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

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)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)  
REPLY TO PROTESTS AND RESPONSES**

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**I. INTRODUCTION**

Per Rule 2.6 of the California Public Utilities Commission (“Commission” or “CPUC”) Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) now submits this Reply to the Protests and Responses to its Application to Update Rate Design to Include a Residential Untiered Time-of-Use Rate with a Fixed Charge (“Application”), filed on September 1, 2021. The protesting and/or responding parties to this Application are The Public Advocates Office (“Cal Advocates”), The Center for Accessible Technology (“CforAT”), The California Solar & Storage Association (“CalSSA”), the Utility Consumers’ Action Network (“UCAN”), The Joint CCA Parties,<sup>1</sup> The Utility Reform Network (“TURN”), and the Solar Energy Industries Association (“SEIA”). SDG&E is replying to specific contentions made in the protests and responses. Failure to address any argument made by any party does not indicate agreement with or endorsement of that position.

**II. SCOPE OF THE PROCEEDING**

SDG&E filed this rate design Application in response to a specific Commission order. Therefore, SDG&E argues that the scope of this proceeding should remain limited to whether

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<sup>1</sup> The Community Choice Aggregator (“CCA”) Parties consist of San Diego Community Power and Clean Energy Alliance.

this proposed rate comports with the directives contained in Decisions (“D.”) 20-03-003 and 21-07-010, and whether it follows the Commission’s rate design principles.<sup>2</sup>

**A. This Proceeding is an Inappropriate Venue to Discuss a Medical Discount for SDG&E’s Untiered Residential Rates**

As noted above, D.20-03-003 and D.21-07-010 specifically ordered SDG&E to propose, by September 1, 2021, an opt-in, un-tiered, residential time-of-use rate with a fixed charge available to residential customers charging an electric vehicle, utilizing energy storage, or employing electric heat pumps for water heating or climate control.<sup>3</sup>

In its protest, CforAT seeks to implement a novel discount, wholly separate from the existing Medical Baseline program, that would apply to all of SDG&E’s untiered opt-in rates.<sup>4</sup> As such, this venue is inappropriate, and the Commission should not consider CforAT’s proposal in this proceeding as it would greatly expand the scope and complexity by implicating other opt-in rates offered by SDG&E and would potentially conflict with SDG&E’s next General Rate Case (“GRC”) Phase 2 application. The instant proposal is not a Rate Design *Window* (“RDW”), with a broader scope, but a Rate Design *Application*, with one specific rate proposal ordered by the Commission.

The instant Application, filed at the Commission’s order, considers a single rate proposal geared towards customers with specific traits. Accordingly, this proceeding is not the venue in which to litigate other SDG&E rate designs, as it would significantly increase the scope and complexity of the proceeding, potentially extending the amount of time needed to resolve all

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<sup>2</sup> See D.20-03-003 at 9.

<sup>3</sup> D.20-03-003, Ordering Paragraph (“OP”) 10 at 51 and D.21-07-010 at 32.

<sup>4</sup> CforAT’s Protest to Application of SDG&E to Update Rate Design to Include a Residential Untiered Time-Of-Use Rate With A Fixed Charge (October 1, 2021) (“CforAT Protest”) at 2-3.

issues and delaying the availability of SDG&E's proposed rate ("TOU-ELEC"). In its protest, CforAT references Pacific Gas & Electric Company ("PG&E") and Southern California Edison Company ("SCE") proceedings to support its proposed medical discount. However, in Application ("A.") 20-10-006, PG&E specifically sought to address a medical discount for multiple existing non-tiered rates. Since A.20-10-012 is SCE's GRC Phase 2 Application, its scope is broad and therefore inclusive of the type of proposals CforAT is attempting to bring here. This Application, however, is not a GRC Phase 2 and was intended to consider only one new rate design. CforAT's attempt to shoehorn their proposal into this proceeding is evidenced further by its claim that a medical discount would support the Commission directive to "increase enrollment in Medical Baseline."<sup>5</sup> While SDG&E supports Medical Baseline, this proceeding, and CforAT's proposal, is not the proper means to achieve increased enrollment therein.<sup>6</sup>

While SDG&E supports the intent to provide relief for customers with specific medical conditions, this proceeding is an inappropriate venue to consider creating whole-cloth, a new discount program, as CforAT proposes. Instead, SDG&E firmly believes this issue is better

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<sup>5</sup> CforAT Protest at 4.

