Decision 18-11-035 November 29, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902E) for Approval of its 2019 Electric Sales Forecast, Effective on January 1, 2019.	Application 18-03-003

DECISION ON SAN DIEGO GAS & ELECTRIC COMPANY'S 2019 SALES FORECASTS

Summary

This decision adopts electric sales forecasts for San Diego Gas & Electric Company as recommended in joint testimony of several parties to this proceeding. San Diego Gas & Electric Company shall provide information in its next General Rate Case Phase II application to allow the Commission to approve updated sales forecasts for all classes for 2020, 2021, and 2022. The proceeding is closed.

1. Background

In this proceeding San Diego Gas & Electric Company (SDG&E) requests approval of its 2019 electric sales forecast, to be effective on January 1, 2019. This application was filed in response to Ordering Paragraph 38 of Commission Decision (D.) 17-08-030, which ordered SDG&E to file an application for approval of its 2019 sales forecast by March 1, 2018. The application was filed on

March 1, 2018. A protest to the application was filed by the Office of Ratepayer Advocates now Cal Advocacates[1] on April 6, 2018. The California Farm Bureau Federation (CFBF) filed a motion for party status on June 4, 2018 and CFBF was granted party status on June 5, 2018.

A prehearing conference (PHC) was held on June 20, 2018 to discuss the issues of law and fact and determine the need for hearing and schedule for resolving the matter. At the PHC the City of San Diego moved for party status, and the motion was granted at that time.

On July 12, 2018 a scoping memo was filed defining the scope and schedule for the proceeding. The scoping memo sets out the following issues to be addressed:

1. Whether SDG&E's electric sales forecast for 2019, including for each of its customer classes, is reasonable and should be approved.
2. Whether SDG&E's methodology for deriving its 2019 electric sales forecast, including for each of its customer classes, is reasonable and should be approved.
3. Whether the impact of the 2019 sales forecast creates rates that are just and reasonable per Public Utilities Code Section 451.

SDG&E held two workshops on July 5, 2018 and July 19, 2018 to attempt to resolve differences between the parties on the scoped issues. SDG&E, CFBF, and the City of San Diego (joint parties) served prepared joint testimony on

[1] The Office of Ratepayer Advocates (ORA) was renamed the Public Advocates' Office of the Public Utilities Commission (Cal Advocates) pursuant to Senate Bill 854, which the Governor approved on June 27, 2018. This decision refers to the party formerly known as ORA as Cal Advocates.

August 20, 2018 to reflect the outcomes of those workshops and propose revised sales forecasts for SDG&E's customer classes. Cal Advocates did not submit prepared testimony in this proceeding.

On August 31, 2018 the joint parties filed a motion to take evidentiary hearings off calendar in this proceeding. Cal Advocates did not file a response to the motion. The motion of the joint parties was granted on September 5, 2018 and no evidentiary hearings were held in this proceeding.

Opening briefs were served on September 24, 2018. Reply briefs were due on October 1, 2018 (although no party submitted a reply brief) and upon that date the proceeding was considered submitted.

2. Reasonableness of SDG&E's 2019 Electric Sales Forecast and Methodology for Each of its Customer Classes

The main issue to be considered in this proceeding is whether the 2019 electric sales forecast and methodology proposed by SDG&E is reasonable, including for each of its customer classes. The testimony of the joint parties reveals that SDG&E's initial 2019 sales forecast was reconsidered in the course of workshops, and a revised 2019 sales forecast was proposed by the joint parties in its testimony for the medium and large commercial and agricultural classes. SDG&E's initial forecast was based on the California Energy Commission's (CEC) most recent California Energy Demand (CED) forecast, which the CEC adopted on February 21, 2018.[2]

[2] Testimony of joint parties at 2.

