BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
05/11/26
04:59 PM
R2604009

Order Instituting Rulemaking on California Advanced Electric Rate Design.	Rulemaking 26-04-009

SAN DIEGO GAS & ELECTRIC COMPANY (U 902E) OPENING COMMENTS ON ORDER INSTITUTING RULEMAKING ON CALIFORNIA ADVANCED ELECTRIC RATE DESIGN

Rebecca D. Hansson

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32D
San Diego, California 92123
Telephone: (619) 889-3473
E-mail: RHansson@sdge.com

Dated: May 11, 2026

TABLE OF CONTENTS

I. INTRODUCTION 1

II. QUESTIONS FOR PARTY COMMENT 2

1. Please provide comments on the list of preliminary issues. Are there any missing issues? 2

2. Please provide comments on the schedule. Should this proceeding initially focus on only a portion of the preliminary issues? If so, which issues should be addressed first and why? 2

3. What changes or updates are needed to improve the income verification processes used for the Base Services Charge (formerly the income-graduated fixed charge), as adopted in D.24-05-028? Please refer to the Process Working Group Final Report, served to the R.22-07-005 Service List on January 15, 2026, and included as Attachment A to this OIR. 3

4. Are there any statutory interpretation issues of the Public Utilities Code that were not resolved in R.22-07-005 and should be considered in this proceeding regarding the Base Services Charge, reform of residential rates to better reflect cost causation, or regarding the interplay between the California Alternate Rates for Energy (CARE) program and the Base Services Charge? 5

5. AB 205 amended Pub. Util. Code Section 739.9(c) to eliminate the requirement that the Commission "require each electrical corporation to offer default rates to residential customers with at least two usage tiers." Is it consistent with Public Utilities Code for the Commission to consider adopting default time-of-use rates that do not include usage tiers? 6

6. What rate designs and tariff service agreement terms have been adopted in other states or regions for data center customers? Have other states or regions created a separate customer class for data center customers? Should these rates be applicable in California? If so, how? 7

7. What rate designs have been adopted in other states or regions for other large load customers, including for industrial heat process producers and large commercial hydrogen generation, to support electrification, beneficial load growth and load flexibility? Should these rate designs be applicable in California? If so, how? 8

8. Should the Commission authorize the Proposal for Consultant Contract provided in Attachment B? Should any amendments to the proposal be made? 8

III. COMMENTS ON LIST OF PRELIMINARY ISSUES 9

A. Preliminary Scoping Issue A: Do existing residential and non-residential time-of-use rates align with current system load patterns and/or grid cost drivers? If not, how should they be amended for alignment? 9

B. Preliminary Scoping Issue B: Do existing residential and non-residential rates accurately reflect cost-of-service? If not, how should they be amended? 10

C. Preliminary Scoping Issue C: How should marginal cost inputs and methodologies be modified to better reflect the costs of providing service? 10

D. Preliminary Scoping Issue D: Should further elements of a utility's authorized distribution revenue requirement, including the equal percentage of marginal cost (EPMC) scaled allocation of marginal customer costs and wildfire-related costs, be classified as fixed costs? What rate designs, such as fixed charges or demand charges, should the Commission consider for the recovery of these costs for both residential and non-residential customers? 11

E. Preliminary Scoping Issue E: Should the Commission adjust residential Base Services Charges (also known as income-graduated fixed charges) to recover certain authorized fixed utility costs in accordance with Pub. Util. Code Section 739.9, adopted electric rate design principles, and demand flexibility design principles? If so, how? 13

F. Preliminary Scoping Issue F: Should the Commission adjust electric rate designs to further support California's transition to electrification and the reduction of greenhouse gas emissions? If so, how? 15

G. Preliminary Scoping Issue G: Should the Commission approve alternatives to baseline tiers in time-of-use rates in order to improve customer understanding, improve vulnerable customer protections in hot climate zones, and support electrification? If so, how? 16

H. Preliminary Scoping Issue H: What changes or updates are needed to improve the income verification processes used for the Base Services Charge, as adopted in D.24-05-028? 16

I. Preliminary Scoping Issue I: How should the Commission modernize demand charges and nonbypassable charges for consistency with the adopted electric rate design principles and demand flexibility design principles? 17

J. Preliminary Scoping Issue J: Are one or more new rate tariffs needed for data center customers and/or other large-load customers to prevent stranded costs and/or cost-shifting? If so, what should be included in the new rate(s)? 17

K. However, the Commission should keep in mind that differences in service areas and customer demographics, make a one-size-fits-all approach unrealistic(*e.g.,* it

may not make sense to pursue multiple large load tariffs for a small/limited pool of eligible customers within an IOU's service area). Accordingly, SDG&E requests that the Commission provide policy-level guidance on this issue and that specific solutions and/or rate designs be addressed in individual utility applications rather than in this joint OIR. Preliminary Scoping Issue K: Should the Commission improve rate signals for large-load customers, including for industrial heat process producers and large commercial hydrogen generation, to support electrification, beneficial load growth and load flexibility? If so, how? . 17

L. Preliminary Scoping Issue L: How should the Commission implement AB 2109 requirements to implement an exemption from nonbypassable or departing load charges for certain industrial customers that utilize process heat recovery technology, subject to a cap and prescribed requirements to be established by the Commission? 18

M. Preliminary Scoping Issue M: Should the Commission provide any additional rate design requirements for dynamic rates? If so, which? 18

N. Preliminary Scoping Issue N: Should the Commission require different adjustments to rates and rate design methodologies for large electric investor-owned utilities and the small and multi-jurisdictional utilities in this proceeding? If so, how should the requirements differ for the small and multi-jurisdictional utilities? 20

O. Preliminary Scoping Issue O: Should the Commission authorize funding for third-party consultant services to support the development of rate design and bill impact analysis tools and to support Energy Division staff analysis of rate design issues in this proceeding? 20

P. Proposed Scoping Issue P: Should the Commission modify the Rate Case Plan to allow the Large Electric IOUs more time to prepare and file General Rate Case Phase 2 applications? 20

IV. COMMENTS ON PROPOSED SCHEDULE 22

A. The Proceeding Should Be Divided Into Three Separate Tracks 22

B. Proposed Schedules For Tracks A-C 24

V. CATEGORY OF PROCEEDING 25

VI. CONCLUSION 26

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on California Advanced Electric Rate Design.	Rulemaking 26-04-009

SAN DIEGO GAS & ELECTRIC COMPANY (U 902E) OPENING COMMENTS ON ORDER INSTITUTING RULEMAKING ON CALIFORNIA ADVANCED ELECTRIC RATE DESIGN

I. INTRODUCTION

Pursuant to the above-captioned Order Instituting Rulemaking (OIR) on California Advanced Electric Rate Design, dated April 10, 2026, and Rule 6.2 of the California Public Utilities Commission Rules of Practice and Procedure, San Diego Gas & Electric Company (SDG&E) hereby timely submits its Opening Comments on the Rulemaking and the questions and preliminary issues therein.

