

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4378

February 24, 2011

R E S O L U T I O N

Resolution E-4378. San Diego Gas & Electric (SDG&E) requests to modify its Critical Peak Pricing Small Customer Memorandum Account (CPPSMA) to record costs of implementing dynamic pricing for residential customers and to change the name of the CPPSMA to, more appropriately, the Dynamic Pricing Memorandum Account (DPMA).

PROPOSED OUTCOME: Approves, with modifications, SDG&E's request to revise the CPPSMA and rename the account the DPMA.

ESTIMATED COST: None at this time. The Commission will address recovery of costs recorded in this account at a later date.

By Advice Letter 2183-E filed on July 6, 2010.

SUMMARY

This resolution approves, with modifications, SDG&E's request to revise the Critical Peak Pricing Small Customer Memorandum Account (CPPSMA) so that it may record costs for implementing residential dynamic pricing rates and change its name from the CPPSMA to the Dynamic Pricing Memorandum Account (DPMA).

SDG&E requests to modify its CPPSMA, which currently records costs of implementing default critical peak pricing (CPP) rates for small non-residential customers, to include costs to implement optional dynamic pricing rates for residential customers. SDG&E also requests to change the name of the CPPSMA to the DPMA. SDG&E explains that its proposed dynamic pricing rates follow the dynamic pricing policies adopted for Pacific Gas and Electric Company (PG&E) in Decision (D.)08-07-045. In that decision, the Commission encouraged SDG&E to consider the dynamic pricing policies adopted for PG&E. SDG&E's proposed DPMA is similar to the memorandum account PG&E established by

the authority given by D.08-07-045. PG&E's memorandum account records dynamic pricing implementation costs for both small commercial and residential customers. SDG&E's proposed DPMA will also record costs of implementing dynamic pricing for both small non-residential and residential customers. Because of the guidance given in D.08-07-045, this resolution approves, with modifications, SDG&E's request to revise the CPPSMA.

BACKGROUND

The Commission set dynamic pricing guidelines in D.08-07-045 that are applicable to SDG&E.

On July 31, 2008, the Commission issued D.08-07-045, which set guidelines for how PG&E should implement CPP rates for small commercial and residential customers and for how PG&E should recover costs for implementing these rates. D.08-07-045 also determined that the dynamic pricing policies adopted in the decision can also apply to SCE and SDG&E.

Following the dynamic pricing policies adopted in D.08-07-045, SDG&E proposed to begin implementing CPP rates for small non-residential customers and requested a memorandum account to record the resulting implementation costs in its 2008 rate design window application, A.08-11-014.

Because the Commission, in D.08-07-045, encouraged SDG&E to pursue dynamic pricing for its customers, SDG&E proposed to begin implementing default CPP combined with time of use (TOU) rates for its small non-residential customers in its 2008 rate design window, Application (A.)08-11-014.

Besides directing PG&E to implement CPP rates, D.08-07-045 gave PG&E authority to establish a dynamic pricing memorandum account to record incremental implementation costs. D.08-07-045 also directed PG&E to seek recovery of costs recorded in the memorandum account in related rate design proceedings.

Following the guidance provided by D.08-07-045, SDG&E requested, in A.08-11-014, to establish a memorandum account to record the costs of the proposed

implementation. SG&E additionally proposed to seek recovery of costs recorded in the memorandum account in its next general rate case or another appropriate proceeding.¹

D.09-09-036, in A.08-11-014, authorized SDG&E to begin implementing default CPP and TOU rates for small non-residential customers and to establish a memorandum account to record the resulting implementation costs. Thus, SDG&E established the CPPSMA to record these costs effective September 24, 2009, the date of D.09-09-036.

SDG&E filed A.10-07-009 to propose CPP rates for both small non-residential and residential customers and to request recovery of the resulting implementation costs.

On July 6, 2010, SDG&E filed A.10-07-009, requesting authority to implement dynamic pricing rates for its small non-residential and residential customers. The dynamic pricing rates proposed by SDG&E for small non-residential customers include a default CPP rate and TOU rates for customers who choose to opt-out of the CPP rate. For residential customers, SDG&E proposes an opt-in CPP rate and optional TOU rates.

In A.10-07-009, SDG&E also seeks to recover the incremental costs associated with implementing the proposed dynamic pricing rates. SDG&E explains that the costs for implementing dynamic pricing rates will total \$118.08 million over the six year period from 2010 through 2015.² SDG&E notes in its application that the Commission provided policy guidance in D.08-07-045 by adopting timetables for implementing dynamic pricing rates for PG&E's small non-residential and residential customers and a mechanism for PG&E to seek recovery of the associated expenditures.³

¹ A.08-11-014, Prepared Direct Testimony of SDG&E witness Spurgeon, November 14, 2008, Chapter 4, Page 7.

