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

Application of San Diego Gas & Electric  
Company (U902E) for Approval of Its  
2022 Electric Sales Forecast.

Application 21-08-010

**DECISION ADOPTING 2022 ELECTRIC SALES FORECAST  
FOR SAN DIEGO GAS & ELECTRIC COMPANY**

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## **DECISION ADOPTING 2022 ELECTRIC SALES FORECAST FOR SAN DIEGO GAS & ELECTRIC COMPANY**

### **Summary**

This decision approves an electric sales forecast (2022 Electric Sales Forecast) for San Diego Gas & Electric Company (SDG&E) for the year 2022. The adopted 2022 Electric Sales Forecast is based on the Demand Forecast that SDG&E developed for the California Energy Commission's 2021 energy demand forecast. The 2022 Electric Sales Forecast is derived using recent recorded electricity usage data as of February 2021. In addition, the 2022 Electric Sales Forecast takes into consideration the impacts that the Covid-19 pandemic has on electric usage and the expected load decreases resulting from customers departing to Community Choice Aggregators and direct access programs.

This decision also authorizes SDG&E to consolidate its future annual sales forecast applications with its annual Energy Resource Recovery Account (ERRA) forecast applications. SDG&E shall present its annual sales forecasts in its ERRA forecast applications. Prior to filing its annual ERRA forecast application, SDG&E shall hold an annual all-party workshop to gather and consider input and feedback from stakeholders prior to preparing its sales forecasts.

Because Decision 21-12-040 (SDG&E's 2022 ERRA forecast decision) directed SDG&E to provide greater executive oversight of quality assurance in future ERRA applications, this decision also directs SDG&E to provide the same enhanced executive oversight for quality assurance of future consolidated sales forecast and ERRA forecast applications.

### **1. Background**

On August 13, 2021, San Diego Gas & Electric Company (SDG&E) filed this Application for approval of its 2022 Electric Sales Forecast, in accordance

with Decision (D.) 21-07-010 (SDG&E's General Rate Case (GRC) Phase 2).<sup>1</sup>

D.21-07-010 adopted a Settlement Agreement which states, in part,

SDG&E shall file a timely standalone application to update its sales forecast for 2022, with a request to update effective January 1, 2022, and SDG&E shall use the same 2022 sales forecast for its April 2021 application for approval of its 2022 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts.<sup>2</sup>

In this Application, SDG&E is seeking (1) approval of its proposed electric sales forecast for 2022, (2) authorization to file an annual, combined sales forecast and Energy Resource Recovery Account (ERRA) forecast by June 15th of each calendar year, and (3) authorization to use the System Average Percent Change (SAPC) methodology to implement all rate changes resulting from a change in the commodity revenue requirement when the 2022 sales forecast is effective.

On September 1, 2021, a prehearing conference was held.

On September 24, 2021, the assigned Commissioner issued the Scoping Memo and Ruling.

On October 22, 2021, parties filed and served a List of Stipulated and Disputed Facts.

On October 29, 2021, parties filed Opening Briefs.

On November 5, 2021, parties filed Reply Briefs.

The matter in this proceeding is submitted upon the filing of the Reply Briefs on November 5, 2021.

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<sup>1</sup> D.21-07-010, Ordering Paragraphs (OP) 1, 2, and 4.

<sup>2</sup> SDG&E's GRC Phase 2 Settlement Addendum, Section 2.2.1.2.

## **2. Issues Before the Commission**

The issues to be determined are:

1. Whether SDG&E's electric sales forecast for 2022, including for each of its customer classes, is reasonable and should be approved.
2. Whether SDG&E's methodology for deriving its 2022 electric sales forecast, including for each of its customer classes, is reasonable and should be approved.
3. Whether the impact of the 2022 electric sales forecast creates rates that are just and reasonable per Public Utilities Code Section 451.
4. Whether the Commission should adopt SDG&E's request to submit an annual, combined electric sales forecast proposal and ERRA forecast application.