SDG&E appreciates the California Public Utilities Commission (Commission or CPUC) initiating this rulemaking and pursuing advanced rate design policies that can support equitable and affordable electric rates. In the sections below, SDG&E provides its responses to the questions for party comment, initial perspectives on the preliminary issues, and lastly, highlights some additional items for the Commission's consideration in this regulatory proceeding. While SDG&E appreciates that this rulemaking will explore details and considerations for each of the finalized scoping items, SDG&E requests that overarching considerations include:

A) **Recognition that Differences Exist Between the Investor-Owned Utilities (IOUs) |** While some scoping items could potentially pursue standardized/uniform guidance across the IOUs, a one-size-fits-all approach may not be appropriate for certain scoping items, and instead require flexibility given important differences between the IOUs (*e.g.*, due to different service areas and customer demographics, a customer of a given MW size may be considered "large" in one service area, but typical/normal in another service area).

B) **Prioritization of A Guidance-Based Approach |** With the above in mind, and given other regulatory forums exist to address IOU-specific rate design adjustments (*e.g.*, GRC phase 2 proceedings, Rate Design Windows, and overlapping proceedings), SDG&E requests that the Commission prioritize policy guidance for the majority of the issues proposed in this OIR. Addressing the policy issues common to the large electric IOUs will allow for a more focused and expedient proceeding and help establish an integral framework that each IOU can then leverage to develop, propose, and litigate in their respective rate design proceedings, based on facts specific to the relevant utility and its customers.

C) **Proposed Changes Should be Viewed Through An Affordability Lens |** To help further strengthen affordability, any proposed rate design changes should strive to deliver benefits that outweigh the associated costs to execute.

II. QUESTIONS FOR PARTY COMMENT

1. Please provide comments on the list of preliminary issues. Are there any missing issues?

SDG&E addresses each of the preliminary issues in Section III below. At a high level, SDG&E objects to the inclusion in this Rulemaking of preliminary issue "M" on additional rate design requirements for dynamic rates. Additionally, SDG&E has included a proposed scoping issue "P" for the Commission's consideration – this item is explained in further detail in section III, below.

2. Please provide comments on the schedule. Should this proceeding initially focus on only a portion of the preliminary issues? If so, which issues should be addressed first and why?

SDG&E proposes that the preliminary issues included in the OIR be split into three separate tracks--Track A for Base Services Charge (BSC) issues, Track B for large load issues, and Track C for general rate design issues. SDG&E addresses its reasoning and proposed schedules for each track in Section IV below.

3. What changes or updates are needed to improve the income verification processes used for the Base Services Charge (formerly the income-graduated fixed charge), as adopted in D.24-05-028? Please refer to the Process Working Group Final Report, served to the R.22-07-005 Service List on January 15, 2026, and included as Attachment A to this OIR.

SDG&E appreciates the Commission's commitment to implementation of a customer-focused BSC and the continued consideration of BSC-related issues in this OIR. SDG&E does not object to further consideration of any issues or ideas on how the BSC may be improved. However, in response to the proposed question, and due to the numerous concerns identified in the referenced report, SDG&E does not believe any additional changes to the income verification processes are necessary or prudent at this time.

The Commission and various stakeholders participated in an income-verification working group workstream that culminated in a January 2026 final report (the Track A Working Group Report). Notably, this was an involved stakeholder effort conducted over most of 2025, including ten working meetings. The report provides valuable insights by outlining key criteria for evaluating income verification approaches – and just as importantly – highlights several challenges and potential drawbacks of these various alternate approaches. Notable concerns for proposed income verification processes include increased cost, process complexity (including appeals), customer burden (such as submission of financial documentation), limitations in accuracy across all the methodologies, and lack of consensus across stakeholders. Given the significant stakeholder effort that went into the report, the identified challenges and potential drawbacks identified, and the fact that the current BSC structure already satisfies statute,

SDG&E believes that no further updates are needed to improve or refine the income verification processes based on the report, and that no additional BSC tier(s) are required at this time.[1,2]

SDG&E acknowledges specific affordability concerns for customers ineligible for the Tier 1 or Tier 2 BSC discounts, particularly those customers in Tier 3 that fall just outside the income-based eligibility requirements for the discounted tiers. To address this concern, SDG&E requests that the Commission consider refinement of the existing structure rather than creating an additional BSC Tier. One particular approach that may help improve equity for Tier 3 customers, would be to assess whether the implied differentials between Tier 3 and Tier 2 (and possibly Tier 2 and Tier 1) should be decreased, and importantly, what the resulting impacts might be. While the approved BSC structure effectively established differentials/discounts of ~50% between the BSC Tiers, the Commission and stakeholders could consider slightly reducing these so that the step up in the BSC dollar amounts are less severe and by extension, more affordable and less penalizing for lower-income customers in Tier 3.[3]

[1] The current BSC income-graduated structure is differentiated by established low-income customer programs (CARE and FERA) as well as the newly created customer segmentation of Deed Restricted Affordable Housing customers, per Decision (D.) 24-05-028.

[2] Assembly Bill (AB) 205 (2022) among other things, amended certain sections of the Public Utilities Code (Pub. Util. Code) Section (§) 739.9, including subdivisions 739.9(e)(1) and 739.9(e)(2) which state that "The fixed charge shall be established on an income-graduated basis with no fewer than three income thresholds", and ""income-graduated" means that low-income customers pay a smaller fixed charge than high-income customers." The current BSC structure satisfies both of these requirements.

