

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



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Application of San Diego Gas & Electric
Company (U 902 M) to Update Rate Design to
Include a Residential Untiered Time-of-Use Rate
with a Fixed Charge.

Application 21-09-001
(Filed September 1, 2021)

**JOINT RESPONSE OF SAN DIEGO COMMUNITY POWER
AND CLEAN ENERGY ALLIANCE TO THE APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY**

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October 4, 2021

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Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), San Diego Community Power (“SDCP”)¹ and Clean Energy Alliance (“CEA”)² (together, “CCA Parties”) hereby submit this response to San Diego Gas & Electric Company’s (“SDG&E”) *Application of San Diego Gas & Electric Company (U 902 E) to Update Rate Design to Include a Residential Untiered Time-of-Use Rate with a Fixed Charge*, filed on September 1, 2021 (“Application”).³

The CCA Parties welcome efforts to create a residential rate that incentivizes electrification and advances state goals related to greenhouse gas (“GHG”) emissions reductions. With the growth of new technology products, such as energy storage systems and electric vehicles, electrification is becoming not only feasible for residential customers, but a viable and cost-effective alternative to the use of traditional fossil fuels. Furthermore, the environmental

¹ San Diego Community Power (“SDCP”) is the Community Choice Aggregator (“CCA”) for the cities of Chula Vista, Encinitas, Imperial Beach, La Mesa, and San Diego.

² Clean Energy Alliance (“CEA”) is the CCA for the cities of Carlsbad, Del Mar, and Solana Beach and began in May 2021.

³ Application (“A.”) 21-09-001, *Application of San Diego Gas & Electric Company (U 902-E) to Update Rate Design to Include a Residential Untiered Time-of- Use Rate with a Fixed Charge* (September 1, 2021) (“Application”).

benefits of electrification have been identified in multiple economic sectors, most prominently in energy and transportation.

SDG&E steps into new territory with TOU-ELEC. Previously, the Commission has largely relied upon volumetric rates and price signals to encourage or discourage energy usage. Now, SDG&E proposes to use technological criteria and customer peak use to set a fixed charge component of TOU-ELEC and thereby encourage beneficial electricity usage. The fixed charge is being offered not only to bundled customers, but also to CCA and Net Energy Metering (“NEM”) customers. While the CCA Parties support adoption of a rate that provides incentives for electrification in concept, questions remain about SDG&E’s proposal related to rate design and customer eligibility. To answer these questions, the CCA parties request party status and plan to conduct discovery, participate in hearings should they be necessary, and submit testimony, comments and briefs as the schedule provides.

As a new type of rate design, the impact of SDG&E’s Application on both departed and bundled customers requires cautious and careful consideration under applicable law and standards of proof. By statute, rates must be just and reasonable.⁴ As the applicant, SDG&E has the burden of affirmatively establishing the reasonableness of all aspects of the Application,⁵ and that burden of proof is measured by preponderance of the evidence.⁶

I. SDCP AND CEA’S INTEREST IN THE PROCEEDING

SDCP and CEA are Community Choice Aggregation programs that operate in SDG&E’s distribution service area and have an interest in the proceeding for at least two reasons. To the extent the proposed fixed charge fails to capture distribution costs alone or in adequate amount,

⁴ Pub. Util. Code § 451.

⁵ D. 12-12-030 at 42.

⁶ *See, e.g.*, D. 18-01-009 at 9-10; D. 15-07-044 at 29.

non-participating CCA customers could be subsidizing participating customers and be adversely affected. In addition, SDG&E proposes to make the fixed charge available to CCA and NEM customers.⁷ SDCP and CEA have an interest in ensuring that rates available to their customers are just and reasonable, comply with past Commission decisions and do not harm their ability to compete with SDG&E.

II. RESPONSE TO THE APPLICATION

The CCA Parties embrace the concept of rate structures that incentivize electrification and advances state goals related to GHG emissions reductions. Due to the substantial size of residential load, there is great potential for power management as described in SDG&E's testimony to play a central role in meaningfully changing residential customer usage patterns, and by extension, seasonal and daily load profiles across the state. These benefits could be meaningful and substantial. Over the long term, such changes could mitigate the existing mismatch between renewable output and peak demand, captured by the duck curve, for example. To that end, there is good reason to adopt rates that support and accommodate electrification, provided they are reasonable and comply with existing law and Commission decisions.

While the CCA Parties look forward to participating in a constructive dialogue with SDG&E and other parties to understand and improve the proposal, the Application and testimony raise questions about customer eligibility, especially as it relates to CCA and NEM customers, and rate design. The new rate design departs from volumetric rates and must be scrutinized carefully to ensure that the rate achieves its intended purpose, does not impose additional costs on non-participating customers, and is consistent with applicable law and Commission decisions. For these reasons, the CCA Parties support in concept the measures that SDG&E proposes to

⁷ SDG&E Direct Testimony of Gwendolyn Morien, September 1, 2021, at GM-12-14.

limit the pool of participating customers, including conducting a post-hoc analysis of rate performance.