## **3. 2022 Electric Sales Forecast**

SDG&E proposes to use the California Energy Commission's (CEC) 2020 California Energy Demand Forecast (2020 CEC Forecast or SDG&E's Proposal) as the basis for the 2022 electric sales forecast. Adopted on January 25, 2021, the 2020 CEC Forecast forecasts a reduction in energy demand resulting from private energy supply (e.g., self-generation such as solar) and energy efficiency.<sup>3</sup>

In addition to the above forecasted energy reductions, SDG&E's Proposal also includes expected load decreases resulting from customers migrating to Community Choice Aggregators (CCAs) and direct access (DA) programs. SDG&E expects that some of its customers will migrate to the two new CCAs that were recently formed, San Diego Community Power and Clean Energy Alliance, which will service eight cities in SDG&E's service territory. SDG&E

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<sup>3</sup> SDGE-001 at 5.

also forecasts that some customers will migrate to DA service because the cap on DA service for non-residential customers was raised on January 1, 2021. SDG&E projects that the customer migrations to CCA and DA programs will cause a decline in bundled electric sales across all customer classes when compared to either the authorized 2019 sales forecast or the approved 2020 electric sales forecast.<sup>4</sup>

### **3.1. Parties' Concerns About SDG&E's Proposed Forecast**

Cal Advocates and Small Business Utility Advocates (SBUA) oppose SDG&E's Proposal (2020 CEC Forecast), arguing that the 2020 CEC Forecast does not accurately reflect how the Covid-19 pandemic has changed energy usage patterns, such as the shift in energy load from commercial customers to residential customers. They contest the accuracy of the 2020 CEC Forecast in forecasting pandemic impacts because the 2020 CEC Forecast relies on pre-pandemic sales data recorded in 2019.

The parties emphasized the importance of accurately accounting for the pandemic's impacts in the sales forecast. SBUA argues that accurately accounting for the impacts on energy load is necessary to appropriately assign costs to the various customer classes, in following with cost causation principles.<sup>5</sup> Cal Advocates argues that, because SDG&E did not accurately forecast pandemic impacts, SDG&E's Proposal underestimates system sales and sets artificially high electric rates. These high electric rates, according to Cal Advocates, will cause SDG&E to collect more revenues than necessary in 2022 and are therefore not just

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<sup>4</sup> SDGE-001 at 6-7.

<sup>5</sup> SBUA-001 at 14.

and reasonable, at a time when ratepayers are struggling with the economic impacts from the pandemic.<sup>6</sup>

### **3.2. Cal Advocates' Proposed Sales Forecast**

As an alternative, Cal Advocates proposes to use the Demand Forecast SDG&E developed and submitted to the CEC for the 2021 cycle (SDG&E's 2021 Forecast or Cal Advocates' Proposal). CEC is currently in the process of reviewing SDG&E's 2021 Forecast. SDG&E's 2021 Forecast has not been approved by the CEC yet.

Cal Advocates argues that SDG&E's 2021 Forecast more accurately forecasts the pandemic's impacts on electricity usage because it uses data that captures electricity usage recorded during the Covid-19 pandemic, while SDG&E's Proposal (2020 CEC Forecast) relies on 2019 pre-pandemic usage data.<sup>7</sup>

SDG&E expresses concerns that Cal Advocates' Proposal (SDG&E's 2021 Forecast), which has not been approved by the CEC yet, fails to account for things impacting other forecast assumptions, such as potential changes to private supply resulting from the pandemic, potential changes to electric vehicle usage patterns, and potential changes resulting from energy efficiency programs.<sup>8</sup> But Cal Advocates argues that, because SDG&E's 2021 Forecast is derived from recent usage data, the forecast accounts for other factors that affect electricity usage.<sup>9</sup>

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<sup>6</sup> Cal Advocates' Opening Brief at 9.

<sup>7</sup> CalAdv-001 at 1-3.

<sup>8</sup> SDG&E's Reply Brief at 8.

<sup>9</sup> Cal Advocates' Opening Brief at 4.

Utility Consumers' Action Network (UCAN) and SBUA support Cal Advocates' Proposal.<sup>10,11</sup>

### **3.3. SDG&E Defends Using the 2020 CEC Forecast**

SDG&E defends its proposal to use the 2020 CEC Forecast. SDG&E argues that the 2020 CEC Forecast is the most recently approved forecast that was vetted through CEC's Integrated Energy Policy Report (IEPR) process. SDG&E notes that, through the IEPR process, the 2020 CEC Forecast incorporated inputs from numerous parties, workshops, and analyses of drivers that impact electric sales.<sup>12</sup>

Furthermore, SDG&E argues the approved CEC demand forecasts are used for statewide energy planning as well as in multiple Commission proceedings, such as the ERRA forecast proceeding and the Resource Adequacy proceeding. SDG&E urges the Commission to adopt its proposed forecast so that the Commission can use a consistent sales forecast across multiple proceedings.<sup>13</sup>

Cal Advocates argues that there is no requirement for a sales forecast to go through the entire CEC IEPR process, noting that both Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE) have submitted annual electric sales forecasts in their ERRA forecast applications using their own forecasting methods that are separate from the CEC forecasting process. Cal Advocates recommends that the Commission adopt a forecast that

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<sup>10</sup> UCAN's Reply Brief at 2-3.

