STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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**Agenda ID #18486**
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 19-09-014:

This is the proposed decision of Administrative Law Judge Doherty. It will appear on the Commission's June 11, 2020 agenda. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Pursuant to Rule 14.6(b), comments on the proposed decision must be filed within six days of its mailing and no reply comments are allowed.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Doherty at pd1@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at http://www.cpuc.ca.gov.

/s/ ANNE E. SIMON
Anne E. Simon
Chief Administrative Law Judge

AES:mph
Attachment

Decision **PROPOSED DECISION OF ALJ DOHERTY (Mailed 5/28/2020)**

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of San Diego Gas & Electric Company (U 902 E) for Authority to Eliminate the Seasonal Differential in its Residential Rates Per Decision 19-04-018. | Application 19-09-014 |

# DECISION ADJUSTING THE SEASONAL DIFFERENTIAL IN THE DEFAULT RESIDENTIAL RATE OF SAN DIEGO GAS & ELECTRIC

**Summary**

This decision adjusts the seasonal differential in the default rate for San Diego Gas & Electric Company's residential customers. The seasonal differential is slightly reduced in the summer, and slightly raised in the winter. Overall, there will be very little change to customer bills on an average annual basis.

This proceeding remains open.

## 1. Background

In Decision (D.) 19-04-018, the Commission considered and rejected a request by San Diego Gas & Electric Company (SDG&E) to eliminate the high usage charge for its residential tiered rate customers with very high electricity usage. SDG&E's request was premised on the theory that the elimination of the high usage charge would reduce summer bill volatility for tiered rate customers paying the charge. In rejecting SDG&E's proposal, the Commission ordered SDG&E to consider eliminating the seasonal differential in its residential rates instead, as the record demonstrated that such elimination would more effectively address seasonal bill volatility than SDG&E's original proposal.[1]

SDG&E filed the instant application in compliance with D.19-04-018 on September 23, 2019. Protests and responses to the application were filed by the Center for Accessible Technology (CforAT), the Public Advocates Office (Cal Advocates), the Utility Consumers' Action Network (UCAN), and the Utility Reform Network (TURN) on October 25 and 28, 2019. A prehearing conference was held on November 6, 2019, and an Assigned Commissioner's Scoping Memo and Ruling (scoping memo) was issued on November 21, 2019.

The scoping memo created two phases of this proceeding. In the first phase, the Commission was to consider whether SDG&E's proposal to eliminate the seasonal differential between summer and winter rates in all of its residential rate designs – including its residential time-of-use (TOU) rates – is reasonable, and whether the rate and bill impacts that would result from an elimination of the seasonal differential between summer and winter rates, including for all-electric customers, are reasonable. The first phase of the proceeding was partially resolved by D.20-04-007, issued on April 22, 2020.

According to the scoping memo, the second phase of this proceeding was to begin after April 2020, and was to consider whether the high usage charge in SDG&E's residential tiered rate should be modified or eliminated, and if so whether the rate and bill impacts that would result from a modification or elimination of the high usage charge are reasonable.

D.20-04-007 did not resolve the issue of whether to adjust the seasonal differential in Schedule TOU-DR1, the default rate for SDG&E's residential

[1] D.19-04-018 at OP 2.

customers.[2] This decision resolves that outstanding issue from the first phase of this proceeding. The record for this decision is based on ALJ email rulings from April 17, 2020 (April 17 email ruling) and April 27, 2020 (April 27 email ruling). Collectively, these email rulings required SDG&E to serve an illustrative adjustment to Schedule TOU-DR1 that reduced prices from currently authorized levels in all summer TOU periods by approximately 3% - 4% and increased prices from currently authorized levels in all winter periods by approximately 3% - 4%. Pursuant to the April 27 email ruling, SDG&E was authorized to make this adjustment through changes to the Total Rate Adjustment Component (TRAC) of Schedule TOU-DR1 in addition to, or to the exclusion of, any changes made to the Electric Energy Commodity Costs (EECC) component of TOU-DR1.

SDG&E served its reply to the email rulings on May 1, 2020, and parties served their responses on May 8, 2020, and reply comments were served on May 15, 2020.

## 2. Issue Before the Commission

In this decision the Commission considers whether the illustrative changes to SDG&E's Schedule TOU-DR1 served on May 1, 2020 that modify the seasonal differential between summer and winter rates are reasonable, and whether the rate and bill impacts that would result from the proposed adjustment to the seasonal differential between summer and winter rates, including for all-electric customers, are reasonable.

[2] D.20-04-007 at 32 ("[t]he Commission will consider changes to SDG&E's default residential TOU rate in an expedited fashion, and parties should expect a proposed decision on SDG&E's default residential TOU rate to be served in May 2020 for consideration at a Commission meeting in June 2020").

## 3. Discussion

The April 17 email ruling and April 27 email ruling sought a proposal from SDG&E for a modification to Schedule TOU-DR1 that would reduce summer TOU prices by 3% - 4% and would raise winter TOU prices by 3% - 4%, while maintaining revenue neutrality, in an attempt to moderate the seasonal differential present in Schedule TOU-DR1. SDG&E proposed such an illustrative change in its response of May 1, 2020. The intent of the ordered proposal was to allow the Commission to consider a method of mitigating the seasonal differential in SDG&E's default residential TOU rate while not completely eliminating the summer price signal inherent to appropriately designed TOU rates.[3]

The illustrative effect of SDG&E's May 1, 2020 proposal on Schedule TOU-DR1 rates is described in the table below.[4]

| TOU-DR1 Rate Element | June 1, 2019 Rates | May 1, 2020 Proposal |
|---|---|---|
| Summer Peak Price | 56.5 cents/kWh | 54.7 cents/kWh |
| Summer Off-Peak Price | 34.5 cents/kWh | 32.7 cents/kWh |
| Summer Super Off-Peak Price | 29.5 cents/kWh | 27.7 cents/kWh |
| Winter Peak Price | 37 cents/kWh | 38.5 cents/kWh |
| Winter Off-Peak Price | 36 cents/kWh | 37.5 cents/kWh |
| Winter Super Off-Peak Price | 35 cents/kWh | 36.4 cents/kWh |

[3] D.20-04-007 at 26-27 ("[b]ecause SDG&E's [proposal to create identical TOU prices in the summer and winter] does not send a specific summer price signal to residential TOU customers, the proposal is inappropriate and should not be adopted").

[4] SDG&E May 1, 2020 response. These are non-baseline TOU charges, and a change to the baseline credit of less than 1 cent/kWh is not included in the table appearing in this decision.

The bill impacts of the illustrative TOU-DR1 rate are similar to those recently adopted by the Commission in D.20-04-007 for tiered rate customers. SDG&E estimates that winter bills for non-California Alternate Rates for Energy (CARE) program customers will increase 4.5% (or $6.12 per month), from $137.05 to $143.17 per month, on average and assuming no change in usage, as a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1. For CARE customers, SDG&E estimates winter bill increases of 4.3% (or $2.82 per month), from $65.05 to $67.87 per month, on average and assuming no change in usage, as a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1.[5]

These winter bill increases are offset on an annual basis by lower summer bills. SDG&E estimates that non-CARE summer bills will decrease 4.6% (or $8.41 per month), from $183.43 to $175.02 per month, on average and assuming no change in usage, as a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1. For CARE customers, SDG&E estimates summer bill decreases of 5% (or $4.18 per month), from $84.06 to $79.88 per month, on average and assuming no change in usage, as a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1.[6]

### 3.1. Party Responses to the May 1, 2020 Proposal

SDG&E and Cal Advocates filed opening comments on SDG&E's May 1, 2020 proposed changes to Schedule TOU-DR1. SDG&E advocated for their original proposal to flatten all TOU prices in Schedule TOU-DR1 throughout the year. This proposal was rejected in D.20-04-007 and is not revisited here. Cal Advocates supported the revised May 1, 2020 proposal to modify Schedule TOU-

[5] SDG&E May 1, 2020 proposal, Attachment B.

[6] SDG&E May 1, 2020 proposal, Attachment B.

DR1 and supported a Commission determination that the bill impacts were reasonable on the ground that the bill reductions in the summer provide benefits similar to the seasonally neutral tiered rate proposal adopted by D.20-04-007.[7]

### 3.2. The Mechanism for Adjusting TOU-DR1

The April 17 email ruling sought a proposal from SDG&E that would modify Schedule TOU-DR1 by adjusting the commodity cost component of the rate. However, after a discussion with the parties at a status conference on April 24, 2020, the April 27 email ruling allowed SDG&E to propose a modification to Schedule TOU-DR1 by adjusting the TRAC component of the rate rather than the commodity cost component of the rate. The May 1, 2020 proposal to modify Schedule TOU-DR1 increases the TRAC component by approximately 1.5 cents per kWh in the winter and decreases the TRAC component by approximately 2 cents per kWh in the summer. No adjustments to the commodity cost component of Schedule TOU-DR1 are proposed, however SDG&E's workpapers make clear that a substantial summer commodity price signal is preserved in Schedule TOU-DR1 in accord with the conclusions of D.20-04-007.[8]

In documentation supporting its May 1, 2020 proposal, SDG&E argues that modifying the TRAC is an appropriate way to adjust Schedule TOU-DR1. The TRAC is the rate component that SDG&E uses to set the tier ratios required by various Commission decisions. This means that the TRAC discounts baseline energy and recovers the cost for that discount through non-baseline energy

[7] Cal Advocates opening comments at 1.

[8] As revealed in SDG&E's workpapers accompanying its notice of availability filed May 1, 2020 in this docket. Summer peak commodity prices are set at roughly 32 cents/kWh while winter peak commodity prices are set at roughly 9 cents/kWh.

prices. In essence, the TRAC enforces the difference between baseline and non-baseline energy charges in SDG&E's rates.

The TRAC also facilitates seasonality in SDG&E's rates with baseline and non-baseline prices and ensures revenue neutrality. Thus, SDG&E argues that it would be necessary to change the TRAC in any event even if the commodity cost portion of the TOU-DR1 is adjusted.[9] Ultimately, and in accordance with the April 27 email ruling, SDG&E chose to propose an adjustment to Schedule TOU-DR1 by adjusting the TRAC component only and thereby "removing the tiered commodity total rate summer/winter differential" and aligning the TRAC changes to the tiered rates that result from D.20-04-007 with the changes proposed in the April 17 email ruling.[10]

Because SDG&E's approach aligns with the TRAC adjustments made to the tiered rates in response to D.20-04-007, and because the proposed adjustment to the TRAC achieves the objectives sought by the April 17 and April 27 e-mail rulings, the approach is reasonable and should be approved.

### 3.3. Bill Impacts of SDG&E's Proposed Modification to TOU-DR1

The bill impacts of SDG&E's proposed revision to Schedule TOU-DR1 also support this decision's reasoning that the proposal should be adopted. SDG&E's illustrative bill impacts show that on an average annual basis, bills for Schedule TOU-DR1 customers would be negligibly affected by SDG&E's proposal. Summer bills would decrease across the board on an average basis.

The Commission must specifically consider the bill impacts for all-electric customers as part of its review of SDG&E's May 1, 2020 proposal. Estimated bill

[9] SDG&E May 1, 2020 proposal at 3-4.

[10] SDG&E May 1, 2020 proposal at 4-5.

impacts provided by SDG&E show that no group of all-electric customers are estimated to see average winter bill impacts of greater than 5%, and on an average annual basis all-electric customers are estimated to see virtually no impact to their bills.

This decision finds that, as in D.20-04-007, the increase in average winter bills is an acceptable trade-off for addressing high summer rates and bills faced by SDG&E residential customers and the reduced seasonal bill volatility that would result from adoption of SDG&E's May 1, 2020 proposal. The bill impacts associated with the May 1, 2020 proposal are therefore reasonable.

Because the May 1, 2020 proposal by SDG&E to adjust Schedule TOU-DR1 will ameliorate some seasonal bill variability in SDG&E's territory while keeping rates relatively stable, and maintaining appropriate cost signals regarding summer peak prices, the proposal is reasonable and should be approved.

## 4. Reduction of Comment Period

SDG&E's comments served on May 8, 2020 sought a reduction in the comment period on the proposed decision to six days, with no reply comments allowed, in order to facilitate a Commission decision on this matter by the June 11, 2020 business meeting. All parties stipulated to this approach via responses to procedural e-mail sent by the ALJ on May 12, 2020. Therefore, pursuant to Rule 14.6(b), the comment period on the proposed decision is reduced to six days, and no reply comments are allowed.

## 5. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Patrick Doherty is the assigned Administrative Law Judge in this proceeding.

## Findings of Fact

1. The bill impacts of the illustrative TOU-DR1 rate are similar to those recently adopted by the Commission in D.20-04-007 for tiered rate customers.

2. As a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1, winter bills for non-CARE customers are estimated to increase 4.5% (or $6.12 per month), on average and assuming no change in usage.

3. As a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1, winter bills for CARE customers are estimated to increase 4.3% (or $2.82 per month), on average and assuming no change in usage.

4. As a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1, summer bills for non-CARE customers are estimated to decrease 4.6% (or $8.41 per month), on average and assuming no change in usage.

5. As a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1, summer bills for CARE customers are estimated to decrease 5% (or $4.18 per month), on average and assuming no change in usage.

6. SDG&E's proposal aligns the Schedule TOU-DR1 TRAC adjustment with the TRAC adjustments made to the tiered rates in response to D.20-04-007.

7. SDG&E's proposal to adjust the TRAC component of Schedule TOU-DR1 achieves the objectives sought by the April 17 and April 27 email rulings.

8. Approving the May 1, 2020 proposal by SDG&E to modify Schedule TOU-DR1 will ameliorate some seasonal bill variability in SDG&E's territory while keeping rates relatively stable, and maintaining appropriate cost signals regarding summer peak prices.

9. As a result of adopting the May 1, 2020 proposed changes to Schedule TOU-DR1, no group of all-electric customers are estimated to see average winter bill impacts of greater than 5%, and on an annual basis all-electric customers are

estimated to see virtually no impact to their bills, on average and assuming no change in usage.

## Conclusions of Law

1. SDG&E's use of the TRAC component to modify Schedule TOU-DR1 is reasonable and should be approved.

2. The rate and bill impacts of SDG&E's May 1, 2020 proposal to adjust Schedule TOU-DR1 are reasonable.

3. The proposal May 1, 2020 proposal of SDG&E to adjust Schedule TOU-DR1 is reasonable and should be approved.

## O R D E R

**IT IS ORDERED** that:

1. San Diego Gas & Electric Company shall modify Schedule TOU-DR1 in accordance with the proposal filed on May 1, 2020 in this proceeding, whereby summer prices are slightly reduced and winter prices are slightly raised by adjusting the Total Rate Adjustment Component of Schedule TOU-DR1.

2. San Diego Gas & Electric Company shall file a Tier 1 advice letter making the ordered modification to TOU-DR1 as soon as practicable following the adoption of this decision.

3. Application 19-09-014 remains open.

This order is effective today.

Dated _____________________________, at San Francisco, California.