDG&E's Phase 2 GRC application important with respect to the instant proceeding?
>
> A. New TOU period definitions represent a significant structural rate change that demands customer action in order to respond to the new price signals. Under the current schedule, any new TOU period definitions approved in this [RDW] application would be implemented in the spring or summer of 2015. Under the Rate Case Plan, if SDG&E's 2016 GRC Phase 1 application is filed in November 2015, the Commission's decision in 2016 GRC Phase 2 is expected by mid-April 2016. This would likely result in rate changes for customers two years in a row.
>
> Q. Why is it problematic to divide this rate change up over two years?
>
> A. The two rate changes, one from the change in TOU periods and the other from the likely revisions to revenue allocation and rate design resulting from the changes in the TOU periods, will not necessarily move customers' bills in the same direction. For example, some customers may have bill increases stemming from the TOU period change and bill reductions stemming from the revenue allocation and rate design changes in 2016 GRC Phase 2. If the rate changes in the two proceedings were combined, customers would only face a single bill change. On the other hand, if the rate changes were set at different times (e.g., about a year apart,) these customers would face the full TOU period increase for a year while waiting for the GRC Phase 2 rate decrease. During this year, aside from the burden of higher bills, customers face inaccurate price signals. Customers that make investment decisions based on these price signals may find that they have made uneconomic investments once the 2016 GRC Phase 2 rate design changes have been implemented.

[13] Exhibit CSD-1 at 15-17.

The City's testimony explains the practicality of the Commission's standard practice of reviewing most rate design changes in GRCs, which take place once every three years. GRCs also typically involve more parties, and certainly proceed on a more deliberative pace than the schedule established by the Commission for RDW proceedings. The Commission follows what is known as the "Rate Case Plan" for purposes of defining the scope of issues that are included in GRCs, as well as in setting the schedule for these proceedings. In 1989, in D.89-01-040, the Commission modified the Rate Case Plan in several ways, including establishing the phasing of GRCs and creating the annual rate design window proceedings. In doing so, the Commission stated that it wanted to provide a mechanism to address electric rate design more often than every three years, and eliminate the consideration of rate design issues in what were at the time known as "energy cost adjustment clause" (ECAC) proceedings.[14]

Because the Commission created these annual "windows" as an opportunity for SDG&E and the other electric utilities to change their rates, we must consider whether SDG&E's proposal here fits that policy- and decision-making model.

In its Opening Brief, Farm Bureau makes a reasonable case that SDG&E's proposal is not appropriate for a rate design window proceeding:[15]

> Because SDG&E's far-reaching proposal reaches all customers, the question of whether it is even appropriate for a Rate Design Window consistent with the Rate Case Plan must be addressed [footnote omitted]. The Rate Case Plan describes the scope of a Rate Design Window as "revisions to the adopted rate designs." Although the description is quite an abbreviated

[14] 30 CPUC2d 576, 581.

[15] Farm Bureau Opening Brief at 1-2.

> one, the implication is that the scope covers changes to rate design that do not impact revenue allocation. In addition, the applicant must justify why a revision is needed prior to the next GRC and the applicant must provide a reconciliation for the latest adopted revenue requirement and class allocations.[16]….The additional requirement by the Rate Case Plan for justification of the need for revision prior to the next GRC supports a critical analysis of both the justifications and timing for the SDG&E proposals.

The history recounted by Farm Bureau reflects the Commission's intentions in creating rate design window proceedings in D.89-01-040. The Commission established the procedures to be followed by each electric utility in proposing revisions to their GRC-adopted rate designs, and found that "with adequate justification rate design changes would be allowed between GRC's."[17] The Commission directed that all rate design window proposals must be complete and include:

1. The proposed revisions;
2. Full justification for the revisions;
3. An explanation why the revision should be considered prior to the next GRC; and
4. A reconciliation with the latest adopted revenue requirement and class allocations.[18]

The contested issue in the instant proceeding is essentially whether SDG&E had provided a convincing "explanation [of] why the revision should be considered prior to the next GRC." In looking to D.89-01-040 for guidance, the

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[16] Farm Bureau cites Appendix A to D.07-07-004 at A-27.

[17] 30 CPUC2d 576, Finding of Fact 3.c, Conclusion of Law 1, Ordering Paragraph (OP) 1.

[18] *Ibid.,* Appendix B.

Commission's discussion of one party's objections to the creation of rate design windows is noteworthy, and informs today's decision:[19]

> DGS [the California Department of General Services] is the only party which opposes the phasing of electric rate design in GRCs and the creation of electric rate design windows. DGS states that these changes will make it more difficult for intervenors to participate in GRCs and forecast energy costs because the proceedings will take longer to process **and yearly dramatic rate design changes could occur**. We do not agree with DGS's assessment of the adopted electric rate design changes. First the adopted rate case plan does not expand the time for processing rate design issues; it merely delays their consideration. Second, **electric rate design windows are not intended to increase the litigation of rate design issues**, but provide a forum to address these issues instead of ECAC proceedings and advice letter filings.

In dismissing the concerns expressed by DGS, the Commission first acknowledged that RDWs were replacing the function of an existing proceeding (ECACs), and are thus a legitimate forum for certain proposals to revise rate designs, but at the same time the Commission essentially excluded "dramatic rate design changes" from consideration. As SDG&E itself acknowledges, its TOU proposal is a significant rate design change: SDG&E's standard TOU period has not changed since the 1980s.[20] It is consistent with D.89-01-040 to consider this type of a significant contested issue in SDG&E's Phase 2 GRC Application, A.15-04-012.