[3] D.24-05-028, Conclusions of Law (COL) 11, resulted in SDG&E providing a CARE line-item discount of 35% and a FERA line-item discount of 18%. SDG&E will note that the implied discounts/differentials compared to the Non-CARE/FERA Tier 3 BSC are50% for Tier 2 (FERA) and 75% for Tier 1 (CARE), which are well in excess of the aforementioned low-income line-item discounts. This implies that there is potential room to lower the BSC differentials/discounts while still preserving the portion that is attributed to the low-income program discount.

4. Are there any statutory interpretation issues of the Public Utilities Code that were not resolved in R.22-07-005 and should be considered in this proceeding regarding the Base Services Charge, reform of residential rates to better reflect cost causation, or regarding the interplay between the California Alternate Rates for Energy (CARE) program and the Base Services Charge?

The Commission should consider adding additional revenue categories as BSC-eligible fixed costs. For instance, in D.24-05-028, the Commission excluded non-marginal distribution costs from the BSC on grounds that the record on was insufficient to make a determination of whether they were fixed pursuant to Pub. Util. Code § 739.9(a), which defines a fixed cost as "any fixed customer charge, basic service fee, demand differentiated basic service fee, demand charge, or other charge not based on the volume of electricity consumed."[4] SDG&E contends that because these costs are incurred independent of customer usage, they should be interpreted as fixed pursuant to the statute and hopes this issue will be reconsidered here. A determination that non-marginal distribution costs are fixed and eligible for the residential BSC would enable the IOUs to potentially include at least a portion of these costs in the BSC, thereby lowering volumetric rates in a manner reflective of cost causation. This would be a positive rate reform improvement that should be considered in this OIR.

Additionally, Pub. Util. Code § 739.9(e) requires that under the residential BSC rate structure, low-income customers in each baseline territory must realize a lower average monthly bill without making changes in usage, and to help achieve this goal, low-income customers should pay a smaller fixed charge than high-income customers. To satisfy this requirement, the CPUC ordered a ~75% discount on the BSC for CARE customers and a 50% discount on the BSC for FERA customers and customers living deed-restricted affordable housing.[5] However,

---

[4] *See id.* at 69 (stating that the Commission "may consider whether a portion of Non-Marginal Distribution Costs are fixed costs in Phase 2 of this proceeding or in a successor rulemaking.")
[5] *Id*., COL 23.

not all low-income customers qualify for the CARE of FERA programs or live in deed-restricted housing and SDG&E believes the Commission should reassess the BSC Tier differentials to meet continued statutory compliance but in a manner that may improve affordability and equity for these customers on the cusp, and falling in Tier 3.

As briefly discussed in SDG&E's response to question for party comment #3, SDG&E believes an adjustment in the BSC Tier differentials may help improve affordability for customers who barely fall outside of the eligibility thresholds for the Tier 1 or Tier 2 discounted BSCs. The current, more robust, BSC discounts for CARE, FERA and deed-restricted housing customers result in less revenues collected from Tier 1/Tier 2 BSCs and therefore the volumetric rate reductions are not as significant for all customers. By recalibrating the BSC tier differentials, a balance could be achieved where the lowest-income customers receiving the CARE BSC can still realize bill savings in each climate zone, but other Tier 3 customers with affordability concerns do not experience as significant a disparity in the BSC and all customers are able to benefit from larger volumetric rate reductions. SDG&E recommends the Commission consider lowering the BSC tier differentials in this proceeding so that all customers, especially those that are just above the discount program eligibility criteria, are able to further benefit from the BSC rate structure and volumetric rate reductions.

5. AB 205 amended Pub. Util. Code Section 739.9(c) to eliminate the requirement that the Commission "require each electrical corporation to offer default rates to residential customers with at least two usage tiers." Is it consistent with Public Utilities Code for the Commission to consider adopting default time-of-use rates that do not include usage tiers?

SDG&E is not aware of any barriers within the Public Utilities Code that would preclude the Commission from considering the adoption of default TOU rates that do not include usage tiers. Tiered rates – calculated based on baseline allowances – are energy conservation tools at their core and have been useful in the past by moderating electricity consumption and, by

extension, emissions. However, California Load Serving Entities (LSEs) as well as the broader State's electricity portfolios have become increasingly renewable and clean over time. Notably, the latest California Air Resources Board (CARB) dataset shows that the electric sector has cut its emissions in roughly half over the last three decades – the largest reduction of any economic sector in the State.[6] This evolution of electricity generation and corresponding emissions reductions, coupled with the push towards electrification in pursuit of decarbonization, indicate that a shift away from tiered rates may be warranted. While rate design of the past emphasized conservation, the State's clean energy goals necessitate a fundamental change in approach – namely, rate design that promotes electrification and increased electricity usage, along with responsible and efficient utilization of the electric grid. For the reasons above, SDG&E supports the Commission considering the adoption of default time-of-use (TOU) rates that do not include usage tiers, with an added benefit of this change likely being more straightforward and understandable rates for a large portion of residential customers.[7]

6. What rate designs and tariff service agreement terms have been adopted in other states or regions for data center customers? Have other states or regions created a separate customer class for data center customers? Should these rates be applicable in California? If so, how?

According to the Edison Electric Institute (EEI), as of May 2026, twenty-three (23) states have approved at least one large load tariff, and another 7 states have pending large load tariffs. For the Commission's reference, SDG&E is including a link to EEI's research on this topic, which includes a list of large load projects, large load tariffs, and a summary of large load tariff

[6] CARB, *1990 – 2004 California Greenhouse Gas Inventory by Economic Sector (Full Detail)*, available at: https://ww2.arb.ca.gov/ghg-1990-to-2004; CARB, *2000 – 2023 GHG Emissions Inventory by Economic Sector (2025 Edition)*, available at: https://ww2.arb.ca.gov/ghg-inventory-data. Cumulative emissions reductions measured from 1990 – 2023. Electric sector represents in-state + imports.
[7] SDG&E's default residential rate is TOU-DR1, which is a combination of both tiered rates and time-of-use rates, making it one of the more complex residential rate schedules.

elements (e.g., exit fees, minimum billing demand, etc.) across various utilities and states. While a prior version of this research was originally filed with Federal Energy Regulatory Commission (FERC), EEI has mentioned that it intends to continue updating this.[8]

7. What rate designs have been adopted in other states or regions for other large load customers, including for industrial heat process producers and large commercial hydrogen generation, to support electrification, beneficial load growth and load flexibility? Should these rate designs be applicable in California? If so, how?