<sup>11</sup> SBUA's Reply Brief at 2-3.

<sup>12</sup> SDG&E's Opening Brief at 6.

<sup>13</sup> SDGE-003 at 2.



more accurately predicts sales, such as Cal Advocates' Proposal (SDG&E's 2021 Forecast) which uses the most recent data.<sup>14</sup>

SDG&E also challenges the need for the sales forecast to account for pandemic impacts, arguing that it is speculative whether any changes in electricity usage resulting from the pandemic will persist. SDG&E insists that more research is needed to determine the statistical significance and magnitude of any pandemic load shifts.<sup>15</sup> Even if there were any pandemic load shifts, SDG&E argues that they should be evaluated as part of CEC's IEPR process.<sup>16</sup>

SDG&E asserts that its proposed forecast (2020 CEC Forecast) includes projected economic impacts of the pandemic.<sup>17</sup> Cal Advocates contests the accuracy of using projected impacts. Cal Advocates argues that SDG&E's Proposal (2020 CEC Forecast), which relies on economic projections that used stale data from prior to June 2020, is not as accurate in accounting for the pandemic impacts as Cal Advocates' Proposal (SDG&E's 2021 Forecast), which uses more recent recorded usage data.<sup>18</sup>

### **3.4. Adopting an Electric Sales Forecast for 2022**

The pandemic has caused sudden and significant changes in the way that Californians use electricity and in their usage patterns. Given the recent reinstatement of a statewide mask mandates due to rising Covid-19 case rates, the pandemic and its impacts on electricity usage will most likely remain for the foreseeable next several months, if not longer, in 2022. Therefore, the 2022

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<sup>14</sup> Cal Advocates' Opening Brief at 5.

<sup>15</sup> SDG&E's Reply Brief at 5-6.

<sup>16</sup> SDG&E's Reply Brief at 5-6.

<sup>17</sup> SDG&E's Reply Brief at 5-6; List of Stipulated Facts at 5.

<sup>18</sup> Cal Advocates' Opening Brief at 5-6.

Electric Sales Forecast that we adopt for SDG&E shall incorporate the pandemic's impacts on electricity usage as best as possible.

The 2020 CEC Forecast (SDG&E's Proposal), which uses 2019 pre-pandemic recorded usage data, does not capture the pandemic's impacts on electricity usage as effectively as Cal Advocates' Proposal (SDG&E's 2021 Forecast), which relies on recorded data that includes usage during the pandemic. Even though the 2020 CEC Forecast (SDG&E's Proposal) includes projected pandemic impacts, we agree with Cal Advocates that the projected impacts were based on stale data from prior to June 2020, when California was in a different phase of the pandemic than today in terms of local mandates and precautions. Even though we do not know whether the changes in electricity usage as a result of the pandemic will persist, the pandemic currently remains and will most likely remain for the first portion of 2022 if not longer. Basing the sales forecast on the most recent recorded usage data allows the forecast to more closely reflect how Californians currently use electricity today, given the current circumstances of the pandemic, which we believe would more accurately predict sales in 2022.

Using a forecast that closely reflects how Californians currently use electricity, given the current circumstances of the pandemic, allows the Commission to appropriately assign costs to various ratepayer classes and set just and reasonable rates. The Commission has a long-standing tradition of using "cost causation" principles when setting rates.<sup>19</sup> Under cost causation principles, costs are assigned according to the costs a group incurs to receive electric service.

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<sup>19</sup> D.14-06-029 at 12.

During a typical year, an approved CEC demand forecast that went through a thorough IEPR process is a reasonable standard to use to set sales forecasts. The circumstances brought upon by the Covid-19 pandemic, however, move us to consider whether this is appropriate for 2022, particularly if the approved CEC demand forecast does not include a significant amount of data from the COVID-19 pandemic period and an alternative forecast that is more recent and reflective of the current energy usage patterns exists. Though adopting Cal Advocates' Proposal (SDG&E's 2021 Forecast) deviates from the practice of using an approved CEC demand forecast consistently across multiple Commission proceedings for SDG&E, setting just and reasonable rates outweigh the need to use a consistent sales forecast, particularly since the other major electric investor-owned utilities in the state, namely PG&E and SCE, use a sales forecast that is separate from their respective CEC demand forecasts.

