



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

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In the Matter of the Application of San Diego Gas & Electric Company (U 902 E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.

Application 10-07-009
(Filed July 6, 2010)

Application of San Diego Gas & Electric Company (U 902 E) for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design.

Application 19-03-002
(Filed March 4, 2019)

RESPONSE OF SAN DIEGO COMMUNITY POWER

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I. INTRODUCTION

In accordance with Rule 11.1 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure and Administrative Law Judge ("ALJ") McKinney's February 20, 2021 *E-Mail Ruling Setting Procedural Schedule for Settlement Agreement Addendum*, San Diego Community Power ("SDCP") respectfully submits this response to the Settling Parties' Joint Motion ("Joint Motion") filed on February 26, 2021.¹ The Settling Parties moved to submit an Addendum ("Addendum") to the October 8, 2020 Settlement Agreement ("Settlement Agreement") addressing inconsistencies between Decision ("D.") 21-01-017 (the "ERRA Decision")² and provisions of the Settlement Agreement³ related to San Diego

¹ *Joint Motion for Admission of Addendum to the Settlement Agreement of San Diego Gas & Electric Company (U 902 E), The Public Advocates Office, Utility Consumers' Action Network, Federal Executive Agencies, California Farm Bureau Federation, San Diego Airport Parking Company, Small Business Utility Advocates, Solar Energy Industries Association, Energy Producers and Users Coalition, California Large Energy Consumers Association, California City County Street Light Association, the Utility Reform Network, and the City of San Diego, Application ("A.") 10-07-009/A. 19-03-002, February 26, 2021.*

² *D. 21-01-017, Decision Adopting 2021 Electric Procurement Revenue Requirements Forecasts and Greenhouse Gas-Related Forecasts for San Diego Gas and Electric Company, A. 20-04-014, January 1, 2021.*

³ *Joint Motion of SDG&E, the Public Advocates Office, Utility Consumers' Action Network, Federal Executive Agencies, California Farm Bureau Federation, San Diego Airport Parking Company, Small*

Gas & Electric Company's ("SDG&E") bundled sales forecast. SDCP supports the Joint Motion to admit the Addendum and commends the Settling Parties' for taking swift action to resolve a shared concern over inconsistencies with the ERRA Decision. The Commission should grant the Motion and ensure that SDG&E continues to set commodity rates using updated bundled sales forecasts that accurately reflect load migration, in accordance with the ERRA Decision.

II. BACKGROUND

Section 2.2.1.1 of the October 8, 2020 Settlement Agreement includes a proposal to implement SDG&E's updated 2021 sales forecast "no sooner than November 1, 2021" (the "Sales Forecast Provision").⁴ As SDG&E acknowledged in prior testimony, that 2021 sales forecast failed to capture substantial bundled load departures to Community Choice Aggregation ("CCA") and Direct Access ("DA") programs that are anticipated to begin in 2021.⁵ Commission adoption of an outdated bundled sales forecast would have permitted, or perhaps even required, SDG&E to utilize that forecast to set artificially low commodity rates, which the Commission explicitly rejected in D. 21-01-017. Section 2.2.1.2 of the Settlement requires SDG&E to file an annual standalone application to update subsequent sales forecasts beginning in 2022 (the "Standalone Application Proposal").⁶

The ERRA Decision, issued on January 20, 2021, ordered SDG&E to set generation rates using updated bundled commodity energy requirements, similar to a sales forecast, that reflects anticipated departing load, and then to submit an advice letter to implement that updated forecast

Business Utility Advocates, Solar Energy Industries Association, Energy Producers and Users Coalition, California Large Energy Consumers Association, The Utility Reform Network, and the City of San Diego for Approval of the General Rate Case Phase 2 Settlement Agreement, A. 10-07-009/ A. 19-03-002, October 8, 2020 at Attachment A.

⁴ Settlement Agreement at 5

⁵ See e.g., *Prepared Rebuttal Testimony of Kenneth E. Schiermeyer on behalf of SDG&E* (hereinafter "Schiermeyer Rebuttal"), A. 10-07-009/A.19-03-002, May 4, 2020 KES-3 and KES-4.

⁶ Settlement Agreement at 6.

and other changes within 30 days of the decision.⁷ These orders conflicted with the Settlement Agreement, which proposes to implement the outdated sales forecast “no sooner than November 1, 2021.” Since the Settling Parties did not anticipate this change when the Settlement Agreement was reached, ALJ McKinney invited parties to provide statements on the impact of the ERRA Decision.⁸

Both SDCP and the Settling Parties filed statements on February 18, 2021 reflecting that the Settlement Agreement was incompatible with the ERRA Decision. SDCP’s statement highlighted the apparent conflict and recommended that the provision be rejected insofar as it could allow SDG&E to incorporate an inaccurate bundled sales forecast in its ratemaking.⁹ To further align the Settlement Agreement with the ERRA Decision, SDCP also recommended that the Commission reject the Standalone Application Proposal and instead require SDG&E to incorporate future sales forecast updates in the ERRA Forecast proceeding.¹⁰ Similarly, the Settling Parties’ Joint Statement¹¹ acknowledged that the Settlement Agreement was incompatible with the ERRA Decision with respect to SDG&E’s bundled sales forecast and requested flexibility to file a joint motion to adopt an addendum to the Settlement Agreement.¹²

⁷ D. 21-01-017 at Ordering Paragraphs 8 and 9.

⁸ *E-Mail Ruling Directing San Diego Gas & Electric Company and Settling Parties to File Joint Statement*, A.10-07-009/A.19-03-002, January 21, 2021. Updated by Email Ruling Updating Schedule, A. 10-07-009/A.19-03-002, February 1, 2021.

⁹ *See Statement of San Diego Community Power Responding to the January 21, 2021 Ruling*, A. 10-07-009/A.19-03-002, February 18, 2021. (hereinafter “February 18 Statement”).

¹⁰ *Id.* at 7-8.

¹¹ *Joint Statement of San Diego Gas & Electric Company (U 902 E), The Public Advocates Office, Utility Consumers’ Action Network, Federal Executive Agencies, California Farm Bureau Federation, San Diego Airport Parking Company, Small Business Utility Advocates, Solar Energy Industries Association, Energy Producers and Users Coalition, California Large Energy Consumers Association, California City County Street Light Association, the Utility Reform Network, and the City of San Diego in Compliance with the January 21, 2021 Ruling*, A. 10-07-009/A. 19-03-002, February 18, 2021.

¹² *Id.* at 4.

In accordance with Rule 13.14(b), the Settling Parties filed the Joint Motion requesting leave to submit the Addendum to the Settlement Agreement on February 26, 2021. The Joint Motion demonstrates that the ERRA Decision represents a material change of fact occurring since the conclusion of the October 29-30, 2020 evidentiary hearing and outlines the Addendum's revisions to Sections 2.2.1.1 and 2.2.1.2 of the Settlement Agreement.

III. DISCUSSION

SDCP agrees that admission of the Addendum as additional evidence is necessary to establish a complete evidentiary record of this proceeding and is also reasonable and justified in light of the ERRA Decision's material impact on the Settlement Agreement.¹³ The Addendum includes modifying language to Sections 2.2.1.1 and 2.2.1.2 that addresses the major concerns raised by both SDCP and the Settling Parties with respect to SDG&E's 2021 and 2022 bundled rates. While the Addendum does not address the methodology behind SDG&E's calculation of rates beyond 2022, the Addendum is nevertheless a positive step in the right direction and should be admitted as relevant evidence.

A. The Addendum Makes Appropriate Changes to the Sales Forecast Provision

The Addendum addresses the inconsistency between the Settlement Agreement and subsequently issued ERRA Decision by limiting the Sales Forecast Provision to SDG&E's 2021 *system delivered and system net* sales forecasts, neither of which are used to set commodity charges. This limitation addresses SDCP's primary concern, namely that the Sales Forecast Provision proposed to adopt an inaccurate bundled sales forecast that could have been used to set artificially low commodity rates. Excluding the bundled sales forecast from Section 2.2.1.1 brings the Settlement Agreement more closely in alignment with the ERRA Decision by ensuring that

¹³ See Addendum at 5.

SDG&E incorporates the most accurate, update bundled sales forecast to set its commodity charges.

B. The Addendum Does Not Address the Long-Term Issue with the Standalone Application Proposal

The Addendum also modifies Section 2.2.1.2 to clarify that SDG&E will use the same 2022 sales forecast in its 2022 ERRA Application and its standalone application to update its 2022 sales forecast.¹⁴ As best as SDCP can tell, this modification suggests that SDG&E will calculate the bundled rates proposed in its 2022 ERRA Forecast application using a more updated sales forecast that reflects additional bundled load departures expected to occur in 2022. SDCP supports this approach and the Settling Parties' commitment to ensuring that SDG&E incorporate the most accurate sales forecast in its 2022 bundled ratemaking. However, the Addendum does not address whether SDG&E will incorporate the most accurate bundled forecast in subsequent ERRA Forecast Applications.

By including this additional language with the Addendum, Settling Parties appear to acknowledge that the Standalone Application Proposal could prevent SDG&E from using the most accurate forecast in rates if the standalone application is not approved in time for implementation in the relevant ratemaking proceeding. While the Addendum helps to promote accurate 2022 bundled rates, it remains unclear whether SDG&E will continue to use an updated and accurate forecast in subsequent ERRA Forecast Applications. Further, the modification does little to address the risk of inefficient, piecemeal ratemaking since it will require parties to essentially litigate the same material issues concerning the 2022 bundled forecast in two separate proceedings.

¹⁴ Id. at 2.

SDCP identified these issues in its February 18 Statement and emphasized that this was the very outcome the Commission sought to avoid with the ERRRA Decision.¹⁵

While the Settling Parties have appropriately identified that the Standalone Application Proposal is inconsistent with the ERRRA Decision, the proposed modification could have gone further to address concerns about the use of inaccurate sales forecasts in ratemaking going forward. A more efficient solution would have been a complete revision to Section 2.2.1.2 eliminating the standalone application language and stating that SDG&E would incorporate its annual sales forecast update in the ERRRA Forecast application. To address issues with the timely implementation of this consolidation, the Addendum could revise the final sentence of Section 2.2.1.2 to specify that SDG&E would consolidate the annual applications subsequent to the 2022 standalone sales forecast application.

Incorporating SDG&E's annual sales forecast updates in the ERRRA Forecast application would address the concerns of SDCP and the Settling Parties, align with the ERRRA Decision, and encourage a timely, efficient, and fair process for setting rates. This approach is worth additional consideration in future Commission proceedings.

IV. CONCLUSION

SDCP commends the Settling Parties' efforts to quickly identify the ERRRA Decision's impact on the Settlement Agreement and to draft the revisions necessary to resolve the inconsistencies between the two. Admission of the Addendum into evidence will help ensure that SDG&E's bundled rates are calculated using the most accurate bundled forecast.

Respectfully submitted,

/s/ Ty Tosdal

¹⁵ February 18 Statement at 7.

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