SDG&E has not performed in-depth research related to rate designs deployed in other states for specific large load customers – particularly industrial heat producers and commercial hydrogen generation. However, at a high level, SDG&E generally does not support rate-embedded subsidies (e.g., rate exemptions, discounts, etc.), or to the extent subsidies are pursued, they should be extremely limited and have clearly defined and concrete sunsets/offramps. This position aligns with the Commission's recently adopted Rate Design Principles (RDP), including RDP (i), which states "Rate design should not be technology-specific and should avoid creating unintended cost-shifts."[9]

8. Should the Commission authorize the Proposal for Consultant Contract provided in Attachment B? Should any amendments to the proposal be made?

SDG&E appreciates the high-level information provided in Attachment B of the rulemaking and acknowledges the benefits and tradeoffs of both in-house and consultant-based approaches. However, SDG&E believes that the finalized, detailed scope of the workstreams will ultimately dictate which approach is most appropriate. For example, if a streamlined, guidance-

[8] EEI originally filed a March 2026 version of this research with FERC, which is available at: https://elibrary.ferc.gov/eLibrary/filelist?accession_num=20260312-5096. The May 2026 version is available at: https://www.eei.org/-/media/Project/EEI/Documents/Issues%20and%20Policy/List%20of%20Large%20Customer%20Projects%20and%20Tariffs.

[9] D.23-04-040 at 2.

based approach is pursued for the large load-related workstreams, an in-house approach would likely be more efficient and cost-effective. Additionally, as a non-contracting party, SDG&E defers to Southern California Edison Company as to whether any specific amendments to the contract are necessary.

III. COMMENTS ON LIST OF PRELIMINARY ISSUES

A. Preliminary Scoping Issue A: Do existing residential and non-residential time-of-use rates align with current system load patterns and/or grid cost drivers? If not, how should they be amended for alignment?

SDG&E believes that its existing TOU periods already reasonably reflect alignment with system load patterns and grid cost drivers, and/or are already planned to be assessed in the appropriate regulatory forums. SDG&E's current residential and non-residential TOU rates are based on SDG&E's current forecasted 2026 loads and therefore generally aligned with current system load patterns. In addition, SDG&E's TOU rates are designed to recover certain SDG&E grid costs based on the marginal distribution and marginal commodity costs adopted in SDG&E's 2024 General Rate Case (GRC) Phase 2 Decision (D.25-09-006).

Additionally, SDG&E continues to strengthen alignment between price signals and cost drivers of the grid. For example, SDG&E recently implemented an expansion of its super off-peak period of 10 am to 2 pm to be offered year-round (previously only offered in March and April), which encourages economically efficient consumption during low-cost daytime hours, when renewables are more available and corresponding greenhouse gas emissions are lower – aligning with RDP (d).[10] Moreover, SDG&E will be conducting a TOU-related analysis per the final decision approved in its most recent GRC Phase 2.[11] This analysis will be provided prior to

[10] *See* SDG&E's Advice Letter (AL) 4791-E (March 2, 2026), at 4; *see also* D.23-04-040, OP 1 (RDP (d) states, "Rates should encourage economically efficient (i) use of energy, (ii) reduction of greenhouse gas emissions, and (iii) electrification.").
[11] *See* D. 25-09-006 at OP 9and Attachment B (Partial Settlement Agreement at 9 (Section 3.2.3.2)).

filing its next GRC Phase 2 application and will assess a one-hour shift in the on-peak TOU period as well as the potential addition of an on-peak period during the weekdays.

B. Preliminary Scoping Issue B: Do existing residential and non-residential rates accurately reflect cost-of-service? If not, how should they be amended?

Yes, as discussed in response to Issue A above, SDG&E's current residential and non-residential rates reflect the recovery of SDG&E's authorized revenue requirements and are generally based on SDG&E's GRC Phase 2 approved marginal distribution and marginal commodity costs as adopted in D.25-09-006. Ultimately, both residential and non-residential rates reflect the culmination of multiple considerations, including cost-of-service, rate design choices, and determinants/load. As mentioned previously, SDG&E recently implemented an April 1, 2026 rate change which, among other things, executed its latest rate designs and incorporated its most recent (2024) distribution marginal cost estimates. Looking forward, SDG&E's next GRC Phase 2 application is currently required to be submitted in February 2027, at which time SDG&E will submit proposals for future changes to rate design and cost-of-service.[12]

C. Preliminary Scoping Issue C: How should marginal cost inputs and methodologies be modified to better reflect the costs of providing service?

SDG&E believes that the Commission already appropriately addresses marginal distribution and commodity costs in GRC Phase 2 proceedings. These marginal costs are developed based on the test year for each GRC. For instance, in SDG&E's Test Year 2024 GRC Phase 2 the marginal distribution and commodity costs were developed for 2024.

[12] Per Energy Division's partial approval of SDG&E's 16.6 extension request (October 2025).

D. <u>Preliminary Scoping Issue D</u>: Should further elements of a utility's authorized distribution revenue requirement, including the equal percentage of marginal cost (EPMC) scaled allocation of marginal customer costs and wildfire-related costs, be classified as fixed costs? What rate designs, such as fixed charges or demand charges, should the Commission consider for the recovery of these costs for both residential and non-residential customers?

SDG&E appreciates this question and the examples provided. As advocated by the joint IOUs in Rulemaking (R.) 22-07-005, SDG&E continues to believe that non-marginal distribution costs should be categorized as "fixed costs" and as a result, be eligible for collection via the residential BSC.[13] At a minimum, SDG&E believes that both the EPMC-scaled version of Marginal Customer Access Costs (MCAC), and wildfire-related distribution costs, should be designated as "fixed costs" and BSC-eligible.