<sup>6</sup> Medical Baseline is a program of statutory origin with a specific mandate to "establish a standard limited allowance which shall be in addition to the baseline quantity of gas and electricity for residential customers" who meet specific medical criteria. (Pub. Util. Code §739(c)(1)) Therefore, customers who are on a plan without a baseline quantity of electricity cannot, by definition, increase enrollment in Medical Baseline. Applying a medical discount would therefore be separate from Medical Baseline, which begs additional questions about program management and ensuring customers on both programs receive the same discount. SDG&E would necessarily also need to address the discount for customers dually participating in California Alternate Rates for Energy ("CARE") and the medical discount to ensure that the discount does not exceed the statutory maximum the CARE program allows per Pub. Util. Code § 739.1(c)(1). SDG&E is concerned that attempting to address CforAT's proposal in the instant application would be wrought with unforeseen complications and increase the need for an extended schedule, thereby delaying the availability of this rate.

suited for the expansive scope of the upcoming GRC Phase 2 proceeding, which SDG&E is currently required to file in approximately August 2022, which is less than one year from now.

**B. The Economic and Social Justice Action Plan Does Not Apply to This Application**

In their protest, TURN suggests that the scope of this proceeding should include an analysis of whether the proposed rated design comports with the Commission’s Economic and Social Justice (“ESJ”) Action Plan.<sup>7</sup> The Commission’s stated goal of the ESJ Action Plan is to, among other things, make sure that members of ESJ communities participate in CPUC proceedings and decision-making and that investments in clean energy resources benefit all communities. The specific goals of the ESJ action plan are as follows:<sup>8</sup>

1. Consistently integrate equity and access considerations throughout CPUC proceedings and other efforts.
2. Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health.
3. Strive to improve access to high-quality water, communications, and transportation services for ESJ communities.
4. Increase climate resiliency in ESJ communities.
5. Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC’s decision-making process and benefit from CPUC programs.
6. Enhance enforcement to ensure safety and consumer protection for ESJ communities.
7. Promote economic and workforce development opportunities in ESJ communities.

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<sup>7</sup> Protest of TURN (October 4, 2021) (“TURN Protest”) at 2.

<sup>8</sup> CPUC, Environmental and Social Justice Action Plan, *ESJ Action Plan Goals, Nine Goals of the ESJ Action Plan*, available at <https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan>.

8. Improve training and staff development related to ESJ issues within the CPUC's jurisdiction.
9. Monitor the CPUC's ESJ efforts to evaluate how they are achieving their objectives.

Each of these goals is laudable, and SDG&E supports these objectives. However, most, if not all, of these goals do not apply to rate design applications and therefore exceed the proper scope of this proceeding. For example, SDG&E is unclear how its proposed rate design could “improve access to high-quality water, communications, and transportation services for ESJ communities.”<sup>9</sup>

The Commission has already adopted ten Rate Design Principles (“RDP”) broadly categorized as striving to move toward and promote rates based on Cost of Service, Affordable Electricity, Conservation, and Customer Acceptance.<sup>10</sup> Therefore, in a rate design proceeding, it is unnecessary for the Commission also to analyze whether proposed rate designs meet the Commission's ESJ goals, many of which are not relevant to rate design. Accordingly, the Commission should reject TURN's proposal.

**C. The Commission Should Address TOU Periods and Marginal Costs in a GRC Phase 2 Proceeding**

In its protest, Cal Advocates states that “SDG&E's TOU [current time-of-use (“TOU”)] periods are not cost-based”<sup>11</sup> but fails to provide a citation supporting its argument. Regardless, SDG&E disagrees with this statement. The cost basis is not the only factor considered when setting TOU periods, and SDG&E must balance customer understanding, acceptance, and the length of time the current TOU periods have been in place, among other factors. SDG&E's

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<sup>9</sup> *Id.*

<sup>10</sup> D.15-07-001 at 28 and 264.

<sup>11</sup> Protest of the Public Advocates Office (October 4, 2021) (“Cal Advocates Protest”) at 3.

recently adopted 2019 GRC Phase 2 settlement does not change SDG&E’s TOU periods, and Cal Advocates supported this settlement.<sup>12</sup> In this settlement agreement, SDG&E agreed to provide an analysis of Base TOU periods in its next GRC Phase 2 Application, per D.17-01-006.<sup>13</sup>

TOU periods are required to be evaluated in every GRC Phase 2, and SDG&E “should propose new Base TOU periods, if warranted, at least every two general rate case cycles.”<sup>14</sup> Further, the Commission seeks to maintain continuity of TOU base periods and avoid the customer confusion that would undoubtedly arise from frequently changing TOU base periods.<sup>15</sup> As Cal Advocates states, it sent a data request to SDG&E requesting alternative TOU periods that are currently applicable to SCE.<sup>16</sup> Therefore, Cal Advocates has asked for an analysis of TOU periods that are based on a different utility’s marginal costs. SCE’s marginal costs cannot be substituted for SDG&E’s due to the unique nature of each utility’s portfolio, methodologies, assumptions, and other factors. Moreover, critiquing SDG&E’s TOU periods as not cost-based and then requesting SDG&E to perform analysis on TOU periods based on a different utility’s marginal costs is nonsensical.

In addition, Cal Advocates’ statement that a mismatch between TOU periods and SDG&E’s periods of lowest and highest costs would lead to unexpectedly high bill impacts for

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<sup>12</sup> A.19-03-002, Joint Motion of SDG&E, Cal Advocates, *et al.* For Approval of the General Rate Case Phase 2 Settlement Agreement (October 8, 2020) (“2019 GRC Phase 2 Settlement Agreement Motion”).

<sup>13</sup> *Id.*, Attachment A at 17-18.

<sup>14</sup> D.17-01-006, OP 1 at 77-78, and Appendix 1 at 1.

<sup>15</sup> *Ibid.* (“Base TOU periods should continue for a minimum of five years...”)

<sup>16</sup> Cal Advocates at 3.



customers<sup>17</sup> is factually incorrect. Retail rates are set based on TOU periods and do not fluctuate outside of rate changes. Customers are not exposed to actual commodity expenses incurred until the Commission approves them in an Energy Resource Recovery Account (“ERRA”) Forecast or ERRA Trigger Application.

Finally, Cal Advocates’ proposed scope includes a “review of the reasonableness of the marginal costs used for the rate design.”<sup>18</sup> This proposal is inappropriate, as marginal costs are a GRC Phase 2 issue, and SDG&E’s 2019 GRC Phase 2 is a closed proceeding. Including 2019 GRC Phase 2 marginal costs in the scope of the instant proceeding would allow select parties to have a proverbial “second bite at the apple.” The instant Application only proposes to address rate design for one residential rate, per a Commission decision. As such, SDG&E’s non-residential customer classes (i.e., small commercial, large commercial and industrial, agricultural, and streetlighting) would not be appropriately represented were this proceeding to address marginal costs, an issue that impacts all customers.

Again, SDG&E is currently scheduled to file its next GRC Phase 2 application in August 2022, which would be the appropriate place for Cal Advocates to examine marginal costs. For these reasons, the Commission should not include a review of SDG&E’s current marginal costs within the scope of this Application.

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<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 6.

### **III. DISCUSSION OF CERTAIN PARTY POSITIONS**

While it intends to address these matters more fully in future briefs, SDG&E must address some of the factual contentions made by some of the protesting parties at this time.

#### **A. SEIA Mischaracterizes the Nature of the Proposed Rate**

In its protest, SEIA compares the rate proposed in the Application to the rate rejected in D.20-03-003.<sup>19</sup> SEIA ignores critical differences between the instant rate proposal and the rate analyzed in D.20-03-003. Most notably, the current proposal includes the requirement, as requested by the Commission, that participating customers have the requisite qualifying technologies. Additionally, the tiered fixed charges in this Application limit the subsidization from one group of customers to another that SEIA points to in its protest as a criticism of the previous rate proposal.