We note SDG&E's concerns that Cal Advocates' Proposal (SDG&E's 2021 Forecast) may not have thoroughly adjusted forecast assumptions based on current circumstances as it would have if it went through the IEPR process. But we agree with Cal Advocates that the recent usage data used to derive SDG&E's 2021 Forecast allows any unknown impacts on forecast assumption variables to be taken into account.

Because SDG&E's 2021 Forecast (Cal Advocates' Proposal) is derived from recent recorded usage data, it is, among the options presented in the record of this proceeding, the forecast that is most reflective of how Californians use energy today. Therefore, Cal Advocates' Proposal is a reasonable forecast, and we adopt it.

SDG&E shall use Cal Advocates' Proposal as the basis of its 2022 sales forecast and shall also factor in (1) the expected load departures to CCAs and

DA programs, as estimated and agreed upon by parties during the meet-and-confer process ordered in D.19-06-026,<sup>20</sup> and (2) the solar generation assumption it used in its sales forecast proposal.

### **3.5. Four-Month Implementation Delay**

SDG&E asserts that it will take SDG&E four months to implement an alternative sales forecast proposal.<sup>21</sup>

Cal Advocates contends that, if SDG&E requires four months to implement a sales forecast other than its own, then SDG&E's current implementation methodology is prejudicial to other parties, because the lengthy implementation delay will discourage adoption of proposals other than SDG&E's.<sup>22</sup> UCAN agrees with Cal Advocates and requests that the Commission direct SDG&E to modify its current implementation process.<sup>23</sup>

We agree with Cal Advocates and UCAN that the four-month implementation delay for alternative proposals is prejudicial to other parties. SDG&E's proposal, which will not need an additional four months to implement, would be more advantageous over other proposals. Therefore, in our consideration of an appropriate 2022 electric sales forecast, we will not factor in the four-month implementation delay when making our determination.

Furthermore, we find that SDG&E's four-month time frame to implement alternative sales forecast proposals is not reasonable. This delay limits the Commission from considering any alternative proposals if the sales forecast had to be implemented by January 1 of the forecasted year. Therefore, we agree with

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<sup>20</sup> D.19-06-026, OP 14.

<sup>21</sup> SDGE-003 at 8.

<sup>22</sup> Cal Advocates' Opening Brief at 7.

<sup>23</sup> UCAN's Reply Brief at 3.

parties that SDG&E's current sales forecast implementation process needs to be revisited.

We direct SDG&E to work with parties and stakeholders, possibly in an all-party workshop, to consider either modifications to its existing methodology or a new process or rate model that will allow sufficient time for the Commission to consider alternative sales forecast proposals and for SDG&E to implement any alternative proposal in a timely manner, such as by January 1 of the forecasted year. SDG&E shall begin working with parties and propose a detailed plan on how to address the implementation delays in its 2023 sales forecast application, which as described in Section 4.1 below, will be consolidated with its 2023 ERRR forecast application. Because SDG&E needs to file its 2023 ERRR Forecast Application by May 15, 2023,<sup>24</sup> SDG&E shall begin the coordination process with the parties immediately upon the effective date of this decision, or April 15, 2023, the latest, so as to not delay the filing of SDG&E's 2023 ERRR forecast application.

### **3.6. Implementation of Approved 2022 Electric Sales Forecast**

Within 60 days of this decision, SDG&E shall file a Tier 1 advice letter to implement the 2022 approved electric sales forecast. If the implementation of the 2022 electric sales forecast will take four months or longer from the effective date of this decision, SDG&E shall work with Energy Division to determine an appropriate effective date for the 2022 electric sales forecast.

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<sup>24</sup> D.22-01-023, OP 3.

### **3.7. Studying the Impacts of the Pandemic to Predict Sales**

SBUA requests that the Commission direct SDG&E to study and report on the impacts of the pandemic on electricity end uses. In particular, SBUA requests that SDG&E analyze recent and anticipated future shifts in end uses, both sales and peak loads, between customer classes resulting from the pandemic.<sup>25</sup>

SDG&E posits that impacts of the Covid-19 pandemic should be considered and examined in collaboration with the CEC and included as part of CEC's IEPR forecast process.<sup>26</sup>

We agree with SDG&E that, at the moment, the CEC demand forecasting process, which is a forum where SDG&E can collaborate with the CEC as well as various other stakeholders, is the most appropriate venue to thoroughly examine the impacts of the pandemic on electricity end uses. A thorough examination of the full or any lasting impacts of the pandemic will take time, particularly since we are still in the middle of the pandemic. Therefore, the research or study that SBUA is requesting SDG&E to conduct is not warranted at the moment but may be revisited if the current CEC demand forecasting process does not allow SDG&E to accurately predict sales and assign costs appropriately.