Finally, the Commission's subsequent modification of D.89-01-040 lends further support to our conclusion that TOU periods are best reviewed in GRCs whenever possible. In 1993 the Commission modified D.89-01-040 in response to a petition for modification filed by SCE. Up until that time, unit marginal costs,

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[19] *Ibid.* at 581, emphasis added.

[20] SDG&E Opening Brief at 8.

marginal cost revenue responsibility, and revenue allocation were included within the scope of GRC Phase 1 proceedings; Edison requested that these matters be addressed instead as part of the rate design phase of Edison's GRCs:[21]

> Edison contends that unit marginal costs, marginal cost revenue responsibility, and revenue allocation **are closely related to rate design** and are therefore more appropriately considered in what is now the rate design phase of its GRCs. **Edison believes that consideration of these issues in the same phase will allow all parties to better understand the effects of various proposals on the final rates.**

The Commission stated that Edison's proposal would be adopted for the reasons listed by Edison.[22] In its endorsement of Edison's approach to redefining the scope of subjects to be included in the second phases of GRC proceedings, the Commission anticipated the recommendation made by the City of San Diego in this RDW proceeding and summarized above: "Customers and the Commission would be better served if the TOU time changes were considered in the context of the next GRC Phase 2 where the impacts of changes to TOU periods on marginal costs, revenue allocation, and rate design will be analyzed in a consistent manner and not piecemeal as is currently proposed by SDG&E."[23] We agree with the City, and our conclusion is consistent with D.93-07-030. However, we also conclude that we should deny SDG&E's request without prejudice, so that SDG&E may make a similar proposal in its GRC, the more traditional forum for review of such a significant proposal.[24]

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[21] D.93-07-030, 50 CPUC2d 354, emphasis added.

[22] *Id.* at 356.

[23] City of San Diego Opening Brief at 2.

[24] Under certain circumstances as determined by reasons of timing or necessity, we will continue to utilize proceedings such as RDWs and Rulemakings to consider adopting rate design changes, even those that may appear "significant" or "complex," as we have done in the

3.2.2. Substantive Deficiencies with SDG&E's TOU Proposal

Although we have denied SDG&E's request on procedural grounds, parties also raised significant substantive objections to SDG&E's TOU proposal itself. We review the substantive record here, first to meet the Commission's stated intention in D.89-01-040 to consider the applicant's explanation of why the revision should be considered prior to the next GRC, and second to provide guidance to SDG&E and other parties regarding our expectations for future showings on this matter.

At the outset, we note that the standard of proof that a utility must meet in a "rate case" is one of preponderance of the evidence.[25] Preponderance of the evidence means that the evidence in support of applicant's position, when weighed with that opposed to it, must have the more convincing force and the greater probability of truth.[26]

SDG&E states that "consistent with forecasts from the California Independent System Operator (CAISO) and analysis performed by the Commission's consultant (E3), the need for local capacity in the San Diego area is shifting to later in the day and electric prices in the San Diego area have already shifted toward early evening."[27] We review the record regarding SDG&E's assertions regarding shifting load and prices below.

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past. For example, in D.15-07-001 in R.12-06-013, we ordered PG&E, SDG&E, and SCE to file residential RDW applications no later than January 1, 2018 proposing default TOU rates for residential customers (*see* D.15-07-001, Ordering Paragraphs 9, 10, and 11, respectively).

[25] *See*, for example, D.14-12-025 at 20-21 and D.11-05-018 at 68 (citing to D.09-03-025).

[26] Witkin, California Evidence (3d Ed. 1986) § 157.

[27] SDG&E Opening Brief at 1-2.

3.2.2.1. Is SDG&E's Load Shifting to Later in the Day?

SDG&E asserts that "the need for local capacity in the San Diego area is shifting to later in the day"[28] and that its TOU proposal is "based on the operational needs of SDG&E's electric system."[29]

In making its showing that the need for local capacity in the San Diego area is shifting to later in the day, SDG&E presents both recorded data and forecasted load to support its position. This issue has increased in importance in recent years as renewables provide an increasing share of generation in California. Therefore, we have carefully reviewed SDG&E's showing and the responsive intervenor testimony.

With respect to recorded data, because SDG&E filed this Application in January, 2014, the recorded data in this proceeding extends only through part of the year in 2013.[30] Any information included in the record beyond that time consists of SDG&E's forecasts based on its modeling results, and its subsequent adjustment of those results.

During hearings, the ALJ asked the SDG&E witness sponsoring the company's TOU proposals to cite the best demonstration in his testimony that "current conditions as they stand today" justify the need to shift SDG&E's summer on-peak TOU period to 2 p.m. through 9 p.m., as asserted earlier in

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[28] *Id.* at 2.

[29] *Id.* at 4.