#### **B. The Joint CCA Parties' Customer Eligibility and Commodity Ratesetting Concerns are Unfounded**

In their response, the Joint CCA Parties raise concerns about customer eligibility and SDG&E infringing upon CCA rights to set rates for CCA customers.<sup>20</sup> These concerns are wholly unfounded. As stated in the Direct Testimony of SDG&E witness Morien:

Both bundled and unbundled customers would be able to take service on this rate, with unbundled customers taking commodity service from their load serving entity. SDG&E does not unilaterally set commodity rates, and therefore, an unbundled customer of a Community Choice Aggregator (CCA) will receive commodity pricing from their commodity provider. The CCA may or may not choose to provide pricing similar to SDG&E's. However, these unbundled customers will still receive the benefit of a reduced volumetric rate as a result of the fixed charge, lowering the average \$/kWh rate they pay.<sup>21</sup>

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<sup>19</sup> Protest of SEIA (October 4, 2021) ("SEIA Protest") at 5.

<sup>20</sup> Joint Response of San Diego Community Power and Clean Energy Alliance to the Application of San Diego Gas & Electric Company (October 4, 2021) ("Joint CCA Parties Response") at 4-6.

<sup>21</sup> Prepared Direct Testimony of Gwendolyn R. Morien on Behalf of San Diego Gas & Electric Company (September 1, 2021) at GM-12.

The CCAs appear to misunderstand how bundled vs. unbundled fixed charge would be applied. SDG&E's proposed fixed charge only recovers distribution costs and does not include any commodity costs. Therefore, the fixed charge SDG&E is proposing is the same for both bundled and unbundled customers. However, even if the proposed fixed charge *did* include commodity or other costs, it would not in any way violate any statute or infringe on the CCAs' rights. In this hypothetical scenario, the CCA customer would continue to purchase their commodity from the CCA and not pay the commodity portion of the fixed charge, while a bundled customer would pay both the distribution and commodity fixed charges.

### **C. SDG&E's Existing Marketing Strategy Accounts for CCA Customers**

SDG&E's multi-media campaign for TOU-ELEC would exclude promoting the rate option to CCA customers. As part of developing the Marketing, Education, and Outreach ("ME&O") strategy, SDG&E works closely with its internal teams and media buyers to adhere to the CCA Code of Conduct<sup>22</sup> while informing its existing bundled customers about their rate options. Specifically, SDG&E can exclude zip codes for communities that have adopted CCAs for mass media channels like print, digital advertising (banner ads and social media), streaming radio, and TV-OTT. Furthermore, 90 days before a community transitions to CCAs, SDG&E begins excluding those community zip codes from the mass media channels mentioned above as well as targeted email and direct mail communications. A similar targeted approach is taken with outreach activities.

SDG&E recognizes that some customers may opt-out of the CCA and remain an SDG&E bundled customer. While they would not be exposed to any mass media because their zip code

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<sup>22</sup> D.12-12-036, *Decision Adopting a Code of Conduct and Enforcement Mechanisms Related to Utility Interactions with Community Choice Aggregators, Pursuant to Senate Bill 790*, Attachment 1.

has been excluded, SDG&E would still be able to inform them of available rate options through a targeted email or direct mail, if needed. In sum, as more communities within SDG&E's service territory transition to CCAs, SDG&E will adjust marketing channels and tactics as appropriate.

#### **IV. SCHEDULE**

Several parties suggested the delay of SDG&E's proposed dates in the Application. SDG&E maintains its originally proposed schedule is reasonable, though it is willing to accommodate a delayed schedule so long as it does not compromise the successful implementation of this rate by the desired date of January 1, 2023.

#### **V. CONCLUSION**

SDG&E continues to assert that the scope of this proceeding should be limited to the questions of whether its proposed TOU-ELEC rate complies with Commission orders and supports relevant California policy objectives. SDG&E looks forward to working with the Commission to facilitate expeditious approval of this Application in all respects without a hearing along with such additional relief as the Commission deems appropriate.

DATED at San Diego, California, this 13th day of October 2021.

Respectfully submitted,

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