

Decision 21-07-010 July 15, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
San Diego Gas & Electric Company
(U902E) for Approval of its Proposals
for Dynamic Pricing and Recovery of
Incremental Expenditures Required
for Implementation.

Application 10-07-009

And Related Matter.

Application 19-03-002

**DECISION ADOPTING SETTLEMENT AGREEMENT TO UPDATE MARGINAL
COSTS, COST ALLOCATION AND ELECTRIC RATE DESIGN FOR
SAN DIEGO GAS & ELECTRIC COMPANY; ORDERING A SEPARATE
APPLICATION FOR A REAL-TIME PRICING DYNAMIC RATE PILOT;
REJECTING SCHOOLS-ONLY CLASS PROPOSAL; AND
MODIFYING DECISION 12-12-004**

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DECISION ADOPTING SETTLEMENT AGREEMENT TO UPDATE MARGINAL COSTS, COST ALLOCATION AND ELECTRIC RATE DESIGN FOR SAN DIEGO GAS & ELECTRIC COMPANY; ORDERING A SEPARATE APPLICATION FOR A REAL-TIME PRICING DYNAMIC RATE PILOT; REJECTING SCHOOLS-ONLY CLASS PROPOSAL; AND MODIFYING DECISION 12-12-004

Summary

Today's decision addresses the consolidated Phase 2 General Rate Case proceeding of San Diego Gas & Electric Company (SDG&E) and Application 10-07-009 concerning SDG&E's dynamic pricing proposals.

The decision adopts the Settlement Agreement filed by SDG&E, the Public Advocates Office at the California Public Utilities Commission, Utility Consumers' Action Network, Federal Executive Agencies, California Farm Bureau Federation, San Diego Airport Parking Company, Small Business Utility Advocates, Solar Energy Industries Association, Energy Producers and Users Coalition, California Large Energy Consumers Association, California City County Street Light Association, The Utility Reform Network, and City of San Diego. Most of the active parties to the proceeding are parties to the Settlement Agreement and none of the remaining parties directly oppose the settlement.

The settlement resolves all issues amongst the settling parties except for three: (1) the proposal to adopt a new schools-only rate class; (2) the proposal to extend the load limit exemption for certain small commercial customers with electric vehicle fleets; and (3) the real-time pricing dynamic rate proposal.

Regarding these three issues, the decision denies the proposed schools-only rate class. The expired exemption to the small commercial rate for electric vehicle fleets is reinstated with modifications. For the real-time pricing proposal, SDG&E is directed to file a separate application for a pilot; the details of the pilot and

application are set forth in Section 5 of this decision. SDG&E is also directed to file a sales forecast application for 2022 within 30 days of the effective date of this decision. These proceedings are closed.

1. Background

San Diego Gas & Electric Company (SDG&E) filed its application regarding cost allocation and rate design on March 4, 2019. This is a general rate case (GRC) Phase 2 proceeding and is part of SDG&E's rate case plan schedule for its current GRC cycle. The purpose of Phase 2 is to establish marginal costs, allocate revenues, and design rates for service provided to customers. SDG&E's most recent Phase 2 decision adopted sales forecasts for 2016, 2017, and 2018. The sales forecast for 2019 was adopted in Decision (D.) 18-11-035, a decision to a stand-alone application which also directed SDG&E to file its sales forecast for 2020, 2021, and 2022 in this proceeding.¹

The rate case plan has been in place for many decades with the goal to "minimize regulatory delay while providing an administrative forum with fairness to all."² Periodically the California Public Utilities Commission (Commission or CPUC) updates the rate case plan. In 1989 the Commission ordered two phases for each rate case cycle. Phase 1 of a GRC addresses the utility's revenue requirement. Efforts to make Phase 1 more efficient led to the development of a Phase 2 to specifically examine electric rate design issues and related issues concerning marginal costs and cost allocation. Phase 2 does not

¹ SDG&E's Phase 1 GRC application, primarily addressing revenue requirements, was decided in D.19-05-051 in Application (A.) 17-10-007.

² D.20-01-002 (Decision Modifying the Commission's Rate Case Plan for Energy Utilities) January 16, 2020, in Rulemaking (R.) 13-11-006. Section 2 of D.20-01-002 provides a summary of the Commission's Rate Case Plan and how it has evolved over the last 75 years. D.20-01-002 at 13 quoting R.97-06-038, "Order Instituting Rulemaking on the Commission's Own Motion into the Establishment of a Rate Case Plan for Small Local Exchange Carriers" at 2.

examine gas-related issues. In January 2020, the Commission changed the rate case plan to a four-year cycle.³

In the Phase 2 GRC, the Commission determines the share of SDG&E's revenue requirement (*i.e.*, its forecasted costs) that should be paid for by each customer class. This process of assigning responsibility for shares of SDG&E's forecasted costs among customer classes is known as "revenue allocation." Traditionally, the Commission has looked to each customer class's share of the utility's marginal costs as the starting point for determining the revenue allocation among classes for that utility, and then scaling from that marginal cost basis to collect the total revenue requirement.⁴ The rate case plan also provides a schedule for Investor Owned Utilities (IOUs) to file rate design windows (RDWs), for changes in rate design that are necessary during the four years between GRC Phase 2 applications.

1.1. Procedural Background

On March 4, 2019, SDG&E filed Application (A.) 19-03-002 requesting authority to update its marginal costs, cost allocation, and electric rate design.

Protests and responses to the application were filed from April 3, 2019 to April 8, 2019, by the following parties: the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); California Farm Bureau Federation (Farm Bureau); Small Business Utility Advocates (SBUA); the City of San Diego; thirty-eight public schools districts and the San Diego County Office of Education (Schools Coalition); Solar Energy Industries Association (SEIA); The

³ D.20-01-002.

⁴ D.18-08-013 at 13-15.

Utility Reform Network (TURN); and Utility Consumers' Action Network (UCAN).

A reply to the protests was filed by SDG&E on April 18, 2019.

A Prehearing Conference (PHC) was held on June 12, 2019. At the PHC, the issues, schedule and other procedural matters relating to the proceedings were discussed. The following motions for party status were granted at the PHC:

- Federal Executive Agencies (FEA) on June 4, 2019 – motion was granted on June 12, 2019;
- California City County Street Light Association (CalSLA) on June 10, 2019 – motion was granted on June 12, 2019;
- California Solar & Storage Association (CSSA) on June 10, 2019 – motion was granted on June 12, 2019;
- Energy Producers and Users Coalition (EPUC) on June 12, 2019 – motion was granted on June 12, 2019;
- California Large Energy Consumers Association (CLECA) on June 12, 2019 – motion was granted on June 12, 2019; and
- San Diego Airport Parking Company (SDAP) on June 12, 2019 – motion was granted on June 12, 2019;

Subsequent to the PHC, the following motions for party status were received and granted:

- OhmConnect, Inc. on June 10, 2019 – motion was granted on June 26, 2019;
- Center for Accessible Technology (CforAT) on July 12, 2019 – motion was granted on August 2, 2019;
- Southern California Edison Company (SCE) on September 6, 2019 – motion was granted on September 23, 2019;
- Enel X North America, Inc. (Enel X) on September 17, 2019 – motion was granted on September 23, 2019; and

- California Energy Storage Alliance (CESA) on October 8, 2019 – motion was granted on October 28, 2019; and
- San Diego Community Power (SDCP) and Clean Energy Alliance (CEA) (collectively referred to as the “CCA Parties”) on January 27, 2021, and the motion was granted on January 28, 2021, for the limited purpose of addressing the impact of the 2021 Procurement Revenue Requirement Forecast and Greenhouse Gas-Related Forecast in D.21-01-017 on the October Settlement Agreement.

On June 24, 2019, the Administrative Law Judge (ALJ) issued a ruling consolidating A.19-03-002 with A.10-07-009 because of related issues concerning rate design for SDG&E customers.

On July 11, 2019, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the scope of issues and procedural schedule. The schedule included three workshops to discuss (a) marginal costs and revenue allocation; (b) demand charges and alternatives to demand charges; and (c) dynamic pricing options.

On July 29, 2019, the assigned ALJ issued a ruling establishing Public Participation Hearings (PPHs) in two locations. The PPHs were held on September 17, 2019, in Chula Vista and on September 18, 2019, in Escondido, California.

On August 22, 2019, a second PHC was held to identify parties and consider procedural issues following consolidation with A.10-07-009.

On October 18, 2019, SDAP, SBUA and UCAN filed a Joint Motion for Consolidation of A.19-07-006 (Application of SDG&E for Approval of its Electric Vehicle High Power (EV-HP) Charging Rate), A.10-07-009 (Application of SDG&E for Approval of its Dynamic Pricing Proposal) and A.19-03-002. SDG&E filed a response on November 4, 2019, recommending denial of the motion. The

joint motion was denied on December 4, 2019, because of concerns that consolidation could delay implementation of the proposed EV-HP rate.⁵

On January 20, 2020, the Commission issued D.20-01-002 changing the rate case plan of large energy utilities from three to four years. The decision included specific directions on how the affected utilities will transition their respective GRC cycles into the new four-year cycle. However, the decision did not include details regarding the transition of the GRC Phase 2 schedule.

On April 30, 2020, the assigned ALJ issued a ruling inviting comments on how the new rate case plan schedule should be addressed to ensure that the parties are considering the new rate case plan schedule during settlement discussions and before the evidentiary hearings. Parties filed respective comments on May 11, 2020. Reply comments were filed on May 18, 2020.

On June 5, 2020, the assigned ALJ issued a ruling directing the parties to meet and confer and file a joint case management statement no later than June 12, 2020, to discuss the status of settlement discussions.

On June 12, 2020, a joint case management statement was filed updating the status of settlement talks, the possibility of Alternative Dispute Resolution (ADR), joint stipulations of fact, factual issues that can be addressed through additional written testimony instead of a hearing, testimonies subject to cross-examination, and a new briefing schedule.

On July 17, 2020, the assigned ALJ issued a ruling allowing the parties to file and serve their supplemental testimony and supplemental rebuttal testimony regarding dynamic rates.

⁵ Joint ALJ Ruling Denying Motion to Consolidate A.10-07-009 and A.19-03-002 (consolidated) with A.19-07-006, December 4, 2019. (A.19-07-006 at 2).

On August 6, 2020, another joint case management statement was filed by SDG&E and the intervenors updating the commission on the status of settlement talks, joint stipulations of fact, cross-examination estimates, witness schedule, and a list of exhibits of each party.

On August 10, 2020 and September 24, 2020, telephonic status conferences were held in order to report on the progress of settlement discussions.

An evidentiary hearing was held on September 28, 2020, where the parties presented their list of exhibits to be entered into the record.

On October 8, 2020, a Joint Motion for Approval of the GRC Phase 2 Settlement Agreement⁶ was filed by SDG&E, Cal Advocates, CalSLA, City of San Diego, CLECA, EPUC, Farm Bureau, FEA, SBUA, SDAP, SEIA, TURN, and UCAN (collectively, the Settling Parties). The Settlement Agreement resolves all except three issues (the Unsettled Issues) amongst the Settling Parties.

Another status conference was held on October 26, 2020, to prepare for the final two days of evidentiary hearings.

Evidentiary hearings were held on October 29, 2020 and October 30, 2020.

Comments to the Settlement Agreement were filed by Schools Coalition and SDAP on November 9, 2020.

Motions for Admission to Enter Additional Exhibits were filed by the following parties: jointly by CSSA, Ohm Connect, and CESA (together, Joint Advanced Rate Parties (JARP)) and Enel X on October 2, 2020 and November 2, 2020; Cal Advocates on October 27, 2020; SDG&E on

⁶ This settlement agreement filed on October 8, 2020, is referred to in this decision as the "October Settlement Agreement." On February 26, 2021, the Settling Parties filed an Addendum to the October Settlement Agreement. This decision uses the term "Settlement Agreement" to refer to the October Settlement Agreement as modified by the Addendum.

November 4, 2020; and TURN on November 13, 2020. These motions for Admission to Enter Additional Exhibits into the record were all granted on December 9, 2020.

Opening Briefs regarding the three remaining issues were filed on November 16, 2020, by SDG&E, SDAP, jointly by JARP and Enel X, Cal Advocates, TURN and Schools Coalition. Reply briefs were filed by the same parties on December 4, 2020.

On December 4, 2020, Schools Coalition filed a Request for Official Notice of the following legislative and public records and reports: 1) California Assembly Bill (AB) 2068; and 2) Alpine Union School District, 2019- 2020 District Budgets dated June 19, 2019. The request was denied on March 29, 2021, since the version of AB 2068 attached to the request was not the chaptered version of the bill and the budget reports for one school district were not representative of the Schools Coalition.

On January 14, 2021, the Commission approved D.21-01-017, which adopted 2021 electric procurement revenue requirement forecasts and greenhouse gas-related forecasts for SDG&E (2021 Energy Resource Recovery Account (ERRA) Forecast Decision).⁷ Ordering Paragraph (OP) 8 of the 2021 ERRA Forecast Decision states, “San Diego Gas & Electric Company shall use its 2021 bundled energy requirements forecast used to derive the ERRA revenue requirement adopted in this proceeding and the System Average Percent Change method to set the applicable bundled generation rates to be implemented

⁷ SDG&E filed this annually required application (A.20-04-014) on April 15, 2020, also commonly referred to as the ERRA forecast proceeding. The ERRA forecast proceeding includes a forecast of procurement that is expected to be necessary to serve SDG&E’s bundled electric service customers.

pursuant to this decision.” The Settling Parties in the instant proceeding did not anticipate this change when the October Settlement Agreement was finalized.

On January 21, 2021, the assigned ALJ issued a ruling reopening the record and directing SDG&E to serve updated bill impacts to reflect the 2021 ERRRA Forecast Decision and further directing the Settling Parties to provide a joint statement on whether the 2021 ERRRA Forecast Decision conflicts with the October Settlement Agreement. Specifically, SDG&E was directed to show illustrative rates for the class average bill impacts of the 2021 ERRRA Decision for each of its customer classes.

On February 18, 2021, the Settling Parties filed a Joint Statement responding to the January 21, 2021 ruling. SDCP and Schools Coalition also filed respective statements on the same date.

On February 26, 2021, the Settling Parties filed a Joint Motion for Admission of Addendum to the Settlement Agreement. The Addendum addresses the conflict between the October Settlement Agreement and D.21-01-017 and includes the illustrative bill impacts discussed above. SDCP filed a Response to the February 26 motion on March 3, 2021.

The Joint Motion for Admission of Addendum to the Settlement Agreement was granted on March 29, 2021. This proceeding stands submitted as of March 29, 2021.

1.2. GRC Phase 2: Revenue Allocation and Rate Design

Revenue allocation is the process whereby the authorized revenue requirement in Phase 1 of the GRC is allocated among the different rate classes using the marginal costs of those classes. In this proceeding, the revenue allocation is calculated for the distribution and commodity functions.

Determining the marginal cost for each class for every service is a complex and a detailed undertaking which begins with the marginal cost of service study. The marginal cost of service study calculates the marginal or incremental cost of providing service to each of the customer-rate classes.

SDG&E's rate classes are: (1) residential, (2) small commercial; (3) medium and large commercial and industrial (M/L C&I); (4) agricultural; and (5) streetlighting. In this proceeding SDG&E proposes to add a sixth class specifically for schools. The proposed Schools-only class would only be open to schools and would be mandatory for all public schools.

The total customer accounts in each class are shown in the table below.⁸

SDG&E Customer Class Count June 2019⁹

	Accounts	Percentage
Residential	1,298,628	89.20%
Small Commercial	129,066	0.26%
M/L C&I	18,664	0.38%
Agricultural	3,847	1.28%
Streetlights	5,589	8.87%
Total	1,455,814	100%

Once the marginal cost study is complete, the various marginal costs by service and customer classes are multiplied by the applicable determinant¹⁰ to calculate the revenue that would be collected were unit marginal costs used as rates. The marginal cost revenues by customer class are then reconciled to the authorized revenue requirement to derive the proposed customer class revenue requirements.

⁸ This table only reflects the number of accounts. The percentage of total electricity usage by class is different.

⁹ Exh. SDAP-01, at 497, Attachment 18.

¹⁰ These determinants are based on expected sales. It should be noted that the marginal costs used to develop the revenue allocation is similarly tied to expected usage.

Within each customer class are multiple rate schedules available to customers. With the advent of Advanced Metering Infrastructure (AMI), the number of available rate schedules has increased. This provides customers with the ability to choose the schedule that is the most efficient to meet their needs.