The EPMC methodology scales the customer class marginal distribution cost revenue responsibilities such that the sum equals the authorized distribution revenue requirement. Included in distribution rates are many costs that are not directly linked to marginal costs and do not vary with the volume of energy consumed, including but not limited to costs such as MCAC and wildfire mitigation costs. Because MCAC was already approved as a BSC-eligible cost category in D.24-05-028, making the EPMC-scaled equivalent eligible for BSC integration a straightforward and logical adjustment.[14] The EPMC-scaled MCAC are not usage-driven — they are fixed costs and deeming them BSC-eligible would be consistent with cost-based rate making. This revision would further align with existing rate design processes in that it's typically the EPMC-scaled version of marginal costs that are considered the "cost based" rates which are then utilized as the basis for the development of rate design proposals in SDG&E's GRC Phase 2 applications and other ratemaking applications.

[13] R.22-07-005, Pacific Gas and Electric Company, SDG&E, and Southern California Edison Company Joint Notice of Ex Parte Communication (May 3, 2024), at slide 2.
[14] D.24-05-028, COL 22.

Similarly, wildfire-related distribution costs are fixed costs that are also not driven by customer usage and therefore should be deemed BSC-eligible. For context, wildfire-related distribution costs include cost categories such as authorized wildfire mitigation, vegetation management and wildfire insurance costs. SDG&E already carves out these specific costs from the broader distribution revenues for Equal Percentage Total Revenue (EPTR) treatment, and this existing delineation could be utilized to then direct these revenues into the residential BSC.

Additionally, SDG&E recommends that wildfire-related distribution costs be BSC-eligible *and* a non-bypassable rate component. As mentioned above, wildfire-related distribution costs are not incurred based on customer energy usage. As such, customers with distributed energy resources are able to bypass these costs using their exported generation, shifting the cost responsibility of wildfire mitigation onto other customers. Wildfire mitigation efforts include vegetation management and wildfire insurance costs, which benefit all SDG&E customers, including those with distributed energy resources. All customers should share this cost responsibility. Accordingly, SDG&E recommends that wildfire-related costs, currently included in distribution rates, are deemed both BSC-eligible and non-bypassable so that if the entirety of the costs are unable to be recovered through fixed charges, all customers benefitting from these costs are contributing to their recovery more fairly.

With respect to demand charges, SDG&E continues to believe these are appropriate for non-residential customers but has concerns about the potential for residential demand charges, particularly if it is envisioned to impact default or all residential rate schedules. As a new rate design element for residential rates, customer awareness, education, and understanding will be key considerations as demand charges may be particularly challenging for many customers to understand. Given ratepayers just recently had to learn about a new rate design element (the

residential BSC), SDG&E is concerned that residential ratepayers may perceive a demand charge as yet another layer of complexity and reduction of transparency to their electric bill – potentially leading to an uptick in customer confusion, dissatisfaction, and frustration. For these reasons, SDG&E does not believe that residential demand charges should be assessed at this point in time.

While SDG&E is not in favor of adding a net new rate design element to residential rate schedules, it fully supports the refinement of existing rate design elements – particularly further increases in the residential BSC. By pursuing improvements and increases in the residential BSC, the Commission can strengthen electrification price signals through the reduction in electric volumetric rates, as well as provide ratepayers with additional bill stability throughout the year.

E. Preliminary Scoping Issue E: Should the Commission adjust residential Base Services Charges (also known as income-graduated fixed charges) to recover certain authorized fixed utility costs in accordance with Pub. Util. Code Section 739.9, adopted electric rate design principles, and demand flexibility design principles? If so, how?

As discussed in SDG&E's response to Preliminary Scoping Issue D, SDG&E recommends categorizing the EPMC-scaled MCAC and wildfire-related distribution costs as BSC-eligible cost categories. Allowing these costs to be included in the BSC is aligned with Pub. Util. Code § 739.9, which defines a fixed cost as "any fixed customer charge, basic service fee, demand differentiated basic service fee, demand charge, or other charge not based on the volume of electricity consumed"[15] because neither of these costs are dependent on electricity consumption.

[15] Pub. Util. Code § 739.9 (a).

In addition, SDG&E recommends that the Commission remove the BSC cap of $24.15/month for Tier 3 customers and allow for each of the tiered BSCs to fluctuate with revenue requirement changes. Under the currently capped BSC, all incremental revenues must be added to volumetric rates, which erodes the effectiveness of the BSC. Allowing the BSC to fluctuate with revenue requirement changes (both increases and decreases) would help preserve the intent and design of the BSC – to reduce volumetric rates and with it, bill volatility.

This recommendation is aligned with multiple Rate Design Principles adopted in D.23-04-040. As fixed costs increase, those costs would flow into the BSC, consistent with cost causation and RDP (c), rather than into the volumetric rate due to the cap on the BSC.[16] This recommendation is also aligned with RDPs (d) and (e). RDP (d) states that "[r]ates should encourage economically efficient (i) use of energy, (ii) reduction of greenhouse gas emissions, and (iii) electrification."[17] Allowing fluctuation in the BSC would incentivize electrification by further reducing volumetric rates, thereby lowering the incremental operating costs of electrification technologies. Additionally, enabling the BSC to change with revenue requirements is aligned with RDP (e), which encourages "customer behaviors that improve electric system reliability in an economically efficient manner,"[18] because it would allow customers to better manage their bills, particularly customers that have adopted electrification technologies as well as other higher-usage customers (such as customers with multiple individuals living in one residence or customers in hotter climate zones).

Lastly, allowing the residential BSC to fluctuate above $24.15/month is reasonable and appropriate given the benchmark used to establish the IOUs' initial BSCs has been increasing.

---

[16] D.23-04-040 at OP 1(c) ("Rates should be based on cost causation.")
[17] *Id.* at OP 1(d).
[18] *Id.*at OP 1(e).

More specifically, the IOUs' Tier 3 BSC was set equal to the Sacramento Municipal Utility District's (SMUD) System Infrastructure Fixed Charge (SIFC), which was $24.15/mo. at that point in time (May 2024).[19] However, in the time since that final decision, SMUD has increased its SIFC to $27.00/mo., and is set to raise it to $27.80/mo. on January 1, 2027.[20] Notably, this implies that SMUD's SIFC is already ~12% higher than the IOUs' Tier 3 BSC, and is expected to be ~15% higher at the start of 2027. If the IOUs' BSC cap is not removed, this trend will likely continue and the basis for the originally envisioned rate design will further deteriorate.

Importantly, although SDG&E believes the IOUs' BSC should be allowed to fluctuation without a cap, and its rationale is supported by the interim increases in the SMUD SIFC, SDG&E is not advocating for these increases to continue to be pegged to SMUD's SIFC, which is presumably based on SMUD's cost of service and/or other SMUD-specific considerations. Rather, SDG&E believes the IOUs' BSCs should be allowed to fluctuate based on changes in SDG&E's revenue requirements.

F. Preliminary Scoping Issue F: Should the Commission adjust electric rate designs to further support California's transition to electrification and the reduction of greenhouse gas emissions? If so, how?

SDG&E appreciates the Commission's efforts to advance California's clean energy transition and incentivize electrification. Recognizing that there are additional opportunities to advance these goals, SDG&E strongly believes the Commission should consider implementing higher residential BSCs for optional electrification rates (SDG&E's EV-TOU-5 and TOU-ELEC). The Joint IOUs advocated for this change in R. 22-07-005, Demand Flexibility Track A proceeding and SDG&E believes that this rate design OIR is a good opportunity to reconsider

[19] D.24-05-028, COL 21.
[20] SMUD, *Residential Service Rate Schedule R* (June 20, 2025), available at: https://www.smud.org/-/media/Documents/Rate-Information/Rates/1-R.ashx.

this option.[21] Doing so would help to recalibrate the associated rate designs, and strengthen the electrification incentives, price signals, and intended customer benefits associated with these electrification-focused rate schedules.

G. Preliminary Scoping Issue G: Should the Commission approve alternatives to baseline tiers in time-of-use rates in order to improve customer understanding, improve vulnerable customer protections in hot climate zones, and support electrification? If so, how?

SDG&E supports the Commission's consideration of removal of baseline tiers in TOU rates. SDG&E agrees that this rate change, when combined with other proposals to be considered in this OIR, could have positive impacts on customer understanding, customer protections, and electrification incentives. For instance, as discussed in SDG&E's response to Preliminary Scoping Issues D and E, adding appropriate fixed costs to the BSC and allowing the BSCs to fluctuate with revenue requirement changes would likely reduce volumetric rates when compared with a capped BSC. Adding these improvements to the elimination of baseline tiers support electrification because it would enable these customers to utilize more energy at a lower cost. It would also improve customer understanding because lowering volumetric rates would reduce bill volatility, especially for customers in hot climate zones where the amount of energy consumption likely varies significantly throughout the year.

H. Preliminary Scoping Issue H: What changes or updates are needed to improve the income verification processes used for the Base Services Charge, as adopted in D.24-05-028?

Please see SDG&E's response to the Questions for Party Comments, Question #3 in Section II above.

[21] R.22-05-007, Opening Comments of the Joint IOUs on Proposed Decision Addressing Assembly Bill 205 Requirements for Electric Utilities (April 16, 2024), at 5-6.

I. <u>Preliminary Scoping Issue I</u>: How should the Commission modernize demand charges and nonbypassable charges for consistency with the adopted electric rate design principles and demand flexibility design principles?

Please see SDG&E's response to Preliminary Issue D, above. SDG&E also supports consideration of whether any additional cost components, other than the wildfire-related distribution costs, should be deemed non-bypassable.

J. <u>Preliminary Scoping Issue J</u>: Are one or more new rate tariffs needed for data center customers and/or other large-load customers to prevent stranded costs and/or cost-shifting? If so, what should be included in the new rate(s)?

Certain changes to existing non-residential tariffs (or the introduction of new non-residential tariffs) to account for data center customers and/or other large-load customers will likely be required to strengthen ratepayer protections for other customers. These changes could vary in scope and complexity, ranging from changes to existing tariff requirements/conditions (such as requiring certain contract terms, exit fees, minimum billing demand, upfront payments, or financial assurances), to more complicated approaches such as creating a new customer class and/or rate schedule(s).

K. However, the Commission should keep in mind that differences in service areas and customer demographics, make a one-size-fits-all approach unrealistic(*e.g.,* it may not make sense to pursue multiple large load tariffs for a small/limited pool of eligible customers within an IOU's service area). Accordingly, SDG&E requests that the Commission provide policy-level guidance on this issue and that specific solutions and/or rate designs be addressed in individual utility applications rather than in this joint OIR. **<u>Preliminary Scoping Issue K</u>: Should the Commission improve rate signals for large-load customers, including for industrial heat process producers and large commercial hydrogen generation, to support electrification, beneficial load growth and load flexibility? If so, how?**

SDG&E does not oppose the Commission investigating if and how rate signals can be improved for large-load customers, such as by increasing fixed charges or demand charges. However, SDG&E encourages the Commission to account for differences in jurisdictions,

customers, and other factors across the California utilities. Taking these into consideration will help inform the appropriate approaches and path forward for each IOU.

L. <u>Preliminary Scoping Issue L</u>: How should the Commission implement AB 2109 requirements to implement an exemption from nonbypassable or departing load charges for certain industrial customers that utilize process heat recovery technology, subject to a cap and prescribed requirements to be established by the Commission?

Based on the associated legislative text, it is unclear to SDG&E how or if any of its rate schedules are impacted by AB 2109. Presumably, this is focused on standby rates – but SDG&E's Schedule S (Standby) only bills participating customers transmission and distribution charges for their contracted standby demand, and does not include non-bypassable charges for their contracted standby demand. SDG&E looks forward to learning more about any intended changes from AB 2109 as it relates to its service area and existing rate schedules.

M. <u>Preliminary Scoping Issue M</u>: Should the Commission provide any additional rate design requirements for dynamic rates? If so, which?

Because this topic has had significant (and very recent) stakeholder engagement and discussion, SDG&E does not believe that any additional rate design requirements for dynamic rates are necessary. The Commission spent considerable time and resources considering dynamic rates in the recently closed Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates (R.22-07-005). That Rulemaking included various workshops addressing dynamic rates and produced a final decision implementing overarching RDPs for dynamic rates, as well as a final decision implementing guidance for subsequent dynamic rate proposals.

SDG&E further contends that, in addition to being unnecessary, additional requirements—or even consideration of additional requirements at this point in time—will result in potential delays in ongoing proceedings filed pursuant to the Demand Flexibility OIR and

D.25-09-049. For instance, SDG&E filed its demand flexibility rate application (A.26-02-001) proposing distribution, transmission, and commodity dynamic rates in compliance with D.25-08-049 in February 2026. A scoping memo was just issued in that proceeding on April 30, with a Commission decision currently expected in mid-2027. The Commission should permit SDG&E's dynamic rate application to proceed without adding new requirements or the prospect of new requirements, which could potentially cause potential conflicts in guidance and also delay the application and implementation of a resulting dynamic rate.

SDG&E notes that delay of the ongoing proceeding is not a purely hypothetical concern as a similar dynamic played out in 2023 when SDG&E was close to concluding its application on a dynamic import rate. In that instance, the Commission dismissed SDG&E's dynamic rate application pending resolution of dynamic rate guidance in R.22-07-005. SDG&E was supportive of the dismissal given the comprehensive nature of R.22-07-005, but it did render moot years of work on the rate application. SDG&E is concerned that a lack of finality, or even perceived lack of finality, to D.25-08-049 will cause possible conflicts in guidance and potential delay. The Commission has litigated this issue and must let the individual utility applications proceed and let the resulting rates be implemented before continuing to refine and adjust rate requirements.

Instead of relitigating this issue, SDG&E requests that the Commission focus the scope of this proceeding on issues that have not been previously or recently addressed. Any remaining demand flexibility rate issues can be addressed in the IOUs' individual rate applications or General Rate Case Phase 2 proceedings.

N. <u>Preliminary Scoping Issue N</u>: Should the Commission require different adjustments to rates and rate design methodologies for large electric investor-owned utilities and the small and multi-jurisdictional utilities in this proceeding? If so, how should the requirements differ for the small and multi-jurisdictional utilities?

SDG&E has no comment on this preliminary scoping issue at this time.

O. <u>Preliminary Scoping Issue O</u>: Should the Commission authorize funding for third-party consultant services to support the development of rate design and bill impact analysis tools and to support Energy Division staff analysis of rate design issues in this proceeding?

Please see Section II for SDG&E's response to Question for Party Comment #8.

P. <u>Proposed Scoping Issue P: Should the Commission modify the Rate Case Plan to allow the Large Electric IOUs more time to prepare and file General Rate Case Phase 2 applications?</u>

Currently, the Rate Case Plan requires the Large Electric Utilities to file their General Rate Case Phase 2 applications 90 days after the GRC Phase 1 application is filed.[22] SDG&E seeks to add the potential for modification of that timeline to this proceeding. Pursuant to its *Decision Modifying the Commission's Rate Case Plan for Energy Utilities* (D.20-01-002), the Commission, acknowledging PG&E's argument that the 90-day deadline "has proven to be unrealistic in recent years,"[23] ordered Energy Division, in consultation with the Safety and Enforcement Division, to hold a workshop considering, among other items, GRC Phase 2 scheduling.[24] A workshop was held, but the Commission has not included the issue in any subsequent proceedings. Because this OIR contains various rate design issues directly relevant to the Large Electric IOUs' GRC Phase 2 proceedings, SDG&E believes this OIR is the appropriate proceeding in which to address the timing of the General Rate Case Phase 2 filing.

[22] *See* D.20-01-002 at 43-44.
[23] *Id.* at 43.
[24] *Id.* at OP 5.

Similar to PG&E's position, as noted in D.20-01-002, SDG&E contends that 90 days is an insufficient amount of time between filing its General Rate Case Phase 1 and its General Rate Case Phase 2. SDG&E sought and was granted extensions of time in at least its last two General Rate Case Phase 2 applications.[25] It has further sought and was granted a partial extension of time for its upcoming General Rate Case Phase 2, which is due, pursuant to the Rate Case Plan on September 15, 2026, but which deadline was extended until February 26, 2027. The reasons for the requested extensions have varied, but they generally result from the extended length of the previous GRC Phase 2, the need to then implement the changes from that previous GRC Phase 2, and then the need to study the results of changes before proposing additional changes to rate design, cost allocation and marginal costs. Even with a 4-year GRC cycle, the compounding impact of previous years' delays has resulted in the current need to seek extensions of time for each GRC Phase 2, without fail.

For instance, SDG&E received a final decision in its Test Year 2024 GRC Phase 2 in September 2025. Given competing rate change implementations, importantly the BSC, only some rate changes could be implemented on January 1, 2026. The remainder were implemented on April 1, 2026. Without an extension, SDG&E would be expected to have new marginal cost studies and rate proposals August 15, 2026 (extended to September 15, 2026 by virtue of a one-month GRC Phase 1 extension)—less than five months after rates were implemented. This is an unreasonable amount of time to study the impact of rate changes, much less put together an application and testimony on them. Accordingly, for these and other reasons SDG&E hopes to discuss in this proceeding, SDG&E respectfully requests the addition of this issue to the scope of this OIR.

[25] *See* Application (A.) 19-03-002 and A.23-01-008.

IV. COMMENTS ON PROPOSED SCHEDULE

A. The Proceeding Should Be Divided Into Three Separate Tracks

SDG&E proposes that the proceeding be divided into three separate tracks, as follows:

- **Track A: Base Services Charge.** This track will address preliminary issues D, E, F, H, and I.
- **Track B: Large Load – Data Center & Industrial Process Heat Recovery (IPHR).** This track will address preliminary issues related to SB 57 and AB 2109, including preliminary issues J, K, and L.
- **Track C: General Rate Design.** This track will address preliminary issues A, B, C, G, N, and P, to the extent each is scoped in.[26]

Dividing the preliminary issues identified in the OIR into three separate tracks—one for BSC issues, another for large load (i.e., data center and IPHR) issues, and a third for general rate design issues, will allow for a more focused process. For instance, SDG&E anticipates that certain participants' participation may be limited to the large load and data center issues. These participants will be best served by a focused track that will allow interested parties and the Commission to address these important issues with a dedicated procedural process that is able to move at a speed appropriate to the issues at hand and not be hindered or delayed by the numerous other issues that are far more broad and wide ranging. Ultimately, a more focused approach will save intervenor, ratepayer, and Commission resources.

Similarly, the separation of the BSC and related issues into its own dedicated track should also allow for the Commission's focused and timely attention to those issues addressing the BSC. The BSC was previously addressed in a joint proceeding, Track A of R.22-07-005, and

[26] SDG&E notes that these tracks exclude preliminary issues "M" and "O". Please see section III above for an explanation on why preliminary issue M should be excluded. Preliminary issue O is included in "All Party" items, which includes the comments on the OIR, the PD on the consultant and a workshop on the rate assessment tool.

to the extent the Commission is seeking for the utilities' BSCs to change in a manner consistent with each other, SDG&E proposes that these issues be addressed in a separate track.

Finally, SDG&E proposes that Track C include all other relevant rate design issues included in the preliminary issues lists with the exception of the preliminary issue on demand flexibility requirements. SDG&E objects to inclusion of a preliminary issue on demand flexibility requirements in this proceeding for the reasons addressed above.

In considering the procedural process for each Track, SDG&E proposes that the procedural process for Track B and Track C include a process with party comments, but that Track A includes party testimony. For purposes of Track A on the BSC, SDG&E anticipates that the Commission will continue to address the BSC in a way applicable to all the IOUs and therefore that a final decision will require rate changes to account for potential updates to the BSC. Accordingly, SDG&E is proposing that the parties submit testimony in support of their various proposals addressing the BSC-related preliminary issues in the Scoping Memo. A requirement for testimony rather than comments will allow for a more developed record, the ability of parties to cross-examine witnesses under oath, and the potential for an evidentiary hearing. These procedural requirements will allow for the development of a sufficient evidentiary record to support changes to the utilities' BSCs and residential rates in a final decision.

SDG&E proposes that both Tracks B and Tracks C result in guidance decisions, with additional processes to occur (as necessary) in individual proceedings. SDG&E contends that the issues being addressed in both of these tracks include areas for which the IOUs are likely not completely aligned, but more importantly, they are issues that will almost certainly present different facts, unique circumstances, and varying interested parties as among the IOUs. For

instance, while the other IOUs may have significant large load customers or expect significant large load customers, SDG&E does not currently have or expect customers with the exact same usage patterns and volumes as the other electric utilities. Thus, SDG&E seeks for common guidance on these issues, but that final rate design occur in separate applications or proceedings. Similarly, for Track C, the IOUs have different marginal costs. So, for purposes of the general rate design issues in this OIR, SDG&E proposes that a guidance decision address commonalities in approach to those issues, but that actual rate design be addressed in separate IOU proceedings.

B. Proposed Schedules For Tracks A-C

General—All Party

Event	Date
Comments on OIR filed and served	May 11, 2026
Reply comments on OIR filed and served	May 21, 2026
Prehearing conference held	June 2026
Scoping memo and ruling issued	July 2026
Proposed decision on consultant issued	July 2026
Workshop on Assessment Tool	August 2026

Track A – Base Services Charge

Event	Date
Concurrent opening testimony of parties on BSC	September 2026
Reply testimony	November 2026
Joint Case Management Statement	December 2026
Evidentiary Hearing, if needed	January 2027
Opening Briefs (if no hearings)	January 2027
Reply Briefs (if no hearings)	February 2027
Opening Briefs (if hearings)	February 2027
Reply Briefs (if hearings)	March 2027
Proposed Decision	Quarter 2, 2027

Track B – Large Load (Data Centers and Heat Processors)

Event	Date
Workshop	November 2026
Ruling with staff guidance for parties Track A comments	December/January 2026
Opening Comments	March 2027
Reply Comments	May 2027
Proposed Guidance Decision	Quarter 3, 2027

Track C – General Rate Design

Event	Date
Workshop held	August 2027
Workshop Report filed and served	September 2027
Ruling with staff guidance for parties Track C comments	Quarter 4, 2027
Concurrent opening comments of parties	January 2028
Reply comments	March 2028
Proposed Guidance Decision	Quarter 2, 2028

SDG&E notes that this proposed schedule may conclude within the 24-month period noted in the OIR,[27] depending on specific dates chosen for specific events. SDG&E's proposed schedule prioritizes realistic timelines and flexibility given the relative complexity of the issues and tracks.

V. CATEGORY OF PROCEEDING

SDG&E does not object to the categorization of this OIR as ratesetting, pursuant to SDG&E's understanding that the Commission will seek rate changes to the utilities' BSC as part of this OIR. If the Commission does not intend to make changes to the BSC, but instead intends only to provide policy guidance on the BSC for future determination, SDG&E believes the

[27] OIR at 14.

proceeding should be categorized as "quasi-legislative" pursuant to Rule 1.3(f) as "establish[ing] policy or rule (including generic ratemaking policy or rules) affecting a class of regulated entities, including those proceedings in which the Commission investigates rates or practices for an entire regulated industry or class of entities within the industry, even if those proceeding have an incidental effect on ratepayer costs."

VI. CONCLUSION

SDG&E appreciates the Commission's focus on rate design policies to help strengthen electric rate affordability and equity. In alignment with these goals, SDG&E requests that the Commission take the following key items into consideration:

- Preserving and advancing the rate design for the residential BSC – through A) Uncapping it and allowing the BSC tiers to align and fluctuate with revenue changes, B) Expanding the BSC-eligible revenue categories to better reflect recovery of fixed costs, and C) Allowing higher BSCs for optional electrification rates to restore and strengthen electrification price signals. To the extent customers on the cusp of the BSC thresholds are a concern, the BSC tier differentials can be decreased/collapsed,

- Pursuing guidance-based approaches for the large load and general rate design scoping items that provide A) Flexibility to the IOUs given their unique and differentiated service areas, and B) A framework that the IOUs can then use to inform their individual applications and proposals in their respective rate design-related proceedings, and

- Removing from consideration any additional rate design requirements related to dynamic pricing.

Respectfully submitted this 11th day of May, 2026.

Respectfully submitted,

/s/ Rebecca Hansson

Rebecca Hansson
8330 Century Park Court, CP32D
San Diego, CA 92123-1530
Telephone: (619) 889-3473
Email: rhansson@sdge.com
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY