

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



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Order Instituting Rulemaking on California  
Advanced Electric Rate Design.

Rulemaking 26-04-009

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

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**I. INTRODUCTION**

Pursuant to the above-captioned Order Instituting Rulemaking (OIR) pursuing California Advanced Electric Rate Design, dated April 10, 2026, San Diego Gas & Electric Company (SDG&E) hereby submits Reply Comments in response to party comments filed on May 11, 2026. As an overarching consideration, SDG&E continues to believe the California Public Utilities Commission (Commission) can achieve its envisioned electric rate affordability and equity goals by pursuing and prioritizing the following key focus areas:

- **Preserving and advancing the rate design for the residential Base Services Charge (BSC).** The Commission should remove the cap on the BSC tiers and approve additional fixed cost categories. Removing the cap and allowing some fluctuation in the BSC better aligns with revenue changes and cost causation and should materially preserve the approved reductions in volumetric rates. Additionally, allowing higher BSCs for optional electrification rates will strengthen customer incentives to electrify. The Commission should address these issues now, without delay. Utility customers have accepted the BSC and the Commission should continue to signal its commitment to the adopted rate design by reinforcing its purpose and the benefits and incentives it was designed to achieve.
- **Pursuing guidance-based approaches for the large load and general rate design scoping items.** A guidance-based approach will provide a) flexibility to the investor-owned utilities (IOUs) appropriate to their unique and differentiated service areas, and b) a framework to inform IOU-specific applications and proposals in their respective rate design-related proceedings.
- **Removing from consideration additional proposed scoping issues.** Many of the issues proposed by other parties are being addressed in other proceedings or have already been addressed by the Commission in recent proceedings and should not be relitigated here.

## **II. DISCUSSION**

Thirty-one parties, including SDG&E, submitted opening comments in response to the Commission's OIR on California Advanced Electric Rate Design. SDG&E replies to various party comments herein, but failure to address an issue in these Reply Comments does not indicate agreement or waiver.

### **A. The Residential BSC Should be Prioritized**

SDG&E responds to party comments on this issue, but emphasizes that the Commission should prioritize this issue for the reasons in SDG&E's Opening Comments and those discussed below.

#### **1. Waiting for the BSC Evaluation Report will result in continued erosion of the BSC and its intended purpose.**

A number of parties argued in opening comments that the Commission should address the BSC in later phases of the proceeding, and specifically that the Commission should wait until after the one-year evaluation report is issued.<sup>1</sup> SDG&E disagrees. Although SDG&E appreciates the intentions of the evaluation report (and by extension, the quarterly metrics reporting leveraged for the report), the insights it will provide will likely be limited due to the confluence of changing rates and other variables impacting the metrics and results. Thus, completion of the evaluation report should not hold up the much-needed near-term refinement and strengthening of the existing three-tiered BSC structure. Further, SDG&E's Marketing, Education and Outreach (ME&O) performance indicators, such as relatively low customer call volumes and limited inquiries, suggest broad customer acceptance of the rollout.

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<sup>1</sup> Opening Comments of The Solar Energy Industries Association (SEIA) on OIR on California Advanced Rate Design (May 11, 2026) (SEIA Comments), at 6 and 7.

Additionally, party arguments suggesting that impacts of the BSC on low-income communities should be evaluated before changes are made to the BSC should be disregarded.<sup>2</sup> The Commission should not assume that the BSC is harming low-income customers when the evidence shows the opposite. The Commission already implemented a safeguard for low-income customers in the initial implementation the BSC (also known as the “CARE Test”),<sup>3</sup> and evaluation is already being performed via quarterly reporting. SDG&E’s quarterly reporting shows that CARE customers have benefited from the BSC implementation on average.<sup>4</sup>

Although SDG&E appreciates the benefits of the initial BSC, as currently structured its rate design and accompanying benefits may continue to materially deteriorate – effectively diminishing all the years of hard work, stakeholder deliberations, and investments of time and resources during the BSC proceeding and BSC implementation. The Commission would be prudent to prioritize the strengthening of the BSC (an existing rate design) over other scoping items in this proceeding (new rate designs). Parties, including The Utility Reform Network (TURN) and the Public Advocates Office (Cal Advocates), have similarly proposed prioritizing BSC related issues,<sup>5</sup> but perhaps the Coalition of California Utility Employees (CUE) said it

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<sup>2</sup> See Opening Comments of The California Environmental Justice Alliance (CEJA) on the OIR (May 11, 2026) (CEJA Comments) at 8-9.