[30] Reporter's Transcript (RT) at 324-325. SDG&E provided late-filed Exhibit SDG&E-15 in order to illustrate the actual and forecast summer and winter average load for SDG&E's local area net of distributed and central station renewables for the years 2013-2017. However, SDG&E appears to have incorrectly labeled the 2014 data on this chart as "actual" even though SDG&E's witness and counsel described the 2014 data as forecast. *See also* City of San Diego Reply Brief at 3-4.

hearings by SDG&E's policy witness.[31] Regarding shifting load, SDG&E's witness cited two charts in Exhibit SDG&E-7, Charts DTB-11 and DTB-12. These charts depict 2017 summer and winter forecasted load, respectively, net of distributed solar generation. Because these charts use 2017 forecast data, they are not dispositive with regard to load "today," but SDG&E's witness essentially explained that these charts resembled SDG&E's load today.[32] In response to further questions from the ALJ, SDG&E agreed to provide late-filed Exhibit SDG&E-15, "2013-2017 Net Loads." As noted above, the only recorded data depicted in Exhibit SDG&E-15 is for part of 2013, and this 2013 data does not show that SDG&E's load is "shifting"; indeed, it cannot, because no data from earlier years is provided as part of the Exhibit, so there is no observable trend shown by historical data. For this reason, we do not find in this decision that load in SDG&E territory today is shifting to later in the day.

With respect to forecasted load, SDG&E relies primarily on charts prepared by other entities that are not parties in this proceeding: the CAISO, the California Energy Commission, a Commission consultant that has provided analyses in other Commission proceedings, and "independent energy analysts" such as the National Renewable Energy Lab and the Lawrence Berkeley National Laboratory.[33] While we have great respect for these organizations, they are not parties in this proceeding, and the work cited by SDG&E could not be subject to cross examination; we thus have no basis upon which to assign evidentiary weight to such material.[34] Furthermore, Farm Bureau and City of San Diego

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[31] RT 1 at 73-75.

[32] RT 2 at 323, lines 10-22.

[33] SDG&E Opening Brief at 8, citing Exhibit SDG&E-7 at DTB-6 through DTB-13 and at DTB-26.

[34] We have taken the opportunity in other proceedings to state that we are not relying on the CAISO's so-called "duck curve" in our decision-making, and we reiterate that position here. *See*

provided extensive testimony that raises considerable doubt regarding the direct applicability of these charts to the question of whether SDG&E's load is actually shifting to later in the day, as it claims. Farm Bureau focuses on SDG&E's proposals to extend the winter on-peak period one hour later in the evening and to replace the existing off-peak period with a shorter super off-peak period, noting that these proposals are not "related in any obvious way to the higher penetration of variable renewable generation that is the focus of SDG&E's testimony."[35] The City of San Diego asserts that "SDG&E overstated the expected levels of renewable generation in 2017. By overstating the level of renewable generation in 2017, SDG&E overstates the shift in net peak demand in that year. Thus, there is no reliable record evidence that there is a need today to change TOU periods."[36]

The intervenors in this proceeding showed that SDG&E's evidence does not show by a preponderance of the evidence the extent to which the need for local capacity in the San Diego area will shift to later in the day. For this reason, we find that SDG&E has not demonstrated that the operational needs of its electric system compel the Commission to adopt its TOU proposal at this time. We expect to have the opportunity to review more recent data on this question in SDG&E's now-pending GRC Phase 2 proceeding.

D.13-06-024, *Decision Adopting Local Procurement Obligations for 2014, a Flexible Capacity Framework, and Further Refining the Resource Adequacy Program,* in R.11-10-023, Finding of Fact 7: "No Finding of Fact is made on the underlying calculations which form the basis for the ISO net load graph, also known as the 'duck graph,' or on the 'duck graph' itself."

[35] Exhibit CFBF-1 at 8.

[36] City of San Diego Opening Brief at 26.

3.2.2.2. Are Electric Prices in the San Diego Area Shifting?

The second aspect of SDG&E's case for shifting its summer on-peak TOU period to later in the day, and adding one hour to the winter on-peak period, is its assertion that "electric prices in the San Diego area have already shifted toward early evening" and that "both current hourly electricity prices in SDG&E service area and forecasts of hourly electricity prices are supportive of the proposed TOU changes, as the highest price hours occur in early evening hours."[37]

As one demonstration of price shifts, in hearings SDG&E's witness directed the ALJ to Chart DTB-9 and Chart DTB-10 in Exhibit SDG&E-7.[38] Those charts depict SDG&E's 2013 summer and winter "default load aggregation point" (DLAP) prices.[39] SDG&E states that its proposed TOU periods "would capture the hours with the highest electricity prices even before the significant shift [in prices] due to added solar energy in 2014-2017" and that "…even before the added renewables, the proposed [TOU] periods capture the highest electricity prices."[40] We take this information at face value, but it does not aid the Commission in determining whether prices are shifting to later in the day in SDG&E's territory, because SDG&E has not provided comparable pricing data from earlier years.

Our decision not to rely on SDG&E's evidentiary showing regarding possible price shifts is reinforced by SDG&E's second set of supporting data.

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[37] SDG&E Opening Brief at 2 and 10.

[38] RT at 2: 322-323.

[39] Counsel for SDG&E offered a plain-English definition of SDG&E's DLAP as "essentially the average price for electricity in SDG&E's service territory." RT at 16.

[40] Exhibit SDG&E-7 at 17.