In its application, SDG&E asserted that the CED forecast established the following sales forecasts for its customer classes:[3]

Sector	2019 Electric Sales (Gigawatt-hours)
Residential	6,221
Non-residential	12,128
Total	**18,349**

SDG&E uses one of the CEC's sales forecasts (the mid-demand forecast) as the basis for its sales forecast. However, the CEC uses a variety of electricity sales scenarios to create its overall CED forecast. For example, the workpapers in support of the CED forecast specific to SDG&E and posted to the CEC website[4] indicate that the following estimates were generated for SDG&E's residential electricity sales in 2019:

Residential Demand Scenario	Estimated 2019 Sales in Gigawatt-hours (GWh)
Low Demand	7,703
Low Demand (net of self generation)	5,947
Mid Demand	7,725
Mid Demand (net of self generation)	6,338
High Demand	7,781
High Demand (net of self generation)	6,695

[3] SDG&E application at 3.

[4] Available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=222315 (low demand scenarios); https://efiling.energy.ca.gov/GetDocument.aspx?tn=222324 (mid demand scenarios); https://efiling.energy.ca.gov/GetDocument.aspx?tn=222306 (high demand scenarios). All last accessed September 21, 2018.

Choosing one of several CEC forecasts is not the only way in which SDG&E exercises discretion in generating its sales forecasts for its customers. For example, the CEC's 2019 mid-demand residential sector sales forecast for SDG&E is 7,725 GWh. SDG&E then makes two adjustments to forecasted sales, one based on expected efficiency upgrades made by residential customers, and another based on the expected amount of self-generation (*e.g.*, solar power) adopted by residential customers. In this case, SDG&E used CEC data to assume that residential customers would avoid 117 GWh worth of sales in 2019 through efficiency measures, and would avoid 1,387 GWh worth of sales in 2019 through the use of "private supply" or self-generation.[5] As a result, SDG&E forecasts that its residential sector will account for 6,221 GWh of sales in 2019 (7,725 – 117 – 1,387 = 6,221).

SDG&E held two workshops in July 2018 to outline the process it uses to generate class-specific sales forecasts for the non-residential and non-streetlight classes using the forecasts supplied by the CEC. The testimony of the joint parties states that revisions to the CEC's sales forecasts are necessary as the CEC's forecast of non-residential, non-streetlight sales does not directly match the non-residential, non-streetlight classes as defined by SDG&E.[6] For example, the CEC forecasts sales for mining operations in SDG&E territory, but SDG&E does not have a mining class in its territory. Therefore, SDG&E must convert the mining sales forecasts into forecasts that are spread across the small commercial,

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5 SDG&E testimony of Schiermeyer at 5.

6 Testimony of joint parties at 4.

large commercial, and agricultural classes, depending on SDG&E's assumption of how many mining customers are in each of those classes.[7]

SDG&E's proposal for an alternate sales forecast approach for the agricultural class was discussed at the workshops. Included in the testimony of the joint parties is a description of this alternate approach. The testimony indicates that an alternative approach to agricultural sales forecasting was required as "an examination of historic data… indicates a change in the relationship between sales from SDG&E's Agricultural Class and the CEC's Agricultural Sector, which warrants the consideration of an alternative methodology for the allocation of sales to the Agricultural Class."[8] The joint parties noted that under SDG&E's original sales forecast methodology for the agricultural class "SDG&E's 2019 sales forecast would result in a nearly 10% decrease in Agricultural sector sales relative to 2017 actual data…."[9]

In other words, the joint parties noticed that the SDG&E's original sales forecast methodology was diverging unreasonably from historic sales trends, and the joint parties determined that some sort of adjustment was necessary to ensure that rates for the agricultural class were just and reasonable. As stated in their testimony, "continuing to use the existing methodology would, therefore, risk significantly understating likely electric sales to SDG&E's Agricultural customer class in 2019 and setting rates for the Agricultural class <u>significantly too high</u> as a result" (emphasis added).[10] Through this mechanism, the joint parties

[7] Testimony of joint parties, Attachment A-1 at 4-5.

[8] Testimony of joint parties at 5.

[9] Testimony of joint parties at 6.

[10] Testimony of joint parties at 6.

seek to design reasonable rates by ensuring that sales forecasts do not significantly understate expected sales, in part by looking at the relationship between the forecasted and historic sales. This decision agrees with the joint parties and adopts this principle as a way to ensure just and reasonable rates for a given customer class.[11] Therefore, the Commission must ensure that the sales forecast for a customer class in this proceeding does not significantly understate expected sales.

The alternate mechanism proposed for the agricultural class is to use a 2-year average of the ratio of actual agricultural sales to the CEC's recorded actual agricultural sector sales, and then apply that ratio to the CEC's 2019 forecasted sales for the agricultural class.[12]

On August 20, 2018 joint parties served testimony proposing that a revised version of the sales forecasts for SDG&E's various customer classes be adopted. A summary of the original and revised forecasts appears below:

Customer Class	Sales (GWh)			
	As Filed	Alternative	Change	% Change
Residential	6,105	6,105	0	0.0%
Small Commercial	2,262	2,262	0	0.0%

11 The average rate for a customer class is nothing more than the revenue assigned to that class divided by the forecasted sales for that class. Assuming the revenue assigned to the class is constant, a reduction in forecasted sales will lead to higher average rates while an increase in forecasted sales will lead to lower average rates. If forecasted sales are unreasonably low, then the class will ultimately pay rates over the course of the year that are higher than necessary to fulfill the class's revenue obligations.

12 Testimony of joint parties at 6.

Customer Class	Sales (GWh)			
	As Filed	Alternative	Change	% Change
Medium and Large Commercial and Industrial	9,473	9,441	- 32	- 0.3%
Agriculture	291	323	32	11.0%
Streetlighting	80	80	0	0.0%
System	**18,211**	**18,211**	**0**	**0.0%**

The column labelled "As Filed" in the table above does not accurately describe the original proposal made by SDG&E in its application. SDG&E explains in its opening brief that "[t]he system total of 18,211 in [this table] reflects "Net Sales" as set forth in Table KS-7 at p. KES-7 of Mr. Schiermeyer's direct testimony."[13] This is somewhat confusing as KS-7 includes sales that are net of both expected monthly excess generation and an hourly delivered sales adjustment, while the figures in the table above apparently reflect one of these adjustments but not both. It appears that the figures in the "As Filed" column are modifications of SDG&E's true original proposals based on SDG&E's planned adjustment based on expected monthly excess generation. The Commission advises SDG&E to avoid providing figures in its testimony in the future that misrepresent actual "as filed" positions.

Nevertheless, it is apparent that parties agreed to reconsider the originally filed sales forecast for the agricultural class and adjusted that forecast in order to ensure that the agricultural sales forecasts more closely matched historic sales trends. As a result of these adjustments, SDG&E's agricultural customers will

[13] SDG&E opening brief at 8, fn 11.

face rates that are reasonably estimated not to overcollect revenue. This decision therefore approves the revised agricultural class sales forecast for 2019.

2.1 Reasonableness of the Alternate Approach for Non-Agricultural Customer Classes

The scoping memo for this proceeding requires that the Commission evaluate the reasonableness of SDG&E's proposed sales forecasts and methodology for each class individually. While the joint parties established a review process for the agricultural class as described above, this decision must evaluate the reasonableness of SDG&E's approach to its non-agricultural classes as well.

The record does not indicate if the CEC sales forecast for any class other than the agricultural class was compared with historic sales to determine the appropriateness of the forecast. It is therefore unclear if SDG&E conducted a review of the non-agricultural sales forecasts to determine if the forecasts would lead to unreasonably high rates given historic sales trends. In fact, in its testimony SDG&E asks the Commission to approve a forecast that predicts a nearly 6% decrease in sales for the residential class, even though SDG&E found a predicted 10% decrease in agricultural class sales unreasonable and worthy of further review.

This decision previously found that sales forecasts should not significantly understate sales for a customer class and thereby avoid establishing rates that are unreasonably high. As it is not clear from the record if the sales forecasts as proposed for all non-agricultural classes are reasonable when compared to actual historic sales, this decision conducts its own analysis using consumption data available from a CEC database already utilized by SDG&E in this proceeding.[14]

The table below provides CEC historic sales data for SDG&E's residential and streetlight classes. SDG&E directly maps CEC forecast data for these classes into its own forecasts, meaning that the CEC's historic data for these classes can be directly compared to SDG&E's forecasts for these classes.

Year	SDG&E Residential Sales (GWh)	SDG&E Streetlight Sales (GWh)
2008	7,716	113
2009	7,550	116
2010	7,316	114
2011	7,385	106
2012	7,598	101
2013	7,402	93
2014	7,347	94
2015	7,152	90
2016	6,692	81

The joint parties compared the percentage decrease of the 2019 forecasted class sales to actual sales data for the agricultural class to determine if an alternative methodology should be used. A similar analysis is

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14 Historic sales data below are sourced from the CEC's Electricity Consumption Database. This database was used as the source of the historic CEC sales data for the agricultural class in testimony of joint parties. As joint parties used this database for their own analysis, it is appropriate for the Commission to use this database in its own comparison of forecasted and historic sales. Available at: <http://ecdms.energy.ca.gov/elecbyutil.aspx>. Last accessed October 2, 2018.

conducted below for the residential and streetlight classes. First, the average annual decline in sales for each class over the periods 2012-2016 and 2014-2016 are calculated. Then the absolute and annualized decline in forecasted 2019 sales[15] as compared to 2016 sales is calculated.

SDG&E Class	Average Annual Decline in Sales (2012-2016)	Average Annual Decline in Sales (2014-2016)	Absolute Decline in Sales (2019 forecast vs. 2016 actual)	Annualized Decline in Sales (2019 forecast vs. 2016 actual)
Residential	3.1%	4.6%	8.8%	2.9%
Streetlight	5.3%	7.1%	1.5%	0.5%

This analysis reveals that for the residential and streetlight classes, the forecasted sales proposed by the joint parties utilize reasonable estimates of the annual decline in sales when compared to historic sales data. For the residential class, an average decline in sales of 3.1% is observed from 2012-2016 with an acceleration to 4.6% during the 2014-2016 period. The proposed residential sales forecast for 2019 utilizes a 2.9% annual decline when compared to 2016 data, and this annual rate of decline is reasonable given that it is less than both the long-run and short-run annual declines observed using the most recent data from the CEC. Similarly, the proposed streetlight sales forecast for 2019 utilizes an annual decline in sales of 0.5% which is well under the observed historic annual declines in sales for that class.

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[15] As proposed for Commission adoption in the testimony of joint parties, as appearing in the "Alternative" column of Table 1 on page 8.

We do not conduct a similar analysis for SDG&E's small commercial or medium and large commercial classes here because the CEC's historic sales data for these SDG&E customer classes do not directly match the class definitions used by SDG&E when generating its forecasts. Due to the lack of party objection to the proposed forecasts for those two classes, this decision finds those 2019 sales estimates reasonable as proposed by the joint parties.

As discussed above, joint parties and this decision analyzed the sales forecasts to determine if they lead to just and reasonable rates per Public Utilities Code Section 451 by comparing those forecasts to historic sales trends. This decision finds that the forecasts lead to just and reasonable rates, as the decline in forecasted sales (and commensurate increase in average rates) matches observed sales trends from the past.

However, the Commission finds that more robust analysis of historic sales trends would benefit SDG&E sales forecasts going forward. As a result the Commission orders SDG&E to make certain showings in its next General Rate Case Phase II application in order to improve its sales forecasting.

3. Forecasts for 2020 and Beyond

SDG&E is ordered to file 2020, 2021, and 2022 sales forecasts for their customer classes in their next General Rate Case Phase II application. SDG&E shall provide actual annual sales data for each of its classes[16] dating back to 2010, and the sales forecasts used in each of those years for each class, so that the Commission may determine if the proposed forecasted sales unreasonably underestimate the sales for a given class.

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[16] As distinct from the CEC's recorded sales for SDG&E by class. This is necessary to ensure that comparisons for agricultural and commercial customers may be accurately made.

4. Conclusion

This decision adopts electric sales forecasts for SDG&E as recommended in joint testimony of several parties to this proceeding. SDG&E shall provide more information in its next General Rate Case Phase II application to allow the Commission to approve updated sales forecasts for all classes for 2020, 2021, and 2022. The proceeding is closed.

5. Outstanding Procedural Matters

The Commission affirms all rulings made by the assigned Commissioner and assigned Administrative Law Judge. All motions not previously ruled on are deemed denied.

6. Comments on Proposed Decision

The proposed decision of ALJ Doherty 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 November 19, 2018 by CFBF.

7. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Patrick Doherty is the assigned ALJ in this proceeding.

Findings of Fact

1. An examination of historic data indicated a change in the relationship between sales from SDG&E's agricultural class and the CEC's agricultural sector, which warranted the consideration of an alternative methodology for the allocation of sales to SDG&E's agricultural class.

2. Parties agreed to reconsider the originally filed sales forecast for the agricultural class and adjusted that forecast in order to ensure that the agricultural sales forecasts more closely matched historic sales trends.

3. The record does not indicate if the CEC sales forecast for any class other than the agricultural class was compared with historic sales to determine the appropriateness of the forecast.

4. SDG&E asks the Commission to approve a forecast that predicts a nearly 6% decrease in sales for the residential class, even though SDG&E found a predicted 10% decrease in agricultural class sales unreasonable and worthy of further review.

5. The joint parties compared the percentage decrease of the 2019 forecasted agricultural class sales to actual sales data for the agricultural class to determine if an alternative methodology should be used, and this decision conducts a similar analysis for the residential and streetlight classes.

6. For the residential class, an average decline in sales of 3.1% is observed from 2012-2016 with an acceleration to 4.6% during the 2014-2016 period. The proposed residential sales forecast for 2019 utilizes a 2.9% annual decline when compared to 2016 data. Similarly, the proposed streetlight sales forecast for 2019 utilizes an annual decline in sales of 0.5% which is well under the observed historic annual declines in sales for that class.

7. No party objected to the proposed sales forecasts for SDG&E's small commercial or medium and large commercial classes.

Conclusions of Law

1. The Commission must ensure that the sales forecast for a customer class in this proceeding does not significantly understate expected sales.

2. SDG&E's agricultural customers will face rates that are reasonably estimated not to overcollect revenue, and this decision therefore approves the revised agricultural class sales forecast for 2019.

3. The forecasted annual rate of decline for the residential and streetlight classes are reasonable given that they are less than both the long-run and short-run annual declines observed for those classes using the most recent data from the CEC.

4. The 2019 sales forecasts for SDG&E's small commercial or medium and large commercial classes as proposed in the testimony of the joint parties are reasonable.

5. The forecasts proposed in the testimony of the joint parties lead to just and reasonable rates, as the decline in forecasted sales (and commensurate increase in average rates) matches observed sales trends from the past.

6. More robust analysis of historic sales trends would benefit SDG&E sales forecasts going forward.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company shall use the sales forecasts as shown in the column labelled "Alternative" in Table 1 in the testimony of the joint parties to design 2019 retail rates for each of its classes. This table is attached as Appendix A.

2. San Diego Gas & Electric Company (SDG&E) shall file 2020, 2021, and 2022 sales forecasts for its customer classes in its next General Rate Case Phase II application. SDG&E shall provide actual annual sales data for each of its classes, as opposed to the California Energy Commission's recorded sales for each class, dating back to 2010, and the sales forecasts used in each of those years for each class, so that the Commission may determine if the proposed forecasted sales unreasonably underestimate the sales for a given class.

3. Application 18-03-003 is closed.

This order is effective today.

Dated November 29, 2018, at San Francisco, California.

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners

Appendix A

TABLE 1:
IMPACT TO CLASS LEVEL SALES

Customer Class	Sales (GWh)			
	As Filed	Alternative	Change	% Change
Residential	6,105	6,105	-	0.0%
Small Commercial	2,262	2,262	-	0.0%
M/L C&I	9,473	9,441	(32)	-0.3%
Agriculture	291	323	32	11.0%
Streetlighting	80	80	-	0.0%
System	18,211	18,211	-	0.0%