<sup>3</sup> Decision (D.) 24-05-028 at Conclusions of Law (COL) 23(d) (stating “The Tier 1 fixed charge shall be \$6.00, provided that the fixed charge shall be reduced if necessary to comply with the Section 739.9(e)(1) requirement for CARE-eligible customers with average electricity usage to realize average monthly bill savings in all baseline territories without changes to usage based on an updated customer bill impact assessment.”).

<sup>4</sup> *Id.* at COL 38.

<sup>5</sup> The Cal Advocates’ Opening Comments on the OIR on California Advanced Rate Design (May 11, 2026) (Cal Advocates’ Comments) at 11-13 (including BSC in Phase B, behind the Rate Assessment Tool phase, and starting in Q3 2026); Opening Comments of TURN on OIR on California Advanced Electric Rate Design (May 11, 2026) (TURN Comments) at 4 (“In addition, the Commission should adjust the BSC to better incentivize electrification in line with rate design principles by collecting a larger portion of fixed costs through the BSC, further reducing volumetric rates and encouraging adoption of clean energy technologies.”)(internal citations omitted).

best, stating that “CUE encourages the Commission to prioritize and move swiftly on issues that will more equitably allocate fixed costs of the system, including adding fixed costs to the Base Services Charge.”<sup>6</sup>

**2. Proposals for further income graduation of the BSC face implementation and accuracy challenges.**

Having a more refined income graduation in the BSC is only possible if there is a more granular and accurate income verification process in place that makes sense. Although a number of parties expressed support for further income graduation, necessitating the need for additional verification methods beyond the low-income programs, many other parties dismiss the idea as infeasible, citing to many challenges, including potential cost of implementation, customer burden, and accuracy issues faced by the proposals considered in the Income Verification Working Group and reflected in the associated report.<sup>7</sup> Because Assembly Bill (AB) 205 requires “no fewer than three income thresholds,”<sup>8</sup> the existing three-tiered BSC complies with the statutory requirement, and the Commission should focus on improving other aspects of the BSC that need improvement (*e.g.*, increasing eligible fixed charge categories) rather than seeking to add tiers when the issue has been considered recently by a working group and for which no viable options have emerged.

As noted above, SDG&E believes that the priority BSC-related scoping items should be (a) uncapping the BSC and allowing current BSC tiers to align and fluctuate with revenue changes, (b) expanding BSC-eligible revenue categories to better reflect recovery of fixed costs,

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<sup>6</sup> Comments of the CUE on the OIR (May 11, 2026), at 1.

<sup>7</sup> OIR on California Advanced Electric Rate Design (April 9, 2026), Attachment A – Process Working Group Report.

<sup>8</sup> See California Public Utilities Code (Pub. Util. Code) Section (§) 739.9(e)(1).

and (c) allowing higher BSCs for optional electrification rates to restore and strengthen electrification price signals, an issue that a number of parties supported in opening comments.<sup>9</sup>

## **B. Out-Of-Scope Items**

### **1. Marginal costs and time-of-use (TOU) periods are more appropriately considered in the Electric IOUs' GRC Phase 2 proceedings.**

The appropriate regulatory forum to address marginal costs and changes to the IOUs' TOU periods is in the respective GRC Phase 2 proceedings for SDG&E, Southern California Edison Company, and Pacific Gas and Electric Company (collectively, the Electric IOUs) where these issues are regularly addressed as part of the GRC cycle. For marginal costs, Cal Advocates, TURN and California Large Energy Consumers Association (CLECA) all make this same argument, emphasizing the need for efficiency and elimination of duplicative proceedings.<sup>10</sup>

Similarly, changes to TOU periods should also remain in the IOUs' GRC Phase 2 proceedings. Because TOU periods may differ between the IOUs given differences in geography, weather, and resulting consumption profiles, the issue deserves individualized consideration. Indeed, TOU periods were recently addressed in SDG&E's GRC Phase 2, leading to TOU period changes that better reflect alignment with system load patterns and grid cost

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<sup>9</sup> See, e.g., Opening Comments of Sierra Club on OIR on California Advanced Electric Rate Design (May 11, 2026) (Sierra Club Comments) at 6 (seeking consideration of whether BSC increases for optional electrification rates could achieve greater bill savings for customers that have electrified); Comments of The Building Decarbonization Coalition (BDC) on OIR on California Advanced Electric Rate Design (May 11, 2026) (BDC Comments) at 4.

