BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
08/15/22
02:07 PM
R2207005

Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates	Rulemaking 22-07-005 (Filed July 14, 2022)

OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON ORDER INSTITUTING RULEMAKING TO ADVANCE DEMAND FLEXIBILITY THROUGH ELECTRIC RATES

Rebecca D. Hansson
8330 Century Park Court, CP32D
San Diego, California 92123-1530
Telephone: (858) 654-8278
E-mail: rhansson@sdge.com

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY

Roger Cerda
8330 Century Park Court, CP32D
San Diego, California 92123-1530
Telephone: (858) 654-1781
E-mail: rcerda@sdge.com

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY

August 15, 2022

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates	Rulemaking 22-07-005 (Filed July 14, 2022)

OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON ORDER INSTITUTING RULEMAKING TO ADVANCE DEMAND FLEXIBILITY THROUGH ELECTRIC RATES

I. INTRODUCTION

San Diego Gas & Electric Company (SDG&E) respectfully submits these comments on the Order Instituting Rulemaking R.22-07-005 (OIR). SDG&E supports the California Public Utilities Commission's (Commission) proposal to enable widespread demand flexibility through electric rates. SDG&E appreciates the Commission's desire to focus this proceeding on "how to streamline the patchwork of niche rates and programs to expand the use of demand flexibility beyond early adopters."[1]

SDG&E commends the Commission's broad scope of the OIR and willingness to reassess rate structures that benefit all Californians but recommends certain changes to the scope of the proceeding as currently outlined in the OIR. Specifically, SDG&E recommends the following modifications to the Preliminary Schedule: (1) prioritize modernizing and updating the Commission's Rate Design Principles (RDPs) and subsequently order the investor-owned utilities (IOUs) to file rate design window applications (RDWs) proposing residential default fixed charges by March 31, 2023; and (2) modify the language of numerous preliminary issues to allow for necessary and appropriate findings of fact.

[1] OIR, p. 2.

First, given the immediate need to electrify homes and transportation, and recent legislation, SDG&E believes that the Commission should prioritize certain issues to ensure that customers have a rate structure that incentivizes electrification. In particular, SDG&E recommends the Commission prioritize modernizing and updating the Commission's RDPs. Assembly Bill (AB) 205, which was passed on June 30, 2022, requires the Commission to authorize a fixed charge for default residential rates no later than July 1, 2024.[2] Additionally, the bill removes the $10 cap on default residential fixed charges, requires that the default residential fixed charge be established on an income-graduated basis with no fewer than three income thresholds, removes the requirement that default residential rates have at least two usage tiers, and requires that the approved fixed charges do not unreasonably impair incentives for beneficial electrification and greenhouse gas reduction. In order to address all issues and align with the deadline required by AB 205, a separate track to modernize the Commission's RDPs should begin immediately, prior to the development of other rate elements or the other scoped issues. Upon approval of modified RDPs, SDG&E recommends the Commission order the IOUs to file RDWs proposing residential default fixed charges by the first quarter of 2023. These RDWs would allow for the fixed charge to be addressed separately and expediently, but parallel to this proceeding, using the RDPs adopted in this rulemaking. This will align the OIR with the timeline and directives of AB 205.

Second, SDG&E recommends modifying the language around several of the scoping issues, many of which begin with the word "how," which implies that conclusions have already been drawn and indicates that the OIR will focus on implementing strategies that have not been developed or vetted during the course of this proceeding. This language is presumptive and limits

---

[2] Pub. Util. Code Section 739.9(b).

the type of solutions and strategies that can be explored during this proceeding. SDG&E respectfully recommends the Commission revise some of the language in the scoped issues to allow for appropriate record evidence that will support findings on each issue.

II. COMMENTS

Due to the complexity and number of issues in this proceeding, SDG&E recommends the following modifications to the OIR and preliminary scoping memo.