The elements of rate design include: volumetric charges based on total kilowatt hours (kWhs) used; demand charges based on maximum energy usage during a specific time period (*i.e.*, maximum amount of kilowatts (kw) used during any fifteen minute time period during the month); and a fixed charge (or a monthly service fee) that is applied to all customers in a class independent of a customer's usage.¹¹ The majority of these elements can be structured to be time-dependent (time-of-use (TOU) rates). More recently, the Commission has adopted a subscription fee structure for electric vehicle rates. The subscription structure is typically a high monthly charge matched with a low volumetric rate that provides the customer with greater bill certainty. There are also line-item discounts (CARE,¹² FERA,¹³ medical baseline) for residential customers.

1.3. Ten Rate Design Principles (RDP)

All of the rate elements can be used to encourage optimal usage of electricity. The Commission has adopted specific principles for evaluating rate design to ensure that adopted rates appropriately balance the competing policy goals necessary for just and reasonable rates.¹⁴

1. Low-income and medical baseline customers should have access to enough electricity to ensure basic needs (such as health and comfort) are met at an affordable cost.

¹¹ For SDG&E the monthly fee amount is related to how the customer connects to the grid.

¹² California Alternate Rate for Energy Program.

¹³ Family Electric Rate Assistance Program.

¹⁴ The Rate Design Principles were originally adopted in D.14-06-029.

2. Rates should be based on marginal cost.
3. Rates should be based on cost-causation principles.
4. Rates should encourage conservation and energy efficiency.
5. Rates should encourage reduction of both coincident and non-coincident peak demand.
6. Rates should be stable and understandable and provide customer choice.
7. Rates should generally avoid cross-subsidies, unless the cross-subsidies appropriately support explicit state policy goals.
8. Incentives should be explicit and transparent.
9. Rates should encourage economically efficient decision-making.
10. Transitions to new rate structures should emphasize customer education and outreach that enhances customer understanding and acceptance of new rates and minimizes and appropriately considers the bill impacts associated with such transitions.

We evaluate SDG&E's application and the other rate proposals in this proceeding with the rate design principles above.

2. Issues Before the Commission

The scoping memo described the issues in this application at a high level:

1. Marginal costs including refinements to calculating and distributing generation, distribution and customer marginal costs;
2. Revenue allocation;
3. Rate design including, but not limited to the following:
 - a. Residential: seasonal baseline adjustment, default and optional rates;
 - b. Non-Residential: customer cost recovery, distribution demand cost recovery (via demand charges or

alternative mechanisms) commodity cost recovery, default and optional rates, SDG&E's proposed Schools-only class and rate design, streetlighting rate options; and

4. All customer classes: real-time pricing or other dynamic pricing rate options.

The Settlement Agreement does not resolve the three Unsettled Issues, which are: (1) the real-time pricing (RTP) rate proposed by JARP; (2) the Schools-only class proposed by SDG&E; and (3) the exemption for certain commercial customers with electric vehicle (EV) chargers.

3. Standard of Review for Settlement

The Commission has long favored the settlement of disputes.¹⁵ Article 12 of the Commission's Rules of Practice and Procedure generally concerns settlement. Pursuant to Rule 12.1(d) of the Commission's Rules of Practice and Procedure, the Commission will not approve a settlement unless it meets the following requirements:

- a) The settlement is reasonable in light of the record;
- b) The settlement is consistent with the law; and
- c) The settlement is in the public interest.

This standard applies to settlements that are contested as well as uncontested. Where a settlement is contested, it will be subject to more scrutiny than an uncontested settlement. Not all parties to this proceeding are signatories to the Settlement Agreement, but the Settlement Agreement is not directly contested by any of the remaining parties. SDAP, JARP, and Enel X do not object to the Settlement Agreement but make additional recommendations. These are discussed later in the decision.

¹⁵ D.17-08-030 at 9.

Because settlements are subject to Article 12, including Rule 12.6 regarding confidentiality,¹⁶ uncontested settlements that address disputes over highly technical matters such as marginal costs, cost allocation and electric rate design can create some tension between the CPUC's policy of encouraging such settlements and the concomitant requirement that the CPUC affirmatively find that such settlements are, in fact, "reasonable, consistent with law, and in the public interest." However, Rule 12.6 does not prevent discussion of settlement matters if no settlement party objects. Nevertheless, hearings were conducted in this proceeding to allow the parties and the assigned ALJs to ask clarifying questions to the parties that entered into the settlements. In addition, the Settling Parties worked collaboratively to testify on witness panels that enabled development of a detailed record regarding the proposed settlement. This record provided additional information that supports our decision without causing the Settling Parties to violate Rule 12.6.

3.1. Facts Regarding the Settlement Agreement¹⁷

The October 8, 2020 Joint Motion of the Settling Parties provide the following summary:

The Settlement Agreement adopts the majority of proposals in SDG&E's Application (except for the proposal to adopt a new Schools-only rate class, the expired exemption on the small commercial rate for EV charger and the real time pricing proposal), with specific adjustments to SDG&E's proposed timing and rate structure that are amenable to the Settling Parties. SDG&E has also

¹⁶ Rule 12.6 states that "no discussion, admission, concession or offer to settle, whether oral or written, made during any negotiation on a settlement shall be subject to discovery, or admissible in any evidentiary hearing."

¹⁷ Appendix B is the October 8, 2020 Settlement Agreement. Appendix C is the Addendum to the October 8, 2020 Settlement Agreement.

agreed to perform various studies and other commitments to resolve the Settling Parties' interests.¹⁸

In the October Settlement Agreement Motion, the Settling Parties state that:

- The Settlement Agreement is the result of “several months of negotiations, beginning on May 21, 2020, which included exchanges of proposed terms, counterproposals, and detailed comments.”
- This Settlement Agreement represents a compromise from the litigation positions of the various parties to the Settlement Agreement.
- The Settlement Agreement resulted from the fully developed evidentiary record and extensive negotiations among the parties.
- The Settling Parties have evaluated the impacts of the various proposals in this proceeding.
- The Settling Parties submit that the Settlement Agreement adequately resolves the specific contested issues of interest to each signatory and serves as a complete and final resolution of all issues among them in this proceeding, except for the three Unsettled Issues.

The majority of the parties joined the October Settlement Agreement with the following exceptions: The Schools Coalition does not oppose the Settlement Agreement, “so long as the agreement is not construed by Commission in a manner that would harm schools by binding them to a specific mandatory rate class.”¹⁹

¹⁸ Settlement Agreement Motion at 2.

¹⁹ Schools Coalition November 9, 2020 Comments on Multi-Party Settlement Agreement at 2.

SDAP supports the Settlement Agreement but seeks to add the proposed waiver to the rate design adopted in the Settlement Agreement.²⁰

JARP and Enel X do not take a position on the Settlement Agreement, but advocate for an additional rate to be added to whatever cost allocation and rate design is approved.

The next section contains our review of the settlement terms and an analysis on whether these terms meet the standard of review. In reviewing settlements, the Commission looks at the settlement as a whole, but an examination of the terms that comprise the settlement agreement provides good guidance in determining whether the settlement is reasonable, consistent with the law, and in the public interest.

4. Settlement Agreement Terms

Below, we summarize the terms concerning the primary topics of the Settlement Agreement. In this proceeding, several areas were of particular interest to parties namely:

- Updating cost allocation and sales forecast.
- Modifications to specific tariffs or rate elements.
- Steps to address changing retail electricity environment, including matters such as updating cost allocation formulae that currently assume natural gas Combined Cycle Gas Turbine (CCGT) when calculating marginal generation capacity cost; changes in load due to behind-the-meter generation and community choice aggregation.
- Addressing rate design for SDG&E's largest class: Medium/Large Commercial & Industrial.

²⁰ SDAP November 9, 2020 Comments in Support of the Settlement Agreement Motion.

4.1. Sales Forecast and Revenue Allocation

4.1.1. Sales Forecast

Sales forecasting has become increasingly challenging because of changes in the retail market – such as loads migrating to direct access service or community choice aggregators and increased use of behind-the-meter (BTM) solar and capacity for storage. Recent sales forecasts were adopted in the 2016 GRC Phase 2. The 2019 sales forecast was adopted in a stand-alone application.²¹ In January 2021 the Commission adopted a decision requiring SDG&E to modify its sales forecast outside of the rate case plan schedule. Section 4.4 (Sales Forecast from D.21-01-017) below discusses the modification.

The Settlement Agreement adopts a sales forecast for 2021 that is based on SDG&E's 2021 sales forecast filed on March 4, 2019. This 2021 sales forecast shall be implemented no sooner than November 2021. The delay in implementation is primarily because SDG&E is rolling out a new billing system in 2021. The timing and requirements of this large project mean that no changes can be made to rates when customers are being migrated to the new billing system and until the system is fully tested. The completion date is expected by November 2021.²²

The settlement also provides that changes to revenue allocations due to sales forecast changes for this GRC term shall be based on the system average percent change (SAPC) approach where identified rate components for each customer class will experience the same average rate change based on the variation in system sales. The SAPC approach is meant to smooth out volatility in class average rate changes due to changes in sales caused by the economic and other impacts, such as the effects of the COVID-19 pandemic. Class average rate

²¹ D.18-11-035.

²² RT at 189 lines 14-16, witness Schiermeyer.

impacts as a result of implementing SDG&E's proposed 2021 sales forecast and revenue allocations are provided in section 2.2.5 of the Settlement Agreement.

The Settlement Agreement further requires that SDG&E file a stand-alone application to update its sales forecast for 2022, with a request that implementation be made effective January 1, 2022.²³ Moving forward, SDG&E will update its sales forecast on an annual basis via a separate application.

4.1.2. Revenue Allocation

This GRC Phase 2 addresses the following rate components, all of which would be resolved by the Settlement Agreement: Distribution, Commodity, Competition Transition Charge (CTC), Local Generation Charge (LGC), vehicle-grid integration (VGI), and Demand Response (DR). A new revenue allocation for these components was adopted in the previous GRC Phase 2. Currently all of these rate components are based on the revenue allocation adopted in D.17-08-030.²⁴ Because substantial changes were made to the revenue allocation in 2017, SDG&E did not propose any changes to the revenue allocation in its application. The Settlement Agreement would maintain the current revenue allocation.

The revenue allocation would be relitigated in the next SDG&E GRC Phase 2. However, to address various concerns about revenue allocation, SDG&E will study certain evolving factors used to calculate revenue allocation and such studies would be considered in the next GRC Phase 2. These are summarized below in section 4.3.

²³ Settlement Agreement Addendum at 2.

²⁴ D.17-08-030, Finding of Fact 4 at 77, Conclusion of Law 2 at 82.

Parties support waiting until the next GRC Phase 2 because it will provide customers with greater rate stability. The current revenue allocation was adopted recently, and “customers are still adjusting to the updated revenue allocation.”²⁵ Although a decline in sales is projected, the primary impact will be on the commodity revenue allocation.²⁶

In the meantime, pursuant to the Settlement Agreement, distribution and commodity revenue allocations will be adjusted to take into account the 2021 sales forecast and “any future adopted sales forecast changes.” These revenue allocation updates will be made by SAPC. SDG&E witness Malik explained the reason for this approach:

When you look at the sales decline and how it’s more saturated within one class over the others and given that the landscape is constantly changing while sales decline and other impacts that we have, at this time it makes sense to look at the system average percentages so every single class can realize the same impact across the board.²⁷

Similarly, Cal Advocates witness Gutierrez asserts that the SAPC approach supports rate stability and will ensure that no particular customer class is faced with a rate change that is significantly larger than other classes.²⁸

4.1.3. Revenue Allocation for PPP Charges

The term Public Purpose Program (PPP) refers to programs funded through the utility that are intended to benefit the public. The funds for the programs are collected from ratepayers.

²⁵ RT at 188, lines 3-23, witness Malik.

²⁶ Id. at lines 10-17.

²⁷ RT at 190 lines 16 -24, witness Malik.

²⁸ RT at 192 lines 21, witness Gutierrez.

For programs with a revenue allocation that is not directly tied to sales (for example, the Self-Generation Incentive Program (SGIP)) the revenue allocation will continue to be addressed in the annual PPP Advice Letter filing. This approach was proposed in SDG&E's application and adopted in the Settlement Agreement.

For programs with a revenue allocation that is tied to sales (for example, low-income assistance programs), the revenue allocation will be updated based on equal cents per kWh using 2019 authorized sales adopted in D.18-11-035. This is a change from SDG&E's application which proposed using the 2020 authorized sales. When the Commission adopts a new delivered sales forecast,²⁹ the revenue allocation for PPP will be updated in the next PPP Advice Letter filing to reflect the updated sales forecast.

Summary of PPP Rate Component Treatment

PPP Rate Component Tied to Sales	Settlement	SD&E Application Proposal
Low Income Programs (CARE/FERA/Food Bank/ESAP)	Equal cent per kWh based on 2019 sales with appropriate exemptions, and the revenue allocations will be updated whenever the Commission adopts new sales.	Equal cent per kWh based on 2020 sales with appropriate exemptions
Electric Program Investment Charge (EPIC)	Equal cent per kWh based on 2019 sales, and the revenue allocations will be updated whenever the Commission adopts new sales.	Equal cent per kWh based on 2020 sales

²⁹ "Traditionally sales forecasts are made up of three types of sales: (1) bundled, (2) system net, and (3) system delivered." (SDG&E opening comments on proposed decision at 22-23.)

PPP Rate Component NOT Tied to Sales	Settlement	SD&E Application Proposal
Energy Efficiency	2019 forecast program spending	same as Settlement
Self-Generation Incentive Program (SGIP)	Updated on a rolling basis annually to reflect the actual benefits resulting from the disbursement of program incentives over the previous three years	same as Settlement
Tree Mortality Non-Bypassable Charge	12-month coincident peak (12-CP) demand used for CAM, updated annually to reflect changes in the 12-CP	same as Settlement
California Solar Initiative (CSI)	No change to current allocation	same as Settlement

4.1.4. Rate Components Not Subject to SAPC

The Settlement Agreement specifies the rate components – Distribution, Commodity, Competition Transition Charge (CTC), Local Generation Charge (LGC), vehicle-grid integration (VGI), and Demand Response (DR) – that are subject to the SAPC adjustment that will be applied through December 31, 2023. The SAPC adjustment excludes distribution and commodity over and under collections.³⁰

4.1.5. Wildfire Costs

Wildfire costs identified in this proceeding will continue to be recovered through distribution costs. Several parties had proposed (and several parties had opposed) changing recovery to volumetric kWh charge that would be included with PPP.³¹

4.1.6. Transmission Costs

Transmission revenue requirement, cost allocation, and collection through rates is under FERC jurisdiction, and hence, not included in the Settlement

³⁰ Joint Motion for Approval of GRC Phase 2 Settlement Agreement at 2 of the Addendum; Settlement Agreement at 2.2.1.1.

³¹ Settlement Agreement at 2.2.17.

Agreement. SEIA did not propose any changes to SDG&E's transmission rate design but wanted to provide the Commission with a record on which it could approve a settlement with provisions related to the design of SDG&E's FERC-jurisdictional transmission rates.³²

4.1.7. TOU Periods

SDG&E's TOU periods were approved in D.17-08-030 and implemented on December 1, 2017. SDG&E does not propose any changes to the current TOU periods. To ensure that TOU periods are regularly evaluated, the Commission requires the utility to submit certain information with its GRC Phase 2 – even if no changes are proposed. The required information and analyses are contained in the testimony of Benjamin A. Montoya.³³ No party contested these findings. Several parties, such as SBUA and Farm Bureau, noted that the ratepayers they represent are still adapting to the changes made at the end of 2017.

4.2. Specific Rates Schedules and Rate Design Elements

4.2.1. Distribution Demand Charge Allocation

Distribution demand charges are used to recover capacity-related distribution costs and are made up of two components:

- Marginal Distribution Demand Cost measures the cost of serving an additional unit of customer demand measured in kW.
- Marginal Distribution Customer Cost measures the cost of adding an additional customer to the distribution grid.

Generally, the customer's demand charge is based on their highest use in a 15-minute interval during the billing period. Not all customer classes and tariffs

³² Exh. SEIA-1, at 33.

³³ Exh. SDG&E-06.

include a demand charge. In particular, residential customer rates do not have a demand charge except under optional tariffs. For residential customers, most of the demand costs are recovered on a volumetric basis in the distribution charge.

Demand charges are intended to reflect marginal cost of service. However, the Commission's rate design principles remind us that marginal cost is only one aspect of rate design. The Commission also looks at the impacts the rate will have on conservation and shifting use. In other words, the price signal sent by the distribution demand charge must also be considered. Because electric rates are increasingly tied to time of use, the time of highest use has increasing importance.

- Non-coincident demand (NCD) refers to highest demand during any time of the day.
- Coincident demand (CD) refers to the highest demand during system peak.

Currently, and under the proposed Settlement Agreement, the demand charge looks at both NCD and CD. Intervenors have argued for changes in the allocation to put greater emphasis on system peak. SDAP and SBUA also argue for elimination of demand charges altogether. SDAP advocates for recovering distribution costs through time-based volumetric rates instead.

SDAP asserts that there is "a growing consensus among electric rate design economists and experts that demand charges are inefficient and do not reflect cost causation for distribution, transmission, or generation."³⁴ SDAP's testimony cites various recent studies and reports. The following summary is from the Ratepayer Assistance Project (RAP):

³⁴ Exh. SDAP-01 at 21-22, citing studies by Paul Chernick and Ratepayer Assistance Project (RAP).

Current non-residential rate design . . . does not adequately encourage the deployment and use of non-residential customer resources in support of grid needs. Instead, current rate design encourages customers to control their own bills without synchronizing their consumption and production with the situation on the grid. Getting rate design right will ensure that price signals conveyed to the customer reflect what the power system needs.³⁵

SDAP's testimony presents a hypothetical comparison of (a) a church (with most use during super off-peak hours) and a school (with most use during off-peak hours), and (b) a minimart (with constant use over 24-hour period) to show how a non-coincident demand charge may fail to reflect cost of service. In the hypothetical, the highest use for the church and the school are during off-peak hours. As a consequence, they pay more than their cost of service. Meanwhile, this pricing structure does not send a price signal to the minimart to reduce use during times of use by the church and school to be more efficient for the grid.³⁶

Under the Settlement Agreement, the distribution demand costs will still be collected through a demand charge. But the Settling Parties have agreed on a new allocation that increases the percentage based on peak demand.

The table below compares SDG&E's proposed allocation, other party proposals, and the Settlement Agreement allocation.³⁷

³⁵ Exh. SDAP-01 at 22-23 quoting from RAP, "Smart Non-Residential Rate Design," Carl Linville, Jim Lazar, et al, December 2017.

³⁶ Exh. SDAP-01 at 26-29. Because SDAP opposes all distribution demand charges its testimony includes another hypothetical showing that a coincident demand charge could also deviate from cost of service.

³⁷ Settlement Agreement section 2.2.2.1.

Comparison of Proposed Demand Charge Allocations

	SDG&E	Cal Advocates	SEIA	SDAP	Settlement
Peak demand	61%	68%	67.4%	37.5%	65%
Non-coincident demand	39%	32%	32.6%	25%	35%
Volumetric TOU³⁸	n/a	n/a	n/a	37.5	n/a

The Settlement Agreement's allocation between NCD and CD is reasonable and consistent with the Commission's rate design principles. In addition, as the table above shows, the settled allocation takes into account different party positions. The Settlement Agreement is a compromise of four parties' proposals.

4.2.2. Petition to Modify Decision 12-12-004 Critical Peak Pricing for Small Commercial Customers

On July 6, 2010, SDG&E filed A.10-07-009 for an approval to implement dynamic pricing and critical peak pricing rates for its residential, small commercial and agricultural customers. Time-varying rates include time-of-use (TOU)³⁹ rates and dynamic rates like critical peak pricing (CPP). TOU rates are set by time of day and are static throughout the season. Dynamic rates, on the other hand, can vary from day to day and hour to hour. A CPP rate is event-based, meaning that a higher rate applies during times of grid need and the customer is notified in advance of an upcoming CPP event. Real-time pricing rates are also dynamic time-varying rates and are discussed in section 5 of this decision.

³⁸ SDAP was the only party to propose allocating a portion of the demand charge to volumetric TOU.

³⁹ D.12-12-004, resolving A.10-07-009, primarily uses the term "time of day" instead of time of use.

All of these rate designs are intended to motivate customers to use less power during times when electricity use is expected to be high. CPP events are typically called when it is expected that a reduction in use is necessary to maintain the integrity of the power grid or reduce power costs. Although CPP only applies when an event is called, it always applies to the same hours of the day (typically, late afternoon to early evening).

The Commission issued D.12-12-004 (hereinafter referred to as Dynamic Pricing Decision) adopting optional TOU and CPP rates for small commercial customers on November 1, 2013.⁴⁰ Mandatory TOU rates along with an optional CPP adder were implemented in November 2015.⁴¹

On April 26, 2019, SDG&E filed a Petition for Modification (PFM) of D.12-12-004 requesting the Commission to modify the Dynamic Pricing Decision to establish SDG&E's TOU rate, without the CPP adder, as the standard turn-on rate, and establishing TOU/ CPP as an opt-in rate. SDG&E emphasized that this narrow change would apply only to new customers, and existing customers on this rate schedule would be unaffected.⁴² They also added that both TOU and TOU/CPP rates are consistent with the Dynamic Pricing Decision's stated Commission policy "in favor of transitioning small non-residential customers to

⁴⁰ D.12-12-004 OP 3 at 71.

⁴¹ CPP is currently part of the default rate structure for small business, but it is optional (not mandatory) – a customer can opt out. Generally, a "standard turn-on" rate is the rate a customer is put on when initiating service. A "default" rate is also a standard turn on rate, but the term "default" is also used when existing customers are being automatically transferred ("defaulted") on to a new rate. For example, most SDG&E residential customers will be defaulted onto TOU rates next year. Utilities offer a variety of rates, so unless a rate is mandatory a customer can opt out or into the rate.

⁴² SDG&E PFM at 2.

time-varying and/or dynamic rates.”⁴³ SDG&E seeks this relief because SDG&E’s event-based TOU/CPP rate has proven to be unsuitable as a standard rate for small commercial customers who are unable to reduce their electricity usage when a CPP event is called.⁴⁴ As explained by SDG&E:

TOU rates encourage customers to reduce their use every day, during periods of peak usage, while TOU/CPP rates additionally encourage customers to reduce their use during “event” days called prior to forecasted high demand — typically, on days when outside temperatures are expected to be very high. This Petition demonstrates how SDG&E’s TOU/ CPP rate may not be suitable for most small non-residential customers and therefore should not continue to be SDG&E’s standard turn-on rate. SDG&E believes its currently optional TOU rate — a time-variant rate without an event-based CPP component — would be a simpler and a more suitable standard turn-on rate for most small non-residential customers initiating service.⁴⁵

SDG&E’s experience shows that existing small business customers have not been able to reduce their energy usage on CPP event days. This was particularly true during the summer 2018 heat wave. Many small business customers experienced extreme bill volatility, which led to record complaints. At the same time, some customers are “structural winners” that save money on the TOU/CPP rate even without reducing load during CPP events.⁴⁶

Cal Advocates filed their Response to SDGE’s PFM on May 28, 2019. Cal Advocates supports SDG&E’s PFM request because the modifications proposed would provide relief for small commercial customers who face

⁴³ D.12-12-004 Findings of Fact (FoF) 19 at 67.

⁴⁴ SDG&E’s PFM dated April 26, 2019 at 6.

⁴⁵ *Id.* at 2.

⁴⁶ *Ibid.* at 16. Structural wining means that the customer’s bill is reduced even if the customer ignores the price signals and does not reduce electricity usage during CPP events.

difficulty with the TOU/CPP rate. The TOU/CPP rate tends to be too complex, unpredictable, and challenging for small commercial customers to respond to without disrupting their operations.⁴⁷ Cal Advocates asserts that TOU/CPP rates are not suitable for small commercial customers because these rates are too volatile and difficult for small businesses to understand and adjust to. Also, Cal Advocates states that small commercial customers lack actual knowledge about the rate, have small profit margins, and limited operational flexibility to respond to CPP event hours.⁴⁸ In addition, small commercial customers have fewer resources than Commercial and Industrial (C&I) Customers to plan and respond to CPP events. Small commercial customers generally must continue to use energy during CPP event hours in order to operate. This results in charges six to seven times higher than the simple energy rates⁴⁹ and this in turn leads to dramatic bill increases and volatility if multiple CPP events are called during a billing period.⁵⁰

SBUA also strongly supports SDG&E's PFM and urges the Commission to grant the relief requested.⁵¹ SBUA argued that CPP rates are problematic for small business because small businesses do not have the flexibility to adjust their usage when CPP events are called.⁵²

SDAP did not file a Response in the PFM but emphasized in their Comments in Support of the Joint Motion for Approval of the GRC Phase 2

⁴⁷ Cal Advocates' Response to PFM dated May 26, 2019 at 3.

⁴⁸ *Id* at 3-4.

⁴⁹ *Ibid*.

⁵⁰ *Id* at 5.

⁵¹ SBUA Response dated May 28, 2019 at 1.

⁵² *Id* at 2.

Settlement Agreement, dated November 9, 2020, that it has consistently supported not requiring CPP to be part of the turn-on rate. SDAP further contends that the reasoning stated in the PFM and SDG&E's testimony could equally apply to commercial customers up to 150 kW.⁵³

Because A.19-03-002 addressing rate design for all SDG&E customers was already open when the PFM was filed, and the two proceedings raise similar issues and questions of law and fact, the proceedings were consolidated by ruling.⁵⁴

The Settlement Agreement adopts the PFM as proposed by SDG&E.⁵⁵ In the Settlement Agreement Motion, the Settling Parties state:

Parties support adopting SDG&E's petition to modify Decision 12-12-004. Adoption of this PFM would make the CPP dynamic rate offering optional for those small businesses who believe they can participate, rather than the current default rate for new small commercial customers starting service with SDG&E.⁵⁶

It is reasonable to grant the PFM. The standard turn-on rate for small non-residential customers shall be time-of-use without critical peak pricing. The dynamic time-of-use rate with critical peak pricing shall continue to be an optional choice for small non-residential customers.

4.2.3. Monthly Service Fees

Monthly Service Fees (MSFs) were adopted in D.17-08-030 and were implemented January 1, 2019. Most non-residential customers pay the MSF at a dollar per month charge which recovers the customer cost portion of distribution

⁵³ SDAP Comments dated November 9, 2020 at 3.

⁵⁴ ALJ Ruling dated June 24, 2019 at 1.

⁵⁵ Settlement Agreement at section 2.2.9.

⁵⁶ Settlement Agreement Motion at 10.

revenues and is differentiated within the Small Commercial, M/L C&I and agricultural classes.⁵⁷ SDG&E states that “for many rates the current MSF cost recovery is well below cost-based levels.”⁵⁸ The revenues collected by monthly service fees do not increase the amount of revenue collected to cover these costs. Rather, any increase would, “result in compensating decreases for either volumetric charges . . . or demand charges. . . .”⁵⁹

In its application, SDG&E proposed a 20% increase in MSF for its non-residential customers, asserting that the existing MSF does not collect a significant amount of the costs incurred. A significant number of parties opposed the increase, and Cal Advocates recommended that MSFs be calculated by marginal cost without applying the equal percentage of marginal cost (EPMC) scalar.

In addition, because the costs to serve a customer connected at the substation level are generally lower than the cost to serve non-substation customers, SDG&E proposed different treatment of these two groups of customers. In contrast, SBUA argued that this differentiation unfairly rewards customers who happen to be located at a substation.

The Settlement Agreement sets a lower increase percentage than proposed by SDG&E and treats substation and non-substation customers differently. The increases are capped at marginal cost.⁶⁰

⁵⁷ Exh. SDG&E-03 at GRM-5 lines 9-11.

⁵⁸ *Id.* at GRM-6 lines 14-15; GRM-8 Table GM-3 Percentage Recovery of Customer Costs in Current MSFs (showing recovery percentage by class and schedule).

⁵⁹ RT at 201, lines 6-23, witness Morien.

⁶⁰ Settlement Agreement section 2.2.3

Monthly Service Fee Increases⁶¹

Substation MSF	3% increase for two years; capped at marginal cost
Non-substation MSF	7% increase for two years; capped at marginal cost

4.2.4. EV TOU 5 Distribution Rates

This rate schedule is available to residential customers with an electric vehicle. The rate recovers distribution costs through a \$16 per month fixed charge and volumetric \$/kWh rates that are TOU-differentiated. Cal Advocates sought to increase the super off-peak rate because currently it is below cost.⁶² Cal Advocates proposal is supported by the parties. They agree to an annual increase of the super off-peak distribution rate by \$0.00748 for two years; on-peak and off-peak rates will be reduced to maintain revenue neutrality of the rate. The change will start with the first annual consolidated January 1 rate change following a decision in this proceeding.⁶³

As directed in D.20-03-003, SDG&E will propose in its next residential rate design application an opt-in, un-tiered residential time-of-use rate with a fixed charge that would be available to residential customers charging an electric vehicle, utilizing energy storage, or utilizing electric heat pumps for water heating or climate control.⁶⁴ SDG&E will hold workshops to consider design of an optional un-tiered residential TOU rate with a fixed charge and will file an application for a proposed un-tiered rate no later than September 1, 2021. This un-tiered rate would be available to residential customers charging an EV, using energy storage, or using electric heat pumps for water heating or climate control.

⁶¹ Settlement Agreement section 2.2.3; *see also* RT at 202 confirming that MSFs will not increase beyond marginal costs.

⁶² Exh. Cal Advocates-1A at 5-7 to 5-9.

⁶³ Settlement Agreement section 2.2.7.

⁶⁴ D.20-03-003 at 51, OP 10.

4.2.5. Commercial EV High Power Charging Rate

SDG&E's Application for Approval of Electric Vehicle High Power (EV-HP) Charging Rate (A.19-07-006) requires that participants provide a positive contribution to margin (CTM)⁶⁵ for marginal distribution demand costs in its rate design. The calculation of CTM would be based on the GRC Phase 2. The Settlement Agreement adopts the marginal distribution demand costs specifically for use in CTM calculations for the EV-HP rates adopted in A.19-07-006 and will continue to be used until a final decision in SDG&E's next GRC Phase 2.⁶⁶

4.2.6. Schedule DG-R

The Commission has repeatedly recognized the importance of distributed energy resources (DER). Non-coincident demand charges (NCD charges) can be a barrier to adoption of DERs and other load-shifting technologies. Schedule DG-R is an existing schedule intended to promote distributed renewable generation by reducing the demand charge and increasing the revenue collected through time-dependent volumetric rates.

Key components of Schedule DG-R are:⁶⁷

1. Commodity costs are charged on volumetric basis; commodity demand charges do not apply.
2. Total NCD charge for transmission and distribution costs is set at 50% of Schedule AL-TOU NCD charge. Reductions in NCD charge are from the distribution rate which cannot fall below zero.

⁶⁵ D.20-12-023, adopting the Commercial EV rate in A.19-07-006, describes CTM as "the difference between the average rate paid by a customer and the marginal cost of serving that customer." A "positive CTM" means that the rate is set so that a customer pays at least the equivalent of the marginal cost of providing the service. (D.20-12-023 at 11.)

⁶⁶ Settlement Agreement section 2.2.20

⁶⁷ This summary is taken from Exh, SEIA-01 at 25-26.

3. Distribution costs are allocated 61% to on-peak volumetric rates, with the rest recovered through off-peak and super-off-peak rates.
4. The DG-R rate is applicable to loads below 2 MW, where a DG system serves at least 10% of the customer's peak demand.

Currently, in SDG&E territory, this rate is only available to C&I customers who install renewable distributed generation. SEIA proposes that eligibility be expanded to include customers who install storage that offsets peak use.⁶⁸

SEIA points out that Southern California Edison Company (SCE) currently has a rate that replaces generation demand charges with volumetric TOU rates, Option A for C&I. SCE's Option R for solar customers replaces a portion of distribution demand charges with TOU volumetric rates. SCE's Option E, approved in 2018, allows recovery of transmission and distribution costs through a structure with reduced NCD charges and significant volumetric TOU distribution rates. The Commission stated that the adopted SCE rates are intended "to make rates more aligned with time-dependent cost-causation, which helps to provide more actionable price signals to customers considering the purchase of distributed energy resource (DER) technology."⁶⁹

SDG&E's Schedule DG-R is intended to be a cost-based rate that fully recovers allocated costs. SDG&E states that to date there are significant under-collections from customers on this rate and that the under-collections are growing; specifically, in 2018 the under-collection was \$7.8 million and in 2019 it was \$10 million.⁷⁰ SDG&E asserts that these under-collections create a cross

⁶⁸ Exh. SEIA-01 at 24-26.

⁶⁹ D.18-11-027 at 35-36; Exh. SEIA-01 at 26.

