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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U902E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.

Application 10-07-009

And Related Matters.

Application 19-03-002

**E-MAIL RULING ALLOWING FOR SUPPLEMENTAL TESTIMONY
REGARDING DYNAMIC RATES**

Dated July 17, 2020, at San Francisco, California.

/s/ JEANNE M. MCKINNEY
Jeanne M. McKinney
Administrative Law Judge

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Subject: A1007009/A1903002 Email Ruling Allowing for Supplemental Testimony
Regarding Dynamic Rates

**A1007009/A1903002 EMAIL RULING ALLOWING FOR SUPPLEMENTAL TESTIMONY
REGARDING DYNAMIC RATES**

In the interest of ensuring that the upcoming evidentiary hearings are focused and efficient, this ruling authorizes supplemental written testimony on real-time pricing (RTP) rates. Testimony served addresses how such a rate might benefit enrolled customers and how RTP could support grid reliability and the state's goal of reducing greenhouse gas emissions. But, testimony does not address concerns about RTP pricing, such as whether it could result in intra-class cost shifts, and it does not include bill comparisons and other data that would be necessary to evaluate a new RTP rate. This ruling provides more detail on the type of supplemental testimony that would support consideration of RTP rates. The supplemental written testimony authorized by this ruling is due July 31, 2020 (supplemental direct testimony) and August 7, 2020 (rebuttal testimony).

1. Background

The Commission has previously indicated its support, in principle, for dynamic rates, including real-time pricing (RTP) rates. (See, e.g., Decision (D.) 17-01-006 at Appendix 2 (Illustrative Time-Varying Rates Compendium of Rate Designs Discussed in Rulemaking 15 - 12 - 012).) The Commission has already approved dynamic pricing options for San Diego Gas & Electric Company (SDG&E) customers. For example, small commercial customers are subject to a dynamic rate adopted by the Commission in Application (A.) 10-07-009. More recently, the Commission has approved a dynamic Vehicle-to-Grid Integration (VGI) rate and the Public Grid Integration Rate (GIR) for certain customer groups. The GIR rate includes a component tied to the CAISO Day-Ahead Hourly Price.

In 2019, in its decision denying a petition for rulemaking, the Commission reiterated that new dynamic rate designs can, and should, be addressed in individual utility general rate cases (GRCs). The Commission found that

- . . . analysis of a particular utility's costs and billing determinants in GRC Phase 2 proceedings is essential to the task of rate design, including . . .
- . RTP tariffs. (Petition for Rulemaking 18-11-004 at finding of fact 12.)

In other words, a specific RTP rate proposal should be made and evaluated in the individual utility's GRC.

Before adopting a rate, the Commission must ensure that the rate is just and reasonable. This is a complex determination that requires the Commission to consider a myriad of factors and balance competing rate design principles. The Commission has adopted the following rate design principles for residential rates and applied them in other cases:

1. Low-income and medical baseline customers should have access to enough electricity to ensure basic needs (such as health and comfort) are met at an affordable cost;
2. Rates should be based on marginal cost;
3. Rates should be based on cost-causation principles;
4. Rates should encourage conservation and energy efficiency;
5. Rates should encourage reduction of both coincident and non-coincident peak demand;
6. Rates should be stable and understandable and provide customer choice;
7. Rates should generally avoid cross-subsidies, unless the cross-subsidies appropriately support explicit state policy goals;
8. Incentives should be explicit and transparent;
9. Rates should encourage economically efficient decision-making; and
10. Transitions to new rate structures should emphasize customer education and outreach that enhances customer understanding and acceptance of new rates, and minimizes and appropriately considers the bill impacts associated with such transitions.

Rates should be based on cost-causation and any cross-subsidies or incentives should be transparent and support explicit state policy goals. Therefore, it is essential that the Commission understand how any customer cost-savings will impact other ratepayers. For example, if the customers on an RTP rate are expected to save \$28 million, then the Commission must consider how the utility will recover that \$28 million. Will the utility have a corresponding \$28 million in savings? Or, will the \$28 million be shifted to another customer group?

The Commission must also consider whether customers will be able to understand and respond to the new rate. This is especially important for time-varying rates that are designed to flatten peak loads and reduce renewables curtailment.

Typically, the Commission uses bill impact forecasts, modeling based on historical data and illustrative rates to make this evaluation.

In the instant proceeding, in addition to expressly including dynamic rates in the scoped issues, a workshop was held on October 15, 2019 to allow parties to explore ideas for dynamic rates. Although the workshop itself is not part of the record, the knowledge gained through the workshop and set forth in the workshop report and comments should help parties develop thoughtful and responsive testimony. In making a decision, the Commission relies on the evidentiary record; the Commission can take notice of the workshop report and comments, but that does not eliminate the need for evidentiary support. According to the workshop report, Commissioner Shiroma emphasized this point in her closing remarks by indicating that “any intervenor testimony on real-time pricing or dynamic rate proposals needs to be as thorough as possible and provide ample supporting research and regulatory citations.” (Dynamic Rate and Real Time Pricing Workshop Report at 1.)

Intervenor testimony was served on April 6, 2020. California Solar and Storage Association, OhmConnect, Inc., and California Energy Storage Alliance filed joint testimony on the need for an RTP rate. These parties are collectively referred to as the Joint Advanced Rate Parties (JARP). The JARP testimony proposes that an RTP rate based on the real-time prices of electricity be made available to all customers classes on an opt-in basis and that SDG&E be required to implement a core set of capabilities to allow customers to take advantage of RTP rates. The JARP testimony does not, however, include the type of information necessary to evaluate and adopt a new rate design.

2. Supplemental Testimony

In the interest of time and efficient use of evidentiary hearings, this ruling is intended to make parties aware of this current gap in testimony, and provide an opportunity for supplemental testimony to address that gap. This testimony could include (but is not limited to) the following:

- A. There are already dynamic rates available for some SDG&E customers, including a rate component tied to the CAISO Day-Ahead Hourly Price. Supplemental testimony could include an explanation of why these rates are not sufficient and how a pilot rate or an optional rate with capped enrollment would not be duplicative. Supplemental testimony could also address whether there is existing customer interest in a new RTP rate.
- B. Supplemental testimony could address how cost-shifts and the risk of undercollection could be studied and addressed in the future.

- C. Supplemental testimony could include review of how other time-varying rates have addressed the risk of cost shifting and undercollection. Sources could include: ComEd and Ameren RTP rates, recent dynamic rate pilots in California, and the results of the residential time-of-use pilots.
- D. Supplemental testimony could include the estimated cost of designing and automating a rate that includes an RTP component.
- E. Supplemental testimony could include illustrative rates, comparisons with existing SDG&E rate options, and bill impact analysis based on SDG&E billing determinants.
- F. The Utility Reform Network (TURN) rebuttal testimony suggests supplemental testimony that TURN believes would be necessary for the Commission adopt the JARP RTP proposal. The supplemental testimony could respond to the concerns raised by TURN.
- G. Supplemental testimony could address how to structure a pilot (e.g. customer eligibility, program caps, measurement and evaluation) should the Commission wish to first pilot the dynamic rate proposed by the JARP.

The supplemental testimony is due on the following schedule, and the schedule may be further adjusted if necessary to promote the efficient and fair resolution of this proceeding.

Supplemental Testimony, served July 31, 2020

Supplemental Rebuttal Testimony, served August 7, 2020

All parties are permitted to serve supplemental testimony on RTP and other dynamic rate proposals. No party is required to do so.

IT IS SO RULED.

THE DOCKET OFFICE SHALL FORMALLY FILE THIS RULING.

Jeanne M. McKinney

Administrative Law Judge

California Public Utilities Commission

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