SDG&E cites late-filed Exhibit SDG&E-14 to support its assertion that "both current hourly electricity prices in SDG&E service area and forecasts of hourly electricity prices are supportive of the proposed TOU changes, as the highest price hours occur in early evening hours."[41] Notwithstanding our reluctance to rely heavily on a late-filed exhibit in making our decision (because such exhibits have not been tested in hearings), the City of San Diego points out that Exhibit SDG&E-14 does not actually support SDG&E's position with respect to recorded or current prices[42]:

> SDG&E makes only a glancing reference to late-filed Exhibit SDGE-14. It is likely that this figure was not included in SDG&E's Opening Brief because the 2013 summer average weekday hourly power prices reach their maximum value at hour ending 17 (i.e., hour ending 5 p.m.), which is inside SDG&E's current standard summer peak TOU period, which starts at 11 a.m. and ends at 6 p.m. This data clearly contradicts SDG&E's claims that TOU periods must be changed today.

Based on the strength of testimony by intervenors on this question, we find that SDG&E has not shown by a preponderance of the evidence that electric prices in the San Diego area have already shifted toward early evening.

We turn finally to SDG&E's price forecast, and the question of whether SDG&E's forecasts of hourly electricity prices are supportive of its proposed TOU changes. SDG&E explains that the results of the production cost modeling that it performed in this proceeding support its position that the evening hours will be the highest priced hours, even though its "production cost model output prices were adjusted to match the average annual price and the spread of prices

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[41] SDG&E Opening Brief at 10.

[42] City of San Diego Reply Brief at 5-6.

as used in the 2012 GRC Phase 2 so as to not change marginal energy costs, but reallocate those costs to new hours."[43] Parties in this proceeding refer to this approach as a "stretching" methodology.

As they did with respect to SDG&E's showing on load shifts, Farm Bureau and City of San Diego provided extensive testimony and briefing that takes issue with the methodology used in SDG&E's modeling of future price shifts.

Farm Bureau does not agree that SDG&E's proposed TOU periods are based on sound pricing analysis, because of the manipulation undertaken to arrive at the 2017 forecast prices.[44] After reviewing each of the steps that SDG&E took in developing its price forecast, and explaining why these steps are not usually followed when such forecasts are prepared, Farm Bureau concludes that "SDG&E's data 'stretching' distorts the picture of SDG&E's own expectations for market conditions in 2017.[45] It would be both more straightforward and more appropriate to use the 2017 price forecast directly, since the aim of this proceeding is to establish TOU periods that are appropriate for market conditions in the upcoming years, not conditions from several years back." Even more concerning to the Commission is Farm Bureau's description of the repercussions that our adoption of SDG&E's proposal could have in creating unnecessary costs for customers in San Diego:[46]

> SDG&E has stated in a number of instances, the TOU period changes proposed are for system benefits; that even if individual or groups of customers are negatively impacted the

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[43] Exhibit SDG&E-7 at DTB-16.

[44] Farm Bureau Opening Brief at 6.

[45] *Id.* at 7.

[46] *Id.* at 9.

> system will be better off. Therefore, if in fact system costs are increased, SDG&E's proposal should not go forward.
>
> These system costs and the customer costs to adjust to the new TOU periods (and also the utility costs for customer education and outreach) may be worthwhile if offset by sufficient system benefit. The benefit comes from the cost savings from load reductions during the true peak periods, assessed as the difference between the system cost to meet that load during the peak period versus the system cost to meet that load during the non-peak hours to which the load will be shifted. The stretching magnifies this price difference, making it appear that the system benefit of the pricing structure is greater than it is.

Farm Bureau concludes that because "SDG&E has not done a quantitative analysis to demonstrate net benefits from its proposal based on the stretched pricing, it is not clear whether net benefits would be positive even with the stretching."[47]

The City of San Diego summarizes its objections to SDG&E's price forecast method as follows:

> There are thus two fundamental differences in the methods that Dr. Barker used to determine the marginal cost factors in this case versus the method he used in the 2012 GRC Phase 2. First, in this case he has used 2017 as the forecasted year, a year in time which is years removed from the years used to determine the marginal costs in the 2012 GRC Phase 2; and second, he used production cost modeling instead of net load. There is no evidence in this case that these methods have ever been used before. No prior examples have been cited where production cost models for a year that is several years distant into the future have been "stretched" back to fit marginal costs that were derived from historical prices from six years earlier.[48]

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[47] *Id.* at 10.

[48] City of San Diego Opening Brief at 19.

The analyses provided by the witnesses for Farm Bureau and the City of San Diego are compelling and show that SDG&E has departed from typical methodology in preparing its analysis of forecasted energy prices in its service territory. We again find that based on the strength of testimony by intervenors on this question, SDG&E has not shown by a preponderance of the evidence that its forecasts of hourly electricity prices are supportive of its proposed TOU changes.

3.3. Conclusion Regarding SDG&E's TOU Proposal

While we deny SDG&E's TOU Proposal in this proceeding, both SDG&E and intervenors should take note that we do so without prejudice. SDG&E has not shown in this proceeding that load and prices are shifting to later in the day, but with another year or more of recorded data, more detailed analysis of historical data, and a more credible forecast of load and prices, SDG&E may succeed in meeting its burden of proof in a future filing (e.g., in its recently filed GRC Phase 2 proceeding, should it choose to make similar proposals in that forum).