⁷⁰ Exh. SDGE-15 at JPS-25-26.

subsidy wherein customers on the DG-R rate are subsidized by M/L C&I customers who are not on the rate.⁷¹ SEIA proposed to address the risk of under-collection by capping the number of customers enrolled.

The Settlement Agreement expands the eligibility of Schedule DG-R to non-residential customers with a behind-the-meter (BTM) storage device with a minimum discharge capacity equal to or greater than 20% of the customer's annual peak demand and a peak annual load equal to or less than 2 MW. Any under-collection (or overcollection) from these Storage-Only DG-R customers will be recovered from DG-R customers only.⁷² This change will be implemented after the billing system is updated and stabilized. Depending on other billing system projects, this could be in late 2021 or early 2022.

4.2.7. Street Light Rates

The street light customer group consists primarily of governmental entities such as cities and counties. As a class, these customers consume approximately 0.5 percent of the total electric sales for SDG&E. Historically, most streetlights are owned by SDG&E not the customers. The majority of street light energy use occurs at night. SDG&E's street light schedules, as described in testimony by SDG&E, are as follows:

- a. Schedule LS-1 – Utility-Owned Street and Highway Street Light Installations . . . provides utility-owned unmetered street lighting services on public and private streets.
- b. Schedule LS-2 – Customer- Owned Street and Highway Street Light Installations . . . provides customer-owned

⁷¹ SEIA flips this assertion, arguing that any “under-recovery would be due to customers moving from a rate where they are paying above cost-of-service to a more appropriate rate that better approximates their cost of service.” (SEIA-01 at 26 lines 14 -16.)

⁷² Settlement Agreement section 2.2.8.

- unmetered street lighting services on highways and other thoroughfares accessible to the public.
- c. Schedule LS-3 - Customer-Owned Street and Highway Street Light Installations, metered . . . provides customer-owned metered street lighting service and is closed to new customers.
 - d. Schedule OL-1 - Outdoor Area Lighting Service. . . provides utility-owned unmetered outdoor lighting of areas where street and highway lighting services are not applicable.
 - e. Schedule OL-2 - Customer-Owned Installations of Outdoor Area Lighting Service, metered . . . provides customer-owned metered lighting for sports and recreation areas.
 - f. Schedule- DWL - Residential Walkway Lighting . . . provides utility- owned unmetered lighting along residential walkways for home-owners association and other residential projects.⁷³

SDG&E street lighting schedules vary by whether the classification is unmetered or metered. For unmetered lights (LS-1, LS-2, OL-1 and DWL) the lighting rates are calculated on a “per-lamp basis per month and vary depending on lamp type, lamp and ballast wattage, and service level.” On the other hand, for metered lights (LS-3 and OL-2), rates are calculated based on kWh consumption. Lights on rate schedule LS-3 are subject to a monthly minimum charge. Lights on rate schedule OL-2 are subject to a monthly basic service fee.⁷⁴

Street lighting has been evolving in a number of areas such as the move toward energy-saving light-emitting diode (LED) lamps and a push for customer-owned lighting control panels:

⁷³ Exh. SDG&E-07 at WGS-3.

⁷⁴ *Id.* at WGS-5.

New technologies allow for customer-owned street light control modules that can wirelessly adjust light energy use, meter street light energy use, and meter the energy of non-lighting ancillary devices attached to the street light poles (such as Wi-Fi hotspots, cell phone towers, weather sensors, etc.). There has also been a shift toward more cities and counties owning the lighting instead of renting it from the utility.⁷⁵

The current SDG&E GRC Phase 2 addresses two of these areas: continued development of schedule options that allow for customer-owned street light control modules (Schedules LS-2DS and LS-2AD); and conversion to LED and examination of costs and service for outdoor lights (Schedule OL-1).

4.2.7.1. Schedules LS-2DS and LS 2AD

These two schedules were added in the last SDG&E GRC Phase 2 (D.17-08-030):

- LS-2DS (Dimmable Street Lighting where customers own the meter); and
- LS- 2AD (Ancillary device attached to a street light pole).

However, at this time there are no customers on either schedule. CalSLA expressed that these tariffs are important and needed to accommodate new customer-owned light control modules that can 1) wirelessly adjust lighting output; 2) meter street light energy use; and 3) separately meter the energy use of non-lighting ancillary devices attached to the street poles (such as Wi-Fis, cell phones towers, weather sensors, etc.)⁷⁶ CalSLA asks that SDG&E consider options for encouraging enrollment in these tariffs. CalSLA also asks SDG&E to update the energy rates and base distribution charges to reflect changes to allocated generation and distribution revenues.

⁷⁵ Exh. CalSLA-01 at 9.

⁷⁶ Exh. CALSLA-01 at 9

SDG&E does not propose any structural changes to LS-2DS or LS-2AD because, “there are currently no customers taking service on Schedules LS-2DS and LS-2AD.”⁷⁷ SDG&E is aware that there are intervenors who are interested to take the LS-2DS and LS-2AD rates such as City of San Diego.⁷⁸

Both CalSLA and City of San Diego propose having workshops on Schedules LS-2DS and LS-2AD so that interested parties can work collaboratively to develop possible improvements to these rates. CalSLA recommends that SDG&E hold a workshop prior to filing its next GRC Phase 2 to address “the state of technology, customer-side IT issues, utility-side IT issues, utility and customer costs, current status of the balancing accounts, and proposed rate design.”⁷⁹ Similarly, City of San Diego recommends that the Commission “order SDG&E to hold annual workshop related to dimmable streetlight and ancillary device tariffs. This workshop should focus on parties’ working collaboratively to develop improvements to these innovative tariffs.”⁸⁰

SDG&E agrees with CalSLA and the City of San Diego that having a workshop on Schedules LS-2DS and LS-2AD to evaluate possible improvements to these rates could be very useful. However, because there are currently no customers taking service on these schedules, SDG&E questions the benefits that could be gained from having workshops today to discuss changes to these rates. Nevertheless, since there is continued interest from customers to take these services, SDG&E is amenable to the proposal by CalSLA and City of San Diego to

⁷⁷ Exh. SDG&E-21 at WGS-2.

⁷⁸ Exh. CSD-1 at 19-23; RT at 33.

⁷⁹ Exh. CALSLA- 01 at 15.

⁸⁰ Exh. CSD-1 at 23.

hold a workshop on Schedules LS-2DS and LS-2AD prior to the filing of the next GRC Phase 2 to discuss changes that could be made to these rates.⁸¹

4.2.7.2. Schedule OL-1

Schedule OL-1 is a flat, non-metered lighting service which is based on the monthly kWh usage for different lamps sizes. SDAP has been utilizing this service from SDG&E in order to operate its parking lot for 24-hour use of outdoor lighting. In its testimony, SDAP represents that its average bill for outdoor lighting has increased by 43% since 2012.⁸² SDAP also emphasizes that despite costs increases, there have been no upgrades to the equipment – indicating a lack of cost-effectiveness to customers.⁸³ Due to these increases, SDAP requests the Commission examine the cost to serve for outdoor lighting, address the length of time of outage for repairs, and establish a portal ticket protocol system for requesting repairs in order to track the repairs and provide a record of service call and amount of downtime that is available to the customers.⁸⁴ SDAP also recommends that equipment be upgraded to LED energy efficient lighting with more durable and safe utility poles.

CalSLA, proposes that OL-1 lamps be included in SDG&E's planned conversion of utility-owned lamps to LED. They recommend that SDG&E:

- a) increase LED conversion rate by about 1,200 lamps per year or the conversion program be extended over a sixth year to provide for the conversion of OL-1 lamps;
- b) amend OL-1 lamps to include an LED rate option;
- c) reflect up-to-date

⁸¹ Exh. SDG&E-21 at WGS-2.

⁸² Exh. SDAP-01 at 71.

⁸³ *Id* at 74.

⁸⁴ *Id* at 71.

LED installation costs in its facilities charges; and d) lower operations and maintenance expenses.⁸⁵

In its rebuttal testimony, SDG&E argues that many of the lighting issues that SDAP raised are outside of the scope of this GRC Phase 2 proceeding. However, SDG&E also indicates it is willing to discuss these issues with SDAP. SDG&E assures it is already performing a cost study to examine the charges in street lighting determinants, facilities and maintenance costs, marginal distribution customer and demand cost and revenue allocation. Because this is already underway, SDG&E contends that SDAP's request to examine costs being recovered in Schedule OL-1 rates can be disregarded.⁸⁶

4.2.7.3. Settlement Agreement

Based on the issues raised in relation to Schedules LS-2DS and LS-2AD, the Settling Parties agreed that a workshop should be held to orient interested parties regarding the two Schedules LS-2DS and LS-2 AD as follows:

SDG&E agrees to hold at least one workshop before the start of the next GRC Phase 2 on Schedules LS-2DS and LS-2AD, also known as the Streetlighting Schedules. The workshop(s) will discuss possible means to increase the attractiveness of these tariffs to customers, among other things. Further, the Settling Parties agree that, because no customers currently utilize these tariffs, no changes to the rate design should be made at this time.⁸⁷

For Schedule OL-1, the Settling Parties agreed that SDG&E would propose LED conversion in the next GRC Phase 2 as follows:

SDG&E agrees to propose in its next GRC Phase 2 application the conversion of Schedule OL-1 lamps to Light Emitting Diode (LED)

⁸⁵ Exh. CALSLA -02 at 2.7

⁸⁶ Exh. SDG&E-21 at WGS-3.

⁸⁷ Joint Motion for Approval of GRC Phase 2 Settlement Agreement dated October 8, 2020 at 10-11

technology, as suggested by San Diego Airport Parking Company (“SDAP”) and supported by California Street Lighting Association (“CALSLA”).⁸⁸

The Settlement Agreement did not adopt any other changes regarding streetlights.

4.3. Future Studies and Actions

4.3.1. Cost Allocation Studies

The next Marginal Generation Capacity Cost Study will (a) evaluate considering battery/energy storage resources and battery/renewable hybrid as the Marginal Resource;⁸⁹ (b) consider mixed short-run and long-run marginal generation capacity cost methodology;⁹⁰ and (c) evaluate flexible capacity as a marginal cost component.⁹¹

The next Marginal Energy Cost Study Methodology will consider using Production Cost Modeling to generate marginal energy costs. Results will be made available to parties on a confidential basis.⁹²

Regarding Marginal Distribution Customer Costs for shared service drops, the Settling Parties agree that SDG&E will present marginal distribution customer costs for customers sharing service drops.⁹³

⁸⁸ *Ibid.*

⁸⁹ Settlement Agreement section 2.2.11.

⁹⁰ Settlement Agreement section 2.2.14.

⁹¹ Settlement Agreement section 2.2.12.

⁹² Settlement Agreement section 2.2.13.

⁹³ Marginal Distribution Customer Costs – Shared Service Drops – SDG&E will present marginal distribution customer costs for customers sharing service drops. Settlement Agreement section 2.2.16.

4.3.2. Other Actions for Future Rate Design Applications

The Settlement Agreement also requires SDG&E to conduct certain studies and hold workshops prior to SDG&E's next GRC 2 filing.

SDG&E will conduct a study to examine the reasonableness of recovering a portion of distribution costs through volumetric TOU rates for M/L C&I customers and Agricultural customers.⁹⁴ The results will be provided to parties prior to filing the next GRC Phase 2 application.

In the next GRC Phase 2, SDG&E will perform an analysis of Base TOU Periods pursuant to D.17-01-006.⁹⁵

SDG&E agrees to analyze subdividing the M/L C&I customer class into two or more separate classes. SDG&E will hold a workshop to share the data used and results of the studies with parties and receive feedback prior to the next GRC Phase 2.⁹⁶

4.3.3. Tariff Simplification

SDG&E will make available total rates for all M/L C&I and agricultural customer tariff combinations on its web-based Total Rate Link with the goal of simplifying the process by which the customer can determine its total rate.⁹⁷

City of San Diego proposed that SDG&E simplify the tariff structure to show the distribution and commodity portion of a rate together in the tariff. SDG&E agrees to provide illustrative tariff examples for each rate class showing the City of San Diego's proposed tariff simplification.⁹⁸

⁹⁴ Settlement Agreement section 2.2.2.2

⁹⁵ Settlement Agreement section 2.2.19.

⁹⁶ Settlement Agreement section 2.2.4.

⁹⁷ Settlement Agreement section 2.2.18.1.

⁹⁸ Settlement Agreement section 2.2.18.

4.4. Sales Forecast from D.21-01-017 (ERRA Forecast Application)

The October Settlement Agreement addressed sales forecasts in subsection 2.2.1. As discussed earlier in the decision, the Settling Parties agreed to SDG&E's updated 2021 sales forecast with an implementation no earlier than November 2021, because of the timing issues relating to the CIS upgrade. The Settling Parties also agree that future sales forecasts are to be addressed in separate annual applications in order to ensure that the forecasts are made timely.

However, while the Settlement Agreement was under consideration, the Commission issued D.21-01-017 concerning SDG&E's 2021 electric procurement revenue requirement and greenhouse gas-related forecasts (ERRA Forecast Decision). Specifically, OP 8 of the 2021 ERRA Forecast Decision states:

San Diego Gas & Electric Company shall use its 2021 bundled energy requirements forecast used to derive the Energy Resource Recovery Account revenue requirement adopted in this proceeding and the System Average Percent Change method to set the applicable bundled generation rates to be implemented pursuant to this decision.⁹⁹

To accommodate this directive, on February 26, 2021, the Settling Parties filed a Joint Motion for Admission of an Addendum to the Settlement Agreement. The Addendum addresses the conflict between the ERRA Forecast Decision and the original Settlement Agreement. The joint motion was granted on March 30, 2021.

In addition to resolving the conflict between the ERRA Forecast Decision and the October Settlement Agreement, the Addendum also adds a requirement

⁹⁹ D.21-01-017 OP 8 at 53.

that the stand-alone 2022 sales forecast update application use the same 2022 sales forecast in its 2022 ERRA forecast application.¹⁰⁰

In its Statement and Response, the CCA Parties argue that the sales forecast should be removed from the rate case plan cycle, and instead be addressed in the annual ERRA forecast proceeding. SDCP asserts that the separate sales forecast application provided in the settlement does not resolve concerns about delays in adopting authorized SDG&E sales forecasts because the sales forecast might not include recent substantial load departures (such as customers switching to Direct Access (DA) or community choice aggregation (CCA) service).

Under the Settlement Agreement, the sales forecast would be updated annually instead of during the four-year rate cycle. We find this sufficiently addresses concerns about sales forecast delays. SDCP's proposal is rejected because it is outside the scope of its authorized participation in the proceeding. The CCA Parties chose to ask for party status in 2021, and that party status was granted allowing participation only to address the impact of the ERRA Forecast Decision on the settlement terms for the 2021 sales forecast. If SDCP has suggestions for a different approach for future sales forecasts, SDCP should instead raise its proposal and concerns in one of the stand-alone sales forecast applications.

4.5. Settlement Agreement Meets the Standard

We reviewed the Settlement Agreement and concluded that the record supports a finding that the Settlement Agreement is reasonable in light of the record as a whole, is consistent with law, and in the public interest.

¹⁰⁰ A.21-04-010 was filed on April 15, 2021.

As stated in the Settlement Motion, the Settlement Agreement is a product of substantial negotiation efforts and compromise by the Settling Parties, who are knowledgeable and experienced regarding the issues in this proceeding.

Schools Coalition and SDAP filed comments to the settlement motion stating they do not directly oppose the settlement terms. The issues raised by these two parties are outside the Settlement Agreement and we address these issues in later sections of this decision.

Schools Coalition objected to the establishment of the Schools-only class. Although the rate impact analysis in the Settlement Agreement assumes that there is a Schools-only class, the projected bill impacts are illustrative in nature and approval of the Settlement Agreement is not dependent on approval of SDG&E's request to create a Schools-only class. SDAP's request to reinstate an exemption from the commercial rate load limit, also not part of the Settlement Agreement, is addressed in section 7 of this decision.

The CCA Parties made recommendations concerning the sales forecasts. However, as discussed in the preceding section, concerns regarding sales forecast delays are adequately addressed by the annual updates provided in the Settlement Agreement. Meanwhile, the CCA Parties' other concerns and recommendations fall outside the scope of its limited participation late into the proceeding.

JARP and Enel-X do not oppose the Settlement Agreement but advocate for an additional rate to be added to whatever cost allocation and rate design is approved. Their request is addressed in the next section of the decision in the review and analysis relating to the Dynamic Rate Proposal.

The Settling Parties comprise most of the active parties in this proceeding and the settlement resolves most of the issues amongst the Settling Parties. The

other parties that did not join the settlement do not directly oppose it and raise issues that are outside the Settlement Agreement.

We reviewed each of the provisions included in the Settlement Agreement and find the settlement reasonable in light of the record as a whole. The record of the proceeding supports the settlement terms. The Settling Parties indicate that parties carefully analyzed the issues and have undergone a careful analysis of the issues and engaged in extensive discussions and negotiations before arriving at mutually agreed upon terms set forth in the Settlement Agreement. During settlement negotiations, parties made compromises that resolve disputed issues amongst the Settling Parties and parties state the settlement represents the collective best efforts of the Settling Parties. In addition, the agreements reached, and compromises made are within the range of outcomes proposed and supported by various parties to the proceeding.

We find that the Settlement Agreement is consistent with the law and does not directly contravene the Commission's rules and prior decisions. Any inconsistency with prior Commission decisions, policy or direction is limited to and considers specific facts and circumstances in this proceeding. Due consideration was also given to the agreements reached and compromises made which resolves disputed issues amongst the Settling Parties.

The Settlement Agreement is in the public interest. As stated above, the Settling Parties include most of the active parties in the proceeding, which have vast experience about the subject matter included in the settlement, and represent the interests of a wide and diverse range of customers, interests, and concerns. We find that parties to the settlement used their collective experience to produce appropriate and well-founded recommendations. In addition, there

is a strong public policy favoring the settlement of disputes that avoid costly litigation.

The Commission favors settlements that are reasonable in light of the record as a whole, consistent with law, and in the public interest. Based on the foregoing discussion, we find it reasonable to approve the Joint Motion and adopt the Settlement Agreement. The settlement includes approval of the petition to modify D.12-12-004, which changes CPP to an opt-in rate for small non-residential customers initiating service and the terms of the Addendum which resolves the impact of the 2021 ERRA Forecast Decision on the original settlement.

5. Dynamic Rate Proposal

The scope of this proceeding includes consideration of “real-time” or “dynamic pricing” options for SDG&E electric customers. Generally, dynamic rates are a type of time-varying rate. Time-varying rates can be used to indicate the impact that electricity use at a given time has on the cost of providing that electricity. Time-varying rates may encourage customers to change behavior to use electricity at times that better serve the grid as a whole. In this proceeding, JARP proposed a dynamic rate that would pass the wholesale price of electricity directly to retail customers as a portion of the commodity energy cost. This type of dynamic rate pass-through is referred to as “real-time pricing” or RTP. Compared to other time-varying rates, a dynamic RTP rate sends customers a much more granular price signal about when to shift load.

Dynamic rates based on RTP may, under certain circumstances, provide the following benefits:

- Reduce grid costs and GHGs by shaving the top of evening peaks.

- Enable integration of higher levels of renewables on the grid by making load more flexible.
- Reduce the likelihood of rolling blackouts.
- Increase use of electricity at times when there is a surplus of renewable energy available on the grid.

Several jurisdictions currently offer RTP rates, including ComEd and Ameren in Illinois (for approximately 30,000 residential customers), Georgia Power (for approximately 2,000 non-residential customers), and Spain where a dynamic rate based on RTP is the default rate for approximately 10 million residential customers.¹⁰¹ Closer to home, SDG&E's "Power Your Drive" rate for EV charging stations and the Public Grid Integration rate offer some component of RTP.¹⁰²

As discussed in Section 4 above, electricity rates are made up of different cost components: generation, distribution and transmission. The revenue required for each component, as well as the cost causation, and allocation of these components, is determined in the general rate case process.

5.1. JARP RTP Rate Proposal

In this proceeding, JARP (CSSA, OhmConnect, and CESA) proposed an optional RTP-based dynamic rate for SDG&E customers. JARP proposed an overlay on a customer's existing rate that would replace the generation component of the rate with the 15-minute real-time wholesale price of electricity sourced from CAISO. Under JARP's proposal, all customer classes would be eligible for the RTP-based dynamic rate option with the exception of the streetlight class. JARP did not propose a participation cap and recommended

¹⁰¹ Exh. JARP-02 at 9.

¹⁰² See SDAP Opening Comments at 12-13.

that third parties conduct most of the Marketing, Education and Outreach (ME&O) for the RTP-based dynamic rate option.¹⁰³

JARP provided evidence that an RTP-based dynamic rate option may be expected to be superior to the critical peak pricing (CPP) rates currently offered by SDG&E.¹⁰⁴ Both CPP and the proposed RTP-based rate are intended to encourage load reductions at critical times through price signals to customers. JARP argued that while the CPP rate may incentivize load reductions similar to an RTP-based dynamic rate on the days of highest demand, its effectiveness is limited because CPP event hours are pre-defined. JARP reasons that if high demand occurs outside of those event hours, as it did during the blackouts of August 14 and August 15, 2020, calling a CPP event day would not be effective in encouraging load reduction during the hours needed.¹⁰⁵

JARP's testimony evidenced that, with respect to the August 15, 2020 blackout event, most of the price spikes observed by CAISO occurred after 6:00 pm, which is after the 2020 predefined CPP hours of 2:00 pm to 6:00 pm. CAISO initiated rotating outages after the CPP event hours on both August 14, 2020 and August 15, 2020 (6:38 pm on August 14 and 6:28 pm on August 15). Therefore, the CPP rate was unable to mitigate the crisis emerging on August 14 and August 15, 2020, because the rate was not flexible enough to encompass the hours of critical demand.¹⁰⁶

JARP also demonstrated that the peak periods of demand on August 14, 2020 and August 15, 2020, were relatively short in duration when compared to the 4-hour long peak period of the CPP rate. JARP asserts that on

¹⁰³ JARP/Enel X reply brief at 12.

¹⁰⁴ For a more detailed explanation of CPP rates, *see* Section 4.2.2 above.

¹⁰⁵ JARP/Enel X opening brief at 13.

¹⁰⁶ JARP/Enel X opening brief at 13.

August 15, 2020, there were three spikes in real-time prices at the SDG&E Default Load Aggregation Point (DLAP):¹⁰⁷

- A 30-minute spike lasting from 2:30 pm to 3:00 pm
- A 1-hour spike lasting from 5:55 pm to 6:55 pm
- A 10-minute spike lasting from 7:45 pm to 7:55 pm

JARP reasons that customers may not be able to defer consumption of flexible demand-side resources, such as air conditioning and water heating, for four hours, but would likely be able to shift consumption away from price spikes that are one hour or less in duration. JARP argues that, similarly, during a 4-hour CPP event, customer-sited energy storage systems with 2-hour duration (the most common duration for Self-Generation Incentive Program (SGIP) systems) would likely discharge at half their nameplate power rating throughout the event. By contrast, in directly responding to the August 15, 2020 price profile described above, these batteries would have been able to discharge at full power during the times of greatest grid need and would even be able to charge up in between price spikes so as to be ready to provide additional grid services later in the evening.¹⁰⁸

5.2. Support for RTP Rate or Pilot

The Commission favors rate designs that encourage conservation at key times; prior decisions have confirmed the Commission's desire for utilities to offer time-varying rates, including RTP, that can reduce or shift load. However,

¹⁰⁷ DLAP is an hourly energy price determined by the CAISO for the buyer's transmission access charge (TAC) area pursuant to the terms of the CAISO tariff.

¹⁰⁸ JARP/Enel X opening brief at 13.

design of a rate that meets the Commission's rate design principles (RDP) has challenges.¹⁰⁹

Cal Advocates generally agrees with the potential for RTP-based dynamic rates to address peak grid demands as argued by JARP. Cal Advocates contends that the Commission "should authorize [an RTP-based dynamic rate] pilot based on the potential of system costs reductions, flattening of the net load curve, and future integration of rate design with state building electrification policies."¹¹⁰

The proposed decision directed SDG&E to design and implement a pilot program for an RTP rate that would be available to all customer classes. Through this pilot (PD Pilot), the Commission and stakeholders would gain significant learnings for a future RTP rate. The PD Pilot would have had a cap of 35,000 participants. The PD set forth key parameters and goals as well as the procedure that would be used to finalize the pilot. The details of the rate design, implementation and evaluation (as well as the estimated costs of the pilot) would be first be addressed in a working group process, which would be followed by a Tier 3 Advice Letter. The Commission would then approve the PD Pilot through a resolution on the advice letter.

Comments on the PD raised significant issues, including new information that could improve the pilot. As a result, the Commission has changed the requirements for the RTP pilot. Instead of the PD Pilot, SDG&E is directed to file a separate application to develop and implement a two-stage RTP pilot with the following basic structure.

¹⁰⁹ The RDP are set forth in full in Section 1.3 above.

¹¹⁰ Cal Advocates opening brief at 2.

Pilot Stage 1 will have a small enrollment with a target implementation start date as soon as summer 2022 but no later than the end of 2022. The primary goal of Pilot Stage 1 is to provide real information and experience relevant to the larger Pilot Stage 2. Pilot Stage 1 enrollment and design should take into account this objective.

Pilot Stage 2 will be similar to the PD Pilot, but will take into consideration newer information and more detailed modeling and analysis. The Pilot Stage 2 would begin after the Pilot Stage 1. The exact timing will be determined in the application proceeding for Pilot Stage 2, with the goal of implementing a thoughtful RTP pilot designed to obtain specific learnings and metrics.

Both Pilot Stage 1 and Pilot Stage 2 will be handled in a single application. The application should present the proposed Pilot Stage 1 in sufficient detail and appropriate parameters so that it can be expeditiously addressed and a Pilot Stage 1 can be approved by the Commission for immediate implementation. In contrast, we expect that the application proposal for Pilot Stage 2 will be at a more general level and may require workshops and working groups to develop a record to support its size, cost and other parameters.

The RTP pilot application is due 60 days from the issuance of this decision.

5.3. RTP Pilot Stage 1 and Pilot Stage 2 Proposals

SDG&E's RTP Pilot Stage 1 and Pilot Stage 2 designs and proposals should take the following Commission guidance into account:

- (1) The Pilot Stage 1 should begin before the end of 2022, so that information can be gathered for the larger Pilot Stage 2;
- (2) The Pilot Stage 2 design should be sufficient to gather the data and experience necessary for design of future RTP rates.

- (3) In addition to gathering data, Pilot Stage 1 and Pilot Stage 2 can be used to identify barriers and implementation challenges relevant to future RTP rates.
- (4) The Pilot Stage 1 design should consider input from key stakeholders including CCAs serving SDG&E customers, third parties interested in implementation of RTP rates such as JARP and Enel X, and ratepayer groups such as TURN and Cal Advocates.
- (5) The Pilot Stage 2 design and evaluation will be further developed and finalized during the application proceeding.
- (6) To the extent relevant,¹¹¹ the Pilot Stage 1 and Pilot Stage 2 should consider the record in A.20-10-011 and A.19-11-019 regarding existing RTP rates in other jurisdictions and the merits of different markets (such as the CAISO day-ahead and 15-minute markets), for establishing real-time prices for RTP rates.¹¹²

5.4. Cooperation

This decision orders SDG&E to take actions in connection with development of an RTP pilot, including filing of a new application. Although other stakeholders are not subject to the order to file the application, all stakeholders and ratepayers will benefit from early involvement and input. Therefore, we encourage those stakeholders to provide input to SDG&E. In

¹¹¹ The Commission has previously noted the importance of taking utility-specific factors such as costs, climate zones, and customer demographics, when setting up rates and pilots. (*See, e.g.*, D.19-03-002, explaining why real time pricing should be established in individual utility rate cases.)

¹¹² In comments on the proposed decision, Pacific Gas and Electric Company (PG&E) recommends that the SDG&E pilot take into consideration “the record from PG&E’s Day-Ahead Hourly RTP Commercial Electric Vehicle (CEV) and GRC II RTP proceedings that discuss the superiority of the Day-Ahead Market (DAM), which PG&E has demonstrated is closer to PG&E’s Marginal Energy Cost . . .” (PG&E Reply Comments at 2). SBUA states the DAM “is preferable because the vast majority of PG&E’s load is settled at the DAM price” and hence was proposed by PG&E as a basis for its marginal energy cost (MEC) in PG&E’s GRC Phase 2 (A.19-11-019.)

addition, Energy Division staff is available to discuss content and supporting documents for the application.

In particular, we encourage the CCA Parties to be actively involved and provide a non-binding indication of their anticipated level of participation in both stages of the pilot. Given the projected load that will be served by CCAs in the near future, the level of CCA participation in the Pilot Stage 2 will be essential for many aspects of the pilot design including enrollment targets and caps. In addition, having the same or similar real time rate options for both CCA and SDG&E customers will reduce the risk of customer confusion and improve the quality of the information obtained from the pilot.

We encourage JARP and Enel X to participate so that the Pilot Stage 1 can be expeditiously approved and implemented. This will in turn improve the design and implementation timeline for the Pilot Stage 2.

Ratepayer representatives, such as TURN, Cal Advocates, SBUA and Farm Bureau, are also encouraged to provide feedback and input to SDG&E prior to filing of the application.

5.5. Matters Required to be Addressed in the RTP Pilot Application

The following items should be specifically addressed in the application. These matters include items that were raised in comments on the proposed decision. SDG&E's application should specifically address each of these questions. To the extent reasonably possible, SDG&E should make recommendations for both stages of the pilot regarding each of these items and any other relevant issues parties raised in comments on the proposed decision.

- a. What market price or other indicators should the RTP be based on? Is a 15-minute real-time price or day-ahead

hourly price recommended? What information and data supports the recommendation?

- b. How should a capacity adder to recover stranded costs be structured? Consider the following methods: (1) three to four different peak TOU prices, (2) an hourly capacity adder, (3) a different option (specify). Examples of both (1) and (2) are presented in JARP's proposal. For example, a four-hour peak TOU price capacity adder could have different adders for different weather conditions: base, slightly hot, moderate hot, or extremely hot. The capacity adder design should be offset by a credit on volumetric rates (for residential customers) or reduction in demand charges (for commercial/industrial customers) to ensure revenue neutrality. Response can include a proposal for an iterative capacity adder design with a simple design for the Pilot Stage 1 that will help to inform the design of the capacity adder in the Pilot Stage 2.
- c. Participation target and cap for Pilot Stage 1 will likely be significantly smaller than 35,000. The Pilot Stage 2 is expected to be similar in size to the PD Pilot. The application should propose a minimum target number of participants for each class and a cap, for both stages of the pilot. The table below is an example of how this enrollment information could be presented in the application.

	Minimum	Cap	Reason for proposing these figures
Residential			
General Service			
Agricultural			

- d. Eligibility for both stages should avoid double-counting. This issue was addressed in the proposed decision. For both stages of the pilot, the presumption is that double-counting will be prevented by prohibiting customers enrolled in the RTP-based dynamic rate from dual-participating in another market-integrated, supply-side demand response program.
- e. Estimated implementation costs for both pilot stages should be included in the application. These costs include meter reprogramming (to allow for 15-minute or day-ahead hourly prices and usage to be recorded), billing and IT system upgrades, ME&O, and price portal and push notifications. The application should be detailed and supported as to the estimated Pilot Stage 1 costs. The estimated Pilot Stage 2 costs may be further refined during the proceeding. The application should include a proposal for tracking and recovery of Pilot Stage 2 costs through a memorandum or balancing account.
- f. The application should include a proposal for allocation of costs to ratepayers. The application should include a proposal for determining any undercollection or overcollection resulting from the Pilot Stage 2 as well as mechanisms for mitigating the risk of undercollection and overcollection. For Pilot Stage 1, SDG&E should propose a treatment that appropriate to size and implementation deadline for the Pilot Stage 1.
- g. SDG&E may hire a consultant to assist in obtaining stakeholder input prior to filing of the application, and to facilitate working group meetings and evaluation of Pilot Stage 1. Up to \$150,000 may be recovered for consultant and facilitation costs that are incremental, documented, reasonable, and related to this work. The costs may be tracked and recovered through SDG&E's existing Residential Rate Reform Memorandum Account. The application should include a proposal for structure and funding of any additional consulting or other work necessary to complete both stages of the pilot.

- h. The application should address the feasibility of and the barriers for an application programming interface (API) to transmit price signals to dynamic rate customers participating in Pilot Stage 2.
- i. Third party access to customer meter data is important, but must comply with privacy laws. The application should contain a proposal for access that complies with the law and is consistent with other Commission decisions.
- j. The application should include other proposed outreach and price notification methods, including text alerts that notify customers of anticipated high (or low) prices, direct load control by way of authorized connected devices based on specific user preferences, push notifications, a website, customized views comparing customers' historic energy usage to the prevailing price of electricity, and education materials outlining personalized load shift options.¹¹³
- k. The application should include a proposal for third parties to be the primary source of ME&O for customers. The application should also include a proposal for continued coordination between SDG&E and third parties.
- l. The application should include a detailed evaluation plan for Stage 1, and a proposed evaluation plan for Stage 2. Areas of interest that should be considered in the evaluation plans include the items set forth in Section 5.6 below.
- m. The application should include a proposed process for a working group to facilitate development of the Pilot Stage 2, including final design elements and evaluation criteria.
- n. The application should include a proposed timeline and scheduling worksheet (such as a Gantt chart) for both stages of the pilot. The timeline should include a proposed pilot duration.
- o. The application should include information, data, and modeling to show the potential impact of transmission rate time differentiation on the RTP pilot rates. This should include

¹¹³ JARP/Enel X opening brief at 20.

a comparison of the proposed pilot rate design with current transmission rate structure and with time-differentiated transmission rates. This will allow the Commission and other stakeholders to better understand the potential impact of transmission rates.

- p. The application should include a proposed duration for each stage of the pilot. For Pilot Stage 1, the application may also include a proposal for a summertime only RTP pilot.

5.6. Application Evaluation Proposal

The evaluation structure for the pilot should strive to address the following topics. The application should propose guidelines, methodologies, and metrics for these items through both stages of the pilot.

- How to calculate load impacts, bill savings, utility cost savings, and cost shift. Guidelines should be specific enough to avoid disputes over methodology once the evaluation report is submitted. However, if some calculations are impossible to perform without significant expense (*e.g.*, conducting a randomized control trial to determine load impacts), then the working group should highlight those considerations in its guidelines.
- Alignment with the nine goals in the Commission's Economic and Social Justice Action Plan.
- How to assess customer understanding and satisfaction at a reasonable cost.
- Participant use of technology and the impact of technology on load shift.
- How to assess whether low- and medium-income customers are participating in the pilot at the same rate as higher income customers. The working group should describe the steps that should be taken to address any disparities that be potentially discovered during an evaluation.

- The design and evaluation criteria should include the anticipated benefits of a dynamic rate, such as: reduced grid costs, reduction of GHG levels, increased use of renewable energy, and improvements to grid reliability. In particular, the pilot should evaluate whether the dynamic rate design(s) being piloted could reduce the likelihood of rolling blackouts.¹¹⁴

6. Schools

6.1. Summary

SDG&E proposes a new Schools-only rate class for public schools¹¹⁵ in the San Diego area. The Schools Coalition¹¹⁶ opposes the Schools-only rate proposal and did not join in the Settlement Agreement. We find that SDG&E's proposal for a Schools-only rate class would not result in just and reasonable rates as required by Public Utilities Code Section 451,¹¹⁷ would be inconsistent with the

¹¹⁴ See TURN's opening comments on the proposed decision at page 2.

¹¹⁵ Public schools include K-12 and charter schools, as defined in Assembly Bill 2068 (Stats. 2018, ch. 208, Chu).

¹¹⁶ The Schools Coalition is made up of the following schools: Alpine Union School District, Bonsall Unified School District, Borrego Springs Unified Schools District, Cajon Valley Union School District, Cardiff School District, Carlsbad Unified School District, Chula Vista Elementary School District, Coronado Unified School District, Dehesa School District, Del Mar Union School District, Encinitas Union School District, Escondido Union School District, Escondido Union High School District, Fallbrook Union Elementary School District, Fallbrook Union High School District, Grossmont Union High School District, Jamul-Dulzura Union School District, Julian Union School District, Julian Union High School District, La Mesa-Spring Valley School District, Lakeside Union School District, Lemon Grove School District, Mountain Empire Unified School District, National School District, Oceanside Unified School District, Ramona Unified School District, San Diego County Office of Education, San Diego Unified School District, San Dieguito Union High School District, San Marcos Unified School District, San Pasqual Union School District, San Ysidro School District, Santee School District, Solana Beach School District, South Bay Union School District, Spencer Valley School District, Sweetwater Union High School District, Valley Center-Pauma Unified School District, and Vista Unified School District.

¹¹⁷ Unless otherwise stated, all statutory references are to the California Public Utilities Code.

Commission's rate design principles and is contrary to legislative intent. We reject the proposal.

6.2. Schools-Only Rate Class

6.2.1. Background

SDG&E's service territory includes many public school districts, which are school customers of SDG&E. Currently, SDG&E's school customers take service from different classes, under multiple rates with multiple meters and accounts per location.

In SDG&E's 2015 GRC rate design proceeding, SDG&E and a coalition of San Diego public schools¹¹⁸ reached a proposed settlement agreement in which the schools would receive a 12.5 percent line item discount in their monthly electric bills, and a fixed indifference discount, when applicable.¹¹⁹ The resulting revenue shortfall from the proposed discounts, approximately \$11.6 million annually, would be collected from all customer classes.¹²⁰ The Commission declined to adopt the settlement since the suggested rate relief to the schools "placed an inappropriate burden on other customers."¹²¹ The decision also found that 98 percent of billed usage for schools came from the M/L C&I class¹²² and that the load profile of medium to large schools may be significantly

¹¹⁸ The school districts that participated in the 2015 proceeding are nearly identical to the school districts participating in this proceeding.

¹¹⁹ The proposed agreement between SDG&E and the 2015 coalition of schools provided all school accounts will receive a bill comparison of their annual bills calculated on historic usage, using both current effective rates and rates adopted by the final decision in D.17-08-030. If an account is identified by a school as negatively impacted by the bill impacts analysis, SDG&E will provide a separate line-item fixed indifference payment.

¹²⁰ D.17-08-030 at 56.

¹²¹ *Ibid.* at 59.

¹²² *Ibid.*, FoF 35 at 80.

different than the load profile of a typical Medium/Large C&I customer.¹²³

Accordingly, the Commission ordered that prior to its next GRC Phase 2 application, SDG&E must develop a schools-only rate as follows:

San Diego Gas & Electric must develop a schools-only rate based on considering the schools as a rate class separate from Medium/Large Commercial & Industrial class. This analysis includes developing billing determinants for the schools, developing a marginal customer cost for schools, equal percentage of marginal cost allocations of distribution and generation revenue, and appropriate rate design for net energy metering and non-net-energy metering members of this class. San Diego Gas & Electric Company must also, in parallel, develop rates based on inclusion of schools in the Medium/Large Commercial and Industrial class, consistent with current practice. SDG&E must preview its proposed schools-only rate analysis with parties no later than 90 days prior to the filing date of its 2019 General Rate Case Phase 2 application.¹²⁴

6.2.2. SDG&E's Proposal for a Schools-Only Rate Class

It is important to note that the Settlement Agreement will not be affected by the adoption or the rejection of SDG&E's School-only rate proposal. As stated earlier, the Settlement Agreement would maintain the current revenue allocation after substantial changes were made in 2017, and SDG&E did not propose any changes to the revenue allocation in this application. Revenue allocation for the components will remain the same as the rate design approved in D.17-08-030.¹²⁵

In designing the Schools-only rate class, SDG&E proposes to create a new class for schools based on an analysis of marginal costs and development of rates

¹²³ *Ibid*, FoF 41 at 81.

¹²⁴ OP 36 of D.17-08-030.

¹²⁵ RT at 146, witness Malik.

in accordance with OP 36 of D.17-08-030.¹²⁶ SDG&E's analysis included 1) a comparison of illustrative rate schedules based on current rate classes and based on a School-only rate class, and 2) illustrative bill impacts from moving to a Schools-only customer class from current customer classes.¹²⁷

SDG&E proposes two default rates and one optional rate for schools. Default TOU-SCH-S will include "small" school accounts are currently taking service on a Small Commercial, Small Agricultural or Residential rate. Default TOU-SCH-M/L will include "medium/large" schools currently taking service on a Medium/Large (M/L) Commercial and Industrial (C&I) or M/L Agricultural rate. The schedules will be size-differentiated consistent with SDG&E's current customer size definitions to ease the transition of schools to the new rates. Optional TOU-SCH-DGR will be limited to schools who currently take service on tariff DG-R.¹²⁸

Default schedule TOU-SCH-S aims to provide small schools with rates that reflect their actual costs of service.¹²⁹ This rate design includes a higher monthly service fee (MSF) for a majority of small schools, which are those schools with demand under than 50 kW per month. Higher MSFs will result in lower compensating volumetric and demand rates, which can help to decrease bill volatility.¹³⁰ SDG&E believes this rate design will prevent rate shock and allow these institutions to better plan and budget for energy expenses, as their usage

¹²⁶ SDG&E opening brief on Unsettled Issues at 6.

¹²⁷ SDG&E opening brief on Unsettled Issues at 7.

¹²⁸ Exh. SDG&E-03 at GRM-22-GRM-23.

¹²⁹ *Ibid* at GRM-24.

¹³⁰ SDG&E opening brief on Unsettled Issues at 11.

may be less flexible than other customers.¹³¹ The complement to the increased monthly service fee for small schools is the decrease in costs to medium to large schools. According to SDG&E, default schedule TOU-SCH-M/L also reflects rates for medium to large schools' actual cost of service. SDG&E states that schools that transition from the Medium/Large C&I class and Medium/Large Agricultural class to TOU-SCH-M/L would experience a substantial savings, resulting in a "net benefit from establishing a Schools customer class."¹³²

In developing the marginal costs for each tariff, SDG&E's analysis concluded that the schools in the Medium/Large C&I class are in the middle to lower end in size relative to the other Medium/Large C&I customers. In contrast, small schools are on the higher end of the average marginal cost per small commercial customer.¹³³ When small, medium and large schools are combined into one customer rate class, the average marginal costs will be somewhere in between.¹³⁴ However, since approximately 98 percent of billed usage for schools come from the Medium/Large C&I class, the result is a net savings. SDG&E maintains that, in the aggregate, public schools would pay approximately 11 percent less if all schools take service from SDG&E's proposed Schools-only rate class.¹³⁵

SDG&E emphasizes that if all schools do not take from the service on the rates in this designated Schools-only rate class, the rate and revenue allocation from the cost of service analysis will be moot and create an embedded discount

¹³¹ Exh. SDG&E-01 at JS-8.

¹³² Exh. SDG&E-01 at JPS-15.

¹³³ RT at 304, witness Morien.

¹³⁴ *Ibid.*

¹³⁵ Exh. SDG&E-15 at JPS-16.

structure within the Medium/Large C&I class that other customers would have to bear.¹³⁶ SDG&E provided a confidential account by account analysis of what the Schools would pay if they were to remain on their M/L C&I rate versus what they would pay if placed on TOU-SCH-M/L.¹³⁷ The proposal would increase fixed basic fees for small schools, while lowering bills for medium to large schools.

6.2.3. Responses to SDG&E's Schools-Only Class Proposal

Schools Coalition does not support SDG&E's proposal unless the Schools-only rate class is optional for medium to large schools, and unless small schools are removed from the Schools-only rate class. Schools Coalition contends that the sharp increase in MSFs for small schools is inconsistent with the intent of AB 2068,¹³⁸ to design a rate structure that reflects discounts for public schools. According to Schools Coalition, the proposed default TOU-SCH-S for small schools would result in an overwhelming bill increase to small schools that would negate any costs savings for schools with demand under 50 kW.¹³⁹ Over 75 percent of the small schools will experience bill increases, with the average small school electric bill increasing over 30 percent.¹⁴⁰ The increase is illustrated in the table below, comparing Schedule TOU-A, the tariff the majority of small school accounts take service on, with proposed Schedule TOU-SCH-S.

¹³⁶ Exh. SDG&E-15 at JPS-15-JPS-16.

¹³⁷ *Ibid.*

¹³⁸ AB 2068 (Stats. 2018, ch. 208) (Chu).

¹³⁹ Exh. SDPS-1 at 2, Table 1.

¹⁴⁰ *Ibid.*

Comparison of TOU-A and TOU-SCH-S Tariff Proposal¹⁴¹

Charge	Unit	TOU-A	TOU-SCH-S	% Difference
Basic Service Fee				
<u>Secondary</u>				
0-5 kW	\$/Month	\$12.00	\$78.69	555.75%
5-20 kW	\$/Month	\$19.20	\$78.69	309.84%
20-50 kW	\$/Month	\$36.00	\$78.69	118.58%
>50kW	\$/Month	\$90.00	\$78.69	-12.57%
<u>Primary</u>				
0-5 kW	\$/Month	\$12.00	\$104.14	767.83%
5-20 kW	\$/Month	\$19.20	\$104.14	442.40%
20-50 kW	\$/Month	\$36.00	\$104.14	189.28%
>50kW	\$/Month	\$90.00	\$104.14	15.71%
Energy Charge				
<u>Summer</u>				
On-Peak				
Secondary	\$/kWh	\$0.36506	\$0.34590	-5.25%
Primary	\$/kWh	\$0.36350	\$0.34445	-5.24%
Off-Peak				
Secondary	\$/kWh	\$0.26823	\$0.24035	-10.39%
Primary	\$/kWh	\$0.26716	\$0.23942	-10.38%
<u>Winter</u>				
On-Peak				
Secondary	\$/kWh	\$0.27359	\$0.23113	-15.52%
Primary	\$/kWh	\$0.27252	\$0.23028	-15.50%
Off-Peak				
Secondary	\$/kWh	\$0.21770	\$0.17443	-19.88%
Primary	\$/kWh	\$0.21694	\$0.17390	-19.84%

Schools Coalition acknowledges that about 95 percent of medium to large schools would experience bill reductions of 10 percent or more, with the average medium to large school bill decreasing over 12 percent.¹⁴² Schools Coalition supports the decreased costs for medium to large schools, but recommends the proposed TOU-SCH-M/L for the medium to large schools be an optional tariff.¹⁴³

¹⁴¹ *Ibid.*

¹⁴² *Ibid* at 5. Schools Coalition noting that bill changes from year 1 to year 2 for medium/large school averaged 0.76%.

¹⁴³ *Ibid* at 8.

Schools Coalition also requests that the Commission remove small schools from the class since the mandate in OP 36 of D.17-08-030 was specific to medium to large schools. Schools Coalition further contends that the plain language of D.17-08-030 mandates a Schools-only rate, and not the creation of a separate class. The Schools Coalition proposes that any separate rate class or tariff should be optional.¹⁴⁴

Although SDAP does not wish to take sides between the Schools Coalition and SDG&E, it supports the creation of new rate classes.¹⁴⁵ SDAP further suggests that the proposed Schools-only class is overbroad since small schools will not benefit from inclusion in the Schools-only rate class.¹⁴⁶

6.2.4. Discussion

We find that SDG&E's proposed Schools-only rate class is not just and reasonable because of the increased electric costs for small schools.

The proposed Schools-only rate class was developed after an analysis of marginal cost and reflects small and medium to large schools' costs of service. These factors are consistent with the Commission's Rate Design Principles (RDP)¹⁴⁷ numbers 2 and 3. Under SDG&E's Schools-only rate class, public schools, in the aggregate, will experience an eleven percent reduction in electric costs. However, the cost reduction will not flow to all schools. The net result is that the majority of small schools will experience a large increase, on average up to 30 percent, in their electric bills, while their counterparts in medium to large schools benefit from a decrease.

¹⁴⁴ Exh. SDPS-2 at 3.

¹⁴⁵ SDAP reply brief at 10.

¹⁴⁶ *Ibid* at 11.

¹⁴⁷ The list of ten rate design principles can be found at the end of section 1 of this decision.

SDG&E contends that it has provided the schools with better tools to plan for budget and energy expenses since a fixed monthly fee and flat volumetric charge decrease bill volatility. With fixed rates, however, there is less incentive to change behavior if electric bills cannot be impacted. Consequently, we find that the fixed monthly service fees built into the default rates for small and medium to large schools do not support conservation and energy efficiency, and are inconsistent with RDP number 4. Furthermore, SDG&E's proposed new rates do not minimize and appropriately consider the bill impacts associated with the transitions from the old rates to default rates. These negative bill impacts are incompatible with RDP number 10. The benefits of the proposed savings to medium to large schools do not outweigh the problems with SDG&E's proposal.

In AB 2068, the Legislature declared, in part, that "public schools spend the same amount on energy bills as they do on books and supplies annually "and that "recently, many public schools have experienced electricity rate increases that resulted in financial constraints and less funding for direct student services."¹⁴⁸ Accordingly, any increased utility costs for public schools does not support the legislative declarations in AB 2068. The goal of spending less on utility bills and more on educating students is not achieved by forcing higher monthly energy bills on small public schools.

Lastly, SDG&E maintains the Schools-only rate class must be mandatory for *all* schools in order to be sustainable. By proposing an all or nothing rate design, SDG&E has left little room for adoption. Therefore, we find that SDG&E's Schools-only rate proposal is not just and reasonable, is inconsistent

¹⁴⁸ AB 2068 (Stats. 2018, ch. 208) (Chu).

with legislative efforts to reduced energy costs to schools and does not align with many of the Commission's rate design principles. Therefore, we do not adopt the new rate class for schools proposed by SDG&E.

7. San Diego Airport Parking's Request to Reinstate Exemption from the Commercial Rate Load Limit

7.1. Summary

San Diego Airport Parking (SDAP) is a long-term customer of SDG&E, traditionally taking service on the small commercial rate. After transitioning its vehicle fleet to electric drive in 2015, SDAP's electric bills spiked with high demand charges since its electric usage exceeded the maximum load limit of 20 kW. In 2017, the Commission granted SDAP a three-year exemption from the small commercial rate load limit. The exemption expired on August 24, 2020. SDAP's request to reinstate the exemption is granted, with modifications.

7.2. Background

7.2.1. General Policy Background on Transportation Electrification

The Commission has a lengthy history in developing utility infrastructure to encourage transportation electrification. These efforts commenced in 2009 when the Commission opened its first rulemaking related to electric vehicles. Several other decisions and another rulemaking followed, R.18-12-006.¹⁴⁹

In 2015, Senate Bill (SB) 350, the Clean Energy and Pollution Reduction Act, was enacted. (Stats. 2015, ch. 547.) SB 350 established new greenhouse gas reduction goals for California and declared that widespread transportation electrification would be required to meet these goals and air quality standards.¹⁵⁰

¹⁴⁹ For a more detailed history of these efforts *see* D.20-12-029, Decision Concerning Implementation of SB 676 and Vehicle-to-Grid Strategies at 2-7.

¹⁵⁰ D.20-12-023 at 6.

SB 350 directs the Commission to “provide the opportunity to access electricity as a fuel that is cleaner and less costly than gasoline and other fossil fuels in public and private locations.”¹⁵¹

7.3. Factual Background

The proposed reinstatement of the exemption by SDAP is one of the three Unsettled Issues identified in the Settlement Agreement. This rate exemption is described in more detail below. Whether the Commission chooses to reinstate the exemption will not affect the terms of the Settlement Agreement.

SDAP is a small commercial business located within SDG&E’s service territory. SDAP has been an SDG&E customer for 25 years.¹⁵² SDAP has three Alternating Current (AC) chargers, which were installed in 2015 and are not separately metered, as well as two 62.5 kW Direct Current Fast Chargers (DCFC) which are separately metered.

Historically, SDAP has taken service from SDG&E on the small commercial rate, TOU-A. Schedule TOU-A restricts a load limit of less than 20 kW. SDAP’s total load from its three AC chargers combined with its base non-electric vehicle load can be as high as 57 kW.¹⁵³ Two of SDAP’s electric buses can only charge on one of the three non-separately-metered AC chargers.¹⁵⁴ The other two buses have dual charging capability, able to charge on

¹⁵¹ Section 740.12. See D.20-12-023 for a broader discussion of SB 350, the state goals, and rate design principles.

¹⁵² SDAP opening brief at 2.

¹⁵³ SDAP reply brief at 7.

¹⁵⁴ SDAP opening brief at 21.

either AC or on one of the two separately-metered DCFC.¹⁵⁵ However, the DC chargers are not reliable and experience outages.¹⁵⁶

7.4. Relevant Commission Decisions

In 2015, when SDG&E filed its General Rate Case Phase 2 Application 15-04-012, SDAP was SDG&E's only EV commercial customer.¹⁵⁷ When SDAP began using its AC EV charging equipment, its demand exceeded the small commercial maximum load of 20kW. Instead, SDAP migrated to the M/L C&I Class.¹⁵⁸

At the time of filing A.15-04-012, SDG&E was the only large California IOU that had not implemented specialized rates to promote fleet electrification.¹⁵⁹ Furthermore, fleet operators, such as SDAP, "who operate 24/7, and may not have the flexibility to shift all charging to super-off-peak hours, may find their new exposure to demand charges as a limiting factor to pursuing electrification."¹⁶⁰

Recognizing that transportation electrification is important to meeting California's climate goals, the Commission agreed that SDAP should receive some relief from high demand charges. Such relief can also signal to other businesses that electrification is not cost prohibitive.¹⁶¹ Therefore, the

¹⁵⁵ SDAP opening brief at 21.

¹⁵⁶ *Ibid.* at 22.

¹⁵⁷ SDAP opening brief at 2.

¹⁵⁸ SDAP opening brief at 20.

¹⁵⁹ *See* D.17-08-030 at 61.

¹⁶⁰ *Ibid.* at 60.

¹⁶¹ The exemption (also known as waiver) allowed SDAP to experience zero demand fees. *See* RT at 326, witness Levin.

Commission granted an exemption from the small commercial load limit as follows in D.17-08-030, OP 37. The Commission ordered SDG&E:

to modify the eligibility language in its small commercial tariff to offer a three-year temporary exemption on the small commercial load limit to current small commercial accounts with electric vehicle fleet charging that comprises at least 50 percent of the customer's maximum load.

The three-year exemption was not limited to SDAP, but expired on August 24, 2020, during the pendency of this proceeding.¹⁶²

In separate applications (A.17-01-020 and A.19-07-006), SDG&E proposed two fleet-vehicle charging rates, the Public Grid Integrated Rate (GIR) rate¹⁶³ and the EV-HP charging rate. In 2018, the Commission issued D.18-01-024, its decision on the Transportation Electrification Priority Review Projects, which approved, with modifications, 15 of the Priority Review Projects proposed by California's three largest IOUs, including SDG&E's Green Shuttle Priority Review Project, which allowed the limited expansion of Schedule GIR.¹⁶⁴

Schedule GIR allowed separately metered chargers to take service from a dedicated EV fleet-specific rate. In November 2019,¹⁶⁵ SDAP entered into a twelve-month contract with SDG&E to take service on schedule GIR.¹⁶⁶ The contract remained in effect during portions of the three-year exemption ordered by D.17-08-030. SDAP's separately metered DC chargers took service from GIR

¹⁶² RT, at 325 witness Levin.

¹⁶³ SDG&E opening brief on Unsettled Issues at 39.

¹⁶⁴ D.18-01-024 at 41-42, issued in A.17-01-020.

¹⁶⁵ RT at 336:23-25.

¹⁶⁶ RT at 336:1-15.

at the same time as its non-separately metered AC chargers took service from TOU-A, the small commercial rate, with the load limit exemption.

On July 3, 2019, SDG&E filed A.19-07-006 seeking approval of its EV-HP charging rate. SDG&E sought approval of an optional rate for eligible M/L C&I customers to provide needed relief from fleet EV demand charges. SDG&E proposed an EV-HP¹⁶⁷ (EV-HP) rate for all separately metered EV charging loads with an aggregated maximum demand of 20 kW or greater. During the proceeding, the Commission adopted an interim rate waiver (IRW) in D.20-04-009 for those eligible to take service on the EV-HP rate until that schedule could be fully adopted by the Commission. The IRW allowed potential customers eligible for the EV-HP rate to take service from the small commercial rate, TOU-M, with the waiver.¹⁶⁸ Schedule TOU-M, with an upper limit of 40 kW, provided a lower demand charge than M/L C&I rates.¹⁶⁹ Schedule TOU-M was limited to electric vehicle fleet chargers on separate meters.¹⁷⁰ The IRW would become moot when the Commission adopted SDG&E's EV-HP rate.

On December 18, 2020, the Commission adopted SDG&E's EV-HP rate in D.20-12-023. Again, this rate is limited to customers with separately metered electric vehicle chargers. The rate is based on cost of service, with a goal to only charge EV rates to EV charging and not non-EV loads.¹⁷¹

¹⁶⁷ EV-HP also proposed to serve medium-duty and heavy-duty vehicles (MD/HD), including truck stop electrification, transport refrigeration units, port cargo trucks, transit buses, school buses, airport ground support equipment, and Class 2 through Class 8 on-road vehicles (A.19-07-006 at 1).

¹⁶⁸ SDG&E opening brief at 39.

¹⁶⁹ *Ibid.*

¹⁷⁰ See D. 20-04-009, FoF 4, 5 at 14.

¹⁷¹ RT at 331-332, witness Morien.

Electric submeters can be an integral part of EV chargers. SDAP has one commercial grade submeter for its AC chargers, which has also been referred to as a “revenue grade submeter.”¹⁷²

In R.18-12-006, the Transportation Electrification Rulemaking, the Commission is considering whether electric submeters should be eligible for electric vehicle charging rates. This rulemaking, which involves the three large California IOUs, including SDG&E, is pending before the Commission. The Commission anticipates this rulemaking could consider adoption of standard protocols or requirements for submeters to be used as EV service equipment. A decision on submetering eligibility for electric vehicle charging is anticipated in Spring 2021.

7.5. Parties’ Positions

SDG&E opposes the reinstatement of the three-year exemption, contending that SDAP has the option of taking service from the newly adopted EV-HP rate. SDG&E opposes extending the exemption to one customer, but also admitted in testimony it does know how many customers would qualify for the exemption if renewed.¹⁷³ If the Commission decides to reinstate the exemption, SDG&E requests that the reinstatement only apply to customer accounts that are ineligible for SDG&E’s EV fleet specific rates.¹⁷⁴

SDAP contends that it may not be the only customer eligible for the exemption if renewed, and SDG&E should not assume so.¹⁷⁵ More importantly, SDAP emphasizes that it is merely partially eligible for SDG&E’s newly adopted

¹⁷² SDAP reply brief at 9.

¹⁷³ RT at 319, witness Morien.

¹⁷⁴ SDG&E opening brief on Unsettled Issues at 41.

¹⁷⁵ SDAP opening brief at 24.

EV-HP rate. Only two of its five electric vehicle chargers are separately metered. Since the EV-HP rate is limited to customers with electric vehicle chargers that are on separate meters, SDAP points out that SDAP's three non-separately metered AC chargers may not take service from Schedule EV-HP. According to SDAP, there currently is not a rate available for the AC chargers that does not have high demand charges. Furthermore, SDAP insists that although the DC chargers may take service from the EV-HP rate, the chargers are not reliable and experience outages. The AC chargers are critical for operations. SDAP agrees with limiting the application of the exemption to customers that do not qualify for an EV tariff.

7.6. Discussion

SDAP was an early adopter of fleet electrification.¹⁷⁶ In order to meet California's efforts to reduce greenhouse gases and progress to clean energy under SB 350, it is important for the Commission to encourage efforts by private and public entities to bring California closer to these goals. SDAP has demonstrated that sixty percent of its charging equipment would experience high demand charges without renewing the relief it was afforded in D.17-08-030.

SDG&E has not stated any hardship in reinstating the exemption. There is insufficient evidence to sustain that the exemption, if renewed, would only apply to SDAP. On the contrary, if SDG&E provides another tariff option for small commercial EV fleet operators with reasonable electric rates, more customers may join. Therefore, we conclude that the three-year exemption to the small commercial rate granted in D.17-08-030 was in the public interest when enacted, and should be reinstated for another temporary period, with limiting conditions.

¹⁷⁶ RT, witness at 2-6.

Both SDG&E and SDAP have referenced R.18-12-006, which could make SDAP's AC chargers eligible for the EV-HP rate if the Commission adopts submetering protocols for EV service equipment that includes SDAP's commercial grade submeters. Both SDG&E and SDAP also agree with limiting the application of the exemption to customers that do not qualify for an EV tariff. Therefore, we reinstate the three-year exemption from OP 37 of D.17-08-030 as follows: SDG&E must modify the eligibility language in its small commercial tariff to offer an exemption on the small commercial load limit to current small commercial accounts with electrical vehicle fleet charging that comprises at least 50 percent of the customer's maximum load, provided that the customer does not otherwise qualify for an EV tariff. This exemption shall expire on the earliest of the following events: (a) issuance of a Commission decision adopting submetering protocols for EV service equipment that includes commercial grade submeters, or (b) three years from the issuance of this decision.

8. Outstanding Procedural Matters

The Commission affirms all ruling made by the assigned Commissioner and assigned ALJs. All motions not previously ruled on are deemed denied.

9. Comments on Proposed Decision

The proposed decision of ALJs Jeanne McKinney, Rafael Lirag, and Susan Lee in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening comments were due on June 29, 2021, and reply comments were due on July 6, 2021. Opening comments were filed by SDG&E; Cal Advocates; jointly by CLECA and EPUC; Farm Bureau; jointly by CESA, CSSA, Ohm Connect, and Enel X; SBUA; Schools Coalition; SDAP; SDCP; TURN; and UCAN. Reply comments were filed by

SDG&E; Pacific Gas and Electric Company; Schools Coalition; TURN; SDAP and jointly by CESA, CSSA, Ohm Connect, and Enel X.

SDG&E suggested revisions to make the summary of the approved Settlement Agreement consistent with the actual Settlement Agreement. SDG&E and Cal Advocates suggested revisions to the findings of fact, conclusions of law, and ordering paragraphs. The decision has been revised as necessary to address these concerns.

The Schools Coalition again asked for a special rate that would include only medium and large schools. This proposal and the arguments in favor of the proposal were already addressed in the decision. The Schools Coalition did not raise any new arguments in its comments.

SDAP asked that the decision be modified to adopt updated marginal costs “as described in D.20-12-023” to be used to calculate EV-HP rates for commercial charging. Adoption of any new figures for use in calculating the EV-HP should have been addressed in the Settlement Agreement. We therefore decline to make any changes related to the EV-HP rate calculation not already contained in the Settlement Agreement.

9.1. Comments Regarding Retail Transmission Rates

Cal Advocates and SDAP asked that the decision directly address transmission rates. Transmission rates are determined by FERC and thus the Commission’s ability to set transmission rates in a Commission decision is limited. However, the Commission is entitled to data and other information on transmission matters. A brief discussion of the issue appears in D.18-08-013.¹⁷⁷

¹⁷⁷ In comments, SDAP cited this discussion in D.18-08-013 at 52-53. (SDAP Comments at 15.)

California designs its electricity rates to promote environmental and other policies. Retail transmission rates should be structured to support California's rate design and their policy goals. Over the last ten years, the Commission has restructured rates to be more time-differentiated. This supports the state's environmental goals and reduces infrastructure costs. Time differentiation can also be used to promote use of renewables and storage, thereby making better use of clean energy and reducing reliance on fossil fuels. If retail transmission rates are not structured to support these rate designs, customers could receive conflicting price signals (high transmission prices at times when generation and distribution prices are low). In addition, because transmission costs make up a significant portion of customers' bill, California's time-differentiated rates would provide stronger price signals if transmission rates followed the same schedule.

AMI was a significant capital investment made by the utilities and paid for by ratepayers. In justifying the cost of that investment, the Commission and utilities emphasized the cost savings that would result from usage shifts. It is therefore critical that retail transmission rate designs begin to make use of this information in a manner that supports the investment.

SDG&E notes that the Settlement Agreement did not include any terms related to time varying transmission costs. This is true. However, the need for consistent time-differentiated rates has already been established by the Commission. In furtherance of this existing policy, we direct SDG&E to provide information, data, and modeling to show how pairing retail transmission rates with time-differentiated rates approved by the Commission could impact bills. In particular, this information should be part of the RTP pilot design and evaluation process. This requirement has been added to Section 5 regarding the RTP Pilot application.

9.2. Comments Regarding Real Time Price Pilot

The majority of the comments were directed at the real time pricing pilot and the process for adopting the pilot. The issues raised are numerous and include new data and reports from the PG&E GRC 2, such as PG&E's use of the day-ahead market for marginal energy costs. TURN previously argued for a 1,000 customer cap on the pilot and argued in comments that the record does not support the 35,000 cap adopted in the proposed decision. Many parties, including SDG&E, raised concerns about whether the record in this proceeding is sufficient to allow implementation through a working group and Tier 3 Advice Letter. SDG&E suggests an application proceeding for the pilot, which would allow parties to examine the reasonableness of the pilot and assess how load migration to CCAs should be addressed, and the appropriateness of other aspects of the pilot design.

The proposed decision sought to efficiently finalize the pilot by providing sufficient direction for final approval through an advice letter process. However, given the extent of the remaining questions, and the concerns raised in comments, the Commission finds that it will be more efficient to finalize the pilot through a new application. Section 5 of this decision, regarding the RTP pilot, has been replaced in its entirety. The new Section 5 includes directions on development and content of the application, including a staged pilot structure so that a first stage of the pilot can be implemented in 2022.

10. Assignment of Proceeding

Commissioner Shiroma is the assigned Commissioner. Jeanne McKinney, Rafael Lirag, and Susan Lee are the assigned ALJs in this proceeding.

Findings of Fact

1. The Settlement Agreement is reasonable in light of the record, consistent with the law and in the public interest because of the process employed to reach agreement, the balancing of interests, and the protection of all customer classes from disproportionate impact.

2. Following discovery and settlement negotiations, the Settling Parties reached a reasonable compromise on all the issues in the proceeding other than the three Unsettled Issues.

3. The thirteen Settling Parties fairly represent a broad range of ratepayer interests.

4. The Settlement Agreement is the product of good faith, arms' length negotiation between parties reflecting most of the affected interests.

5. The terms of the Settlement Agreement are the result of good faith compromise.

6. There is neither a statutory provision nor prior Commission decision that would be contravened or compromised by the Settlement Agreement.

7. The Commission favors settlement because it conserves resources.

8. Non-coincident demand charges can be a barrier to adoption of distributed energy resources and other load-shifting technologies.

9. Although no customers currently take service under Schedule LS-2DS and LS-2AD, the tariffs are still necessary to accommodate new technologies, such as LS-2 lamps and ancillary devices installed on street light poles as approved in D.17-08-030.

10. SDG&E has in the past and will continue to experience significant changes in load as a result of behind-the-meter solar and storage.

11. The October Settlement Agreement sales forecast for SDG&E 2021 did not include potential CCA load departure.

12. The Commission adopted a sales forecast for SDG&E in D.21-01-017 that reflected anticipated CCA load departure.

13. Bundled ratepayers have an interest in determining the adopted sales forecast to be used in setting their rates because they will be impacted if the new sales forecast results in bill volatility, undercollection or overcollection.

14. Any rate design implementation would be difficult before November 2021 since SDG&E is implementing a new billing system, the Customer Information System. Only limited rate changes can be made while customers migrate from the old system to the new system. The expected time of completion is November 2021.

15. The Settling Parties filed an Addendum to the October Settlement Agreement that eliminates the conflict with D.21-01-017 by limiting the settled sales forecast to system sales and net sales. The sales forecast adopted in the Settlement Agreement does not conflict with the sales forecast for bundled sales that was adopted in D.21-01-017.

16. Addressing future sales forecasts in a separate annual application will make the adopted sales forecast more accurate and timely, while giving ratepayers the opportunity to participate in the proceeding.

17. The Settlement Agreement adopts a separate annual application for future sales forecasts. Stakeholders interested in a different procedural mechanism for adopting future sales forecasts may make a proposal in the 2021 application.

18. The SAPC method for implementing rate increases applies the system average rate change to each customer class so that all classes bear a share of any

increase or decrease. The SAPC method smooths out bill volatility caused by changes in sales, including load departure.

19. Because customer classes are still adjusting to the major revenue allocation changes made in 2017, it is reasonable to maintain the existing revenue allocation during this rate cycle.

20. For Schedule EV-TOU-5, increasing the super off-peak distribution rate by \$0.00748 kWh each year for two years is reasonable, since the current super off-peak rate is below cost.

21. Holding two workshops to consider design of an optional TOU rate with a fixed charge for Schedule EV-TOU-5 and filing an application for a proposed un-tiered rate no later than September 1, 2021, is consistent with D.20-03-003. It is reasonable to make the un-tiered rate available to residential customers charging EVs, using energy storage, or using heat pumps for water heating or for climate control.

22. In the Dynamic Pricing Decision, D.12-12-004, SDG&E was ordered to implement TOU and CPP rates for small commercial customers. The TOU rate element is mandatory. The CPP element is optional but is part of the default (turn-on) rate for new small business customers.

23. Many small business customers, such as restaurants and retail establishments, are not able to adjust usage during CPP periods.

24. Small business customers who were defaulted onto the CPP rate did not significantly reduce load during CPP events.

25. Failure to reduce load during CPP events may be because the customer was not aware of the terms of the rate or because the customer did not understand the rate or because the customer's business operations cannot be changed during a CPP event.

26. Modifying CPP from a default, opt-out rate to an optional, opt-in rate will result in greater load shift during CPP events.

27. The proposed modification to D.12-12-004 was served on the original service list and the proceedings were consolidated.

28. No party objected to the proposed modification of D.12-12-004.

29. The proposed Schools-only proposal would require all public schools to be in a separate class with rates for 1) small schools, similar to the small business rate, 2) medium to large schools, similar to medium to large business rate, and 3) schools with optional distributed generation renewable (DGR) energy, only available for schools currently on DGR.

30. Schools Coalition objects to the creation of the new class and proposes instead to have optional rates that schools could choose.

31. Schools Coalition's proposal to allow individual schools to opt out of the class conflicts with the creation of the Schools-only class.

32. The proposed Schools-only class would have a significant negative financial impact on small schools.

33. An optional rate designed to provide lower rates for medium and large schools would create a subsidy unavailable to other ratepayers.

34. that is contrary to the Commission's rate design principles.

35. The decision approving an EV-HP Charging rate (D.20-12-023) requires the rate to have a positive contribution to margin (CTM) for marginal distribution demand costs. The Settlement Agreement adopts Marginal Distribution Demand Costs to be used for the EV-HP CTM until a final decision in SDG&E next GRC Phase 2 application.

36. The Settlement Agreement does not adopt any other updated marginal costs to be used for calculating the EV-HP rate.

37. SDAP experienced high demand charges once it transitioned its fleet vehicles to electric drive. In the last GRC Phase 2 proceeding, SDAP was granted a three-year exemption from the small commercial load maximum demand, which expired on August 24, 2020.

38. SDG&E's EV-HP rate limits eligibility to separately metered electric vehicle chargers.

39. SDAP has three non-separately metered AC chargers which cannot take service from the EV-HP rate. Other small commercial EV-fleet operators may be similarly situated.

40. SDAP's AC chargers include a revenue grade submeter.

41. State policy encourages electrification of fleet vehicles and D.20-12-023 recognizes that a high demand charge is a barrier to participation.

42. The rate case plan sets out a schedule on which IOUs file rate design cases, consisting of regularly scheduled GRC Phase 2 applications and an opportunity for annual Rate Design Windows.

43. Intervenors are better able to participate in litigating inter-class revenue allocation and rate design when the number of proceedings addressing these issues is limited.

44. The difference in price signals between the 15-minute and day-ahead markets can be significant and should be considered in a future application for a real-time pricing pilot.

45. Evaluation of an RTP pilot should include evaluating whether customers reduced their load during times of the most critical grid stress.

46. Calculating any potential revenue shortfall that might arise from a dynamic rate is not straightforward and should be considered in a future application.

47. The retention of existing non-generation charges for dynamic rate customers allows for the equitable recovery of fixed utility costs from dynamic rate customers.

48. A pilot with 35,000 participants may be difficult to design and implement and may result in revenue shortfalls.

49. A small initial stage of an RTP dynamic rate pilot may allow for quicker approval and implementation; a larger number of participants will provide additional useful learnings that may be used to design a real-time pricing rates in the future.

50. There is insufficient record at this time to determine and authorize implementation costs for an RTP-based dynamic rate pilot.

51. A new application for the RTP pilot will allow for a better estimate of implementation costs and determination of appropriate cost tracking, allocation, and recovery processes.

52. There is a need to create a method to communicate price signals to customers in order to effectuate a dynamic rate.

53. Third parties could be a primary source of publicity for the dynamic rate and could help operationalize the rate on behalf of customers.

54. The ME&O needed to make the dynamic rate successful could be costly to ratepayers; it may be more efficient and less costly if third parties perform the bulk of customer engagement and acquisition activities.

55. The record in this proceeding includes an SDG&E transmission demand charge study that shows that consideration of changes to retail transmission rate design to reduce the use of non-coincident demand charges may be warranted.

56. Time-differentiated transmission rates should be studied to determine their potential impact on rate structures and price signals for retail customers.

57. SDG&E will need to have personnel dedicated to RTP issues to support the RTP Pilot application. SDG&E may incur other costs in connection with the RTP pilot application.

Conclusions of Law

1. The Settlement Agreement is reasonable, consistent with the law and in the public interest. The thirteen parties to the Settlement Agreement represent the public and a broad range of stakeholders.

2. It is reasonable to address concerns about future load departure and sales forecasts in a separate application as agreed to in the Settlement Agreement.

3. The revenue allocation portion of the Settlement Agreement is reasonable, consistent with the law and in the public interest because of the process employed to reach agreement, the balancing of interests, the protection of all customer classes from disproportionate impact, and the conservation of resources that resulted from the settlement.

4. Elements of retail rate design, including sales forecasts, should consider the ten rate design principles, including the principle of reducing bill volatility.

5. San Diego Gas & Electric Company's proposal to file a stand-alone application in 2021 to update its sales forecast for 2022 is reasonable given the increasing unpredictability of system load.

6. Adopting the SAPC methodology to update sales forecasts is reasonable. The SAPC approach identifies rate components for each customer class and applies an average rate change to be shared equally due to changes in system sales.

7. Because many small commercial customers, such as retail establishments, are not able to reduce use during business hours, it is reasonable for CPP to be an

available optional rate instead of the turn-on rate for new small commercial customers.

8. The petition for modification to amend D.12-12-004 to make Schedule TOU-CPP an opt-in rate for new customers is reasonable.

9. Holding two workshops to consider design of an optional time-of-use rate with a fixed charge for Schedule EV-TOU and filing an application for a proposed un-tiered rate no later than September 1, 2021, is consistent with D.20-03-003. Making the un-tiered rate available to residential customers charging an EV, using energy storage, or using heat pumps for water heating or climate control is consistent with D.20-03-003 and is reasonable.

10. The adoption of the marginal distribution demand costs specifically for use in contribution to margin calculations for the Electric Vehicle High Power rates and continuing until a final decision in SDG&E's next GRC Phase 2 application is consistent with the directive in D.20-03-003.

11. SDG&E's Schools-only rate class is not reasonable or in the public interest because the increase in the monthly service fee for small schools will significantly increase electricity costs for small schools.

12. The Schools-only rate class should be rejected because it does not encourage conservation and energy efficiency and does not appropriately consider bill impacts associated with the transition to the new rate structures.

13. An optional rate designed to provide lower rates for medium and large schools would create a subsidy that is contrary to the Commission's rate design principles.

14. Reinstating the exemption from the small commercial load limit for EV fleet operators is in the public interest and consistent with California's climate goals.

15. In order to recover stranded costs, a capacity adder for the generation component of the RTP-based dynamic rate should be determined by the Commission and could consist of (1) three to four different peak TOU prices, or (2) an hourly capacity adder or (3) some other configuration as determined by the Commission.

16. In order to garner learnings about how different customer classes respond to the RTP-based dynamic rate, customers in all of the following rate classes should be eligible to participate in the pilot: residential, general service, and agricultural.

17. JARP's testimony provides a reasonable basis for proceeding with the creation of an RTP-based dynamic rate pilot; however, steps should be taken to minimize the potential for a revenue shortfall.

18. It is reasonable to cap participation in the RTP dynamic rate pilot to mitigate any potential revenue shortfall.

19. To implement the RTP-based dynamic rate pilot, it is reasonable for third parties to be granted access to customer meter data.

20. Third-party access to customer meter data must comply with law.

21. It is reasonable to pilot the ME&O model for the RTP-based dynamic rate as outlined by JARP.

22. There are still several outstanding issues related to the design and implementation of a dynamic rate for SDG&E customers that are not resolvable in this decision based on the record of this proceeding.

23. There is sufficient record to direct SDG&E to file a separate application for an RTP-based dynamic rate pilot in a separate application.

24. SDG&E should be authorized to hire dedicated staff and incur other reasonable, incremental costs for the RTP pilot application and rate proposal.

25. Stakeholders should provide input to SDG&E prior to filing of the RTP Pilot application.

26. CCAs in SDG&E territory should indicate to SDG&E a level of interest in pilot participation.

27. A small Stage 1 Pilot will allow SDG&E to start pilot an RTP-based dynamic rate sooner than the PD Pilot.

28. A larger Stage 2 Pilot should provide sufficient information to consider the performance of the RTP-based dynamic rate pilot and consider whether to continue the dynamic rate option in the future.

29. Prior to implementing the dynamic rate pilot, the Commission should adopt an evaluation plan for both the Stage 1 Pilot and the Stage 2 Pilot.

30. The dynamic rate working group should comply with all parameters for its work established by this decision.

O R D E R

IT IS ORDERED that:

1. The Joint Motion for Approval of the General Rate Case Phase 2 Settlement Agreement filed by San Diego Gas & Electric Company, the Public Advocates Office at the California Public Utilities Commission, Utility Consumers' Action Network, Federal Executive Agencies, California Farm Bureau Federation, San Diego Airport Parking Company, Small Business Utility Advocates, Solar Energy Industries Association, Energy Producers and Users Coalition, California Large Energy Consumers Association, California City County Street Light Association, The Utility Reform Network, and City of San Diego is granted.

2. The Settlement Agreement, as modified by the Settlement Agreement Addendum, is hereby adopted.

3. Unless a different implementation date is specified in any of the succeeding Ordering Paragraphs, San Diego Gas & Electric Company shall file a Tier 1 Advice Letter with revised tariff sheets on date that is the later of September 30, 2021, or 30 days from the effective date of this decision to implement the changes in rates authorized in this decision no sooner than November 1, 2021, pursuant to Sections 2.2.1.1. and 2.2.5.1 of the approved Settlement Agreement.

4. San Diego Gas & Electric Company (SDG&E) shall file annual applications to update its sales forecast beginning with the sales forecast update for 2022. The 2022 sales forecast update shall be filed within 30 days from the effective date of this decision and shall utilize the same sales forecast in SDG&E's 2022 Energy Resource Recovery Account forecast application. Guidelines for future filings subsequent to the 2022 sales forecast application such as timing for filing and other details shall be addressed in the 2022 stand-alone application. Related issues shall also be considered in the 2022 application.

5. The Petition for Modification of Decision 12-12-004 is granted. The standard turn-on rate for small non-residential customers shall be time-of-use without critical peak pricing. The dynamic time-of-use rate with critical peak pricing shall continue to be an optional choice for small non-residential customers initiating service. Within 45 days from the effective date of this decision, San Diego Gas & Electric Company shall file a Tier 1 Advice Letter to change its tariff accordingly and specify the start date of the change.

6. San Diego Gas & Electric Company (SDG&E) is directed to file an application for a real-time pricing (RTP) dynamic rate pilot as described in Section 5 of this decision. Prior to filing the application, SDG&E shall use its best efforts to consult with key stakeholders including (i) community choice

aggregators serving SDG&E customers and (ii) parties such as California Energy Storage Alliance, California Solar & Storage Association, Enel X North America, Inc., and Ohm Connect, Inc., that have indicated an interest in RTP rate implementation. Up to \$150,000 in consultant and facilitation costs related to obtaining stakeholder input prior to filing of the application and as described in Section 5 of this decision may be tracked and recovered through SDG&E's existing Residential Rate Reform Memorandum Account (RRRMA). This decision confirms that SDG&E is authorized to establish an internal RTP department and may track costs associated with developing RTP pilot application in the RRRMA for recovery in its next general rate case. Any costs for which recovery is sought must be incremental, reasonable, and documented. Funding of any additional consulting or other work necessary to complete both stages of the pilot should be addressed in the application proceeding. The RTP pilot application must be filed no later than sixty days after issuance of this decision.

7. San Diego Gas & Electric Company's proposal to establish a new Schools-only rate class for public schools is rejected.

8. Within 30 days from the effective date of this decision, San Diego Gas & Electric Company (SDG&E) shall file a Tier 1 Advice Letter to modify the eligibility language in its small commercial tariff. SDG&E shall offer an exemption on the small commercial load limit to current small commercial accounts with electric vehicle fleet charging that do not qualify for the Electric Vehicle High Power Rate. The exemption shall terminate after the earlier of (a) three years or (b) if the Commission in another decision directs SDG&E to implement submetering protocols, the start date for those protocols.

9. All motions not previously addressed in this proceeding are denied.

10. Applications 10-07-009 and 19-03-002 are closed.

This order is effective today.

Dated July 15, 2021, at San Francisco, California.

MARYBEL BATJER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE HOUCK

Commissioners