

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Agenda ID: 18461
RESOLUTION E-5069
May 28, 2020**

R E S O L U T I O N

Resolution E-5069. Update to San Diego Gas and Electric Company's Marketing, Education and Outreach Budget for Residential Default Time-of-Use.

PROPOSED OUTCOME:

- Approves San Diego Gas and Electric Company's (SDG&E) request to increase its Residential Mass Default Time-of Use (TOU) budget by \$10.73 million.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- SDG&E requests recovery of \$10.73 million for additional Marketing, Education and Outreach (ME&O) activities. A portion of the \$10.73 million will come from unspent funds (\$5.2 million) from SDG&E's opt-in and default TOU pilots that were previously authorized.
- The additional funding approved in this resolution is \$5.53 million, which will be entered into SDG&E's Rate Reform Memorandum Account (RRMA).

By Advice Letter 3352-E, filed on April 12, 2019.

SUMMARY

This Resolution approves SDG&E's request to increase its original budget of \$19.37 million for its Residential Mass Default Time of Use (TOU) Marketing, Education and Outreach (ME&O) plan by \$10.73 million dollars, for a new total of \$30.10 million. In AL 3352-E, SDG&E proposed to reallocate \$5.2 million in unspent funds from its opt-in

and default TOU pilot activities, for an incremental amount approved in this resolution and authorized for entry into the Rate Reform Memorandum Account (RRMA) of \$5.53 million dollars. In addition,

In addition, this Resolution approves SDG&E's request that \$9.61 million in incremental costs associated with its Mass TOU Default Migration Plan,¹ originally included in its 2017 General Rate Case (GRC) Application (A).17-12-007, be recorded in the RRMA.

BACKGROUND

Decision (D.)15-07-001 directed Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) (collectively the IOUs) to begin the process of defaulting residential customers to TOU rates in 2019 after undertaking a series of opt-in pilots in 2016 and default pilots in 2018.² Ordering Paragraph (OP) 14 of D.15-07-001 requires the IOUs to provide adequate ME&O to customers and directed the IOUs to work with other parties to create an ME&O Working Group.³

On December 17, 2015, the Assigned Commissioner and Administrative Law Judge (ALJ) issued a ruling⁴ (December 2015 Ruling) which directed the IOUs to prepare a comprehensive ME&O plan for the default roll-out by September 1, 2016.

On November 1, 2016, SDG&E submitted advice letter (AL) 2992-E, setting forth its ME&O Plan, detailing strategies, tactics and timelines for customer engagement in accordance with the December 2015 Ruling. Supplemental AL 2992 E-A was submitted on March 15, 2017 in response to an Energy Division (ED) Staff request for a more detailed budget and additional information on the strategies SDG&E intended to deploy.

¹ See Ordering Paragraph (OP) #3 in D.18-12-004.

² See OP #10 in D.15-07-001 at 334.

³ See OP #14 in D.15-07-001 at 336.

⁴ Assigned Commissioner and Administrative Law Judge Ruling in R.12-06-013, December 17, 2015.

On February 8, 2018, the CPUC adopted Resolution E-4910, approving with modifications SDG&E's ME&O plan, as presented in ALs 2992-E and 2992 E-A. The resolution adopted SDG&E's proposed budget of \$19.37 million for years 2017-2019 for entry into SDG&E's RRMA. The resolution also directed SDG&E to seek authorization from the CPUC for activities that required funds above the approved amount.⁵

On April 12, 2019, pursuant to the directives in E-4910,⁶ SDG&E filed AL 3352-E seeking approval to increase its Mass Default TOU ME&O budget forecast by \$10.73 million. SDG&E asserts that the drivers for this increase are as follows:

- **Communications Development:** Additional spending based on lessons learned from the default pilots plus other refinements to its plan based on collaboration with the statewide media implementer.
- **General & Digital Media:** More investment in digital media as a more cost-effective strategy as TV and radio costs increased.
- **Direct Marketing:** Increased emphasis on direct mail and email campaign elements.
- **Labor:** Increased costs stemming from the development of the Project Management Office and Customer Care areas.

SDG&E's original and proposed budget, including a reallocation of \$5.2 million in unspent pilot funds, requires an additional \$5.53 million in requested funds, as illustrated in the table below:

⁵ See E-4910 at 21.

⁶ *Id.*

Budget Source	Amount (\$ millions)
2017-2019 Mass Default TOU ME&O (Resolution E-4910)	\$19.37
Revised Budget (AL 3352-E)	\$30.10
Difference	\$10.73
Reallocation of Unspent TOU Pilot Funds	\$5.20
Total Additional Funds Requested	\$5.53

Lastly, AL 3352-E also requests that \$9.61 million in incremental costs associated with its Mass TOU Default Migration Plan, as approved in OP 3 of D.18-12-004, be recorded in the RRMA. SDG&E originally included this amount in its 2017 GRC (A.17-12-007), but then indicated in that proceeding that it would file an AL requesting that these costs be recorded in the RRMA.

According to the recorded costs in SDG&E's RRMA, most of the proposed incremental increase of \$10.73 million in its Residential Mass Default TOU ME&O budget was spent through the end of 2019.⁷

NOTICE

Notice of AL 3352-E was made by publication in the CPUC's Daily Calendar. SDG&E states that a copy of the AL was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

AL 3352-E was not protested.

DISCUSSION

Since the approval of SDG&E's ME&O plan in Resolution 4910-E, SDG&E has gained insights from its ME&O activities and pilots and has made several necessary adjustments to their strategies, accordingly. During this process, SDG&E recognized that additional

⁷ See SDG&E's RRMA budget update in Appendix A of its Quarterly Report on Progress of Residential Rate Reform (PRRR)", February 3, 2020, available at: https://www.sdge.com/sites/default/files/regulatory/R.12-06-013%20SDGE_Q4%202019_PRRR%202%203%2020.pdf.

expenditures would be needed in order to optimize their evolving marketing strategies, as set forth in AL 3552-E. The CPUC has reviewed these proposed changes to its ME&O plan budget, and finds this request reasonable.

In D.15-07-001, the CPUC acknowledged that implementing default TOU would be an iterative process marked by experimentation and learning, and directed the implementation of an ongoing ME&O Working Group for this purpose.⁸ The CPUC authorized optional and default TOU pilots in order to learn how customers would respond to TOU rates and to develop the best methods of communicating the essentials of the transition to default TOU. After launching these pilots from November 2016 through March 2019, SDG&E later began coordinating with the statewide marketing campaign to maximize the effectiveness of its mass media strategy.

Over the course of this process, SDG&E updated its ME&O plan to increase in-language, specialized and personalized communications to its customers, as well as emails and targeted outbound calls, which have been shown to increase information retention among default pilot participants. In addition, SDG&E expanded its digital media and direct communications strategies. Furthermore, consistent with the other two IOUs, SDG&E created a Project Management Office, which performed well through the optional and default TOU pilot stage. Resolution E-4910 directs SDG&E to seek CPUC approval for changes to its ME&O plan budget, and we find that the proposed incremental expenditures set forth in AL 3352-E are reasonable.

As demonstrated in recent field surveys of default TOU customers by Ipsos,⁹ the SDG&E marketing campaign, when combined with the TOU portion of the statewide campaign, has generally performed well year-over-year, including positive shifts in key “Vision” metrics.¹⁰ This evaluation is further evidence that SDG&E has made prudent and effective investments in its ME&O activities that have had a positive overall impact on customer acceptance and understanding of default TOU. Moreover, it offers further justification for the approval of the additional \$5.53 million in funds requested in AL 3352-E.

⁸ D.15-07-001 at 334.

⁹ Ipsos is a market research firm under contract to perform field research surveys to measure and evaluate customer understanding and acceptance of default TOU rates in response to statewide TOU marketing campaign messaging and outreach strategies. More information on Ipsos and its services is available at: <https://www.ipsos.com/en>.

¹⁰ See Annual Marketing Survey results in SDG&E’s Quarterly Report on Progress of Residential Rate Reform (PRRR)”, February 3, 2020, at pp. 24-27. Available at: https://www.sdge.com/sites/default/files/regulatory/R.12-06-013%20SDGE_Q4%202019_PRRR%202%203%2020.pdf.

Lastly, SDG&E has requested to record \$9.61 million in expenses associated with the Mass TOU Default Migration Plan in the RRMA, including funding for Advanced Metering Operations and the Customer Contact Center. Upon approval of this AL, SDG&E will remove this funding request from its GRC revenue requirement. This resolution approves SDG&E's request to record these expenses in their RRMA but makes no determination regarding their reasonableness. The basis for these expenses is provided in D.18-12-004, and any determination of reasonableness shall occur in a future GRC proceeding.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the CPUC. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

Since the subject of this resolution is not a controversial matter and was not protested, the 30-day comment period for the draft of this resolution was reduced to 15 days, as agreed to by SDG&E. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the CPUC's agenda no earlier than 15 days from today.

FINDINGS

1. Resolution E-4910 approved SDG&E's marketing, education and outreach plan with modifications.
2. Resolution E-4910 directed SDG&E to seek CPUC approval for any modifications to its plan, including additional funding.
3. SDG&E operated optional and default residential time-of-use pilots between November 2016 and March 2019 which informed its marketing, education and outreach strategy.
4. The CPUC envisioned the residential default time-of-use rollout as an iterative process which would be informed by the pilots.
5. It is reasonable for SDG&E to modify its marketing education and outreach plan based on learnings from their optional and default pilots.
6. The Ipsos statewide evaluation results generally demonstrate the effectiveness and prudence of SDG&E's Mass Default TOU Migration Plan in conjunction with the

statewide TOU ME&O campaign in educating customers about the transition to default TOU.

7. It is reasonable for SDG&E to remove one-time costs of \$9.61 million associated with the Mass Default TOU Migration Plan from its GRC revenue requirement and to record them in its Rate Reform Memorandum Account.

THEREFORE IT IS ORDERED THAT:

1. As requested in Advice Letter 3352-E, the request of San Diego Gas and Electric to update its Residential Mass Default TOU ME&O budget forecast, and to remove \$9.61 million in one-time costs from its 2017 GRC request and book it to its Rate Reform Memorandum Account, is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 28, 2020; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director