With respect to SDG&E's showing in any future case, any such proposal should more clearly reflect existing trends and document those trends with supporting data in SDG&E's testimony; in other words, SDG&E should make an affirmative showing in its request for relief, rather than waiting for intervenors to demand such a showing during the discovery process as was the case to some extent in this proceeding. SDG&E's showing must convince this Commission of the need for change. SDG&E should also demonstrate the need for change to its customers. In the instant proceeding, SDG&E's TOU proposal was strongly opposed by its largest municipal customer, by one of the largest agricultural

intervenors in the state, by many schools, school districts and water districts, by solar installers, and by advocates for residential and small business customers. These intervenors certainly faced direct costs from SDG&E's proposals, but they also made reasonable points regarding the unfairness of these cost impacts on the residential customers, schools and water districts that made good-faith investments based on SDG&E's existing rate structure—not the rate levels, but the tariff structure itself, including existing TOU periods. Each of these intervenors made the further point that SDG&E had not adequately considered the impact of its proposals on the customers who would be significantly affected if the Commission granted SDG&E the relief it sought.[49] Farm Bureau also offered the common sense observation that "it should be kept in mind that TOU rates are not the only tool available for reducing ramping needs and may not be the best tool to address ramping requirements that change from month-to-month and are likely to shift over time."[50] Dialogs on these challenging topics should take place between SDG&E and its customers before we next consider a TOU proposal from SDG&E.

As for the intervenors, we have made clear above that their testimony and briefing in this proceeding was invaluable in terms of establishing a solid record

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[49] We note in particular that SDG&E did not follow through on its statement in its Application and opening testimony that "SDG&E recognizes the special circumstances associated with public schools, such as their limited budget control and inability to change use patterns tied to periods during which they must serve the needs of children. SDG&E is committed to working with the public schools to find a solution and is preparing to offer such schools a bill credit or other solutions associated with the change in TOU periods." (SDG&E Application at 6, Exhibit SDG&E-1 at CY-23). SDG&E's explanation for its subsequent failure to work with the schools to find a solution is not convincing (*see* RT at 116-125, and SDCPA Opening Brief at 3).

[50] Exhibit CFBF-1 at 24: "Demand response tools and critical peak pricing rates may be better suited for addressing specific ramping needs because they can target reductions in the precise hours on the precise days in which they are needed. Emerging technologies, including integrated demand management technologies, should increase the reliability and availability of these demand reductions in the coming years."

for the Commission's consideration of SDG&E's TOU proposal. At the same time, we are encouraged that many of the intervenors directly acknowledge that questions regarding load shifting due to increasing reliance on renewables are valid and not likely to go away:

> "CALSEIA wants to be careful not to be obstructionist on this question. The future need for significant load shifting is real, and it is reasonable to head down the path of moving On-Peak time periods later in the day for some rate schedules. But moving all customers to a vastly different TOU structure is premature at best. Doing so would be unfair to customers for three reasons. First, making abrupt changes to rate structure would constitute the State turning its back on customers who responded to State policy that encouraged them to make long-term investments in generating facilities. Second, the solar market has been developed at great expense to ratepayers through the California Solar Initiative, and failing to maintain that momentum would diminish the value of that investment. Third, some customers are economically vulnerable and may be unable to shift load."[51]
>
> "The City [of San Diego] does not ignore that times are changing nor does it contend that TOU periods must remain static in the face of these changes. Rather, SDG&E failed to prove an imminent necessity for a piecemeal but very significant change to TOU rates, and the record in this case shows that there is time to properly adjust TOU periods in conjunction with determination of marginal costs, revenue allocation, and rate design as well as adjustment of rates in the next GRC Phase 2 which is just around the corner…"[52]
>
> "Farm Bureau has acknowledged that demands, usage patterns and needs related to the provision of electricity has changed. However, when making fundamental changes, such as SDG&E proposes to the standard TOU periods, there must

[51] CALSEIA Opening Brief at 2.

[52] City of San Diego Reply Brief at 10.

> be solid assurances that the data support the changes to be made. The TOU periods and rates connected thereto form the foundation to so many incentives that an error in the TOU periods creates ripple effects which could undermine Commission goals."[53]

Like these intervenors, we expect to continue to engage with SDG&E on these matters, and we expect to reach a solution that acknowledges customer concerns while addressing any real, demonstrated issues regarding shifting loads and energy prices in SDG&E's service territory.

4. Other SDG&E Proposals

As we noted above, the Commission's denial of SDG&E's request to revise its TOU periods also affects some of SDG&E's more technical rate change proposals listed in their application. We summarize our disposition of each of SDG&E's proposals here.

First, since we have denied without prejudice SDG&E's proposal to change its TOU periods effective November 2015, this has the result that SDG&E's request for approval of the new rates resulting from these TOU period changes is moot.

Second, SDG&E states that "with the proposed change to the on-peak period, SDG&E proposes to change the event period associated with dynamic pricing offerings from the current 11 a.m. to 6 p.m. year-round to 2 p.m. to 6 p.m. year round." Specifically, this would change the event periods for default CPP-D applicable to M/L C&I customers; dynamic pricing offerings available to small non-residential and residential customers; and PTR available to residential customers. With our denial of SDG&E's proposal to change its TOU periods, each of these requests is also moot.

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[53] Farm Bureau Reply Brief at 13.