A. Issues Related to Modernizing the RDPs and Fixed Charges Should be Addressed as an Initial Matter

SDG&E appreciates that the Commission has committed to re-examining the application of fixed charges in residential rates. Residential fixed charges are essential to lowering the volumetric rate and helping incentivize Californians to electrify their homes and transportation. High volumetric rates disincentivize the beneficial electrification necessary for the state to achieve its climate goals. The current mandated volumetric rate structure and rate design principles have historically prioritized energy efficiency and overall reduction of customer end-use consumption. However, when customers electrify, they increase their consumption. Volumetric rates must be low enough that customers see a value proposition in the adoption of electrification technologies like electric appliances and electric vehicles (EVs).

Modernized RDPs will provide a necessary foundation for electric rates that enable electrification and demand flexibility. Given the level of reform required by AB 205, issues related to determining the appropriate fixed charge should be addressed prior to adopting additional rate elements. SDG&E recommends the Commission prioritize modernizing its rate design principles on an expedited basis in order to comply with the AB 205 legislative deadline of July 1, 2024. The Commission should first adopt modernized rate design principles, which will allow for a more holistic approach to a rate design that addresses the broad needs of the OIR, including dynamic rates and fixed charges. Second, SDG&E recommends that a final decision on modernized RDPs order the IOUs to file applications for default residential fixed charges that comply with the directives of AB 205 in Q1 of 2023. This order would be consistent with D.15-07-001, which ordered the IOUs to file RDWs proposing default time-of-use (TOU) rates.[3]

The Commission has considered residential fixed charges in prior proceedings. However, SDG&E is concerned that these proceedings typically took one year to resolve. For example, the IOUs 2018 RDW fixed charge proposals were considered in a third phase of the application beginning on March 29, 2019.[4] The Commission adopted a decision on Phase 3 of this proceeding, rejecting default residential fixed charges, on March 12, 2020, nearly a year later. Additionally, within a separate track of Pacific Gas and Electric Company's (PG&E) 2016 General Rate Case (GRC) Phase 2, the IOUs filed proposals for categories of eligible fixed costs that could be recovered in a default residential fixed charge on October 6, 2016, and the Commission adopted D.17-09-035 on September 28, 2017, nearly a year later. This decision, which has since been found to only hold precedential value within the context of PG&E's 2016 Phase 2 (its originating proceeding),[5] only decided what costs could be recovered in a residential fixed charge. It did not decide the structure of the fixed charge or other factors that will need to be decided to adopt a fixed charge compliant with AB 205. Given the added complexity from AB 205 – *i.e.*, that default fixed charges must be established on an income-graduated basis and that they must not unreasonably impair incentives for beneficial electrification – SDG&E believes a significant amount of time will be necessary to adequately develop a record and for the

---

[3] D.15-07-001, Ordering Paragraphs 9-11. SDG&E filed A.17-12-013 on December 20, 2017, which was subsequently consolidated with A.17-12-011 and A.17-12-012.

[4] A.17-12-013, Prepared Supplemental Testimony dated March 29, 2019.

[5] D.21-11-016, Conclusion of Law 32.

Commission to adopt default residential fixed charges. SDG&E estimates that the Commission would need to issue a final decision on modernized RDPs by the end of 2022 to provide adequate time for the IOUs to file applications by the March 31, 2023 (or alternatively, submit proposals, as described below) and for a record to be developed supporting adoption of a default residential fixed charge that meets all the directives in AB 205.

Accordingly, SDG&E recommends the following timeline to address the various components of this proceeding:

Proceeding Milestone	**Proposed Deadline**
Final Decision on modernized rate design principles, including order for IOUs to file rate design window applications	December 2022
IOUs file RDWs with proposals for default residential fixed charges	March 31, 2023
Default residential fixed charge adopted	July 2024 (AB 205 Mandate)

Alternatively, the Commission could consider a separate accelerated track within this proceeding that deals with modernizing RDPs *and* adoption of default residential fixed charges. If the Commission decides a separate expedited track is more appropriate than an RDW for establishing a default residential fixed charge pursuant to AB 205, the parties could be ordered to file proposals on the same timeline contemplated above. Both options (*i.e.*, separate applications or prioritized separate track within R.22-07-005) allow for two important but distinct issues of rate reform (dynamic rates and fixed charges) to be addressed independently while acknowledging their relevance to each other and complying with the timeline set by AB 205. However, SDG&E believes separate IOU applications to consider default residential fixed charges is preferable, given that it would allow parties to focus on this single legislatively required issue, while also allowing parties and Energy Division to concentrate on the scoped issues around demand flexibility within the instant proceeding.