<sup>10</sup> Cal Advocates' Comments at 1 (seeking modification of the "scope to exclude consideration of marginal cost methods, because it is duplicative of work currently performed in General Rate Case Phase 2 (GRC 2) proceedings"); TURN Comments at 1 ("...these topics are already being extensively litigated in Phase 2 General Rate Case proceedings for each of the individual utilities . . . TURN cautions the Commission against asking parties to litigate the same issues in multiple parallel proceedings."); CLECA Opening Comments on OIR on California Advanced Electric Rate Design (May 11, 2026) (CLECA Comments) at 5.

drivers.<sup>11</sup> SDG&E is also required to conduct a TOU-related analysis in its next GRC Phase 2 proceeding, to be filed next year.<sup>12</sup> Accordingly, the Commission does not need to, and should not, address these issues in this OIR and instead should focus on those issues common to the electric utilities and with no other avenue for consideration.

## **2. Dynamic pricing should be scoped out of this OIR.**

As discussed in SDG&E's opening comments, this issue has been addressed very recently in the Demand Flexibility OIR (R.22-07-005) and the Electric IOUs are in the middle of proceedings implementing the Commission's guidance on dynamic rates that resulted from that Rulemaking.<sup>13</sup> Addressing this again is wasteful, unnecessary, and inadvisable. Parties such as SEIA and Tesla expressed similar concerns.<sup>14</sup> At a minimum, this should not be a priority in the OIR.

## **3. Re-examination of electric baseline allowances should be scoped out of this proceeding.**

In their respective opening comments, several parties expressed various levels of interest in refining baseline allowance allocations. More specifically, SEIA, California Solar and Storage Association (CALSSA), and BDC, all point to baseline allowances and/or tiers as being disincentives to electrification – with SEIA and CALSSA recommending approaches that

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<sup>11</sup> D.25-09-006 at COL 8 (finding it reasonable to adopt TOU changes expanding Super Off-Peak TOU periods to include 10 AM to 2 PM year-round, which is “supported by its marginal costs analysis, and will provide customers with greater opportunity to shift load to lower cost hours.”).

<sup>12</sup> *Id.* at COL 9.

<sup>13</sup> *See* D.25-08-049, *Decision Adopting Guidelines for PG&E, SCE, and SDG&E on Demand Flexibility Rate Design Proposals*; A.26-02-001, *Application of SDG&E for Approval of Demand Flexibility Rates in Compliance with D.25-08-049*.

<sup>14</sup> SEIA Comments at 7 (“The Commission issued D.25-08-049 less than a year ago providing the IOUs with detailed guidelines for the submission of dynamic rates.”); *see generally* Tesla, Inc.’s Opening Comments on California Advanced Electric Rate Design OIR (May 11, 2026) (Tesla Comments).

potentially eliminate baseline allowances completely.<sup>15</sup> Sierra Club proposed a “Re-Examination of Electric Baseline Allowances, Including Methods Currently Used to Calculate “All-Electric” Allowances” as an additional scoping item.<sup>16</sup> While SDG&E agrees that this rate design issue is important and may impact efforts at electrification, SDG&E contends that this issue is more appropriately addressed in the IOUs’ respective GRC Phase 2 proceedings given significant differences in load between service areas.

**4. The Commission should exclude consideration of whether standard software should be required for consideration of marginal costs.**

In its opening comments, Cal Advocates stated the Commission should adopt the scoping issue of “Whether IOUs should be required to submit marginal cost, revenue allocation, and rate design workpapers using readily available software (i.e. Excel) instead of broadly inaccessible software models in General Rate Case Phase 2s.”<sup>17</sup> While SDG&E is open to providing data and information to intervenors via data requests and inquiries (e.g., available workbooks, calculations, and results, including utilizing software outputs as inputs to other calculations), it respectfully disagrees with Cal Advocates’ proposal. The IOUs should have discretion in selecting and leveraging the software of their choosing, especially when these software and applications span multiple cross-functional groups and are intended to meet specific, complex, and technical business requirements. Additionally, the IOUs should not be required to replicate the calculations and quantitative processes (via excel) stemming from the software that was procured to accomplish these very items in the first place.