Third, SDG&E identified the implications of its proposed TOU changes for specific customer rate schedules. As explained below, in many of these instances, the Commission's Executive Director has already approved SDG&E's requested implementation dates, so this decision only addresses the TOU-related aspects of each proposal, if any:

Medium and Large Commercial and Industrial Customers

Currently SDG&E has approximately 24,000 M/L C&I already on TOU rates.[54] SDG&E states that its large customers (generally, those customers with demand greater than 200 kilowatts (kW)) are currently subject to CPP-D, pursuant to D.08-02-034, and that medium customers (generally, those customers with demand between 20 kW and 200 kW) are "anticipated" to also default to CPP-D in 2015. Due to its proposed changes to TOU periods, SDG&E proposed to delay the default to CPP-D for medium customers until November 2015, after the summer months. Finally, SDG&E proposes to begin mandatory TOU rates for M/L C&I customers in November, 2015 (specifically, the commodity portion of Schedule AD, which will now have a TOU energy with peak demand charge structure).

We approve both requests in order to ensure consistency with other rate schedules and the timing of these changes. Although we have denied SDG&E's request to change its TOU periods, we approve SDG&E's request to delay the default to CPP-D for medium C&I customers until November 2015. We also find that the reasons for changing Schedule AD were not well-explained in SDG&E's testimony, but we approve SDG&E's request, again in order to ensure consistency of rate structures and timing of changes faced by SDG&E's customers.

[54] SDG&E Opening Brief at 1.

Agricultural Customers

SDG&E proposes to begin mandatory TOU rates for all agricultural customers, including medium and large agricultural customers (consistent with the treatment of small agricultural customers in D.12-12-004), effective November 2015. SDG&E also proposes to modify the TOU period definitions on Schedule PA-T-1 to be consistent with its proposed TOU periods, as well as with SDG&E's proposed changes to on-peak summer demand options. Farm Bureau opposes this change, stating that it supports the current PA-T-1 demand options, "which have proven effective in promoting customer choice and load shifting" and that "if SDG&E's summer on-peak TOU periods are not modified, Farm Bureau recommends that the PA-T-1 peak demand periods also not be modified."[55] Substantively, Farm Bureau states that "with respect to the periods chosen for the demand, Farm Bureau pointed out in its opening testimony that the current system appears to be working, and in fact has encouraged customers to shift load away from the peak hours encompassed by the options."[56]

SDG&E's proposal to begin mandatory TOU rates for all agricultural customers, including medium and large agricultural customers, effective November 2015 is unopposed. While we approve that date here, SDG&E should not modify the PA-T-1 TOU period definitions to be consistent with its proposed TOU periods and SDG&E's proposed changes to the on-peak summer demand options, because we have denied SDG&E's proposal to change its TOU periods and because Farm Bureau has established that the current rate structure is working and change is not warranted.

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[55] Farm Bureau Opening Brief at 30.

[56] *Ibid.*

Small Commercial Customers

SDG&E states that approximately 124,000 small commercial customers are scheduled to move to mandatory TOU rates beginning in November 2015.[57] Although SDG&E seeks authorization for this change in this Application, subsequent to SDG&E's filing the Commission's Executive Director approved this date pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure, in response to a February 2014 request from SDG&E.[58] In approving SDG&E's request, however, the Executive Director directed SDG&E to "file an advice letter requesting approval of mandatory time-of-day rates along with default critical peak pricing rates for small non-residential customers, with an effective date of November 1, 2015." SDG&E does not appear to have made this advice letter filing yet; when it does so, it should use the TOU periods currently in use on Schedule A-TOU, General Service, its currently-closed schedule that is "optionally available to [small commercial] customers receiving general service including lighting, appliances, heating, and power, or any combination thereof…."[59]

Residential Customers

SDG&E notes that some residential customers take service on optional TOU rate schedules. Since SDG&E's proposal to change TOU periods has been denied without prejudice, the TOU periods shall not be changed for any residential TOU schedules.

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[57] SDG&E Opening Brief at 1.

[58] In a February 25, 2014 letter to the Commission's Executive Director, SDG&E requested that the effective date of its residential dynamic pricing rates be extended from May 1, 2014 to January 1, 2015, and that the effective date for mandatory dynamic pricing for small non-residential customers be extended from November 2014 to November 2015. SDG&E's letter request was granted by the Executive Director on April 4, 2014.

[59] Exhibit SDG&E-4 at CF-20.

5. Compliance with Decision (D.) 11-07-029

In D.11-07-029 in Rulemaking 09-08-009, the Commission's *Rulemaking to Consider Alternative-Fueled Vehicle Tariffs, Infrastructure and Policies to Support California's Greenhouse Gas Emissions Reduction Goals*, SDG&E was ordered to file several rate design proposals related to plug-in hybrid and electric vehicles in this Rate Design Window.[60] The Commission directed that these proposals include analyses of:

- plug-in hybrid and electric vehicle charging load profiles;
- the costs and benefits of plug-in hybrid and electric vehicle integration and charging; and
- consumer responses to plug-in hybrid and electric vehicle time-of-use price differentials.

The Commission further directed that these rate design proposals shall also include an evaluation of the feasibility and benefits of plug-in hybrid and electric vehicle demand charges in the residential and commercial context.

In its January 31, 2014, Application, SDG&E stated "in this RDW Application and supporting testimony, SDG&E details how it has complied with the Commission's requirement regarding EV [electric vehicle] rates." At the PHC, it was not clear whether SDG&E had provided each of the required rate design proposals and performed each of the required analyses and evaluations that are specified in OP 3 of D.11-07-029. Therefore, SDG&E was directed to prepare and serve a new exhibit that explained how it has complied with OP 3, or, if it has not done so, how it proposed to comply.