² A.10-07-009, Application, page 7. The \$118 million amount also includes costs for implementing dynamic pricing to an estimated 22,000 medium-sized nonresidential customers.

³ *ibid*, pages 4 - 7.

SDG&E filed an advice letter concurrently with A.10-07-009, requesting to modify the CPPSMA to track costs for implementing rates proposed in the application.

On July 6, 2010, concurrently with A.10-07-009, SDG&E filed Advice Letter (AL) 2183-E, proposing to modify the CPPSMA. SDG&E requests to modify the CPPSMA so that it records costs of implementing CPP rates for both small non-residential customers and residential customers.

In AL 2183-E, SDG&E also requests to change the name of the CPPSMA to the DPMA, to more accurately reflect the purpose of the account. Additionally, SDG&E proposes to modify the tariff to indicate that the total implementation costs tracked in the account shall not exceed \$118.08 million. According to the advice letter, SDG&E proposes to seek cost recovery of the DPMA in A.10-07-009. SDG&E also proposes in AL 2183-E to record costs for implementing default CPP rates for small non-residential customers separately from costs for implementing optional CPP rates for residential customers.

NOTICE

Notice of AL 2183-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of AL 2183-E was served on utilities and interested parties on in its General Order 96-B advice letter filing mailing list, including parties in A.08-11-014, and SDG&E's 2008 general rate case A.06-12-009.

PROTESTS

DRA protested AL 2183-E on July 26, 2010. SDG&E replied to DRA's protest on August 2, 2010. DRA withdrew its protest on October 12, 2010.

DISCUSSION

SDG&E has Commission authority to record costs for implementing dynamic rates for small non-residential customers in a memorandum account.

D.09-09-036 approved a settlement agreement in SDG&E's 2008 rate design window application, A.08-11-014, authorizing SDG&E to create a memorandum account to record costs of implementing default CPP rates for small non-

residential customers. Subsequently, SDG&E established the CPPSMA, effective September 24, 2009.

SDG&E is authorized to revise its CPPSMA tariff to change the name of the memorandum account to the Dynamic Pricing Memorandum Account (DPMA) and to incorporate its proposed name changes to dynamic pricing rates.

In Advice Letter 2183-E, SDG&E requests to revise the language in its CPPSMA tariff to reflect proposed name changes to its dynamic pricing rates. SDG&E proposes the name changes in its dynamic pricing application, A.10-07-009. In the application, SDG&E explains that the name changes will help to make the dynamic pricing program more easily understood and user-friendly for customers. In the current CPPSMA tariff, dynamic pricing rates for small non-residential customers are called "Critical Peak Pricing (CPP)" rates and time varying rates are called "time of use (TOU)" rates. SDG&E proposes to change the name "CPP" rates to "PeakShift at Work (PSW)" rates and "TOU" rates to "TimeofDay(TOD)" rates and to name the dynamic pricing rates for residential customer the "PeakShift at Home (PSH)" rates.⁴ SDG&E also proposes to change the name of its CPPSMA to the DPMA.

We allow SDG&E to incorporate the new names proposed for its dynamic pricing rates. Specifically, SDG&E may revise the language in its CPPSMA tariff to call the dynamic pricing rates for residential customers "PeakShift at Work" rates, the dynamic pricing rates for residential customers "PeakShift at Home" rates, and time varying rates "TimeOfDay" rates. However, the name changes are subject to revision depending on the outcome of A.10-07-009.

We also allow SDG&E to change the name of its memorandum account from the "Critical Peak Pricing Small Customer Memorandum Account (CPPSMA)" to the "Dynamic Pricing Memorandum Account (DPMA)".

⁴ A.10-07-009 Application, Page 3

Because of the guidance provided by D.08-07-045, it is reasonable to allow SDG&E to record costs of implementing CPP rates for residential customers in a memorandum account.

D.08-07-045 set guidelines for how PG&E should implement dynamic pricing. Additionally, the decision encouraged Southern California Edison Company (SCE) and SDG&E to implement dynamic pricing, stating that the adopted dynamic pricing policies may also apply to SCE and SDG&E. Furthermore, the decision states that the Commission may require SCE and SDG&E to follow the guidance provided in the decision in their rate design proceedings.⁵

Some of the dynamic pricing guidelines established in D.08-07-045 include mandating PG&E to offer default Critical Peak Pricing rates for small non-residential customers and optional CPP rates for residential customers. As part of the implementation, PG&E, with authority from the decision, established a memorandum account to record incremental costs of implementing dynamic pricing. According to the decision, PG&E shall seek cost recovery of the memorandum account in related rate design proceedings.⁶

Given the guidance provided in D.08-07-045, it is reasonable to allow SDG&E to establish a memorandum account, namely the proposed DPMA, to record costs of dynamic pricing implementation for residential customers, in addition to the previously approved tracking of implementation costs for small non-residential customers.