### **3.8. Implementation of SAPC Methodology**

SDG&E proposes to use the SAPC methodology to implement the electric rate changes resulting from the 2022 electric sales forecast. SDG&E states that parties in SDG&E's 2020 GRC Phase 2 proceeding, Application (A.) 19-03-002, agreed to this implementation in the approved Settlement Agreement.<sup>27</sup>

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<sup>25</sup> SBUA's Opening Brief at 7.

<sup>26</sup> SDG&E's Reply Brief at 6.

<sup>27</sup> SDGE-002 at 6.

D.21-07-010 (SDG&E's 2020 GRC Phase 2 Decision) explains that the purpose of the SAPC is to "smooth out volatility in class average rate changes" so that "each customer class will experience the same average rate change based on the variation in system sales."<sup>28</sup>

SDG&E also requests authorization to use SAPC to implement any rate changes during the effective term of the 2022 electric sales forecast.<sup>29</sup>

### **3.8.1. Parties' Position**

No parties dispute that SAPC should be used when SDG&E implements its sales forecast for 2022.

UCAN, however, disputes the methodology SDG&E uses to calculate SAPC. SDG&E asserts that the GRC Phase 2 Settlement Agreement "definitively determined" a methodology for SAPC, and that UCAN, as one of the settling parties, is violating the terms of the GRC Phase 2 Settlement Agreement by disputing the method SDG&E uses to calculate SAPC.<sup>30</sup>

### **3.8.2. Discussion**

The appropriate method for calculating SAPC is not within the scope of this proceeding. SAPC's calculation methodology does not affect SDG&E's sales forecast, and therefore does not fall within the issues considered in this proceeding. Determining the appropriate method of calculating SAPC should be addressed in SDG&E's GRC Phase 2 proceedings.

Because D.21-07-010 adopted the Settlement Agreement in which parties agreed to implement SAPC with the 2022 electric sales forecast, and no parties

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<sup>28</sup> D.21-07-010 at 18.

<sup>29</sup> Application at 8.

<sup>30</sup> SDG&E's Motion to Strike UCAN SAPC Testimony at 2; SDG&E's Reply Brief at 11-12.

contest the implementation of SAPC, SDG&E's request to implement SAPC with the 2022 electric sales forecast is reasonable and granted.

SDG&E's request to implement SAPC for rate changes during the term of the 2022 electric sales forecast is also outside the scope of this proceeding, because rate changes outside of implementing the sales forecast are not being considered in this proceeding.

#### **4. Annual Combined Filing of the Sales Forecast and the ERRA Forecast Application**

##### **4.1. Consolidated Annual Filing**

SDG&E requests that the Commission allow it to file future electric sales forecast applications together with its ERRA forecast applications.

Parties in this proceeding stipulated to the following two facts:

(1) SDG&E's sales forecast application and its ERRA forecast application are "significantly related,"<sup>31</sup> and (2) PG&E and SCE currently update their sales forecasts in their ERRA forecast applications.<sup>32</sup>

Cal Advocates, San Diego CCAs and UCAN support consolidating the sales forecast and ERRA forecast filings.<sup>33</sup> Cal Advocates believes that the consolidation will enhance procedural efficiency, while UCAN believes that the consolidation will prevent forecast inconsistencies and ease regulatory burden.<sup>34</sup>

We agree with SDG&E and the supporting parties that consolidating SDG&E's annual sales forecast and ERRA forecast proceedings is reasonable. The issues being considered in these two filings are significantly related.

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<sup>31</sup> List of Stipulated and Disputed Facts at 2.

<sup>32</sup> *Ibid.*

<sup>33</sup> Cal Advocates' Opening Brief at 10; San Diego CCAs' Opening Brief at 6; UCAN-001 at 3.

<sup>34</sup> Cal Advocates' Opening Brief at 10.



Consolidation of these filings allows the Commission and the parties to review two matters with substantially related issues together in one proceeding, which will prevent forecast inconsistencies between these proceedings, reduce regulatory burden and conserve party resources. SDG&E's request to combine its annual sales forecast application with its annual ERRR forecast application is granted. SDG&E shall file its annual sales forecasts in its ERRR forecast applications, according to the schedule set forth in D.22-01-023.<sup>35</sup>

#### **4.2. Timing of the Annual Filing**

SDG&E requests to change the filing date of its annual ERRR forecast applications from April 15 to June 15 of every year, beginning in 2022.