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[60] D.11-07-029, "Phase 2 Decision Establishing Policies to Overcome Barriers to Electric Vehicle Deployment and Complying with Public Utilities Code Section 740.2," OP 3.

SDG&E served Exhibit SDG&E-11 on June 16, 2014. This exhibit includes detailed discussions of each of the four topics listed in D.11-07-029, and therefore complies with the Commission's order in that Decision.

6. Comments on Proposed Decision

The proposed decision of the assigned ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on July 28, 2015 by the City of San Diego and on July 30, 2015 by SDG&E, Farm Bureau, UCAN and the San Diego County Public Agencies. Reply comments were filed on August 4, 2015 by SDG&E, Farm Bureau and the San Diego County Public Agencies.

Pursuant to Rule 14.3 (c), comments shall focus on factual, legal or technical errors in the proposed decision and in citing such errors shall make specific references to the record or applicable law. Comments which fail to do so will be accorded no weight. Comments proposing specific changes to the proposed or alternate decision shall include supporting findings of fact and conclusions of law.

SDG&E identified three areas in the proposed decision that have been modified in response to SDG&E's comments.

First, SDG&E avers that the standard of proof a utility must meet in rate proceedings is that of a preponderance of the evidence. As SDG&E notes, in a number of instances the proposed decision states that SDG&E did not "conclusively demonstrate" a fact or issue. SDG&E observes that "this language is somewhat vague in that it could be interpreted to mean that SDG&E was required to meet a clear and convincing standard of proof in this proceeding." SDG&E recommends that, since such an interpretation differs from the

preponderance of evidence standard adopted in a string of relatively recent Commission decisions, the proposed decision should be modified to confirm that there was no intent to change the standard of proof a utility must meet in rate cases. We agree with SDG&E, and the proposed decision has been modified accordingly.

Second, SDG&E recommends that the proposed decision be clarified regarding the timing of rate design changes for medium commercial and industrial customers. SDG&E notes that Ordering Paragraphs 2 and 3 of the proposed decision appear to direct SDG&E to implement certain rate changes "in" November 2015. In fact, pursuant to D.12-12-004, implementation of default dynamic pricing and mandatory TOU rates for small commercial customers shall take place over a six-month rolling implementation period, in order to assist SDG&E in managing its customers' transition to these new rates.

In its reply comments on the proposed decision, Farm Bureau states that it supports for agricultural customers the same treatment SDG&E recommended for commercial customers transitioning to TOU rates, i.e., a six-month implementation period beginning in November, 2015. Farm Bureau states that this should address the concerns regarding effective transition for agricultural customers as well.

The proposed decision has been modified to clarify that implementation of TOU rates for the affected customer groups shall begin in November 2015, with full implementation phased in over a six-month period.

Third, SDG&E requests that the proposed decision be clarified regarding SDG&E's 2015 sales forecast, which was presented in Exhibit SDG&E-9. That forecast is in turn reflected in the rates tables in Exhibit SDG&E-16. SDG&E notes that the rates which the proposed decision approves for implementation

beginning in November 2015 were based, in part, on the 2015 sales forecast. As SDG&E further notes, this updated sales forecast will be used for all SDG&E rates, including all residential, commercial and industrial rates, until it is updated again via a final decision in Phase 2 of SDG&E's pending GRC. For these reasons, the proposed decision has been modified to confirm that SDG&E's use of its 2015 sales forecast is approved.

7. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

Findings of Fact

1. The Commission created RDW proceedings in D.89-01-040 in part to provide a mechanism to address electric rate design more often than every three years and eliminate the consideration of rate design issues in ECAC proceedings.

2. With adequate justification, utilities may propose rate design changes to be made between GRCs.

3. SDG&E's standard TOU period has not changed since the 1980s.

4. In D.93-07-030 the Commission modified D.89-01-040 so that unit marginal costs, marginal cost revenue responsibility, and revenue allocation would be considered in the rate design phase of GRCs because consideration of these issues in the same phase will allow all parties to better understand the effects of various proposals on the final rates.

5. SDG&E does not show by a preponderance of the evidence that load in SDG&E territory today is shifting to later in the day.

6. SDG&E does not show by a preponderance of the evidence that the need for local capacity in the San Diego area is shifting to later in the day.

7. SDG&E does not show by a preponderance of the evidence that its TOU proposal is based on the operational needs of SDG&E's electric system.

8. SDG&E does not show by a preponderance of the evidence that the highest electric prices in the San Diego area have already shifted toward early evening.

9. SDG&E has departed from typical methodology in preparing its analysis of forecasted energy prices in its service territory and SDG&E has not shown by a preponderance of the evidence that its forecasts of hourly electricity prices credibly support its proposed TOU changes.

10. More data and more analysis are needed to support any Commission decision on proposals to change TOU periods in SDG&E territory.

11. The rates approved in this decision are based, in part, on the 2015 sales forecast presented in Exhibit SDG&E-9. This updated sales forecast will also be used for all SDG&E rates until it is next updated in a final decision in Phase 2 of SDG&E's pending GRC.

12. SDG&E's proposals to begin default CPP-D for medium customers as well as mandatory TOU for M/L C&I customers, effective November 2015, are unopposed.