B. Certain Preliminary Scoping Issues Should be Modified to be Less Presumptive and Cost Recovery Should be Addressed as an Issue in Scope

SDG&E finds that the preliminary issues to be in scope of this instant proceeding represent some important and perhaps even urgent matters (as noted above in the discussion of the need to address fixed charges). However, as currently worded, the proposed list of issues appears to make certain assumptions for which a record has not been developed, as parties have not had the opportunity to present evidence. Therefore, many of these issues do not have the background to be supported in the staff paper/proposal.

For example, in the list of preliminary scoping issues, the OIR has listed the following:

a. How should the Commission update its rate design principles to enable widespread demand flexibility to improve system reliability and advance the state's climate goals in an affordable and equitable way?[6]

SDG&E recommends that the Commission modify scoping item "a" to be focused on rate design principles as a whole, rather than focused specifically on dynamic rates. The RDPs should be updated with all rates in mind, including default residential fixed charges which must be authorized by July 1, 2024. SDG&E suggests that scoping issue "a" be modified as follows:

a. How should the Commission update its rate design principles to ~~enable widespread demand flexibility to improve~~ support system reliability and advance the state's climate goals in an affordable and equitable way?

In addition, preliminary issue "g" states:

g. **How** should the Commission ensure universal access to dynamic electricity prices by customers, devices, distributed energy resources, and third-party service

[6] OIR, p. 8, Section 3.1, preliminary issue "a."

> providers? **How** should systems need for universal access by funded, built, operated and maintained."[7]

This issue presupposes the conclusion that universal access is necessary and beneficial to all without any input from stakeholders or evidentiary support. Indeed, the item identifies third-party service providers as a group that would benefit from knowing prices in real time. However, the record in this proceeding has not established that as a fact. For what purpose do these parties need access, and how would this third-party access benefit ratepayers? And at what costs? This proposed issue as currently drafted presumes that systems should be built for universal access, without first addressing ***if*** they will be used, ***who*** will engage, and ***if*** ratepayers will benefit. SDG&E is not convinced that the benefits ratepayers receive from dynamic pricing will outweigh the costs of implementing a system available to all customers, because those benefits and costs have not yet been quantified. SDG&E recommends that this item be reworded to adjust the scope to ask if all these items are needed, to what degree, by whom, and at what benefit to determine who pays. SDG&E also notes that it has a pending application at the Commission for real-time pricing pilots (A.21-12-008) that will provide learnings to SDG&E and the Commission about the benefits and costs of real-time pricing, once those pilots are completed.

Similarly, on page 9 of the OIR, preliminary issue "h" states:

> h. **How** should the Commission inform customers about dynamic rates, ease customers' transitions to these rates, help them manage and plan their electricity usage, and protect them against bill volatility?[8]

Again, the wording of this issue presumes that the Commission should be communicating to customers about dynamic rates and how to ease them on to these new rates. SDG&E notes this

---

[7] OIR, p. 8, Section 3.1, preliminary issue "g" (emphasis added).

[8] OIR, p. 9, Section 3.1, preliminary issue "h" (emphasis added).

preliminary issue assumes that the Commission should take on the role of communicating dynamic pricing to customers, and that customers should be transitioned to dynamic rates, which have not been established as policy matters. SDG&E would ask the Commission to revise "h" to consider whether customers should be transitioned to dynamic rates, and if the benefits of transitioning these customers outweigh the costs.