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<sup>15</sup> SEIA Comments at 2; Comments of The CALSSA in Response to OIR on California Advanced Electric Rate Design (May 11, 2026) at 5; BDC Comments at 3.

<sup>16</sup> Sierra Club Comments at 2-6.

<sup>17</sup> Cal Advocates’ Comments at 7-8.

**5. Technology-specific rate design is disfavored by the Commission and should be excluded from this OIR.**

SDG&E notes that a few parties requested consideration of various technology-specific rate design, including encouraging separately metered/submetering loads to offer equipment specific rates, as well as special non-bypassable charge limitation for separately metered load used to provide industrial process heat.<sup>18</sup> These technology-specific efforts should be excluded from this OIR as in conflict with the Commission’s Rate Design Principles (RDPs).<sup>19</sup> Further, the latter proposal seeks an explicit subsidy and uses pending, not passed, legislation as support. Regardless, when a subsidy is provided, SDG&E contends that it should occur on “upfront” costs (through one-time rebates, tax credits, etc.) versus on “ongoing” costs (e.g., rate subsidies), to the extent possible. Upfront subsidies are generally more straightforward and efficient to apply, relative to ongoing subsidies which are much harder to unwind, sunset, and in the case of embedded rate subsidies, burdens other ratepayers.

**6. DER is being addressed in another open OIR and should be excluded from the scope of this proceeding.**

In its opening comments, CEJA stated “(t)his proceeding provides an opportunity to consider pilots and programs that help to reduce the energy burdens of low-income households.”<sup>20</sup> SDG&E strongly disagrees and will emphasize that there are already several other proceedings dedicated to specifically assessing energy efficiency-related programs and pilots, such as Rulemaking (R.) 25-04-010, and as such, it is inappropriate to add this item to the scope of this proceeding.

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<sup>18</sup> Natural Resources Defense Council (NRDC) Opening Comments on the OIR on California Advanced Electric Rate Design (May 11, 2026) at 2-4; CLECA Comments at 18-20.

<sup>19</sup> D.23-04-040 at Ordering Paragraph (OP) 1(i) (stating “Rate design should not be technology-specific and should avoid creating unintended cost-shifts.”).

<sup>20</sup> CEJA Comments at 6.

**7. The Commission carefully considered eligibility for Tier 1 and Tier 2 of the BSC and there is no reason to reconsider that determination in this OIR.**

Center For Accessible Technology (C4AT) proposes that “the Commission should revisit its determination that low-income households cannot qualify for the lowest BSC tiers unless they apply for CARE or FERA.”<sup>21</sup> The proposal contains no additional information in support of this request or explanation regarding why reconsideration is necessary. D.24-05-028 considered this issue and determined that basing Tier 1 and Tier 2 BSC designations based on “enrollment” is appropriate and reasonable.<sup>22</sup> C4AT’s recommendation should be disregarded.

**III. CONCLUSION**

SDG&E appreciates the opportunity to provide input on this Rulemaking. For the reasons provided above, SDG&E requests that the residential BSC be prioritized over other scoping items, as it presents an opportunity to solidify and strengthen a key rate design tool that stakeholders have spent significant time and effort developing, and can be leveraged to advance electrification and promote equity in the Electric IOUs’ service areas.

Respectfully submitted this 21st day of May, 2026.

Respectfully submitted,

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<sup>21</sup> C4AT’s Comments on OIR (May 11, 2026) at 5.

<sup>22</sup> D.24-05-028 at 18 (“We agree that aligning the definition of low-income ratepayer for fixed charges with the CARE definition would allow utilities to leverage existing CARE income verification processes, reduce administrative costs, and avoid customer confusion. This approach would also simplify customer education about the fixed charge.), Finding of Fact 13 (“It is reasonable for the income-graduated fixed charges authorized by this decision to rely on utilities’ existing CARE and FERA income verification processes.), and COL 19.