13. SDG&E's proposal to begin mandatory TOU rates for all agricultural customers, including medium and large agricultural customers, effective November 2015 is unopposed.

14. Farm Bureau has established that SDG&E's PA-T-1 TOU rate structure, including the current on-peak summer demand options, is working effectively as it is currently designed.

15. SDG&E's letter request that the effective date for mandatory dynamic pricing for small non-residential customers be extended from November 2014 to

November, 2015 was granted by the Commission's Executive Director on April 4, 2014.

16. Approximately 124,000 small commercial customers in SDG&E territory are scheduled to move to mandatory TOU rates beginning in November, 2015.

17. Some residential customers in SDG&E territory currently take service on optional TOU rate schedules that are available to residential customers.

18. In D.11-07-029 the Commission ordered SDG&E to file several rate design proposals related to plug-in hybrid and electric vehicles in this RDW. SDG&E's Exhibit SDG&E-11 addresses each topic listed in D.11-07-029.

Conclusions of Law

1. It is consistent with D.89-01-040 and D.93-07-030 to consider significant issues such as SDG&E's proposal to change its TOU periods in SDG&E's Phase 2 GRC proceeding instead of a RDW proceeding.

2. SDG&E's proposal to change its TOU periods should not be adopted at this time because SDG&E has not shown by a preponderance of the evidence that the operational needs of its electric system justify this change now.

3. SDG&E's proposal to change its TOU periods should not be adopted at this time because SDG&E has not shown by a preponderance of the evidence that current or forecast energy prices in its service territory justify this change now.

4. Any proposals to change TOU periods in SDG&E's territory should be supported by more data and more analysis than was provided by SDG&E in this proceeding.

5. SDG&E's request to change its TOU periods effective November 2015 should be denied without prejudice, so that SDG&E may make a similar proposal in its Phase 2 GRC.

6. SDG&E's request for approval of the new rates resulting from its proposed TOU period changes is moot.

7. SDG&E's proposal to change the event period associated with dynamic pricing offerings from the current 11 a.m. to 6 p.m. year-round to 2 p.m. to 6 p.m. year-round is moot.

8. SDG&E's 2015 sales forecast should be approved.

9. SDG&E's request to delay the default to CPP-D for medium C&I customers until November 2015 should be approved in order to ensure consistency with other rate schedules and with the timing of these changes.

10. SDG&E's request to change Schedule AD was not well-explained in SDG&E's testimony, but in order to ensure consistency with other rate schedules and with the timing of these changes SDG&E's request should be approved.

11. SDG&E's proposal to begin mandatory TOU rates for all agricultural customers, including medium and large agricultural customers, effective November 2015 is unopposed and should be approved.

12. SDG&E should not modify the PA-T-1 TOU period definitions to be consistent with its proposed TOU periods because we have denied SDG&E's proposal to change its TOU periods. SDG&E should not modify the PA-T-1 TOU rate schedule to implement its proposed changes to the on-peak summer demand options because the record in this proceeding established that the current rate structure is working and change is not warranted.

13. When SDG&E begins to move small commercial customers to mandatory TOU rates beginning in November 2015, the rate design should use the TOU periods currently in use on Schedule A-TOU, General Service.

14. SDG&E should not change the TOU periods on any residential TOU schedules because SDG&E's proposal to change TOU periods has been denied without prejudice.

15. The analyses and evaluations related to plug-in hybrid and electric vehicles in Exhibit SDG&E-11 demonstrate SDG&E's compliance with D.11-07-029.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's request to change its time-of-use periods is denied without prejudice.

2. The 2015 sales forecast prepared by San Diego Gas & Electric Company (SDG&E) is approved for use in the rates approved in this decision, as well as for all SDG&E rates until the forecast is next updated in a final decision in Phase 2 of SDG&E's pending General Rate Case.

3. San Diego Gas & Electric Company shall begin to implement the default to Schedule CPP-D for medium commercial and industrial customers in November 2015.

4. San Diego Gas & Electric Company shall begin to implement mandatory time-of-use rates in November 2015 for medium and large commercial and industrial customers by modifying Schedule AD.

5. San Diego Gas & Electric Company shall begin to implement mandatory time-of-use rates for all agricultural customers, including medium and large agricultural customers, in November 2015.

6. San Diego Gas & Electric Company shall not modify Schedule PA-T-1 time-of-use period definitions and shall not modify the PA-T-1 time-of-use rate schedule to implement its proposed changes to the on-peak summer demand options.

7. San Diego Gas & Electric Company shall begin to move small commercial customers to mandatory time-of-use rates beginning in November, 2015

8. San Diego Gas & Electric Company's rate design for small commercial customers shall use the time-of-use periods currently in use on Schedule A-TOU, General Service.

9. San Diego Gas & Electric Company shall not change the time-of-use periods on any existing optional residential time-of-use schedules.

10. Within 30 days of this decision, San Diego Gas & Electric Company shall submit a Tier 2 advice letter in compliance with General Order 96-B. The advice letter shall include revised tariff sheets to implement the rate designs adopted in this order. The tariff sheets shall become effective no earlier than November 1, 2015, subject to the Commission's Energy Division determining that they are in compliance with this order. No additional customer notice need be provided pursuant to General Rule 4.2 of General Order 96-B for this advice letter filing.

11. Application 14-01-027 is closed.

This order is effective today.

Dated August 27, 2015, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners