STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

FILED

11/07/18

02:16 PM

November 7, 2018

Agenda ID #17005

Ratesetting

TO PARTIES OF RECORD IN APPLICATION 17-12-011 ET AL.:

This is the proposed decision of Administrative Law Judges Park, Tsen, and Doherty. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 13, 2018, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ JESSICA T. HECHT for

Anne E. Simon

Chief Administrative Law Judge

AES:jt2

Attachment

Decision **PROPOSED DECISION OF ALJs PARK, TSEN, and DOHERTY**
(Mailed 11/7/2018)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of its Residential Rate Design Window Proposals, including to Implement a Residential Default Time-Of-Use Rate along with a Menu of Residential Rate Options, followed by addition of a Fixed Charge Component to Residential Rates (U39E).	Application 17-12-011
And Related Matters.	Application 17-12-012 Application 17-12-013

PHASE IIA DECISION ADDRESSING RESIDENTIAL DEFAULT TIME-OF-USE RATE DESIGN PROPOSALS AND TRANSITION IMPLEMENTATION

Table of Contents

Title **Page**

Table of Contents (cont.)

Title **Page**

PHASE IIA DECISION ADDRESSING RESIDENTIAL DEFAULT TIME-OF-USE RATE DESIGN PROPOSALS AND TRANSITION IMPLEMENTATION

Summary

This decision resolves issues scoped into Phase IIA of this proceeding. This decision addresses San Diego Gas & Electric Company (SDG&E)'s rate design proposals to be implemented as part of its transition to a residential default time-of-use (TOU) rate structure set to begin in March 2019. This decision adopts SDG&E's proposed 3-period tiered TOU rate as its default residential TOU rate. This decision also addresses implementation issues related to SDG&E's transition to default TOU rates, including SDG&E's migration plan; marketing, education, and outreach plan; methods for identifying and excluding ineligible customers; and bill protection proposals.

This decision also adopts proposals by Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE) to implement a line item discount for the California Alternate Rates for Energy and Family Electric Rate Assistance discounts. PG&E's and SCE's additional rate design proposals and implementation issues related to their transitions to default TOU rates, which are set to begin in October 2020, will be considered in a subsequent phase of this proceeding.

1. Background and Procedural History

In Decision (D.) 15-07-001 the California Public Utilities Commission (Commission) set a course for a transition of most residential customers from a tiered, non-time varying electricity rate to a default time-of-use (TOU) electricity rate.[1] D.15-07-001 directed Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the Investor-Owned Utilities (IOUs)) to each file a residential rate design window (RDW) application no later than January 1, 2018 that proposes a default TOU rate structure to begin in 2019, assuming that statutory requirements are met.[2]

On December 20, 2017 PG&E filed Application (A.) 17-12-011 for approval of its residential rate design window proposals, including implementation of a residential default TOU rate along with a menu of other residential rate options, followed by addition of a fixed charge component to residential rates. On December 20, 2017, SDG&E filed A.17-12-013 for approval of its residential default TOU rate designs and fixed charges. On December 21, 2017 SCE filed A.17-12-012 for approval of its residential default TOU rate designs and to increase fixed charges.

On January 25, 2018 the assigned Administrative Law Judge (ALJ) issued a ruling consolidating A.17-12-011, A.17-12-012, and A.17-12-013.

On February 21, 2018 a prehearing conference was held to determine the parties, discuss the scope and schedule of the proceeding, and other procedural matters. Parties generally agreed to a three-phased approach in resolving issues in this proceeding. Phase I of the proceeding would resolve threshold timing questions related to the proposed start dates of residential default TOU. Phase II

---

1 A "tiered rate" is a rate schedule on which price varies by the total amount of electricity used in a one-month period. Under a TOU rate the price varies by when the electricity is used. A default rate is not mandatory; customers are still allowed to opt out to a different rate.

2 D.15-07-001 at 172 and Ordering Paragraphs 9-11.

and Phase III would consider issues specifically related to the proposed rate designs.

On March 1, 2018 the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo) adopting a scope of issues and schedule for Phase I of this consolidated proceeding. The Scoping Memo determined that the scope of Phase I would include the issue of the proposed timing for default TOU, as well as any safety considerations with respect to the proposed timing.

On April 10, 2018 the assigned Commissioner issued an Amended Scoping Memo and Ruling (Amended Scoping Memo) adopting a scope of issues and schedule for Phases II and III of this proceeding. Phase II considers the IOUs' specific rate design proposals for default TOU and other rate options, as well as implementation issues for default TOU. Phase II is bifurcated into Phases IIA and IIB in order to timely resolve issues on a schedule that will enable each IOU to implement residential default TOU on the start date adopted for that utility. Phase III will consider the IOUs' proposals for fixed charges and/or minimum bills.

On May 17, 2018 the Commission issued D.18-05-011, the Phase I decision addressing the timing of the transition to residential default TOU rates. That decision authorized SDG&E to begin transitioning eligible residential customers to default TOU rates beginning March 2019, and authorized PG&E and SCE to begin transitioning eligible residential customers to default TOU rates beginning October 2020.

Evidentiary hearings on Phase IIA issues were held on June 18-19, 2018.

Opening briefs on Phase IIA issues were filed on July 20, 2018 by SDG&E, PG&E, SCE, the Office of Ratepayer Advocates (Cal Advocates),[3] the Environmental Defense Fund (EDF), the Utility Consumers' Action Network (UCAN), the California Solar & Storage Association (CALSSA), and the Center for Accessible Technology (CforAT). Reply briefs on Phase IIA issues were filed on August 2, 2018 by UCAN and on August 3, 2018 by SDG&E, Cal Advocates, EDF, CforAT, and SCE.

2. Phase IIA Issues

In D.18-05-011, the Commission determined that default residential TOU rates should begin in March 2019 for SDG&E, and October 2020 for PG&E and SCE. Because SDG&E's transition to default TOU rates will occur first, Phase IIA focuses primarily on SDG&E's rate design proposals and implementation issues, although some SCE and PG&E issues are included. The majority of SCE and PG&E-specific issues will be addressed in Phase IIB.

In Phase IIA of this proceeding, the Commission is required to resolve the following issues:

1. Whether SDG&E's proposed rate options are reasonable.
2. Whether to accept SDG&E's proposal to make Schedule DR-SES (Domestic Time-of-Use for Households with a Solar Energy System) available to all residential customers as an un-tiered TOU rate option, and to rename Schedule DR-SES to be Schedule TOU-D.
3. Whether to accept SDG&E's Mass TOU Default Migration Plan, including its operational approach to implementing this plan.

---

3 Senate Bill 854 (Stats. 2018, ch. 51) amended Pub. Util. Code § 309.5(a) so that the Office of Ratepayer Advocates is now named the Public Advocate's Office of the Public Utilities Commission. We will refer to this party as Cal Advocates.

4. Whether SDG&E's Marketing, Education, and Outreach (ME&O) plan is reasonable and should be adopted.
5. Whether SDG&E's determination of customer eligibility for default TOU is consistent with Public Utilities Code Sections 745(c)(2) and 745(d), and D.17-09-036.
6. Whether SDG&E's method for identifying and excluding ineligible customers from default TOU is reasonable.
7. Whether SDG&E's bill protection proposals are reasonable and consistent with the law.
8. What information SDG&E should be required to provide in its "rate conversation" script to be used when new customers start service.
9. Whether SCE's proposal to restructure the California Alternate Rates for Energy (CARE) discount into a single line item percentage discount to a customer's total bill is reasonable.
10. Whether SCE's proposal to deliver the Family Electric Rate Assistance (FERA) discount as a line item discount is reasonable.
11. Whether PG&E's proposal to restructure the CARE discount into a single line item percentage discount to the customer's total bill is reasonable.

3. SDG&E Specific Issues

3.1. SDG&E's Proposed Rate Options

SDG&E proposes four rate options for its residential customers: 1) a default 3-period tiered TOU rate; 2) an optional 2-period tiered TOU rate; 3) an optional new schedule TOU-D; and 4) an optional tiered rate option without a TOU element.

3.1.1. SDG&E's Proposed Default Residential Rate

The time periods for the proposed default 3-period TOU rate are based on the TOU periods recently adopted by the Commission in Phase 2 of SDG&E's most recent General Rate Case (GRC).[4] These periods are also the same as those utilized in SDG&E's 2018 Default TOU pilot, which were approved in Resolution E-4848.[5] In the proposed default 3-period TOU rate, the peak period is 4 p.m.-9 p.m. throughout the week, while the off-peak and super off-peak periods change depending on the month and whether it is a weekday or a weekend day. SDG&E proposes the following peak periods for the default residential TOU rate:

Day of Week & Month	Peak	Off-Peak	Super Off-Peak
Monday – Friday May – February	4 p.m. – 9 p.m.	6 a.m. – 4 p.m. 9 p.m. – 12 a.m.	12 a.m. – 6 a.m.
Monday – Friday March & April	4 p.m. – 9 p.m.	6 a.m. – 10 a.m. 2 p.m. – 4 p.m. 9 p.m. – 12 a.m.	12 a.m. – 6 a.m. 10 a.m. – 2 p.m.
Saturday & Sunday All Year	4 p.m. – 9 p.m.	2 p.m. – 4 p.m. 9 p.m. – 12 a.m.	12 a.m. – 2 p.m.

SDG&E notes that this structure for its default residential TOU rate is the same as that adopted by D.17-08-030 for SDG&E's TOU rates in general. That decision states that "SDG&E must establish its default TOU rates for all customer classes utilizing these foundational on-peak, off-peak, and super-off-peak TOU

---

[4] D.17-08-030 at 25-26.

[5] The TOU periods for SDG&E's 2018 Default Pilot Rates were updated in Advice Letter 3155-E, pursuant to D.17-08-030. *See also* Exh. SDG&E-2 at JS-5.

periods as soon as practicable following the issuance of a final [Commission] decision."[6]

SDG&E proposes the following illustrative price differentials[7] between peak, off-peak, and super off-peak periods for the default residential TOU rate, illustrated by tier:[8]

Proposed Default Rate Tier 1 Rate Differential	Summer (June – October)	Winter (November – May)
Peak to Off-Peak	2.24 : 1	1.04 : 1
Peak to Super Off-Peak	3.15 : 1	1.09 : 1

Proposed Default Rate Tier 2 Rate Differential	Summer (June – October)	Winter (November – May)
Peak to Off-Peak	1.64 : 1	1.02 : 1
Peak to Super Off-Peak	1.92 : 1	1.05 : 1

3.1.2. SDG&E's Proposed Optional Residential Rates

For customers wishing to opt out of the default 3-period TOU rate, SDG&E proposes to offer three alternatives: 1) a 2-period TOU tiered rate with milder TOU differentials than the default rate; 2) new schedule TOU-D; and 3) the traditional residential tiered rate without a TOU element.

---

6 D.17-08-030 at 26.

7 Calculated using illustrative rates appearing in Exh. SDG&E-7 at JS-8.

8 The proposed default residential TOU rate, the optional 2-period residential TOU rate, and the traditional residential tiered rate all utilize tiers, with higher prices in Tier 2 as compared to Tier 1. SDG&E's residential customers are allotted a certain amount of Tier 1 usage depending on their climate zone and their fuel source. The same Tier 1 usage allotment, or "baseline," would apply across all three rates. SDG&E's proposed TOU-D optional rate would not include a baseline allotment.

The proposed optional 2-period TOU rate replicates the 3-period TOU rate's peak period of 4 p.m. – 9 p.m., with all remaining hours off-peak. There would be no super off-peak period. Seasonal differentiation between summer and winter months would also apply to the 2-period TOU rate, and there would generally be a milder difference between peak and off-peak prices when compared to the proposed default 3-period TOU rate. SDG&E proposes the following illustrative price differentials between peak and off-peak periods for the optional 2-period residential TOU rate, illustrated by tier:

Proposed 2-period Optional TOU Rate Differential	**Summer (June – October)**	**Winter (November – May)**
Tier 1 Peak to Off-Peak	2.17 : 1	1.06 : 1
Tier 2 Peak to Off-Peak	1.58 : 1	1.04 : 1

The proposed new schedule TOU-D would be distinct from the other TOU rate options primarily by removing the baseline credit that applies in the other TOU rate options. There would be no tiers in TOU-D. In essence, this would make TOU-D a more attractive option for high usage customers that may not see much benefit from the baseline credit.[9]

SDG&E does not provide illustrative rates for proposed schedule TOU-D in its testimony or briefs, but in rebuttal testimony SDG&E states that "TOU-D will be an un-tiered, 3-period TOU rate (with the same structure as the current schedules DR-SES and EV-TOU-2 which SDG&E proposes to eliminate and

[9] SDG&E Opening Brief at 7.

re-name, respectively)."[10] Presumably, this means that TOU-D would be identical to current schedule DR-SES (and the proposed default residential TOU rate) with respect to the following peak periods:

Day of Week & Month	Peak	Off-Peak	Super Off-Peak
Monday – Friday May – February	4 p.m. – 9 p.m.	6 a.m. – 4 p.m. 9 p.m. – 12 a.m.	12 a.m. – 6 a.m.
Monday – Friday March & April	4 p.m. – 9 p.m.	6 a.m. – 10 a.m. 2 p.m. – 4 p.m. 9 p.m. – 12 a.m.	12 a.m. – 6 a.m. 10 a.m. – 2 p.m.
Saturday & Sunday All Year	4 p.m. – 9 p.m.	2 p.m. – 4 p.m. 9 p.m. – 12 a.m.	12 a.m. – 2 p.m.

Schedule TOU-D, therefore, appears to be an un-tiered version of the proposed default residential TOU rate.

Those residential customers that wish to opt out of TOU rates altogether would be given the option of transferring to the current residential tiered rate with a high usage charge.[11] The price of the energy in the traditional tiered rate only changes with the quantity used and is not affected by the time of day when the energy is used.

---

[10] Exh. SDG&E-6 at CF-9.

[11] *See* Public Utilities Code Section 745(c)(6).

3.1.3. Comparison of the Proposed Default Rate and 2-Period Opt-In Rate to SDG&E's Opt-In TOU Pilot Rates

SDG&E and other parties make extensive use of the Final Nexant Report[12] to support their arguments on the merits and drawbacks of the proposed default residential TOU rate. Nexant, Inc. published the Final Nexant Report on March 30, 2018 that summarized findings related to California's statewide, residential opt-in TOU pricing pilots (opt-in pilots) implemented by PG&E, SCE, and SDG&E. The opt-in pilots took place in 2016 and 2017 and were designed to develop insights that would inform the instant proceeding's consideration of default TOU pricing for the majority of California's residential electricity customers. The Final Nexant Report contains a brief summary of findings documented in more detail in two prior Nexant reports,[13] and reports on load impacts from the summer of 2017 as well as the persistence of load impacts across the summers of 2016 and 2017. Bill impacts were estimated following the first summer and after completion of the first year of the pilot.

SDG&E customers that participated in the opt-in pilots were randomly assigned to one of three rate options: opt-in TOU rate 1, opt-in TOU rate 2, or the traditional residential tiered rate. The utilization of a control group of customers on the traditional tiered rate ensured that accurate conclusions could be drawn about the effects of the opt-in TOU pilot rates on customers that would have otherwise taken service on the traditional tiered rate.

---

12 Exh. SDG&E-8, Attachment A.

13 The First Interim Report dated April 11, 2017 and the Second Interim Report dated November 1, 2017. Both reports are included as attachments to Exh. SDG&E-3.

It is critical to confirm the similarities and differences between the opt-in TOU pilot rates analyzed by the Final Nexant Report and the proposed default TOU rate to ensure that references to the Final Nexant Report are kept in context. The table below summarizes the elements of each rate.

Rate Elements	**Opt-in Pilot Rate 1**	**Proposed Default TOU Rate**[14]
Peak Period	4 p.m. – 9 p.m.	4 p.m. – 9 p.m.
Off-Peak Period	6 a.m. – 4 p.m. (M-F) 2 p.m. – 4 p.m. (Saturday & Sunday) 9 p.m. – 12 a.m. (all days)	6 a.m. – 4p.m. (M-F; May - February) 6 a.m. – 10 a.m. and 2 p.m. – 4 p.m. (M-F; March & April) 2 p.m. – 4 p.m. (Saturday & Sunday) 9 p.m. – 12 a.m. (all days)
Super Off-Peak Period	12 a.m. – 6 a.m. (M-F) 12 a.m. – 2 p.m. (Saturday & Sunday)	12 a.m. – 6 a.m. (M-F) 10 a.m. – 2 p.m. (M-F; March & April) 12 a.m. – 2 p.m. (Saturday & Sunday)
Summer Months	May – October	June – October
Winter Months	November – April	November – May
Summer Tier 1 Price Differential	2.5 : 1 (Peak to Off-Peak) 4 : 1 (Peak to Super Off-Peak)	2.24 : 1 (Peak to Off-Peak) 3.15 : 1 (Peak to Super Off-Peak)
Summer Tier 2 Price Differential	1.63 : 1 (Peak to Off-Peak) 1.94 : 1 (Peak to Super Off-Peak)	1.64 : 1 (Peak to Off-Peak) 1.92 : 1 (Peak to Super Off-Peak)
Summer Tier 1 Peak Price	$0.40/kWh	$0.48/kWh
Summer Tier 2 Peak Price	$0.62/kWh	$0.68/kWh

[14] Price differentials and illustrative rates taken from Exh. SDG&E-7 at JS-8.

The table above reveals that SDG&E's proposed default TOU rate and opt-in pilot rate 1 are very similar. The peak periods are identical, and price differentials for baseline and above-baseline summer energy are comparable. There are some differences between the two rates. The proposed default TOU rate utilizes one less summer month (May) as compared to opt-in pilot rate 1, and the proposed default TOU rate also incorporates super off-peak hours of 10 a.m. – 2 p.m. in March and April that are not found in opt-in pilot rate 1. In spite of these differences, the two rates are so similar that this decision holds that the findings and conclusions of the Final Nexant Report regarding SDG&E's opt-in pilot rate 1 are an appropriate basis from which to estimate the expected effects of the proposed default TOU rate on SDG&E's residential customers.

A table comparing the 2-period opt-in rate proposed by SDG&E in this proceeding and opt-in pilot rate 2 appears below.

Rate Elements	**Opt-in Pilot Rate 2**	**Proposed 2-Period Opt-In TOU Rate**[15]
Peak Period	4 p.m. – 9 p.m.	4 p.m. – 9 p.m.
Off-Peak Period	9 p.m. – 4 p.m.	9 p.m. – 4 p.m.
Super Off-Peak Period	None	None
Summer Months	May – October	June – October
Winter Months	November – April	November – May
Summer Tier 1 Price Differential	2.86 : 1 (Peak to Off-Peak)	2.17 : 1 (Peak to Off-Peak)

[15] Price differentials and illustrative rates taken from Exh. SDG&E-7 at JS-8.

Rate Elements	Opt-in Pilot Rate 2	Proposed 2-Period Opt-In TOU Rate[15]
Summer Tier 2 Price Differential	1.72 : 1 (Peak to Off-Peak)	1.58 : 1 (Peak to Off-Peak)
Summer Tier 1 Peak Price	$0.40/kWh	$0.44/kWh
Summer Tier 2 Peak Price	$0.62/kWh	$0.64/kWh

The table above reveals that SDG&E's proposed 2-period opt-in TOU rate and opt-in pilot rate 2 are very similar. The peak periods are identical, and price differentials for above-baseline summer energy are comparable. With respect to differences, the proposed 2-period opt-in TOU rate contains one less summer month (May) as compared to opt-in pilot rate 2, and the proposed 2-period opt-in TOU rate utilizes a reduced price differential for summer energy. In spite of these differences, the two rates are similar enough that this decision holds that the findings and conclusions of the Final Nexant Report regarding SDG&E's opt-in pilot rate 2 are an appropriate basis from which to estimate the expected effects of the proposed 2-period opt-in TOU rate on SDG&E's residential customers.

3.1.4. Key Findings of the Final Nexant Report

Given that the findings of the Final Nexant Report with respect to opt-in pilot rate 1 apply to the proposed default TOU rate, and that the findings with respect to opt-in pilot rate 2 apply to the proposed 2-period opt-in TOU rate, this decision examines the findings in the Final Nexant Report to estimate and compare the effects of each of the proposed TOU rates on SDG&E's residential customers.[16]

Key findings from the Final Nexant Report for <u>both</u> opt-in TOU pilot rates are:

- Customers can and will respond to TOU price signals during evening hours. Statistically significant load reductions when compared to customers on the traditional tiered rate were found for both opt-in pilot TOU rates.
- Persistence analyses of load impacts between the first and second summer show that for both rates, summer impacts did not decline or grow by a statistically significant amount. Weather does not appear to have been a significant driver of persistence.
- Peak period reductions in winter were significantly less than in summer. The average peak-period reduction in winter across both rates was about 2.0%.
- The vast majority (~ 80%) of SDG&E's residential customers experienced neutral bill impacts on an annual basis on both opt-in pilot rates. A neutral bill impact is defined as a bill impact of plus or minus $3 on an annual basis compared to what the bill would have been on the traditional tiered rate.
- Opt-out rates were very similar, but not identical, between the two opt-in pilot TOU rates. Overall opt-out rates were very low and did not exceed 4% on either rate.
- Customers on the opt-in pilot TOU rates reported virtually identical levels of satisfaction with their rate plan and with SDG&E in response to surveys.

---

16 Because SDG&E residential customers in SDG&E's mountain and desert climate zones only participated in opt-in pilot rate 2, it is impossible to draw conclusions about the experience of those customers on opt-in pilot rate 1. References to SDG&E's "residential customers" in this section of the decision include customers in SDG&E's coastal and inland climate zones only.

None of the above findings are distinguishable between the two opt-in TOU rates tested. Nexant observed no statistically significant difference in peak load impacts between SDG&E customers on opt-in pilot rate 1 and opt-in pilot rate 2. Nexant states that this is not surprising as "the peak period covers the same hours for each rate… and the peak-period prices are the same in both cases."[17] This decision therefore finds that the proposed default TOU rate and the 2-period opt-in TOU rate are equally capable of driving down peak demand in kilowatts (kW), both in summer and winter, among SDG&E residential customers. This finding is based on the results of the opt-in pilots, and is made in spite of the fact that SDG&E's proposed default TOU rate has slightly higher peak prices than the proposed 2-period TOU rate.

Similarly, the persistence of summer peak load reductions was not distinguishable between the two opt-in pilot TOU rates. This decision therefore finds that the proposed default TOU rate and the 2-period opt-in TOU rate are equally likely to engender persistent peak summer demand reductions among SDG&E's residential customers.

Given that bill impacts and customer satisfaction scores were also virtually indistinguishable between the two opt-in pilot TOU rates, this decision finds that the proposed default TOU rate and the 2-period opt-in TOU rate are equally likely to result in neutral bill impacts for the vast majority of SDG&E's residential customers and result in comparable levels of customer satisfaction.

There are two key findings from the Final Nexant Report that show a distinction between the opt-in pilot TOU rates. In SDG&E's inland climate

---

[17] Final Nexant Report at 131.

zone,[18] customers on opt-in pilot TOU rate 1 (the 3-period rate) exhibited an average daily reduction in summer kilowatt-hour (kWh) usage that was greater than customers on opt-in pilot rate 2 (the 2-period rate) to a statistically significant degree.[19] Also, an increase in kW load in percentage terms during the super off-peak period for moderate climate zone customers on the 3-period rate was larger and statistically significant compared with the increase in the off-peak kW load for customers on the 2-period rate, which was not statistically significant.[20]

3.1.5. Party Positions

EDF supports SDG&E's rate options. EDF believes that the proposed 3-period default TOU rate offers ratepayers the best opportunity to take advantage of the super off-peak periods that coincide with the availability of renewable energy sources.[21] EDF recommends that SDG&E increase the price differential between peak and off-peak/super off-peak periods to incent further load shifts.[22]

CforAT and Cal Advocates argue that the proposed 2-period TOU rate should be made the default TOU rate and that the 3-period TOU rate and the tiered rate should be made optional rates. CforAT argues that the 2-period TOU

---

[18] Also known as the "moderate" climate zone in the Final Nexant Report and in this decision.

[19] Final Nexant Report at 132, Figure 5.3-7. The reduction in average kWh usage is distinct from the reduction in peak kW demand discussed earlier. While both rates drove down peak kW demand in similar ways, the 3-period rate resulted in lower average kWh usage in the moderate climate zone compared to the 2-period rate.

[20] Final Nexant Report at 120, Table 5.3-1; and at 125, Table 5.3-4.

[21] Exh. EDF-1 at 5.

[22] EDF Opening Brief at 3.

rate is easier for customers to understand and should therefore be the default residential TOU rate.[23] Cal Advocates also argues that the 2-period TOU rate is easier for customers to understand, and points to comparable peak period load shifts between the 2-period TOU rate and the 3-period TOU rate in the opt-in pilot.[24] Further, Cal Advocates argues that the 2-period TOU rate is consistent with the Commission's previously established Rate Design Principles,[25] which state that rates should be understandable and the transition to TOU rates should emphasize and enhance customer education, understanding, and acceptance of new rates. Cal Advocates also proposes that the Commission adopt a more moderate seasonal differential between summer and winter rates to mitigate seasonable bill volatility.[26]

CALSSA does not object to the proposed 3-period TOU rate as the default rate. However, CALSSA alleges that there is an insufficient price differential between the peak, off-peak and super off-peak periods. CALSSA believes that the price differential proposed by SDG&E will not incent customer load shifts in the winter or the discharge of an on-site storage device.[27] To encourage storage of energy during high solar generation hours in the spring, CALSSA recommends an additional optional rate with springtime mid-day hours as a separate TOU period.

---

[23] CforAT Opening Brief at 3.

[24] Cal Advocates Opening Brief at 4.

[25] D.15-07-001 at 28.

[26] Cal Advocates Opening Brief at 5-6.

[27] CALSSA Opening Brief at 4.

In briefs, UCAN put forth no preference for a default rate between the 2-period and 3-period TOU rates. UCAN questions whether TOU rate designs are based on the actual commodity costs of serving customers during peak periods, but does not present its own calculation to the contrary.[28]

3.1.6. Decision on SDG&E's Default Residential TOU Rate

The transition from the traditional residential tiered rate to a new TOU rate is intended to make residential electricity rates more cost based, and to address issues related to the tiered rate structure for California's residential electricity customers. As it currently stands, SDG&E's residential customers pay 75% more per kilowatt hour when their usage moves from Tier 1 to Tier 2, which causes significant bill volatility.[29] On TOU rates, customers will have an additional tool to control their electric bill. Currently, the only way customers on a tiered rate could reduce their electric bill is to reduce their energy consumption; under TOU rates, customers could save if they 1) reduce energy usage and/or 2) shift energy usage to a lower cost period.

Parties disagree on whether the 2-period or the 3-period TOU rate should be adopted as the default TOU rate for SDG&E's residential customers. Results from the opt-in TOU pilots showed similar customer opt-out rates, peak load shifts, customer understanding, and customer satisfaction between the 2-period and 3-period rate options. This decision previously examined some of these similarities and discusses these issues more fully in the section below examining

---

[28] UCAN Opening Brief at 4-5.

[29] SDG&E Opening Brief a 11-12.

the various arguments of Cal Advocates in support of a 2-period default TOU rate.

The evidence from the Final Nexant Report shows that there was a statistically significant difference between 2-period and 3-period rate participants in the moderate climate zone with respect to their overall energy consumption, and that the 3-period rate customers tended to consume less energy on average.[30] The Final Nexant Report also shows that in the moderate climate zone there was an increase in load in percentage terms during the super off-peak period for the 3-period rate that was larger and statistically significant compared with the increase in load during the off-peak period for the 2-period rate, which was not statistically significant when compared to the control group on tiered rates.[31] It appears that, at least in SDG&E's moderate climate zone, the 3-period rate does a better job at reducing overall energy usage and shifting kW load to the lowest-cost hours.

This decision recognizes these differences, and therefore accepts the argument of SDG&E and EDF that the 3-period rate is more granular and cost based, and provides a better price signal to customers to shift their usage from peak to off-peak or super off-peak hours. This is consistent with the Commission's stated principles for the design of a default residential TOU rate.[32] Adoption of the 3-period rate as the default TOU rate is also consistent with

[30] Final Nexant Report at 132, Figure 5.3-7.

[31] Final Nexant Report at 120, Table 5.3-1; and at 125, Table 5.3-4.

[32] *See* D.15-07-001 at 130 ("For a default TOU rate to be successful, the design should be based on empirical evidence that supports both measurable benefits of TOU on the grid, and the acceptance and understanding of TOU rates by the residential customer").

D.17-08-030, which directed SDG&E to use the 3-period structure as the default TOU structure for all of its customer classes.[33] Based on the results of the opt-in pilot, and previous Commission decisions, the Commission directs SDG&E to implement the 3-period tiered TOU rate as its default residential TOU rate. SDG&E's proposals for an optional 2-period TOU rate and an optional tiered rate are approved as well.

This decision agrees with EDF that a successful execution of SDG&E's ME&O plan is required to ensure that SDG&E's residential customers can maximize the opportunities for bill savings and load shifting presented by the transition to default TOU rates.[34] This decision addresses SDG&E's proposed ME&O plan below, and the Commission agrees with EDF that customers on the 3-period default rate must have the tools they need to succeed on the rate.

This decision notes UCAN's concern that embedded utility costs, when incorporated into volumetric TOU rates, tend to dilute the price signal of the rate intended to reflect differences in marginal generation costs over time. CALSSA makes a similar point in their briefing where they argue for removing the embedded distribution costs from some of the proposed super off-peak rates in order to strengthen the marginal cost-based signal of the TOU rate.[35]

However, embedded costs are currently collected through volumetric rates for SDG&E's residential customers and it is not within the scope of this phase of the proceeding to consider this fundamental element of SDG&E's rate design. In the future, it may be appropriate to reconsider SDG&E's default residential TOU

[33] D.17-08-030 at 26.

[34] EDF Reply Brief at 3.

[35] CALSSA Opening Brief at 10-11.

rate structure to determine if there are alternative methods of collecting revenue that strengthen the price signal present in the volumetric portion of the rate design. This decision explicitly rejects UCAN's argument that the rates charged by SDG&E "are not actually based on its cost of service."[36] Embedded costs, as well as the marginal costs of energy procurement reflected in peak prices, constitute SDG&E's cost of service. For the reasons stated above it is appropriate for SDG&E to include its embedded costs in volumetric TOU rates.

3.1.6.1. Cal Advocates' Arguments in Support of the 2-Period Rate

Of all the parties, Cal Advocates made the most thorough arguments in favor of the 2-period rate, and against the 3-period rate, as the default residential TOU rate for SDG&E's customers.[37] Cal Advocates generally argues that the 2-period rate is superior to the 3-period rate in light of the results of the opt-in pilots, specifically with regard to attrition rates, customer understanding, and load impacts. This decision addresses the arguments of Cal Advocates here to further explain the Commission's decision on this point.

First, Cal Advocates argues that the attrition rates of opt-in TOU pilot rate 1 (the 3-period rate) were greater than the attrition rates of opt-in TOU pilot rate 2 (the 2-period rate), making the 2-period rate a better option for default.[38] While Cal Advocates refers to "attrition rates," this decision prefers to focus on those customers that actively chose to opt out of the TOU pilot rates as a better

---

[36] UCAN Reply Brief at 1.

[37] CforAT supported Cal Advocates on this point but did not offer a distinct argument in favor of the 2-period default TOU rate.

[38] Cal Advocates Opening Brief at 3.

measure of customer dissatisfaction with TOU. Overall attrition rates capture those customers that left the opt-in TOU pilots for a variety of reasons, including installing solar energy systems or moving to a different residence, and are therefore not as reliable an indicator of customer dissatisfaction with TOU generally.

The Final Nexant Report states that by October 2017 approximately 3% of CARE customers and 4% of non-CARE customers opted out of the 3-period rate in the moderate climate zone, compared with approximately 2% of CARE customers and 3.5% of non-CARE customers that opted out of the 2-period rate in the moderate climate zone. The Final Nexant Report states that by October 2017 approximately 1.5% of CARE customers and 2% of non-CARE customers opted out of the 3-period rate in the cool climate zone, compared with approximately 1% of CARE customers and 2% of non-CARE customers that opted out of the 2-period rate in the cool climate zone.

While Cal Advocates is correct that there is a small increase in opt-out rates for the 3-period rate compared to the 2-period rate, the difference is so slight that the Commission cannot find that it is sufficient reason to reject the 3-period rate as the default rate for TOU customers. Turning these numbers around, they reflect that between 98.5% and 96% of customers on the 3-period rate chose not to opt out of that rate over a 16-month period. This decision therefore finds that the 3-period rate can be estimated to result in widespread customer acceptance commensurate with the Commission's objectives for residential default TOU.

Cal Advocates also fails to mention Nexant's observation in its Final Report that "[o]pt-out rates appear to level off near the beginning of November [2016], when customers were transitioned to the winter rate period and they remain generally level through June 2017."[39] This trend is at least as important as the small numeric difference in opt-out rates, and reflects that customers on either rate were more likely to accept their rate in the winter (when bills were lower) than the summer. The seasonal price difference is an important driver of customer acceptance. While Cal Advocates correctly identifies a correlation between increased opt-out rates and an increased number of periods, they fail to demonstrate that the super off-peak period was the cause of the increased opt-outs especially when compared to the influence of seasonal differences in TOU rates.

Second, Cal Advocates argues that customers on SDG&E's 2-period opt-in TOU pilot rate on average found peak and off-peak time periods easier to remember and the rate easier to understand than customers on the 3-period opt-in TOU pilot rate.[40]

The portion of the Final Nexant Report referred to by Cal Advocates to support its argument summarizes the results of surveys of 3-period and 2-period rate customers on their perceptions of their rates. The survey used an 11-point scale where 0 meant "do not agree at all" and 10 meant "completely agree." In response to a question about whether peak and off-peak times were easy to remember, 3-period rate customers had an average response of 7.25 while 2-period rate customers (in moderate and cool climate zones) had an average response of 7.73. In response to a question about whether the rate was easy to understand, 3-period rate customers had an average response of 7.13 while

[39] Final Nexant Report at 112-113.

[40] Cal Advocates Opening Brief at 4.

2-period rate customers (in moderate and cool climate zones) had an average response of 7.18.[41]

As with the opt-out rates, Cal Advocates correctly points out a small numeric difference between the two customer groups, but it is unclear that this difference is significant enough to merit selecting the 2-period rate over the 3-period rate as the default rate. In particular, the 0.05 difference on an 11-point scale with respect to rate understanding appears to be so slight as to be meaningless. The survey results indicate that 3-period rate customers, on average, found peak and off-peak times easy to remember and that they found the rate easy to understand at a level comparable to 2-period customers.

Third, Cal Advocates argues that customers on the 2-period rate reported taking more actions than 3-period rate customers to reduce or shift their electricity usage in the afternoon and evening.[42] Once again, the survey data cited by Cal Advocates reveal small numeric differences that do not rise to a level of significance sufficient to favor the 2-period rate over the 3-period rate as the default rate. In fact, the results are more nuanced than Cal Advocates suggests and show a mixture of behavioral differences between 2-period and 3-period rate customers.

3-period rate customers across climate zones reported that they turned off lights at a greater frequency than 2-period rate customers. These customers reported avoiding laundry at a slightly lower rate than 2-period rate customers (between 0% and 3% less), and reported avoiding dishwasher usage at a slightly

---

41 Exh. SDG&E-8, Attachment B at 228, Table 5-37.

42 Cal Advocates Opening Brief at 4.

lower rate as well (between 0% and 5% less) although 3-period rate CARE customers in the cool climate zone reported avoiding dishwasher usage at a higher rate than 2-period CARE customers in the cool climate zone.[43] These findings are mixed and minor, and do not constitute a sufficient reason to reject the 3-period rate as the default residential TOU rate.

Fourth, Cal Advocates argues that the peak load impacts among 3-period and 2-period rate customers were very similar, indicating that 3-period rate customers did not necessarily take advantage of the added opportunity for bill savings presented by the super off-peak period. Cal Advocates therefore reasons that the 2-period rate can accomplish the same load shifting as the 3-period rate.[44] As noted previously in this decision, the peak load reduction patterns among the 2-period and 3-period opt-in TOU pilot rate customers were very similar. But 3-period rate customers did a better job in shifting load to super off-peak hours than 2-period customers did shifting load to off-peak hours in the moderate climate zone. Cal Advocates' argument on load shifting is therefore rejected.

Fifth, Cal Advocates states that the SDG&E opt-in TOU pilots showed mixed results regarding which rate incented more load shift to the hours of 10 a.m. – 2 p.m. on March and April weekdays.[45] This is not surprising given that neither opt-in pilot TOU rate incorporated a super off-peak period for the hours of 10 a.m. – 2 p.m. on March and April weekdays. In other words, the experiences of customers on the opt-in pilot TOU rates cannot be used to inform the Commission's prediction of how customers will respond to the default

[43] Exh. SDG&E-8, Attachment B at 233, Table 5-44.

[44] Cal Advocates Opening Brief at 4.

[45] Cal Advocates Opening Brief at 5.

3-period rate's spring midday super off-peak period as this element was missing from the opt-in pilot TOU rates. Cal Advocates' implied argument that the 3-period rate will not successfully incent load shifting to the spring super off-peak midday hours is speculative and therefore rejected.

Sixth, Cal Advocates argues in reply briefs that the 2-period rate will have milder bill impacts to a larger proportion of customers than the 3-period rate. Cal Advocates' position is predicated on the Commission's approval of Cal Advocates' version of SDG&E's TOU rates.[46] Because this argument does not address SDG&E's TOU rates as proposed, it is not relevant and rejected. Further, as discussed previously, data from the opt-in TOU pilots reveal that bill impacts were extremely similar for 2-period and 3-period rate customers, and therefore bill impacts are not a sufficient reason for favoring the 2-period rate as the default residential TOU rate.

3.1.6.2. Price Differentials for the Default Residential TOU Rate

Both EDF and CALSSA argue that the price differentials between peak and off-peak/super off-peak prices in SDG&E's proposed residential TOU rates are too low and may not result in a meaningful shift in usage to lower cost periods that reduce total utility costs and total rates.[47] EDF asks the Commission to establish "more accurate" price signals by increasing the price differential in the proposed TOU rates.[48] The Commission declines to modify SDG&E's proposed

---

[46] Cal Advocates Reply Brief at 2-3, *see also* Exh. ORA-5. Cal Advocates' proposed rates contain different price peak differentials than SDG&E's proposed rates. (Exh. ORA-2 at 1-9.)

[47] EDF Reply Brief at 4.

[48] EDF Reply Brief at 4.

price differentials between peak and off-peak/super off-peak periods. The price differentials as proposed closely resemble those of the opt-in pilot rates, and the positive results of SDG&E's opt-in pilots with respect to customer opt-out rates, load shifting, and customer understanding give the Commission confidence that the 3-period rate is an appropriate choice for a default residential TOU rate.

CALSSA focuses on the price differentials during the months of March and April, which as proposed by SDG&E would be small given that those months are considered "winter" months under each TOU rate option. CALSSA asserts that the essentially flat peak to off-peak price differentials in March and April "fail to provide a meaningful price signal to achieve the objectives the Commission intended from a super-off-peak period in D.17-01-006."[49]

CALSSA's solution is to create another optional TOU rate that would have the same structure as SDG&E's proposed default TOU rate, but would dramatically reduce the price of energy during the 10 a.m. – 2 p.m. weekday super off-peak period during March and April. CALSSA proposes to eliminate embedded distribution costs from this time period to lower the rate by approximately 10 cents/kWh.[50]

The request of CALSSA for an optional residential TOU rate with a distinctly priced super off-peak rate in the spring is denied. While this decision acknowledges that there are customers who would prefer more sophisticated options, this issue would be better addressed in SDG&E's next GRC Phase II due to be filed by April 2019. The Commission prefers that SDG&E's initial roll-out

---

[49] CALSSA Opening Brief at 4.

[50] CALSSA Opening Brief at 10-11.

of default residential TOU employ a limited number of rate options to facilitate customer understanding of their initial choices among two TOU rates and the traditional tiered rate.

3.1.6.3. Seasonal Differentials for the Default Residential TOU Rate

As noted in the Final Nexant Report, seasonal price differentials in the opt-in TOU pilot rates appeared to drive limited opt-out behavior and increased customer acceptance during the winter season. This suggests that higher summer TOU prices lead to increased, if still small, amounts of customer rejection of TOU. In the first year of residential default TOU, it is advisable to expose residential customers to a seasonal differential that does not drive customer rejection of the rate. Mindful of this goal, the Commission agrees with Cal Advocates that the seasonal differential in the 3-period default TOU rate should be reduced to 2017 levels. This direction does not affect the Commission's previous direction that SDG&E use the price differentials within seasons for peak to off-peak/super off-peak periods as proposed by SDG&E.

In order to maintain consistency, the Commission also agrees with Cal Advocates that the seasonal differential in the 2-period optional TOU rate and the non-TOU tiered rate should also be reduced to 2017 levels.[51] We do not see a basis for adopting a different seasonal differential for these rates compared to the 3-period default TOU rate.

The arguments of SDG&E, EDF, and others in favor of the seasonal differential as proposed by SDG&E are noted. The seasonal differentials may be adjusted in the future.

---

[51] Exh. ORA-2 at 1-8 to 1-10.

3.1.6.4. SDG&E's TOU-D Proposal

SDG&E proposes to offer an un-tiered TOU rate that would be available to all residential customers. Schedule DR-SES is an un-tiered TOU rate that is currently offered only to customers with solar installations. SDG&E proposes to rename schedule DR-SES as "TOU-D" and make it available to all residential customers. SDG&E states that its proposal is an attempt to address the continued high price differentials experienced by customers on its traditional tiered rate.

Cal Advocates and CforAT oppose SDG&E's proposal and argue that it is likely to lead to a rather large revenue shortfall assuming that all benefiting customers switch to TOU-D. Cal Advocates estimates a revenue shortfall of $146 million in such a scenario.[52] Even under a conservative customer defection scenario, the revenue shortfall could amount to $89 million.[53]

The Commission agrees with Cal Advocates and rejects SDG&E's proposal to rename DR-SES as "TOU-D" and open it to all residential customers. The risk of a revenue shortfall that would be borne by SDG&E's residential customers just defaulted to TOU constitutes too great a risk to the success of default TOU.[54] The Commission encourages SDG&E to consider proposing an un-tiered residential TOU rate in its next GRC Phase II proceeding and working with parties to that proceeding on an agreed path forward, as was illustrated in PG&E and SCE's recent GRC Phase II proceedings.

---

52 Cal Advocates Opening Brief at 7.

53 *Id.*

54 *See* Cal Advocates Reply Brief at 4; CforAT Reply Brief at 2.

3.2. Mass TOU Default Migration Plan

3.2.1. SDG&E Proposal

SDG&E provided a Mass TOU Default Transition Plan as part of its RDW Application.[55] SDG&E plans to transition approximately 750,000 eligible residential customers to TOU pricing over a ten-month period beginning March 2019 through December 2019.[56] The transition schedule will be based on the month/season and customer groupings in order of who is expected to benefit the most from being on TOU pricing. Monthly transition totals will range between 50,000 and 120,000 customers.[57] Approximately 115,000 customers/month will be transitioned during March and April, and 120,000 in May. Approximately 50,000 customers per month will be transitioned during summer months. November and December will have a reduced winter transition of approximately 75,000 customers per month.

SDG&E groups customers that are eligible for default into four transition groups. The following is a description of each transition group with percent of total default population:

- Benefiters (2%): Customers expected to save an average of at least $10/month on their electricity bill, based on one calendar year billing period.
- Neutral Benefiters (52%): Customers expected to save an average of $0.01/month to $9.99/month on their electric bill, based on one calendar year billing period.

[55] The Plan can be found as Attachment A to Exh. SDG&E-4.

[56] Exh. SDG&E-4, Attachment A at 8. Because customers require 12-months of billing history to be defaulted, and because of communication timing and bill cycles, customers starting service in February 2019 will be defaulted as late as April 2020. (Exh. SDG&E-9 at CB-3.)

[57] Exh. SDG&E-4, Attachment A at 10.

- Neutral Non-Benefiter (42%): Customers expected to experience an average increase of $0/month to $9.99/month on their electric bill, based on one calendar year billing period.
- Non-Benefiters (4%): Customers expected to experience an average increase at least $10/month on their electric bill based on one calendar year billing period.

To the extent possible, SDG&E intends to transition those that are likely to benefit the most from TOU pricing first, while gradually increasing the transition of non-benefiting customers.[58] SDG&E also intends to transition more customers in the winter months when energy use and prices are lower. SDG&E plans to lessen the transitions during the holiday season. For load research purposes, SDG&E also plans to keep the Default TOU Pilot Control Group population off TOU pricing for as long as possible. SDG&E contends that its transition plan will allow expected benefiters to begin benefiting as soon as possible, while allowing additional time for non-benefiters to prepare for the expected bill impacts.[59]

SDG&E's Mass TOU Default Transition Plan also includes the following elements:

- Internal processes and external touchpoints, working in coordination to ensure an effective and efficient transition for customers.[60]
- Customer research efforts to assess and improve overall customer experience and TOU success.[61]
- Customer support services, including ME&O,[62] training of customer-facing groups, and continuation of the TOU Operations

[58] Exh. SDG&E-4, Attachment A at 11 (Figure 4).

[59] SDG&E Opening Brief at 10.

[60] Exh. SDG&E-4, Attachment A at 15-21.

[61] Exh. SDG&E-4, Attachment A at 21-23.

Center to support the day-to-day management of routine transactions and ongoing management of both technical and non-technical TOU-related exceptions.[63]

3.2.2. Party Positions

Several comments regarding the Mass TOU Default Migration Plan center around customer exclusions from default TOU, which are addressed in Sections 3.4 and 3.5, below. UCAN raises concerns regarding whether SDG&E's existing customer support staff and its ME&O coordinators have the resources to handle the volume of customer inquiries during the transition to default TOU rates.[64] UCAN notes that SDG&E's default pilot has proceeded relatively smoothly but states that a pilot differs from a rate change that will affect the majority of its customer base. UCAN recommends that the Commission closely monitor the rollout process to ensure that SDG&E's customer service does not deteriorate during the transition period. For the first time in its reply brief, UCAN recommends that non-benefiting customers should not be defaulted during December because this is a period when household budgets are typically under strain because of holiday-related expenditures.[65]

3.2.3. Discussion

We find SDG&E's proposed migration plan to be reasonable. The purpose of the default pilot was to test the operational readiness of the IOUs. In January and February 2018, SDG&E sent 60-day notifications and 30-day reminders to

---

62 SDG&E's ME&O Plan is discussed in detail in Section 3.3 below.

63 Exh. SDG&E-4, Attachment A at 23-29.

64 UCAN Opening Brief at 7.

65 UCAN Reply Brief. UCAN's reply brief is unpaginated but consists of only two pages.

approximately 140,000 residentials customers selected for the default pilot.[66] SDG&E processed 20,585 opt-outs and 5,806 early opt-ins from pilot customers. In March 2018, SDG&E transitioned the remaining pilot customers to TOU pricing plans, bringing the total active pilot population to approximately 114,000 customers.[67] Based on the rollout of the default pilot, there is no indication that SDG&E is operationally unprepared to implement default TOU for eligible residential customers. SDG&E's proposed monthly migration totals are in line with what was tested during the default pilot.

We also find SDG&E's proposed transition schedule based on the month/season and customer groupings in order of who benefits the most from being on TOU pricing to be reasonable. A mixture of benefiting and non-benefiting customers will be transitioned most months with more benefiters and neutral benefiters being transitioned earlier during the initial default TOU migration (IDTM) period.[68] SDG&E sensibly takes into account expected bill impacts on customers in determining which customers and how many to transition during each month. We find that this approach is likely to make the transition more manageable from an operational standpoint and allow for more effective ME&O and customer support.

Although UCAN raises concerns regarding whether SDG&E's existing customer support staff and its ME&O coordinators will be able to handle the

---

66 Exh. CforAT-3 at 13.

67 Exh. CforAT-3 at 13.

68 Exh. SDG&E-4, Attachment A at 11 (Figure 4). The IDTM period is defined as "the period of time starting on the date the specific IOU begins migrating customers to default TOU and ending one year later." (D.17-09-036 at 35.)

default transition, it provides no recommendations regarding how to improve these aspects of SDG&E's default plan. As discussed above, the initial results from the default pilot indicate that SDG&E is operationally capable of handling the monthly migration totals proposed in its migration plan. UCAN recommends that the Commission continue to monitor the rollout of default TOU and we intend to do so.

UCAN also recommends that non-benefiting customers should not be defaulted during December because this is a period when household budgets are typically under strain because of holiday-related expenditures. Because this recommendation was made for the first time in UCAN's reply brief, other parties did not have the opportunity to comment on this proposal. In any event, we do not find justification for adopting this proposal. UCAN cites to no evidence that supports that TOU would result in higher bills during December. In fact, the Final Nexant Report noted that winter bill impacts in SDG&E's territory were generally less than 1% in either direction, at the territory level and at the CARE/FERA and non-CARE/FERA level.[69] Data regarding the structural bill impacts of the tiered rate compared to the 3-period TOU rate (which does not take into account behavior change) demonstrates that no customers in any of SDG&E's climate zones are expected to see bill increases greater than 5% in December.[70] We find SDG&E's proposal to transition non-benefiters (customers expected to see an average monthly bill increase of at least $10) in the winter,

---

[69] Final Nexant Report at 8.

[70] Exh. ORA-4 at 1.

when bills are generally lower, to be reasonable.[71] We also find reasonable SDG&E's proposal to transition these customers later in the IDTM to allow for additional time for ME&O.

3.3. ME&O Plan

3.3.1. SDG&E Proposal

SDG&E's Mass TOU Default Transition Plan includes an SDG&E-specific ME&O plan.[72] SDG&E serves approximately 1.3 million residential customers on various electric rates. SDG&E's service territory consists of four geographic zones: coastal, inland, desert, and mountain, with temperature differences that can influence the amount of energy used by the customers in that zone.

SDG&E's objectives for its local ME&O efforts include the following: helping customers to understand TOU rates, educating customers on how to be successful on a TOU pricing plan, offering solutions and encouraging behavior change in customers who are neutral or slightly negative on a TOU rate, and helping customers choose their "best" rate.[73]

To achieve these objectives, SDG&E intends to use a 4-phased approach to communicate with customers:

- Phase 1 – Awareness: Time of Use Education
- Phase 2 – Acknowledgement: Default Notification
- Phase 3 – Activation: Welcome Information

[71] SDG&E proposes to transition neutral non-benefiters throughout the IDTM with a heavier concentration of neutral non-benefiters being transitioned per month near the end of the IDTM. (Exh. SDG&E-4, Attachment A at 11 (Figure 4)).

[72] There is a statewide ME&O effort, which is intended to provide the foundational message to prepare customers for the local IOU messaging.

[73] Exh. SDG&E-5 at HT-12-HT-13.

- Phase 4 – Advocacy: After Care and Customer Retention.[74]

SDG&E also intends to use several strategies such as integrating and coordinating general market communications with targeted direct channels; leveraging its network of community-based organizations, media, and municipal groups; utilizing segmentation and marketing automation; using a "multiple touch" approach; and leveraging and integrating concurrent ME&O campaigns.[75] Specific tactics include a Pricing Plan Microsite to provide detailed information on pricing options and links to online rate comparison tools, informational videos, bill inserts, Bill Ready Notification Emails, social media, direct mail and email campaigns, outbound calling, radio and television, digital advertising, and printed materials.[76]

3.3.2. Party Positions

Cal Advocates recommends that SDG&E continue to work with the ME&O Working Group to refine its ME&O program for the IDTM period.[77] Cal Advocates also recommends that SDG&E continue to target the most negatively impacted default pilot customers and detail the progress it has made in this area to the ME&O Working Group.[78] Cal Advocates notes that these lessons-learned can inform and improve PG&E's and SCE's territory-specific ME&O strategies.

---

74 Exh. SDG&E-5 at HT-13-HT-14.

75 Exh. SDG&E-5 at HT-15.

76 Exh. SDG&E-5 at HT-17-HT-20.

77 Cal Advocates Opening Brief at 9.

78 Cal Advocates Opening Brief at 9.

EDF supports SDG&E's proposed ME&O plan, and particularly notes that it appears tailored to meet individual customer needs.[79] EDF strongly suggests that robust ME&O be paired with technological interventions and continual improvements to distributed energy resource-rewarding TOU rates to assist customers who may be less able to shift their energy usage.

CforAT argues that SDG&E has failed to adequately plan for and prioritize the Rate Choice Vision Metric adopted by the Commission in D.17-12-013 and instead is inappropriately focused on the retention of customers on the default TOU rate.[80] CforAT states that SDG&E should be measuring the percentage of customers that are aware that they have rate choices, the percentage of customers who feel they are on the "right rate" for them, and the percentage of customers who are satisfied with their rate choice.[81] CforAT argues that SDG&E should not be permitted to transition to default TOU until it has a plan that includes an appropriate focus on rate choices for customers rather than retention on TOU rates.

UCAN expresses support for SDG&E's ME&O Plan and is encouraged by SDG&E's intent to make its ME&O plan an iterative process so that it can be modified as necessary based on customer feed-back and input.[82] UCAN, however, shares CforAT's concerns about ensuring that SDG&E makes a concerted effort to reach vulnerable populations and follows appropriate

79 EDF Opening Brief at 4-5.

80 CforAT Opening Brief at 7-8.

81 CforAT Opening Brief at 7.

82 UCAN Opening Brief at 7-8.

procedures for performing in-person visits for eligible customers.[83] UCAN also recommends that SDG&E's outreach efforts target customers in hot climate zones since these customers have a higher rate of opting out of TOU rates.[84]

3.3.3. Discussion

In Resolution E-4910, issued on February 9, 2018, the Commission reviewed and approved an ME&O plan for default TOU for SDG&E for 2017-2019. The ME&O plan was informed by decisions and rulings in Rulemaking (R.) 12-06-013, the Rate Reform Order Instituting Rulemaking ME&O Blueprint (Blueprint),[85] and input from the ME&O Working Group. The ME&O Plan SDG&E presents in its application is essentially the ME&O Plan approved in Resolution E-4910.

Most parties are generally supportive of SDG&E's ME&O plan. Cal Advocates recommends that SDG&E continue to work with the ME&O Working Group to refine its ME&O program for the IDTM period. UCAN is also supportive of SDG&E's ME&O plan being an iterative process that can be modified as necessary based on customer feed-back and input. In Resolution E-4910, we acknowledged that changes to the ME&O Plan and associated budget may be necessary based on new information derived from TOU pilots, additional customer research, implementation or operational requirements, and guidance

[83] UCAN Opening Brief at 7-8.

[84] UCAN Opening Brief at 9.

[85] In R.12-06-013, the IOUs were directed to hire a consultant to advise the ME&O Working Group on appropriate ME&O metrics, goals, and strategies. The Blueprint is the selected consultant, Greenberg, Inc.'s, comprehensive ME&O plan which includes a strategic action plan for statewide and local utility marketing, as well as a proposed vision, proposed metrics, and proposed timeline and budgets.

from the Commission regarding statewide ME&O.[86] We agree that SDG&E should continue to make adjustments as necessary based on results during the IDTM period. These adjustments, however, should be consistent with the adopted vision metrics for rate reform ME&O. Moreover, Resolution E-4910 requires SDG&E to seek appropriate approval from the Commission if its ME&O activities require additional funds beyond the amounts approved in that Resolution.[87]

Cal Advocates and UCAN also emphasize the importance of ME&O for customers most negatively impacted by TOU rates and for vulnerable customer populations. The issue of ME&O for these customer groups was also addressed in Resolution E-4910. The Commission directed SDG&E to develop and provide to the ME&O Working Group and in its quarterly Progress on Residential Rate Reform (PRRR) reports, examples of customized information relevant to low-income and hard-to-reach customer segments and information regarding timeline, frequency of touches, and outreach channels for extreme non-benefiters.[88] In its Q1 2018 PRRR report, SDG&E reported on its outbound call campaign to extreme non-benefiters during the default pilot, which resulted in 11% of these customers choosing to try a TOU pricing plan.[89] SDG&E shall continue to report on its ME&O efforts for these customer groups as ordered in Resolution E-4910.

---

[86] Resolution E-4910 at 21.

[87] Resolution E-4910 at 42 (Ordering Paragraph 5.g.).

[88] Resolution E-4910 at 11.

[89] Exh. CforAT-3 at 17.

Contrary to CforAT's assertions, we do not find that SDG&E's ME&O Plan inappropriately focuses on TOU rate retention rather than customer rate choice. In D.17-12-023, the Commission adopted the Vision Metrics of: Engagement, Rate Choice, and Action, to serve as a guiding vision for ME&O for residential rate reform at both the statewide and IOU territory level.[90] The Rate Choice Vision Metric measures progress toward the goal of ensuring that customers know how to respond to TOU rates and that customer know that other rate options are available.[91] Resolution E-4910 adopted goal and tracking metrics for SDG&E's ME&O Plan consistent with the Vision Metrics adopted in D.17-12-023, including the Rate Choice Vision Metric.[92]

SDG&E is already measuring metrics related to the Rate Choice Vision Metric. For example, the default pilot is measuring customers' satisfaction with their current pricing plans, beliefs on the best plan for their households, and awareness of rate choice options.[93] Further, a review of SDG&E's customer communications such as the 60-day pre-default notification and 30-day pre-default reminder reflects that the communications do provide information regarding optional rate plans, including the option to stay on the non-TOU tiered rate.[94]

Results from Survey 1 of the default pilot related to the Rate Choice Vision Metric are encouraging. 79% of those surveyed during Survey 1 of the default

---

[90] D.17-12-023 at 61 (Ordering Paragraph 1).

[91] D.17-12-023 at 15.

[92] Resolution E-4910 at 27-29.

[93] Exh. CforAT-4 at 3-5 (Slides 5, 6, 8, 10).

[94] Exh. CforAT-3, Attached SDG&E Customer Communications Q1 2018.

pilot were aware that they had a choice of rate plans.[95] 62% of customers were aware that "A choice of pricing plans is available so you can decide which pricing plan best suits your needs" compared to 36% during the baseline survey.[96] 61% were aware that "pricing plans are available that could help you save money" compared to 47% during the baseline survey.[97] Therefore, the results of SDG&E's ME&O efforts to date reflect increasing awareness of rate choice.

Based on the foregoing, we find SDG&E's ME&O Plan to be reasonable and do not find that modifications to the plan adopted in Resolution E-4910 are warranted. SDG&E shall continue to collaborate with the ME&O Working Group during the IDTM and continue to report on its ME&O efforts in its quarterly PRRRs so that the Commission and stakeholders may continue to monitor these efforts.

3.4. Determination of Customer Eligibility for Default TOU

3.4.1. SDG&E Proposal

Pursuant to Section 745 and D.17-09-036, SDG&E plans to exclude the following categories of residential customers from the mass default TOU transition:[98]

Customer Category	Reason for Exclusion
Customers receiving a medical	Section 745(c)(1)

[95] Exh. CforAT-4 at 4 (Slide 8).

[96] Exh. CforAT-4 at 5 (Slide 10).

[97] Exh. CforAT-4 at 5 (Slide 10).

[98] SDG&E Opening Brief at 19-20.

baseline allowance	
Customers requesting third-party notification pursuant to Section 779.1(c)	Section 745(c)(1)
Customers who the Commission has ordered cannot be disconnected without an in-person visit from a utility representative	Section 745(c)(1)
Customers with less than 12 months of interval data from an advanced meter	Section 745(c)(4)
Customers already on a TOU rate	These customers will be kept on their current TOU rate.
Customers on multi-family rate schedules DV, DT, DS, and DT-RV	These customers are on master meters and the resident is not usually the account holder.
Customers using non-interval bill capable meters	Interval data not available.
Smart Meter opt-out customers	99.9% of these customers do not have meters that collect interval data. These customers will be excluded unless meter capability and/or rate rules do not disqualify the customer.
Direct Access & Transition Bundled Service Customers	Non-commodity rates for these customers do not differ based on TOU period.
CARE/FERA eligible customers living in Mountain and Desert climate zones	Section 745(d); Ordering Paragraph 3 of D.17-09-036

3.4.2. Party Positions

No party disputed that these customer categories should be excluded from default TOU. EDF argues that TOU benefits could be realized by currently excluded vulnerable customers provided that appropriate interventions are put in place. However, EDF agrees that the risks of defaulting these customers are currently unacceptably high.[99]

Cal Advocates supports SDG&E's proposal to exclude existing TOU customers, including those in the default TOU pilot, from the mass TOU default process.[100] Cal Advocates contends that this will ease the transition and limit customer confusion.

CforAT makes an additional recommendation that the Commission exercise its discretion under Section 745(c)(1) to exclude the 4% of SDG&E's customers that are "non-benefiters" who would experience the most substantial structural bill increases from default TOU.[101] Non-benefiters are customers that are expected to experience an average increase of at least $10/month on their electric bill based on the last 12 months of energy consumption. CForAT notes that, in the context of the default TOU pilot, of the non-benefiter customers SDG&E was able to reach, opt-out rates for this customer group was 89%.[102] CforAT argues that SDG&E should exclude these customers from default TOU rather than in engage in the substantial cost and effort required to contact and educate this relatively small group of customers who are likely to opt out of default TOU at very high rates.

---

[99] EDF Opening Brief at 4.

[100] Cal Advocates Opening Brief at 8.

[101] CforAT Opening Brief at 12-13.

[102] CforAT Opening Brief at 13.

SDG&E opposes CforAT's recommendation.[103] SDG&E argues that prematurely excluding additional groups will only work to undermine the point of TOU in the first place, which is to encourage customers to shift usage in a manner that reduces their bills and helps manage load on the system. SDG&E argues that the Commission should allow actual experience to inform whether further exclusions are necessary.

3.4.3. Discussion

We find that SDG&E has properly identified the customers that should be excluded from default TOU. SDG&E's identification of customers to be excluded is consistent with Section 745 and Commission decisions addressing customer exclusions from default TOU (D.16-09-016 and D.17-09-036). Therefore, SDG&E shall exclude the customer groups identified above from mass default TOU.

We also find that SDG&E's customers on the Net Energy Metering (NEM) successor tariff that have exercised their option to remain on tiered rates shall also be excluded from default TOU. In D.16-01-044, the Commission adopted the NEM successor tariff, including the condition that all NEM successor tariff customers must be on a TOU rate with no option to opt out to a rate that is not time-differentiated.[104] However, the Commission determined that SDG&E's residential customers who complete their interconnection applications for the NEM successor tariff by a certain date would have the option of maintaining their tiered rates for a period of up to five years.[105] Given that the NEM successor tariff customers that are currently on tiered rates have actively opted for these

---

103 SDG&E Reply Brief at 26.

104 D.16-01-044 at 110 (Finding of Fact 35).

105 D.16-01-044 at 121-122 (Ordering Paragraphs 8-10).

rates over TOU rates, we do not find that these customers should now be defaulted to a TOU rate. Pursuant to D.16-01-044, these customers will be transitioned to a TOU rate after the five-year period specified in that decision.[106] These customers may also opt in to a TOU rate before the expiration of the five-year period.

We, however, decline to adopt CforAT's proposal to further exclude all "non-benefiters" from default TOU. The Commission directed the transition of most residential customers to default TOU rates to encourage residential customers to shift energy usage to times of day that support a cleaner more reliable grid. The Legislature has required that certain customer groups be excluded from default TOU and the Commission has additionally required certain exclusions. With the exception of the NEM successor tariff customers identified above, we agree with SDG&E that additional customer exclusions would undermine the goals of TOU and are not warranted. Customers identified as structural non-benefiters should receive ME&O, including bill comparisons, in order to make an informed decision about whether to try a TOU rate. These customers may be able to make behavior changes to shift usage resulting in lower than anticipated bills. Consistent with statute, these customers will also retain the option to opt out of TOU.

[106] Nothing in this decision is intended to modify the grandfathering measures for NEM successor tariff customers adopted in D.16-01-044 or for NEM tariff customers in D.17-01-006. These customers shall retain the option to maintain their grandfathered rates for the time periods specified in D.16-01-044 and D.17-01-006.

3.5. Methods for Identifying and Excluding Ineligible Customers

SDG&E contends that given the nature of the various categories of excluded customers, most will be easily identifiable via SDG&E's system of records for each customer.[107] (E.g., customers on medical baseline, those who have requested third-party notifications, and those on multi-family rates.) SDG&E states that the customers that present more challenges with respect to identification are the CARE/FERA-eligible customers living in hot climate zones. SDG&E proposes to use a probability model to estimate and exclude these customers.

CforAT is the only party that objected to SDG&E's proposed methods to identify and exclude ineligible customers. CforAT specifically argues that SDG&E's proposed methods are inadequate with respect to customers eligible for an in-person visit prior to disconnection and medical baseline customers.

SDG&E's methods for identifying and excluding CARE/FERA-eligible customers in hot climate zones, customers requiring an in-person visit prior to disconnection, and medical baseline participants are discussed below. With respect to the other customer categories that will be excluded, based on the characteristics of these customer categories, we agree with SDG&E that these customers should be identifiable via SDG&E's system of records.

3.5.1. CARE/FERA Eligible Customers

SDG&E's system does not readily identify CARE/FERA-eligible customers living in hot climate zones. SDG&E proposes a two-step method for identifying

---

[107] SDG&E Opening Brief at 20.

these customers.[108] First, SDG&E intends to enroll as many CARE/FERA-eligible customers in the hot climate zones as possible onto CARE/FERA (pre-default) via program enrollment campaigns and tailored outreach.[109] For the CARE/FERA-eligible customers that remain unenrolled after these efforts, SDG&E will use a probability model based on Athens Research data to calculate the probable number of CARE and FERA-eligible customers within each hot zone ZIP+2 code area (which is a smaller subset of the standard 5-digit ZIP code area). The Athens Research data provides estimates on the probable number of CARE and FERA-eligible customers in a given area but does not identify specific CARE and FERA-eligible customers within that area. SDG&E proposes to exclude all customers living within hot zone ZIP+2 code areas where the percentage of probable CARE and FERA-eligible customers is at or above the average.[110]

SDG&E estimates that its proposed methodology would result in the exclusion of 10,648 customers out of approximately 17,000 customers across 110 hot zone ZIP+2 codes spanning 24 standard ZIP codes (approximately 63% of customers in the hot climate zones).[111] SDG&E argues that any method to exclude a higher percentage or all hot zone customers would be unreasonable and unfair to those customers that may benefit from transitioning to TOU rates. SDG&E contends that data shows that up to 50% of customers in a hot zone

---

108 SDG&E Opening Brief at 20-21.

109 Exh. SDG&E-10 at HT-4-HT-6.

110 The average percentage of FERA-eligible customers in the hot zone ZIP+2 codes is 2.6%. The average percentage of CARE-eligible customers in the hot zone ZIP+2 codes is 27.3%. (Exh. SDG&E-13 at HT-3.)

111 Exh. SDG&E-13 at HT-4.

could be benefiters on a TOU plan, including the CARE/FERA-eligible population.[112]

No party objected to SDG&E's proposed methodology to identify and exclude CARE and FERA-eligible customers living in the hot climate zones. CforAT stressed the ongoing importance of SDG&E's efforts to encourage eligible customers to enroll in CARE or FERA.[113]

We find SDG&E's proposed methodology for identifying CARE/FERA-eligible customers living in the hot climate zones to be reasonable. The available data does not allow identification of specific CARE/FERA-eligible households within a ZIP code. Given the challenges of identifying specific CARE/FERA-eligible households, we find that SDG&E's proposed methodology reasonably balances identifying and excluding CARE/FERA-eligible customers in the hot climate zones without unduly excluding the customers eligible for default TOU. With the exception of CforAT's proposal that all non-benefiters be excluded from default TOU, which we addressed above, no party has proposed that additional customers in the hot climate zones be excluded and we do not find that the record evidence warrants additional exclusions.

3.5.2. Customers Requiring In-Person Visit Prior to Disconnection

CforAT argues that SDG&E does not have an adequate plan to properly identify customers eligible for an in-person visit before disconnection so that these customers can be excluded from default TOU, as required by

112 SDG&E Opening Brief at 21 citing Reporter's Transcript (RT), Vol. 2 at 182: 18-22.

113 CforAT Opening Brief at 9.

Section 745(c)(1) and D.16-09-016.[114] CforAT notes that the only customers in this category that SDG&E will be able to identify are those customers that have previously been in arrears. CforAT argues that no default TOU plan should be adopted until SDG&E has an effective plan to identify these customers, including customers that have not previously been in arrears, and that any such plan must be put before stakeholders for review and input and considered by the full Commission.

SDG&E argues that the disconnection-related exclusions in Section 745(c)(1) are not based on eligibility for an in-person visit prior to disconnection and that the Commission has not issued any order that the TOU transition be halted until SDG&E has a plan to identify customers that may be eligible for an in-person visit before disconnection (as opposed to customers requiring an in-person visit).[115] SDG&E argues that current practices and materials are already in place to help identify customers that may be qualified for an in-person visit, such as contacts through the customer call center and community outreach by SDG&E or its partnering community-based organizations (CBOs).[116] Once identified, SDG&E will exclude these customers

---

[114] CforAT Opening Brief at 9. Section 745(c)(1) provides that certain categories of residential customers shall not be subject to default TOU rates without their affirmative consent, including "customers who the commission has ordered cannot be disconnected from service without an in-person visit from a utility representative (D.12-03-054 (March 22, 2012), Decision on Phase II Issues: Adoption of Practices to Reduce the Number of Gas and Electric Service Disconnections, Order 2(b) at page 55)." Ordering Paragraph 2(b) of D.12-03-054 states: "No customer who is on medical baseline or life support or who certify that he or she has a serious illness or condition that could become life threatening if service is disconnected shall be disconnected without an in-person visit from a utility representative."

[115] SDG&E Reply Brief at 20 and 22.

[116] SDG&E Reply Brief at 22-24.

from the TOU transition consistent with Section 745(c)(1). SDG&E contends that additional efforts should not be required because there are adequate customer protections in place, such as the ability to opt out of default TOU and bill protection. SDG&E also contends that there is no evidence in the record that there exists any significant number of customers who are eligible but not already identified as qualified for an in-person visit prior to disconnection.

Based on customer records, SDG&E's system is able to identify the customers who require an in-person visit prior to disconnection, and therefore, must be excluded from default TOU pursuant to Section 745(c)(1) and D.12-03-054. SDG&E's system is able to identify customers on medical baseline and customers that have provided a certification regarding a serious illness or condition.

CforAT raises concerns that there may be a population that is eligible for an in-person visit prior to disconnection but is not identified in SDG&E's system as requiring an in-person visit. The requirements of Section 745(c)(1) apply to "customers that the commission has ordered cannot be disconnected from service without an in-person visit from a utility representative" in D.12-03-054. We agree with SDG&E that there is a distinction between customers that require an in-person visit pursuant to D.12-03-054 and customers that may be eligible for an in-person visit. For example, D.12-03-054 orders that customers on medical baseline shall not be disconnected without an in-person visit but does not impose this same requirement with respect to customers that may be eligible for medical baseline but not enrolled on the program.[117]

---

[117] D.12-03-054 at 55 (Ordering Paragraph 2(b)).

We find that SDG&E's plan to identify and exclude the customers identified in D.12-03-054 as requiring an in-person visit prior to disconnection complies with the mandates in Section 745(c)(1) and we do not find that the halting of default TOU to identify additional customers that may be eligible is warranted. Based on the record of this proceeding, there is no clear indication that there are a large number of customers who may be eligible for an in-person visit but have not been identified (i.e., customers who are eligible for but have not enrolled in medical baseline or have a life-threatening illness or condition but have not provided certification).

SDG&E should continue its outreach efforts regarding customer eligibility for an in-person visit prior to disconnection via the customer call center and community outreach by SDG&E and its partnering CBOs. To the extent that parties believe there needs to be additional action by the utilities to identify customers that may be eligible for an in-person visit prior to disconnection, this is an issue that is not just limited to default TOU and we encourage parties to raise their concerns in the disconnections rulemaking, which is currently examining policies and rules regarding disconnections.[118] The consequences of disconnecting customers with serious illnesses or conditions without providing adequate protections are potentially dire and life-threatening and should be examined if the utilities' practices with respect to these customers are deficient. With respect to customers that are defaulted onto TOU rates, we note that there

[118] Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs (R.18-07-005).

are customer protections such as bill protection for a year and the opportunity to opt out of default TOU.[119]

3.5.3. Medical Baseline Customers

In D.17-09-036, the Commission stated that there may be many customers eligible for medical baseline that are unaware of the program and directed the IOUs to continue their outreach regarding medical baseline and continue to provide information regarding the program in their rate reform communications.[120] CforAT contends that SDG&E did not provide any information regarding its medical baseline outreach efforts. Prior to authorizing SDG&E to begin defaulting customers onto TOU rates, CforAT argues that the Commission should ensure that SDG&E is conducting appropriate outreach to medical baseline-eligible customers so that they can enroll in medical baseline and be excluded from default TOU.[121]

SDG&E counters that there is evidence in the record regarding SDG&E's medical baseline outreach efforts. SDG&E's witness Tantum testified that SDG&E conducted a dedicated hot zone campaign targeted at ZIP codes where there was a higher probability of CARE, FERA, and medical baseline customers, followed by expanded outreach through their CBO network.[122] SDG&E contends that it continues to leverage its CBO partners, as well as to use broad reaching

119 As discussed in Section 3.8 below, there is a lack of evidence that TOU rates result in a higher rate of disconnection compared to the tiered rate.

120 D.17-09-036 at 34.

121 CforAT Opening Brief at 12.

122 SDG&E Reply Brief at 25 citing RT, Vol. 2 at 185:6-186:26.

communication channels, such as recurring messages in the bill package and promotion through social media channels, to raise awareness of the program.[123]

As directed in D.17-09-036, SDG&E has been reporting on its medical baseline outreach efforts in its PRRR reports filed in R.12-06-013. Although CforAT raises concerns regarding whether SDG&E is conducting adequate medical baseline outreach, CforAT does not point to which efforts are inadequate or provide suggestions as to what additional outreach SDG&E should be conducting. The Commission previously examined the issue of SDG&E's medical baseline outreach efforts in R.12-06-013. SDG&E reported that participation in the medical baseline program in SDG&E's territory increased by 44% between June 2015 and mid-2017.[124] We direct SDG&E to continue their medical baseline outreach efforts and continue to provide periodic updates in their Progress on Residential Rate Reform reports so that stakeholders and the Commission may continue to monitor these efforts.

3.6. Bill Protection Proposals

Section 745(c)(4) requires that a residential customer that is defaulted to a TOU rate be "provided with no less than one year of bill protection during which the total amount paid by the residential customer for electric service shall not exceed the amount that would have been payable by the residential customer under that customer's previous rate schedule."

---

[123] SDG&E Reply Brief at 25-26.

[124] D.17-09-036 at 31.

3.6.1. SDG&E Proposal

SDG&E had originally proposed that bill protection be limited to its 3-period default TOU rate. SDG&E subsequently modified its bill protection plan in response to Cal Advocates' recommendation that bill protection also be extended to customers choosing the 2-period TOU rate and customers who transfer or start new service during the IDTM period.[125] SDG&E's modified bill protection plan is as follows:[126]

SDG&E Mass TOU Default Bill Protection Plan
by Customer Type, TOU Rate and Valid Start Date

Customer Type	3-Period Default TOU Rate	2-Period Opt-In TOU Rate	Bill Protection Start Dates
Existing, Defaulted	Yes	Yes	03/01/2019 to 04/30/2020
Existing, Early Opt-In	Yes	Yes	01/01/2019 to 12/31/2020
New (TOU turn-on)	Yes	Yes	03/01/2019 to 04/30/2020

3.6.2. Party Positions

No party objects to SDG&E's bill protection proposals. Cal Advocates argues that providing bill protection to customers on both the opt-in and default TOU rates may incent customers to try a TOU rate. Cal Advocates also argues that expanded bill protection can mitigate customer confusion and allow for equal bill protection treatment across customers enrolled in a TOU rate. Cal Advocates contends that the minimal incremental cost to offer bill protection to

---

125 Exh. ORA-2 at 3-2.

126 Exh. SDG&E-9 at CB-3, Table 1.

customers on both rates is greatly outweighed by the increased opportunities for TOU rate adoption and the added efficiencies gained in terms of ME&O efforts.[127]

3.6.3. Discussion

Section 745(c)(4) requires SDG&E to provide bill protection to existing residential customers that are defaulted to a TOU rate. Since we adopt the 3-period TOU rate as the default rate, consistent with Section 745(c)(4), SDG&E shall provide bill protection to all customers defaulted onto that rate during the IDTM.

Although Section 745(c)(4) does not require that customers that opt in to a TOU rate be offered bill protection, in D.17-09-036, we determined that customers that opt in to the default TOU rate during the IDTM should also receive bill protection with the exception of customers already on a TOU rate, Net Energy Metering Successor Tariff customers, and PG&E's customers billed through PG&E's Advanced Billing System.[128] SDG&E's proposal to offer bill protection to customers that opt in to the default rate from Schedule DR (the tiered rate) is consistent with the directives in D.17-09-036.[129] We find it reasonable for SDG&E to offer bill protection to customers that opt in to the default rate from the tiered rate during or before the IDTM.

---

[127] ORA Opening Brief at 10.

[128] D.17-09-036 at 56 (Ordering Paragraph 7).

[129] Although SDG&E did not specify which customers opting in to the 3-period rate would be eligible for bill protection, Cal Advocates' recommendation was limited to offering bill protection to customers that transition to the 3-period rate from the tiered rate. (Exh. ORA-2 at 3-2.)

In D.17-09-036, we also determined that the bill protection provisions of Section 745(c)(4) do not extend to optional TOU rates.[130] However, SDG&E and Cal Advocates recommend that bill protection be extended to SDG&E's optional 2-period TOU rate for existing tiered customers that opt in to that rate before or during the IDTM.[131] Given that SDG&E has proposed two TOU rates, we find it reasonable for SDG&E to provide bill protection for both rates before and during the IDTM. We agree that offering bill protection to the 2-period optional rate will give more customers the opportunity to participate in TOU during the IDTM with less risk, minimize customer confusion and frustration, and allow for simpler and consistent ME&O. Moreover, we anticipate that the costs of offering bill protection for this optional rate would be minimal given that the customers that decide to opt in to the rate are those that are likely to benefit on that rate.[132] Therefore, we find reasonable and adopt SDG&E's and Cal Advocates' recommendation regarding bill protection for the 2-period optional rate.

In D.17-09-036, we determined that the bill protection provisions of Section 745(c)(4) do not apply to new or transferred customers enrolling in the default TOU rate schedule during or after the IDTM.[133] SDG&E and Cal Advocates now propose that bill protection be offered to these customers. We do not find sufficient justification for modifying our conclusion in

---

130 *Id*. at 42.

131 Although SDG&E did not specify which customers opting in to the 2-period rate would be eligible for bill protection, Cal Advocates' recommendation was limited to offering bill protection to customers that transition to the 2-period rate from the tiered rate. (Exh. ORA-2 at 3-2.)

132 Exh. ORA-2 at 3-7–3-8.

133 D.17-09-036 at 42.

D.17-09-036 that bill protection need not be offered to these customers. Section 745(c)(4) requires bill protection such that the total amount a customer pays on a default TOU rate does not exceed the amount that the customer would have paid under that customer's "previous rate schedule." New and transferred customers do not have a previous rate schedule to which to compare the TOU rate. Moreover, the bill protection provisions of Section 745(c)(4) are intended as a customer protection measure for existing tiered customers that are defaulted to a TOU rate. Once the IDTM begins, new and transferred customers will not be defaulted onto a TOU rate but will be affirmatively choosing a rate.

SDG&E proposes to offer bill protection to eligible customers for a maximum total of 12 consecutive months on either the 3-period default TOU Rate or 2-period optional TOU Rate or a combination of the two.[134] SDG&E's Electric Rule 12 provides that: "a customer may request only one rate schedule change … in any twelve-month period."[135] Notwithstanding Electric Rule 12, SDG&E shall allow a customer on the 3-period default TOU Rate to opt in to the non-TOU tiered rate. This is consistent with the statutory requirement in Section 745(c)(6) that customers have the option to not receive service pursuant to the default TOU rate schedule. Although the 2-period TOU Rate is not the default rate, it is being offered in conjunction with the roll-out of default TOU. Therefore, we determine that customers on the 2-period optional TOU Rate should also retain the option to opt in to the non-TOU tiered rate notwithstanding the requirements of Electric Rule 12. This might occur if, for

---

134 SDG&E Opening Brief at 22.

135 SDG&E Electric Rule 12.D. The current version of Electric Rule 12 is available at: https://www.sdge.com/sites/default/files/elec_elec-rules_erule12.pdf.

example, customers defaulted to the 3-period TOU rate later opt in to the 2-period TOU rate and then further opt in to the non-TOU tiered rate within a 12-month period.

3.7. Rate Conversation Script for New Customers

In D.17-09-036, the Commission determined that the default TOU rate will become the "standard turn-on rate" for new and transferred customers at the start of the IDTM when the IOU begins defaulting existing customers onto TOU rates.[136] Beginning at the start of the IDTM, the IOUs must engage customers who start or transfer service in making a rate selection. Customers that decline to make a rate selection will be placed on the standard TOU rate. In the interest of enabling customers to choose the rate that is best for them, D.17-09-036 ordered PG&E, SCE, and SDG&E to complete development and testing of rate conversation scripts in time for the start of the IDTM and that the content of the scripts would be considered in the IOUs' RDWs.[137]

3.7.1. Party Positions

In Exh. SDG&E-13, SDG&E presents the most current version of its proposed rate conversation talking points that it intends to use when discussing pricing plan options with new residential customers. The script is intended to work as a guideline for employees interacting with new customers about their rate options. SDG&E contends that the script demonstrates that SDG&E is prepared to engage new customers in a manner that reasonably allows them to reach an understanding of the TOU transition and what options are available to

[136] D.17-09-036 at 56 (Ordering Paragraph 6).

[137] D.17-09-036 at 39.

them. SDG&E explains that the script will be a living document, subject to revisions as new information is obtained via surveys and discussed within SDG&E or in Working Group meetings with other stakeholders.[138] SDG&E contends that its proposed talking points are reasonable and meet the Commission's general direction in D.17-09-036.

Cal Advocates does not have a specific recommendation regarding the content of SDG&E's rate conversation script. Cal Advocates, however, recommends that SDG&E continue to collaborate with the ME&O Working Group to ensure that its scripts are appropriately vetted and conform with best practices.

CforAT argues that SDG&E's proposed script is fundamentally inadequate and that the Commission should require SDG&E to provide an appropriate rate conversation script via an Advice Letter and Resolution process before SDG&E is permitted to begin any transition to default TOU for residential customers.[139] CforAT argues that deficiencies of the proposed script include, among others, the following: the script is not designed to give the customer a choice; the script does not automatically provide a description of all available rate options but rather directs customers to visit SDG&E's website to review rate options; the script inadequately describes and strongly discourages the choice of the non-TOU tiered rate option; and the script confusingly refers to the tiered rates as the customer's "standard" plan even though the script would come into effect at the start of the IDTM.[140]

---

138 SDG&E Reply Brief at 28.

139 CforAT Comments on Exh. SDG&E-13 at 1.

140 CforAT Comments on Exh. SDG&E-13 at 4-6.

UCAN states that the tone of the talking points seems to overstate the likely benefits from TOU rates.[141] UCAN also raises the concern that the script may serve to confuse customers because it contains a substantial amount of information at one time. UCAN recommends that SDG&E develop proxy "average" customer bill scenarios based on the typical usage of a customer broken down by geographic region.[142]

3.7.2. Discussion

The rate conversation scripts required by D.17-09-036 are intended to be a guide for the IOUs' customer service representatives (CSRs) in engaging customers who start/transfer service in making a rate selection after the start of the IDTM. D.17-09-036 stated that the content of the scripts would be considered in the 2018 RDWs. It was not the Commission's intent to approve scripts that must be recited verbatim nor would this be feasible or effective in engaging customers.

Consistent with D.17-09-036, in engaging new customers, SDG&E should make clear that the new customer has rate options and will be placed on the default TOU rate if no choice is made. SDG&E's current rate conversation script includes this talking point. CSRs should be adequately trained to provide details regarding a customer's various rate options, including the non-TOU tiered option.

We do not place much significance on the fact that the script presents information regarding the non-TOU tiered rate option after information on Solar

---

141 UCAN Opening Brief at 10.

142 UCAN Opening Brief at 11.

and Electric Vehicle (EV) rates. As mentioned above, the script is intended to be a set of talking points and not all of the points may be relevant to every customer. For example, we would not expect EV rate options to be discussed with a non-EV customer.

We agree with CforAT that it is confusing and misleading to refer to the non-tiered TOU rate option as the "standard rate" after the start of the IDTM and that this terminology should be avoided. Once the IDTM has begun, the default TOU rate, not the non-tiered TOU rate, will be the new standard turn-on rate.

We do not necessarily view it as a deficiency that the talking points direct customers to visit SDG&E's website to review rate options. SDG&E may be able to provide more information in greater detail on its website and some customers may prefer to receive this information via the website. The CSRs, however, should be prepared to discuss with new/transferred customers which rate option might be best for the customer based on the customer's particular circumstances such as in the rate conversation talking points for existing customers.[143] Moreover, CforAT's point that some customers may have limited or no internet access is well taken. If a customer indicates that he/she has limited or no internet access, SDG&E should be prepared to provide information regarding rate options by alternative means, such as over the phone or through printed materials mailed to the customer.

We decline to adopt UCAN's recommendation that SDG&E develop proxy "average" customer bill scenarios based on the typical usage of a customer broken down by geographic region. UCAN does not provide sufficient

---

[143] *See* Exh. SDG&E-13, Appendix A at 2 (unpaginated).

justification for this proposal and the recommendation has not been adequately vetted because UCAN provided this recommendation for the first time during briefs. It is unclear that providing an average bill would provide meaningful information to customers, and it is possible that this information may even be misleading and confuse customers. SDG&E should continue to develop and refine based on results its communications to new and transferred customers to provide information that will assist these customers in choosing the best rate for them.

SDG&E is directed to refine its talking points based on directives in this decision. CforAT's argument that the Commission should require SDG&E to provide a revised rate conversation script via an Advice Letter and Resolution process before SDG&E is permitted to begin any transition to default TOU for residential customers is denied. As discussed above in Section 3.3, there is no indication that SDG&E's ME&O efforts related to rate choice, including the tiered rate option, have been insufficient. We expect that these efforts will continue and be refined based on results. If there are significant changes to the rate conversation scripts, SDG&E is directed to present these changes in its PRRR report, including the reasons for the changes.

3.8. Cal Advocates' Proposal for Waiver of Disconnection-Related Fees

3.8.1. Party Positions

Cal Advocates recommends that SDG&E waive fees associated with the disconnection and service re-establishment for all customers transitioned during the IDTM period. Cal Advocates argues that waiving these fees for defaulted TOU customers during the IDTM period provides an appropriate additional customer protection measure to smooth TOU implementation and adoption and will mitigate the loss of electric service due to the transition to default TOU rates.[144] Cal Advocates argues that offering bill protection for one year does not sufficiently protect customers from the risk of disconnection.[145] Cal Advocates notes that in the opt-in pilot, two-thirds of CARE/FERA customers and 18-28% of non-CARE/FERA customers in the moderate and cool climate regions reported difficulties in paying their electricity bills or bills for basic needs at least once during the summer.[146] Cal Advocates also notes that 46% of SDG&E's eligible default TOU customers will likely see bill increases.

CforAT and UCAN support Cal Advocates' proposal. CforAT argues that customers may experience unexpected bill volatility and hardship from higher summer bills as a result of transitioning to TOU, which may increase the likelihood of customers being disconnected from service.[147] CforAT contends that SDG&E's proposal of a level payment plan is not an effective substitute for the protections sought by Cal Advocates because SDG&E has not identified a plan for how it will disseminate information about this option.[148] CforAT also contends that, although SDG&E asserts that it has not observed higher rates of disconnections based on TOU pricing, there is not yet a meaningful record of the

[144] Cal Advocates Opening Brief at 12-13.

[145] Cal Advocates Opening Brief at 12.

[146] Cal Advocates Opening Brief at 12-13. Although Cal Advocates cites to Table 5-20 of the Final Nexant Report, this data can actually be found in Table 5-20 of the Research into Action Report attached as Attachment B to Exh. SDG&E-8.

[147] CforAT Opening Brief at 19.

[148] *Id*. at 20.

impact that the transition to default TOU rates will have on customer arrearages and disconnections.[149]

Both SDG&E and SCE oppose Cal Advocates' proposal. SDG&E and SCE argue that in D.17-09-036, the Commission rejected a similar proposal by Cal Advocates to place a moratorium on disconnections through the summer of the default pilot.[150] In D.17-09-036, the Commission found that since CARE/FERA eligible customers in hot climate zones would be excluded from default TOU, and given the customer protections already in place, no additional measures were necessary to mitigate the impacts of default TOU on economically vulnerable customers.[151] SDG&E and SCE argue that this issue should not be revisited. SDG&E and SCE contend that any reconsideration of this issue is better addressed in the Commission's Disconnections Rulemaking (R.18-07-005) or Affordability Rulemaking (R.18-07-006).

SDG&E also argues that Cal Advocates' proposal is unreasonable and unnecessary because, among other things: SDG&E has not observed that TOU pricing causes a noticeably higher rate of occurrence of these types of fees; customers may opt out of TOU pricing at any time; SDG&E will offer bill protection to defaulted customers; SDG&E is excluding many customers from default TOU; and SDG&E offers a Level-Pay-Plan if a customer is likely to experience significant month-to-month bill volatility.[152]

---

149 *Id*. at 21.

150 SDG&E Opening Brief at 24; SCE Opening Brief at 12.

151 D.17-09-036 at Conclusion of Law 6.

152 SDG&E Opening Brief at 25.

SCE similarly argues that Cal Advocates' proposal is unnecessary and unreasonable. SCE states that there are numerous statutory hardship protections required under Sections 745(c) and 745(d), including customers' ability to opt out of the default TOU rate, the requirement that eligible customers receive one year of interval usage data prior to being defaulted, and the requirement of no less than one year of bill protection for defaulted customers. SCE argues that there is a lack of evidence that economic conditions and bill impacts warrant additional hardship protections for disconnection.

SCE also argues that, even if there was a problem, the solution offered by Cal Advocates is unsupported and overbroad. SCE notes that Cal Advocates' proposal waives disconnection/credit deposit fees indiscriminately to all residential customers regardless of whether the customer's loss of electric service is directly attributable to default TOU. SCE also argues that disconnection is a last resort option and that SCE provides numerous pre-disconnection notices that include information on its level payment plan and low-income program enrollment options. SCE also notes that disconnection, the associated fees for reconnection, and re-establishment of service deposits are an effective collection method to prevent cost-shifting to other customers.

3.8.2. Discussion

We do not find sufficient evidence in the record of this proceeding that would justify adopting Cal Advocates' proposal. Cal Advocates states that its proposal is "intended to mitigate the loss of electric service due to the transition to default TOU rates."[153] However, Cal Advocates does not point to any

[153] Cal Advocates Opening Brief at 13.

evidence that demonstrates that transitioning customers to TOU rates would result in higher rates of disconnection.

Cal Advocates cites to opt-in pilot data that two-thirds of CARE/FERA customers and 18-28% of non-CARE/FERA customers in SDG&E's moderate and cool climate regions reported difficulties in paying their electricity bills or bills for basic needs at least once during the summer. However, it does not appear that customers' difficulties in paying their bills were a result of being on a TOU rate. There were no statistically significant differences in responses between the control group on the traditional tiered rate and the groups on a TOU rate except that a statistically significant lower percentage of non-CARE/FERA customers in the cool region reported difficulty paying bills compared to corresponding control group customers.[154] In general, average economic index scores[155] for the opt-in pilot were slightly lower or not statistically significant for most customer segments except for CARE/FERA-eligible customers in the moderate climate zone on Rate 1. The difference between the control and rate group, however, was less than 0.3 on a 10-point scale.[156]

Cal Advocates also notes that 46% of SDG&E's eligible default TOU customers will likely see bill increases. But approximately 91% of these customers likely to see bill increases are categorized by SDG&E as "neutral non-benefiters" who are expected to see an average monthly bill increase of $0.01

---

[154] Exh. SDG&E-8, Attachment B at 216 (Table 5-20).

[155] The economic index is a metric developed for the opt-in pilot by Research Into Action to describe a person's or group's relative level of "economic difficulty." Economic index scores can range from a low of zero to a high of ten with higher scores representing more economic difficulty.

[156] *Id*., Attachment B at 198, 206 (Table 5-6), 210 (Table 5-12).

to $9.99 assuming no changes in load-shifting behavior.[157] It is unclear that these types of bill impacts would result in increased disconnections.

Moreover, there is no estimate of the costs of Cal Advocates' proposal. Therefore, we cannot evaluate whether it is reasonable for other ratepayers to bear the costs of these disconnection-related fees. Cal Advocates also does not specify which ratepayers would be responsible for the costs of its proposal. With the exception of the customer who has been disconnected, the costs of Cal Advocates' proposal could potentially be borne by all residential customers, including tiered customers, TOU benefiters, TOU non-benefiters, and low-income customers, or even non-residential customers. Based on the record in this proceeding, we do not find it reasonable for the costs related to disconnections to be shifted to these other customers, particularly when it is unclear that the disconnection would be attributable to default TOU.

As noted by SDG&E and SCE, there are several customer protections in place for a customer that may experience economic hardship as a result of being transitioned to TOU. If a customer that was defaulted to TOU is in arrears, any notices or communications regarding disconnection should include information that the customer may opt out of the TOU rate and is also entitled to bill protection during the first year. SDG&E should also notify such customers of the availability of its Level-Pay-Plan.

Given the customer protections in place for defaulted customers, the lack of evidence that TOU rates result in greater economic hardship or higher rate of disconnection compared to the traditional tiered rate, and the lack of evidence

157 Exh. SDG&E-4 at CB-4.

regarding the costs of Cal Advocates' proposal, we do not find justification for adopting Cal Advocates' proposal that SDG&E waive fees associated with the disconnection and service re-establishment for all customers transitioned during the IDTM period. To the extent that modifications to current practices on disconnection and service re-establishment fees should be considered, this is not an issue specific to default TOU implementation but a global issue related to policies on disconnections that is more appropriately addressed in the Disconnections Rulemaking (R.18-07-005).

4. SCE and PG&E Specific Issues

4.1. SCE Proposal for CARE and FERA Discounts as Line Item Discount

SCE proposes to implement a consistent single line item discount billing calculation and presentment for CARE and FERA customers taking service on either a tiered non-TOU rate or a TOU rate that shows their full program discount.[158] The basic charges, delivery rate, and generation rates shown on CARE and FERA customer bills will be the same as the non-CARE and non-FERA rates and charges. The bills will then show a single line item CARE or FERA discount in dollars per billing cycle.

---

158 SCE Opening Brief at 10. SCE's tiered, non-TOU rates, fixed charges, and minimum bills for CARE and FERA customers are currently established in separate tariffs, Schedules D-CARE and D-FERA. (Exh. SCE-1 at 53.) Schedule D-CARE rates are designed to give CARE customers a 32.5% weighted average discount compared to bills CARE customers would have received on Schedule D (standard, non-CARE tiered rates). Schedule D-FERA provides a 12% discount on the delivery and generation rates compared to Schedule D. In contrast, CARE and FERA customers on SCE's current TOU rates already see a single line item discount on their bills although as currently formulated, the line item discount does not represent the full program savings. (Exh. SCE-1 at 56.)

SCE states that its proposal will not alter the overall discount rate of 32.5% that CARE customers or the 12% overall discount rate that FERA customers receive.[159] Rather, the proposal will only alter the rate design, processing, and bill presentations of the discounts and will provide a standardized structure to compare non-CARE/FERA and CARE/FERA tiered rates against non-CARE/FERA and CARE/FERA TOU rates. SCE contends that this change will allow customers to more easily compare and determine the effect of the discounts for tiered, seasonal tiered, and TOU rate structures.

SCE proposes to implement this change with the "go-live" Customer Service Re-Platform project date planned for January 2020. SCE intends to inform impacted customers about this change through a bill onsert that will be distributed the month prior to implementation, which will inform customers that their bill presentment is changing but that they will still receive the same overall discount.[160]

4.2. PG&E Proposal for CARE Discount as Line Item Discount

PG&E also proposes to simplify the CARE discount by having it applied as a single line item percentage discount off the CARE customer's total bill.[161] PG&E currently implements the CARE discount by creating parallel and duplicative rate schedules with discounted values.[162] PG&E explains that its proposal is consistent with how PG&E provides its FERA discount and with how

---

[159] SCE Opening Brief at 11.

[160] Exh. SCE-1 at 58.

[161] Exh. PG&E-1 at 2-22 to 2-23.

[162] Exh. PG&E-1 at 1-9 and 2-2.

SDG&E provides its CARE discounts to customers. PG&E contends that line item discounts will simplify rates and provide greater transparency to customers regarding the value of their CARE discount.

PG&E proposes to implement this change between August 2019 and October 2019 but notes that this date is approximate and may change depending on final decisions adopted in other regulatory forums and unanticipated business needs.[163] PG&E plans to communicate to existing CARE customers by direct mail, e-mail, bill message, bill inserts and on its website regarding how the CARE discount calculation will be simplified and easier to understand.[164]

4.3. Party Positions

Cal Advocates supports both SCE's and PG&E's proposals. Cal Advocates contends that the line item proposals provide a consistent application of the relevant discounts cross rate schedules and increase rate transparency for customers.[165]

CforAT also does not oppose SCE's and PG&E's proposals as a short-term accommodation to changing rate schedules. However, CforAT does not support the CARE line item discount as a long-term solution without a full evaluation of how the program could be redesigned to best support affordability, which is under consideration in Phase 3 of R.12-06-013.[166] CforAT also argues that although no similar review is taking place with respect to the FERA program, it

---

[163] Exh. PG&E-2 at 2-2.

[164] Exh. PG&E-1 at 4-34.

[165] Cal Advocates Opening Brief at 11.

[166] CforAT Opening Brief at 18-19.

would also be appropriate to consider the effectiveness of the line item discount for this program at the same time.

4.4. Discussion

We find reasonable and adopt SCE's proposal for a line item discount for the CARE and FERA programs and PG&E's proposal for a line item discount for the CARE program. These proposals are unopposed. The Commission adopted a similar proposal for a CARE line item discount by SDG&E in D.15-07-001 finding that the proposal will simplify the CARE rate structure and encouraged parties to consider this approach for the other utilities as well.[167]

Adoption of SCE's and PG&E's proposals will not result in a change in the overall discount of the CARE or FERA program. However, the proposals have the advantages of: 1) simplifying the rate design and eliminating the need for CARE and FERA specific rate schedules; 2) allowing SCE and PG&E to consistently apply the CARE and FERA discounts across non-TOU and TOU rates, thereby enabling customers to more readily compare these rate options; and 3) increasing transparency of the value of the CARE or FERA discount. As noted by CforAT, the Commission is currently considering restructuring of the CARE program in R.12-06-013 and there may be additional changes to the CARE discount in the future.