Additionally, scoping issue "f" asks:

> f. **How** should the Commission consolidate, modify, or eliminate existing tariffs for consistency with adopted rate design principles and demand flexibility guidance?[9]

It has not been established that the Commission should tackle the issue of how to consolidate, modify or eliminate existing tariffs for consistency with adopted RDPs and demand flexibility guidance, when it has not yet been shown that this would be effective or necessary. SDG&E respectfully recommends that these preliminary issues be changed to remove conclusive language about the specific rate reforms that are to be developed as a result of this proceeding, and instead ask ***if*** these reforms are needed and if such reforms would benefit all ratepayers.

Similarly, several preliminary scoping issues seem premature given that modernized RDPs have not yet been adopted. For example, scoping issue "d" asks "How should the Commission reform demand charges for consistency with the adopted rate principles and demand flexibility guidance?"[10] This preliminary scoping issue assumes demand charges will be reformed. However, parties have not had an opportunity in the proceeding to show whether reforming demand charges would be an effective means of achieving the OIR's stated goals, or if there are other effective or more targeted means of achieving these goals. Without record evidence or

---

9 OIR, p. 8, Section 3.1, preliminary issue "f" (emphasis added).

10 OIR, p. 8, Section 3.1, preliminary issue "d."

modernized RDPs to guide the development of a new rate structure, the conclusion that it is necessary to reform demand charges for all customers is premature.

Lastly, preliminary scoping issue "l" asks "What tools and policies are necessary to enable bundled and unbundled customers to participate more fully in demand flexibility rates?"[11] This issue should be expanded to include an examination of cost recovery methods of any education, outreach, tools or services that are accessed by unbundled customers. SDG&E supports the inclusion of unbundled customers and the load serving entities (LSE) that serve them in the Commission's efforts to develop demand flexibility rates; however, the inclusion of this item presumes that the Commission has some jurisdiction over all load serving entities (LSE), including community choice aggregators (CCAs), to require them to participate in efforts to provide statewide tools or platforms as discussed in the staff proposal.[12] SDG&E supports this preliminary scoping item to the extent it recognizes that new policies may be needed if tools or flexible rates are utilized, but the scoping issue must be expanded to include how such tools will be funded.[13] This is crucial. Given the limitations of Commission jurisdiction, this scoping item may result in requiring the IOUs to build or at least fund the tools that all LSEs, and potentially others, will use. If unbundled customers are not required to contribute to the cost of such tools, even though they stand to benefit, this would constitute a cost shift from unbundled to SDG&E's

---

11 OIR, p. 9, Section 3.1, preliminary issue "l."

12 "Advanced Strategies for Demand Flexibility Management and Customer DER Compensation – Energy Division White Paper and Staff Proposal," June 22, 2022, at p. 45.

13 Again, SDG&E would state that it may be presumptive to say such tools are needed, will be used, or provide great benefit to all customers and that should be established early in the proceeding.

remaining bundled customers.[14] SDG&E proposes that the scoping item be clearer to state that in scope is the issue of how best to recover costs of any rate tools or education efforts that are provided by the IOUs but utilized by both bundled and unbundled customers to ensure ratepayer indifference principles are upheld. As a matter of equity, SDG&E proposes that in scope should be the examination of cost recovery methods of any education, outreach, tools or services that are accessed by unbundled customers.

III. CONCLUSION

SDG&E appreciates the opportunity to provide these comments and the Commission's decision to open this proceeding to deal with necessary issues of updating rate design to address pressing issues of affordability, decarbonization, and equity in a rapidly changing energy landscape. SDG&E requests that the Commission adopt its proposed modifications including prioritizing the scoped issue of modernizing the Commission's RDPs and delineating adoption of a default residential fixed charge. Additionally, SDG&E respectfully recommends updates to several scoping issues which imply conclusions have already been drawn about the outcome of this proceeding.

DATED this August 15, 2022, at San Diego, California.

Respectfully submitted,

/s/ *Roger A. Cerda*
Roger A. Cerda
8330 Century Park Court, CP32D
San Diego, CA 92123-1530
Telephone: (858) 654-1781
E-mail: rcerda@sdge.com
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY

[14] SDG&E has estimated that by the end of 2023, it is possible SDG&E will have as few as an estimated 250,000 bundled customers (or less), which is less than 20% of its customers, given the ongoing transition to CCA service in its territory.