A. SDG&E's Application Raises Questions about Customer Eligibility

Customer eligibility will be an important subject in this proceeding in part due to the novel technological requirements that SDG&E is proposing. SDG&E envisions that TOU-ELEC will be available to customers based on ownership of certain technology, namely, an electric vehicle, an energy storage system, or a heat pump.⁸ Eligibility would be determined based on self-reporting,⁹ but the testimony does not propose any definitions or criteria for the technology and does not include any means of verifying that a customer owns or is using the technology in question. Without these elements, the rate may be taken up by customers without the right technology or without any technology at all, frustrating the core purpose of the rate, i.e., to promote electrification. Establishing basic technology criteria, along with a registration process and potentially an audit function, could reduce or eliminate misuse of the rate in the fashion described.

SDG&E's proposal to make TOU-ELEC available to CCA and NEM customers also raises important questions about customer eligibility. One concern is that the Application and supporting testimony do not fully address whether making TOU-ELEC available to CCA customers is consistent with applicable law and rules. It bears remembering that Public Utilities Code section 366.2 governing CCA service draws a line between CCA and utility responsibilities: CCA programs are "solely responsible for all generation procurement activities" and set rates for their customers.¹⁰ SDG&E Rule 27 elaborates on the distinction, explaining that

⁸ Application at 3.

⁹ SDG&E Direct Testimony of Hannah Campi, September 1, 2021, at HC-12.

¹⁰ Pub. Util. 366.2(a)(5). *See also* Pub. Util. 366.2 (b)(3).

CCA programs have “exclusive responsibility for obtaining and providing the electric power needs (including ancillary services) of their CCA customers and to deliver such power to the necessary grid location required to serve electric power needs to those customers ...”¹¹ while “the [u]tility shall provide transmission and distribution services under applicable tariffs and contracts for delivery of electric power to CCA customers.”¹² Although it appears that the fixed charge component of TOU-ELEC is limited to distribution costs,¹³ if that turns out not to be the case, and the fixed charge includes commodity or other costs, then the proposal violates the statute, as well as SDG&E’s own rules, and cannot be adopted as proposed. Related, SDG&E plans a broad multi-media campaign to market the new rate,¹⁴ and it is unclear how marketing to CCA customers will function within the parameters of Public Utilities Code section 707 and the CCA Code of Conduct.¹⁵ The CCA Parties plan to conduct discovery on these issues and hope that additional information will shed light on whether SDG&E’s proposal complies with applicable law and rules.

SDG&E’s proposal raises questions about the eligibility of NEM customers as well. Given that one of the technological criteria for TOU-ELEC eligibility is an energy storage system, and that pairing solar panels with energy storage systems is increasingly popular with residential customers, it is likely that a significant number of SDG&E NEM customers will be eligible for the rate. Like CCA customers, NEM customers are also subject to rules and existing tariffs that may conflict with certain provisions of TOU-ELEC as proposed. SDG&E’s proposal

¹¹ SDG&E Rule 27, Section B(5).

¹² SDG&E Rule 27, Section B(2)(d).

¹³ SDG&E Direct Testimony of Hannah Campi, September 1, 2021, at HC-9-11.

¹⁴ SDG&E Direct Testimony of April Bernhardt, September 1, 2021, at AB-4.

¹⁵ D. 12-12-036 adopted a Code of Conduct and Expedited Complaint Procedure for utilities regarding CCA programs. Rules 2, 17 and 18 address utility marketing involving CCA programs.

needs further development in this regard. Coordination with the ongoing NEM proceeding,¹⁶ where new rules for rooftop solar owners are currently being developed, may be necessary to ensure that NEM customers are eligible and able to participate in TOU-ELEC, and that, for example, there are no conflicting rules or directives that would prevent the rate from being offered, make it impractical or render it excessively costly.

B. Rate Design Requires Further Development and Refinement

In addition to questions about customer eligibility, the CCA Parties have questions and concerns about the overall rate design that SDG&E is proposing. Whether SDG&E's fixed charge accurately reflects distribution costs – and distribution costs alone – is a key question that must be resolved. Whether CCA programs, who must factor the Power Charge Indifference Adjustment (“PCIA”) into their rates, can offer meaningful and competitive commodity service in conjunction with the fixed charge is another important question that needs to be addressed. The CCA Parties also plan to investigate how the fixed charge was modeled and created, and related, the rate exposure that participating customers are likely to face. These questions, of course, should not obscure the broader question of whether TOU-ELEC will deliver on electrification incentives as designed, a question that should remain front of mind for the Commission and the parties to this proceeding. Whether TOU-ELEC has adequate pricing signals to change customer behavior, for example, is a related question that should be of interest to all parties. The CCA Parties look forward to resolving these important questions about TOU-ELEC as the proceeding unfolds.

¹⁶ See *Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision 16-01-044, and to Address Other Issues Related to Net Energy Metering*, R. 20-08-020, filed August 27, 2020.

C. Limiting the Pool of Participating Customers and Conducting a Near Term Review Are Sensible Concepts Given the Novel Rate Design

SDG&E acknowledges that TOU-ELEC rate components are “unique to the proposed rate among SDG&E’s existing residential rates.”¹⁷ Given the departure from volumetric rates and relatively new rate design associated with the proposed fixed charge, SDG&E is right to proceed with caution. Limiting the pool of participating customers and conducting a post-hoc review, provided it affords sufficient opportunity for data review and input from affected parties, are sensible steps, and the CCA Parties plan to engage with SDG&E further on these issues, as well as other issues raised in this response.

III. CATEGORIZATION OF PROCEEDING, ISSUES TO BE CONSIDERED, NEED FOR HEARINGS, AND PROPOSED PROCEDURAL SCHEDULE

The CCA Parties agree with the preliminary categorization of this proceeding as ratesetting and believe hearings may be necessary, depending on the CCA Parties’ ongoing analysis of the Application, SDG&E’s responses to discovery, and any settlement discussions that may take place.

For good cause, the CCA Parties propose an alternative schedule that can be found in Attachment A. Rate analysts and anticipated witnesses for the CCA Parties in this proceeding have made previous commitments to participate in the Energy Resource and Recovery Account (“ERRA”) forecast proceedings of Pacific Gas and Electric (“PG&E”), Southern California Edison (“SCE”) and SDG&E. The ERRA proceedings require the full attention of those advocating for CCA programs because they are complex, technical and vitally important: The Commission sets PCIA and utility bundled rates for the following year.

¹⁷ SDG&E Testimony of Hannah Campi, September 1, 2021, at HC-1.

The schedules the ERRA cases include deadlines for the November testimony update, beginning on November 5, and comments and replies on the update that extend to November 24, with comments on proposed decisions shortly afterward.¹⁸ The update is a critical stage in every ERRA forecast case when the Energy Division releases the annual Market Price Benchmark (“MPB”) and several months of data on utility generation costs and revenues are introduced to support revisions to preliminary forecasts. Due to the technical nature of underlying materials and the volume of the work involved in simultaneously participating in three ERRA forecast cases, the CCA Parties’ analysts and anticipated witnesses will be dedicating their full attention to scrutinizing utility testimony and assisting with the preparation of comments on the testimony and proposed decision for the better part of November.

The CCA Parties’ proposed schedule, described in Attachment A, resolves this scheduling conflict by setting dates for testimony in this case later than the dates for testimony in the ERRA cases. Nevertheless, while a few subsequent dates have also been slightly modified, the proposed schedule leaves ample time for preparation of the proposed decision in this proceeding and leaves unchanged dates proposed by SDG&E for decision in this matter, i.e., the proposed decision, final decision and implementation date of TOU-ELEC.¹⁹

¹⁸ Scoping Memo and Ruling of Assigned Commissioner, *Application of San Diego Gas & Electric Company (U902E) for Approval of Its 2022 Electric Procurement Revenue Requirement Forecasts and GHG-related forecasts*, A. 21-04-010, July 15, 2021, at 4; E-Mail Ruling on Motion to Extend Briefing Deadlines and Closer Coordination with San Diego Gas & Electric Company 2022 Sales Forecast Proceeding, A. 21-04-010, September 22, 2021 at 3; Assigned Commissioner’s Scoping Memo and Ruling, *Application of Southern California Edison Company (U338E) For Approval of Its 2022 ERRA Forecast Proceeding Revenue Requirement*, A. 21-06-003, August 4, 2021, at 4; Assigned Commissioner’s Scoping Memo and Ruling, *Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2022 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation. (U39E.)*, A. 21-06-001, August 11, 2021, at 6.

¹⁹ Application at 6.

IV. COMMUNICATIONS AND SERVICE

CCA Parties consent to “email only” service and request that the following individuals be added to the service list for A.21-08-010:

Party Representative. Please list SDCP and CEA as individual parties to this proceeding with Mr. Ty Tosdal as the representative for each party:

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V. CONCLUSION

For the foregoing reasons, the CCA Parties respectfully request that the Commission grant party status to SDCP and CEA, and adopt the scope, categorization, and procedural schedule proposed above to fully examine and resolve the issues raised in this response.

Respectfully,

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October 4, 2021

ATTACHMENT A
Proposed Schedule

Proposed Procedural Schedule

Application Filed	September 1, 2021
Responses and Protests to Application	October 4, 2021
Reply to Responses and Protests	October 14, 2021
Prehearing Conference	October 20, 2021
Settlement Discussions	November 1-5, 2021
Intervenor Testimony	January 14, 2022
Rebuttal Testimony	January 28, 2022
Evidentiary Hearings (If Necessary)	February 25, 2022
Concurrent Opening Briefs Filed	March 18, 2022
Concurrent Reply Briefs Filed	April 1, 2022
Proposed Decision	August 1, 2022
Commission Final Decision	September 1, 2022
TOU-ELEC Rate Implementation	January 1, 2023