5. Comments on Proposed Decision

The proposed decision of Administrative Law Judges Tsen, Park, and 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

[167] D.15-07-001 at 237.

Commission's Rules of Practice and Procedure. Comments were filed on _________; and reply comments were filed on _________.

6. Assignment of Proceeding

Michael Picker is the assigned Commissioner and S. Pat Tsen, Sophia J. Park, and Patrick Doherty are the assigned ALJs in this proceeding.

Findings of Fact

1. SDG&E's opt-in TOU pilots took place in 2016 and 2017 and were designed to develop insights that would inform the instant proceeding's consideration of default TOU pricing for SDG&E's residential electricity customers.

2. SDG&E customers that participated in the opt-in TOU pilots were randomly assigned to one of three rate options: opt-in TOU rate 1, opt-in TOU rate 2, or the traditional residential tiered rate. The utilization of a control group of customers on the traditional tiered rate ensured that accurate conclusions could be drawn about the effects of the opt-in TOU pilot rates on customers that would have otherwise taken service on the traditional tiered rate.

3. SDG&E's proposed 3-period default TOU rate and opt-in pilot rate 1 are very similar. The two rates are so similar that the findings and conclusions of the Final Nexant Report regarding SDG&E's opt-in pilot rate 1 are an appropriate basis from which to estimate the expected effects of the proposed default TOU rate on SDG&E's residential customers.

4. SDG&E's proposed 2-period opt-in TOU rate and opt-in pilot rate 2 are very similar. The two rates are similar enough that the findings and conclusions of the Final Nexant Report regarding SDG&E's opt-in pilot rate 2 are an appropriate basis from which to estimate the expected effects of the proposed 2-period opt-in TOU rate on SDG&E's residential customers.

5. Customers can and will respond to TOU price signals during evening hours. Statistically significant load reductions when compared to customers on the traditional tiered rate were found for both of SDG&E's opt-in pilot TOU rates.

6. Persistence analyses of load impacts between the first and second summer show that for both rates, summer impacts did not decline or grow by a statistically significant amount.

7. The vast majority of SDG&E's residential customers experienced neutral bill impacts on an annual basis on both opt-in pilot rates.

8. Opt-out rates were very similar, but not identical, between the two opt-in pilot TOU rates. Overall opt-out rates were very low and did not exceed 4% on either rate.

9. Customers on the opt-in pilot TOU rates reported virtually identical levels of satisfaction with their rate plan and with SDG&E in response to surveys.

10. In SDG&E's moderate climate zone, customers on opt-in pilot TOU rate 1 (the 3-period rate) exhibited an average daily reduction in summer kWh usage that was greater than customers on opt-in pilot rate 2 (the 2-period rate) to a statistically significant degree.

11. An increase in kW load in percentage terms during the super off-peak period for moderate climate zone customers on the 3-period rate was larger and statistically significant compared with the increase in the off-peak kW load for customers on the 2-period rate, which was not statistically significant.

12. In SDG&E's moderate climate zone, the 3-period rate can be expected to do a better job than the 2-period rate at reducing overall energy usage and shifting kW load to the lowest-cost hours.

13. Successful execution of SDG&E's ME&O plan is required to ensure that SDG&E's residential customers can maximize the opportunities for bill savings and load shifting presented by the transition to default TOU rates.

14. Seasonal price differentials in the opt-in TOU pilot rates appeared to drive limited opt-out behavior and increased customer acceptance during the winter season. This suggests that higher summer TOU prices lead to increased, if still small, amounts of customer rejection of TOU.

15. The results to date for the default TOU pilot indicate that SDG&E is operationally capable of handling the monthly migration totals proposed in its mass TOU default migration plan.

16. SDG&E's proposed monthly migration totals for the transition to default TOU are in line with what was tested during the default TOU pilot.

17. SDG&E's proposed default TOU transition schedule is based on the month/season and customer groupings in order of who benefits the most from being on TOU pricing. This approach is likely to make the transition more manageable from an operational standpoint and allow for more effective ME&O and customer support.

18. UCAN's proposal that non-benefiting customers not be defaulted during December was made for the first time in its reply brief and there is insufficient justification for adopting this proposal.

19. SDG&E's ME&O plan adequately addresses the Rate Choice Vision Metric.

20. SDG&E is measuring metrics related to the Rate Choice Vision Metric.

21. SDG&E uses customer communications that include information regarding optional rate plans, including the option to stay on the non-TOU tiered rate.

22. The results of SDG&E's ME&O efforts to date reflect customers' increasing awareness of rate choice.

23. With the exception of NEM successor tariff customers currently on tiered rates, additional customer exclusions to those identified by SDG&E would undermine the goals of TOU and are not warranted.

24. With the exception of CARE and FERA-eligible customers in hot climate zones, SDG&E will be able to identify customers that are required to be excluded from default TOU via its system of records for each customer.

25. Athens Research data provides estimates on the probable number of CARE and FERA-eligible customers in a given area but does not identify specific CARE and FERA-eligible customers within that area.

26. Based on the data that is available, SDG&E's proposed methodology for identifying and excluding CARE/FERA-eligible customers in the hot climate zones reasonably balances identifying and excluding these customers without unduly excluding customers that are eligible for default TOU.

27. Based on the record of this proceeding, there is a lack of evidence that there are a large number of customers who may be eligible for an in-person visit before disconnection but have not been identified.

28. The consequences of disconnecting customers with serious illnesses or conditions without providing adequate protections are potentially dire and life-threatening.

29. Customers defaulted onto TOU rates will receive customer protections such as bill protection for a year, the opportunity to opt out of default TOU, and a level pay plan.

30. There is no evidence to suggest that SDG&E's medical baseline efforts are inadequate and parties did not provide recommendations for what additional outreach SDG&E should be conducting.

31. Offering bill protection to customers opting in to the 2-period TOU rate will give more customers the opportunity to participate in TOU during the IDTM with less risk, minimize customer confusion and frustration, and allow for simpler and consistent ME&O.

32. The costs of offering bill protection for customers opting in to the 2-period TOU rate are likely to be minimal since the customers that opt in to the rate are those that are likely to benefit on the rate.

33. New and transferred customers do not have a previous rate schedule to which to compare the TOU rate for purposes of calculating bill protection amounts.

34. There is a lack of evidence that transitioning customers to TOU rates results in higher rates of disconnection compared to customers on the tiered rate.

35. The results from the opt-in TOU pilots do not demonstrate that customers' difficulties paying bills or average economic index scores were significantly different for customers on a TOU rate compared to a traditional tiered rate.

36. There is no estimate of the costs of Cal Advocates' proposal that SDG&E waive fees associated with disconnection and service re-establishment for all customers transitioned during the IDTM period.

37. Adoption of SCE's proposal for a line item discount for the CARE and FERA program and PG&E's proposal for a line item discount for the CARE program will not result in a change in the overall discount of the CARE or FERA program.

38. SCE's and PG&E's proposals for a line item discount for the CARE/FERA program will simplify the rate design, enable customers to more readily compare non-TOU and TOU rate options, and increase transparency of the value of the CARE or FERA discount.

Conclusions of Law

1. The proposed 3-period default TOU rate is consistent with the Commission's stated principles for the design of a default residential TOU rate as it is more granular and cost based, and provides a better price signal to customers to shift their usage from peak to off-peak or super off-peak hours.
2. D.17-08-030 directed SDG&E to use the 3-period structure as the default TOU structure for all of its customer classes.
3. The seasonal differential in the 3-period default TOU rate should be reduced to 2017 levels in order to moderate the increase in summer TOU bills compared to winter and encourage customer acceptance of TOU during the summer.
4. In order to maintain consistency with the 3-period default TOU rate, the seasonal differential in the 2-period optional TOU rate and the non-TOU tiered rate should also be reduced to 2017 levels.
5. SDG&E's proposed mass default TOU migration plan is reasonable and should be approved.
6. The ME&O plan presented by SDG&E is reasonable and consistent with the ME&O plan approved for SDG&E in Resolution E-4910.
7. SDG&E should continue to adjust its ME&O plan as necessary based on results during the IDTM but any adjustments should be consistent with the adopted vision metrics for rate reform ME&O.

8. Pursuant to Resolution E-4910, SDG&E must seek appropriate approval from the Commission if its ME&O activities require additional funds beyond the amounts approved in that Resolution.

9. SDG&E should continue to report on its ME&O efforts for non-benefiters and hard-to-reach customer segments as ordered in Resolution E-4910.

10. SDG&E's identification of customers to be excluded from default TOU is consistent with Section 745 and Commission decisions addressing customer exclusions from default TOU (D.16-09-016 and D.17-09-036).

11. NEM successor tariff customers that are currently on tiered rates have actively opted for these rates over TOU rates, and therefore, should not be defaulted to a TOU rate.

12. SDG&E's proposed methodology for identifying and excluding CARE and FERA-eligible customers in the hot climate zones is reasonable and unopposed by any party.

13. Section 745(c)(1) requires that customers identified by the Commission in D.12-03-054 as requiring an in-person visit from a utility representative prior to disconnection be excluded from default TOU.

14. There is a distinction between customers that require an in-person visit prior to disconnection pursuant to D.12-03-054 and customers that may be eligible for an in-person visit pursuant to D.12-03-054.

15. SDG&E's plan to identify and exclude the customers identified in D.12-03-054 as requiring an in-person visit prior to disconnection complies with the mandates in Section 745(c)(1).

16. Pursuant to Section 745(c)(4), SDG&E should provide no less than one year of bill protection to existing residential customers defaulted to the 3-period TOU rate.

17. SDG&E's proposal to provide bill protection to existing customers on the tiered rate that opt in to the 3-period default TOU rate before or during the IDTM is consistent with directives in D.17-09-036.

18. Given that SDG&E has proposed two TOU rates to be rolled out during the default TOU transition period, it is reasonable for SDG&E to also provide bill protection for existing customers that transition to the 2-period TOU rate from the tiered rate before and during the IDTM.

19. D.17-09-036 determined that the bill protection provisions of Section 745(c)(4) do not apply to new or transferred customers enrolling in the default TOU rate schedule during or after the IDTM.

20. The bill protection provisions of Section 745(c)(4) are intended to protect existing tiered customers that are defaulted to a TOU rate.

21. SDG&E's Electric Rule 12 provides that a customer may request only one rate schedule change in any twelve-month period.

22. Section 745(c)(6) requires that customers retain the option to not receive service pursuant to the default TOU rate schedule.

23. Consistent with Section 745(c)(6), SDG&E should allow a customer on the 3-period default TOU rate to opt in to the non-TOU tiered rate even if this would result in more than one rate schedule change in a twelve-month period.

24. Since the 2-period TOU rate is being offered in conjunction with the roll-out of default TOU, customers that opt in to the 2-period TOU rate should also retain the option to opt in to the non-TOU tiered rate even if this would result in more than one rate schedule change in a twelve-month period.

25. The rate conversation scripts required by D.17-09-036 are intended to be a set of talking points to guide the IOUs' customer service representatives in engaging customers on rate choices and are not intended to be recited verbatim.

26. SDG&E should refine its rate conversation talking points based on the directives in this decision and continue to refine the talking points based on future results.

27. Once the IDTM has begun, the default TOU rate will be the new standard turn-on rate.

28. Based on the record in this proceeding, it is not reasonable for costs related to disconnections and service re-establishment to be shifted to other customers, including tiered customers, TOU benefiters, TOU non-benefiters, low-income customers, other residential customers, and non-residential customers.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's (SDG&E's) proposed 3-period tiered time-of-use (TOU) rate, 2-period tiered TOU rate, and non-TOU tiered rate are approved. SDG&E shall implement the 3-period tiered TOU rate as its default residential TOU rate.

2. San Diego Gas & Electric Company shall use the 2017 seasonal differential between winter and summer residential rates in designing its 3-period tiered default residential time-of-use (TOU) rate, 2-period tiered optional residential TOU rate, and optional non-TOU tiered residential rate.

3. San Diego Gas & Electric Company's Mass Time-of-Use Default Migration Plan is approved.

4. San Diego Gas & Electric Company shall continue its marketing, education, and outreach efforts for default time-of-use consistent with the directives in Resolution E-4910.

5. San Diego Gas & Electric Company shall exclude the following categories of residential customers from default time-of-use rates:

- Customers receiving a medical baseline allowance;
- Customers requesting third-party notification pursuant to Public Utilities Code Section 779.1(c);
- Customers who the Commission has ordered cannot be disconnected without an in-person visit from a utility representative;
- Customers with less than 12 months of interval data from an advanced meter;
- Customers already on a time-of-use rate;
- Customers on multi-family rate schedules DV, DT, DS, and DT-RV;
- Customers using non-interval bill capable meters;
- Smart Meter opt-out customers;
- Direct Access & Transition Bundled Service Customers;
- California Alternate Rates for Energy/Family Electric Rate Assistance eligible customers living in Mountain and Desert climate zones; and
- Customers on the Net Energy Metering successor tariff that have exercised their option to remain on tiered rates pursuant to Decision 16-01-044.

6. San Diego Gas & Electric Company (SDG&E) shall provide bill protection to existing residential customers that are defaulted to a time-of-use (TOU) rate consistent with the requirements of Public Utilities Code Section 745(c)(4). SDG&E's proposal to offer bill protection to existing tiered customers that opt in

to the 3-period tiered TOU rate or the 2-period tiered TOU rate before and during the initial default TOU migration period is approved.

7. Notwithstanding the provisions of Electric Rule 12, San Diego Gas & Electric Company shall give customers on either the 3-period tiered TOU rate or 2-period tiered TOU rate the option to opt in to the non-TOU tiered rate.

8. San Diego Gas & Electric Company shall refine its rate conversation talking points consistent with the directives in this decision.

9. Southern California Edison Company (SCE)'s proposal to implement a single line item discount for its California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) customers is approved. Adoption of this proposal does not authorize SCE to modify the overall discount for either the CARE or FERA program.

10. Pacific Gas & Electric Company (PG&E)'s proposal to implement a single line item percentage discount for the California Alternate Rates for Energy (CARE) discount is approved. Adoption of this proposal does not authorize PG&E to modify the overall discount for the CARE discount.

11. Application (A.) 17-12-011, A.17-12-012, and A.17-12-013 remain open.

This order is effective today.

Dated ____________________________, at San Francisco, California.