As noted in the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo), the issue of the timing of the filing will not be addressed in this proceeding. The Scoping Memo determined that the issue of the timing of the filing is out of the scope of this proceeding.<sup>36</sup> D.22-01-023 directed SDG&E to file its annual ERRR forecast applications no later than May 15<sup>th</sup> each year.<sup>37</sup>

#### **4.3. Annual All-Party Workshop**

SDG&E proposes that an all-party workshop be held annually during the month of February or March in preparation of its annual sales forecast filing, and that the workshop be integrated with the meet and confer process SDG&E currently conducts every year with other load-serving entities (LSEs).<sup>38</sup> According to SDG&E, the proposed workshop will help streamline the

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<sup>35</sup> D.22-01-023, OP 3.

<sup>36</sup> Assigned Commissioner's Scoping Memo and Ruling at 2-3.

<sup>37</sup> D.22-01-023, OP 3.

<sup>38</sup> SDG&E's Reply Brief at 10-11.

application process by engaging parties early so that SDG&E can consider parties' concerns when developing its sales forecast.<sup>39</sup>

SDG&E's proposal for an annual all-party workshop is reasonable and is therefore granted. We agree with SDG&E that that the workshop will help streamline the application process as it gives SDG&E time in advance to consider stakeholders' feedback and concerns, as SDG&E sees fit, prior to developing its sales forecast.

SDG&E is directed to hold an annual all-party workshop no later than March 31 of each year in preparation of filing its annual sales forecast with the Commission. The purpose of this workshop is for SDG&E to work with stakeholders and to consider any input they may propose prior to filing its annual sales forecast for the upcoming year. This workshop will streamline SDG&E's process of filing its annual sales forecast with the Commission, which is separate from the process SDG&E takes to prepare bi-annual demand forecasts for the CEC.

## 5. Schedule

Below is a schedule of the action items adopted in this decision:

ACTION ITEM	DATE
Tier 1 Advice Letter (Implementation of the 2022 Approved Electric Sales Forecast)	60 days from the effective date of this decision
Coordination of the parties to address SDG&E's rate implementation delays	Begin upon the effective date of the decision or April 15, 2022, the latest
Annual All-Party Workshop (Preparation for 2023 ERRR & Sales Forecast Application)	March 31, 2022

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<sup>39</sup> *Ibid.*

ACTION ITEM	DATE
Rates Implemented with the 2022 Approved Electric Sales Forecast	No later than 4 months from the effective date of this decision

## 6. Errors in the Filing

UCAN has identified several errors in SDG&E's application, such as the inclusion of the High Usage Charge (HUC) in proposed rates and the calculation of the non-coincident demand charge under Schedule TOU-PA2 rate.<sup>40</sup>

SDG&E has corrected these errors.<sup>41</sup>

In SDG&E's 2022 ERRR forecast application, A.21-04-010, SDG&E committed a material error which caused the Commission to require greater executive oversight of quality control in future ERRR proceedings.<sup>42</sup> Specifically, D.21-12-040 directed SDG&E to provide in future ERRR proceedings testimony from its Chief Regulatory Officer, or successor executive position, that,

describes and justifies that officer's implementation, use and active oversight, of an effective internal control and review process, exercised by all the responsible officers and managers, over the preparation of a rate application and its supporting testimony so that there is little likelihood of a material error in subsequent ERRR-related applications and for management to ensure that future filings are competent, complete, and accurate.<sup>43</sup>

Because SDG&E's future sales forecast applications will be consolidated with its ERRR forecast applications, SDG&E must provide these attestations and

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<sup>40</sup> UCAN-001 at 4-6; UCAN-002 at 2-4.

<sup>41</sup> SDGE-004 at 1; SDG&E's Opening Brief at 9.

<sup>42</sup> D.21-12-040 at 19-20.

<sup>43</sup> *Ibid.*

testimony from its Chief Regulator Officer, or successor executive positions, in its future sales forecast applications.

## **7. Comments on Proposed Decision**

The proposed decision of ALJ Lau in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311. Comments were allowed under Rule 14.3. SDG&E, SBUA, and Cal Advocates filed comments on the proposed decision on February 16, 2022. SDG&E and SBUA filed reply comments on February 22, 2022.

In comments, SBUA requests that the Commission require SDG&E to consult with stakeholders, such as in the all-party workshop prior to SDG&E's ERRA forecast filing, on whether a research or study on the impacts of the pandemic on electric end uses is needed, if parties feel that the CEC demand forecasting process did not sufficiently address these concerns. SDG&E argues that ordering that this issue be included in the all-party workshop may distract parties from the purpose of the workshop. We agree with SDG&E that parties may raise this issue at the all-party workshop or in the ERRA forecast proceeding, but it is not necessary to order SDG&E to include this issue at the all-party workshop. Particularly since the turnaround time between the workshop and the application filing is tight, the all-party workshop, which is intended to streamline SDG&E's process of preparing its annual sales forecast filing, may not be the appropriate forum to address those concerns.

## **8. Assignment of Proceeding**

Genevieve Shiroma is the assigned Commissioner and Elaine Lau is the assigned ALJ in this proceeding.

## **Findings of Fact**

1. SDG&E's proposed 2022 electric sales forecast is based on the CEC's 2020 California Energy Demand Forecast and includes expected load decreases resulting from customers migrating to CCAs and DA programs.
2. SDG&E's proposed forecast relies on recorded electricity sales data from 2019, before the pandemic began.
3. Accurately accounting for the pandemic impacts on load among the various customer classes is necessary to appropriately assign costs to the various customer classes.
4. The pandemic has caused sudden and significant changes in the way that Californians use electricity and in their patterns of usage.
5. The pandemic and its impacts on electricity usage will most likely remain for the foreseeable next several months, if not longer, in 2022.
6. The 2020 CEC Forecast (SDG&E's Proposal), which uses recorded 2019 pre-pandemic usage data, does not capture the impacts of the pandemic on electricity usage as effectively as Cal Advocates' proposed forecast (SDG&E's 2021 Forecast), which is derived from recorded data that capture usage during the pandemic.
7. The projected pandemic impacts included in the 2020 CEC Forecast (SDG&E's Proposal) were based on data collected prior to June 2020, when California was in a different phase of the pandemic than today in terms of local mandates and precautions.
8. Basing the sales forecast on the most recent recorded usage data allows the forecast to more closely reflect how Californians currently use electricity, given the current circumstances of the pandemic.

9. Using a forecast that closely reflects how Californians currently use electricity, given the current circumstances of the pandemic, allows the Commission to appropriately assign costs to various ratepayer classes and set just and reasonable rates.

10. Though adopting Cal Advocates' Proposal (SDG&E's 2021 Forecast) deviates from the practice of using an approved CEC demand forecast consistently across multiple Commission proceedings for SDG&E, setting just and reasonable rates outweigh the need to use a consistent sales forecast.

11. PG&E and SCE use a sales forecast that is separate from their respective CEC demand forecasts.

12. Because SDG&E's 2021 Forecast (Cal Advocates' Proposal) is derived from recent recorded usage data, it is, among the options presented in the record of this proceeding, the forecast that is most reflective of how Californians use energy today.

13. If SDG&E requires four months to complete an adopted sales forecast other than its own proposed sales forecast, then consideration of an alternative sales forecast will likely result in delayed implementation of the new rates. This delay is prejudicial to other parties..

14. The four-month delay in implementing any alternative sales proposal limits the Commission from considering any alternative proposals if the sales forecast had to be implemented by January 1 of the forecasted year.

15. The current CEC demand forecasting process, in which SDG&E can collaborate with CEC as well as various other stakeholders, is the most appropriate venue to thoroughly examine the impacts of the pandemic on electric end uses.

16. D.21-07-010 (SDG&E's 2020 GRC Phase 2 Decision) adopted a Settlement Agreement in which parties agreed that SDG&E should use the SAPC when implementing its 2022 sales forecast.

17. The purpose of the SAPC, as adopted in D.21-07-010 (SDG&E's 2020 GRC Phase 2 Decision), is to smooth out volatility in class average class rate changes so that each customer class will experience the same average rate change based on the variation in system sales.

18. No parties dispute that SAPC should be used when SDG&E implements its 2022 sales forecast.

19. The appropriate method for calculating SAPC is not within the scope of this proceeding.

20. SAPC's calculation methodology does not affect SDG&E's sales forecast.

21. SDG&E's request to implement SAPC for rate changes during the term of the 2022 electric sales forecast is outside of the scope of this proceeding.

22. The issues in SDG&E's annual sales forecast proceedings and ERRA forecast proceedings are significantly related.

23. PG&E and SCE currently update their sales forecasts in their ERRA forecast applications.

24. Consolidating SDG&E's annual sales forecast and ERRA forecast proceedings allows the Commission and the parties to review matters with substantially related issues in one proceeding, which will prevent forecast inconsistencies between these proceedings, reduce regulatory burden and conserve party resources.

25. The issue of when SDG&E should file its annual consolidated sales forecast and ERRA forecast applications is out of the scope of this proceeding.

26. D.22-01-023 directed SDG&E to file its annual ERRA forecast applications no later than May 15<sup>th</sup> each year.

27. An all-party workshop will help streamline the application process by engaging parties to participate in the process early and allow SDG&E time to consider feedback and concerns prior to developing its sales forecast.

28. SDG&E corrected several errors in the Application that UCAN has identified, including the inclusion of the HUC in proposed rates and the calculation of the non-coincident demand charge under Schedule TOU-PA2 rate.

29. SDG&E committed a material error in A.21-04-010 (SDG&E's 2022 ERRA forecast), which caused the Commission to require greater executive oversight of quality control in future ERRA filings.

### **Conclusions of Law**

1. It is reasonable to adopt Cal Advocates' Proposal (SDG&E's 2021 Forecast) as the 2022 electric net sales forecast for SDG&E.

2. The four-month delay for SDG&E to implement alternative sales forecast proposal is not reasonable.

3. It is appropriate not to consider the four-month delay for SDG&E to implement alternative proposals when determining SDG&E's 2022 sales forecast.

4. SDG&E's current sales forecast implementation process needs to be revisited.

5. SDG&E should work with parties to consider either modifications to its existing methodology or a new process that will allow sufficient time for the Commission to consider alternative sales forecast proposals and for SDG&E to implement any alternative proposal in a timely manner, such as by January 1 of the forecasted year.



6. SBUA's request for SDG&E to conduct research or a study on the impacts of the pandemic on electric end uses should be denied without prejudice.

7. SDG&E's request to implement SAPC with the 2022 electric sales forecast is reasonable.

8. SDG&E's request to consolidate its annual sales forecast and ERRA forecast proceedings is reasonable.

9. SDG&E should file future its annual sales forecasts in its annual ERRA forecast applications, according to the schedule set forth in D.22-01-023.

10. SDG&E's request for an annual all-party workshop to consider feedback and concerns prior to preparing its sales forecast is reasonable.

11. It is reasonable to direct SDG&E to provide greater executive oversight of quality control in future consolidated sales forecast and ERRA forecast applications.

## **O R D E R**

### **IT IS ORDERED** that:

1. Within 60 days of this decision, San Diego Gas & Electric Company (SDG&E) shall file a Tier 1 advice letter to implement the approved 2022 Electric Sales Forecast. If the implementation of the 2022 Electric Sales Forecast will take four months or longer from the effective date of this decision, SDG&E shall work with Energy Division to determine an appropriate effective date for the 2022 Electric Sales Forecast.

- a. SDG&E shall use the sales forecast SDG&E developed and submitted to the California Energy Commission (CEC) for CEC's 2021 California Energy Demand Forecast as the basis of its 2022 Electric Sales Forecast and shall also factor into the forecast the expected load departures to Community Choice Aggregators and

direct access programs and the solar generation assumption, as specified in Section 3.4 of this decision.

- b. SDG&E shall use the System Average Percent Change methodology when implementing the 2022 Electric Sales Forecast.

2. San Diego Gas & Electric Company (SDG&E) is directed to, after coordination with the stakeholders, propose a detailed plan on how to address the delays of implementing modifications to its sales forecasts in its consolidated 2023 Sales Forecast and Energy Resource Recovery Account Forecast application. The plan shall aim to provide solutions, such as modifications to its existing methodology or a new process or rate model for implementing its sales forecast, such that there is sufficient time for the Commission to consider alternative sales forecast proposals and for SDG&E to implement any alternative proposal in a timely manner, such as by January 1 of the forecasted year, including with respect to SDG&E's 2023 Sales Forecast. Because SDG&E needs to file its 2023 Energy Resource Recovery Account Forecast Application by May 15, 2023, SDG&E shall begin the coordination process with the parties immediately upon the effective date of this decision, or April 15, 2023 the latest.

3. San Diego Gas & Electric Company shall file its subsequent annual Sales Forecasts in its annual Energy Resource Recovery Account Forecast applications, according to the schedule set forth in Decision (D.) 22-01-023. This application must include the testimony required in Ordering Paragraph 8 of D.21-12-040.

4. In preparation for filing its annual sales forecast, San Diego Gas & Electric Company (SDG&E) is directed to hold an all-party workshop no later than March 31 of each year. The purpose of this workshop is for SDG&E to work with stakeholders and to consider any input they may propose prior to filing its annual sales forecast with the Commission for the upcoming year.

5. Application 21-08-010 is closed.

This order is effective today.

Dated March 17, 2022, at San Francisco, California.

ALICE REYNOLDS

President

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE HOUCK

JOHN R.D. REYNOLDS

Commissioners