SDG&E shall track the implementation costs for small non-residential customers separately from the implementation costs for residential customers.

We authorize SDG&E to record costs of implementing dynamic pricing rates for residential customers in the same memorandum account that was originally authorized to record implementation costs for only small non-residential customers. However, SDG&E shall track implementation costs for small non-

⁵ See Section 10.1 of D.08-07-045.

⁶ See Ordering Paragraphs 5, 6, and 15 of D.08-07-045.

residential customers separately from implementation costs for residential customers.

While authority to record costs of implementing dynamic pricing for small, non-residential customers is given to SDG&E by D.09-09-036, authority to record costs of implementing dynamic pricing for residential customers is given by this resolution. Because different Commission orders gave SDG&E authority to record dynamic pricing implementation costs in the DPMA, it is appropriate for SDG&E to separately record implementation costs for small non-residential and residential customers. Separating the recorded costs also allows the Commission flexibility in determining the disposition of costs recorded in the DPMA.

The disposition of dynamic pricing implementation costs recorded in the memorandum account is to be decided in A.10-07-009.

This resolution does not give SDG&E authority to recover any costs recorded in the account. The disposition of costs recorded in the DPMA shall be determined in A.10-07-009.

Under the current tariff, SDG&E shall seek cost recovery of the CPPSMA in its next general rate case or another appropriate proceeding. Under the proposed DPMA tariff filed in AL 2183-E, SDG&E shall request cost recovery of the DPMA in its "Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation" application (i.e., A.10-07-009). In A.10-07-009, SDG&E proposes to transfer the balance of the DPMA into a proposed Dynamic Pricing Balancing Account (DPBA).⁷

Hence, SDG&E shall revise the Disposition section of its DPMA tariff so that it states: "The disposition of any costs recorded in the DPMA shall be determined in A.10-07-009."

⁷ A.10-07-009 testimony, Chapter 7, Page 3

SDG&E shall not record in the DPMA implementation costs greater than \$118.08 million, unless a different amount is specified by the Commission in A.10-07-009.

In AL 2183-E, SDG&E proposes to revise the CPPSMA tariff to state that the total implementation costs recorded in the account shall not exceed \$118.08 million. SDG&E explains in A.10-07-009 that the total costs for implementing dynamic pricing proposal will be \$118.08 million over a six-year period, from 2010 to 2015.⁸ Because the Commission may, in A.10-07-009, determine that a different amount for the total dynamic pricing implementation costs is more appropriate, SDG&E shall revise the second sentence of the Purpose section in its proposed DPMA tariff so that it reads: “SDG&E’s total implementation costs recorded in this account shall not exceed \$118.08 million, unless a different amount is specified by the Commission in A.10-07-009.”

SDG&E may begin tracking residential dynamic pricing implementation costs in the DPMA on the effective date of this resolution.

SDG&E’s proposed DPMA tariff filed in AL 2183-E states that the DPMA will track small non-residential dynamic pricing implementation costs beginning September 24, 2009, the effective date of D.09-09-036, and will track both small non-residential and residential dynamic pricing implementation costs beginning July 6, 2010, the date that SDG&E filed AL 2183-E. Because D.09-09-036 authorized SDG&E to record dynamic pricing implementation costs for small non-residential customers, SDG&E is authorized to record implementation costs for small non-residential customers in the DPMA beginning September 24, 2009, the effective date of D.09-09-036.

Since the authority to record dynamic pricing implementation costs for residential customers in the DPMA is granted by this resolution, SDG&E may not record implementation costs for residential customers until the effective date of this resolution. SDG&E shall revise the third sentence of Purpose section in its proposed DPMA tariff so that it reads: “The DPMA will track small non-residential costs beginning September 24, 2009, the effective date of D.09-09-036,

⁸ A.10-07-009, Prepared Direct Testimony of Joseph S. Velasquez, Chapter 1, pages 14-15.

and will track both small non-residential and residential costs beginning on the effective date of resolution E-4378.”

COMMENTS

Public Utilities Code section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, the draft resolution was issued for public review and comment no later than 30 days prior to a vote of the Commission.

DRA submitted timely comments on February 14, 2011. In comments, DRA proposed that the name changes for the dynamic pricing rates be subject to the outcome of A.10-07-009. DRA’s suggested edits have been incorporated in this resolution.

FINDINGS AND CONCLUSIONS

1. The Commission recommended that SDG&E and SCE consider the dynamic pricing policies adopted by the Commission in D.08-07-045 for PG&E.
2. Following dynamic pricing policies adopted in D.08-07-045, SDG&E, in its 2008 rate design window, A.08-11-014, proposed to begin implementing dynamic pricing rates for its small non-residential customers and establish a memorandum account to record the implementation costs.
3. D.09-09-036 granted SDG&E authority to create a memorandum account to record costs of implementing dynamic pricing rates for its small non-residential customers.
4. SDG&E established the Critical Peak Pricing Small-Customer Memorandum Account (CPPSMA) to record costs of implementing CPP rates for its small non-residential customers, effective September 24, 2009, the date of D.09-09-036.
5. On July 6, 2010, SDG&E filed A.10-07-009, proposing dynamic pricing rates for its small non-residential customers and residential customers.
6. Concurrently with A.10-07-009, SDG&E filed Advice Letter 2183-E to modify the CPPSMA so that it would record dynamic pricing

implementation costs for both small non-residential and residential customers and be renamed the DPMA.

7. D.08-07-045 allowed PG&E to establish a memorandum account to record costs for implementing dynamic pricing rates for various classes of customers, including small commercial and residential customers.
8. Because D.08-07-045 states that the dynamic pricing policies adopted for PG&E in that decision can also apply to SDG&E and authorized PG&E to establish a memorandum account to record implementation costs, it is reasonable to allow SDG&E to record costs of implementing CPP rates for residential customers in a memorandum account.
9. SDG&E should be allowed to record CPP implementation costs for residential customers in the same memorandum account currently used for recording CPP implementation costs for small non-residential customers.
10. SG&E should be allowed to modify its CPPSMA so that it records CPP implementation costs for both its small non-residential and residential customers and change its name to the DPMA.
11. SDG&E should record implementation costs for residential and small non-residential customers in the DPMA separately.
12. SDG&E should begin tracking implementation costs for small non-residential in the DPMA beginning September 24, 2009, the effective date of D.09-09-036, and begin tracking implementation costs for both small non-residential and residential customers in the DPMA on the effective date of this resolution.
13. SDG&E should not record in the DPMA implementation costs greater than \$118.08 million, unless a different amount is specified by the Commission in A.10-07-009.
14. This resolution authorizes SDG&E to record dynamic pricing implementation costs in the DPMA, but does not provide SDG&E authority to recover any costs recorded in the account.
15. The disposition of costs recorded in the DPMA is to be determined by the Commission in A.10-07-009.
16. SDG&E is allowed to revise the language in its CPPSMA tariff to incorporate the new terminology it proposes for its dynamic pricing rates in A.10-07-009, particularly calling the dynamic pricing rates for residential customers the "PeakShift at Work" rates, the dynamic pricing rates for residential customers the "PeakShift at Home" rates, and time of use rates "TimeOfDay" rates. These new names are subject to revision depending on the outcome of A.10-07-009.

THEREFORE IT IS ORDERED THAT:

1. SDG&E shall revise the tariff language proposed in AL 2183-E, as set forth in the Ordering Paragraphs listed below.
2. SDG&E shall revise its Dynamic Pricing Memorandum Account tariff, proposed in AL 2183-E, to make the following changes:
 - a. The Disposition section shall read:
“The disposition of any costs recorded in the DPMA shall be determined in A.10-07-009.”
 - b. The second and third sentences of the Purpose section shall read:
“SDG&E’s total implementation costs recorded in this account shall not exceed \$118.08 million, unless a different amount is specified by the Commission in A.10-07-009. The DPMA will track small non-residential costs beginning September 24, 2009, the effective date of D.09-09-036, and will track both small non-residential and residential costs beginning on the effective date of Resolution E-4378.”
3. SDG&E shall track the implementation costs for small non-residential customers separately from the implementation costs for residential customers.
4. Within 20 days of today’s date, SDG&E shall file a supplement to AL 2183-E to make the revisions to the DPMA tariff required in the Ordering Paragraphs listed above. The supplement shall replace AL 2183-E in its entirety, and shall be a Tier 1 advice letter.
5. The supplement to AL 2183-E required by the Ordering Paragraph listed above shall be effective on today’s date, subject to Energy Division’s review for compliance with this resolution.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 24, 2011; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon
Executive Director

MICHAEL R. PEEVEY

PRESIDENT

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

Commissioners

Commissioner Catherine J. K. Sandoval, being necessarily absent, did not participate.