

Decision 25-09-006 September 18, 2025

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas &
Electric Company (U902E) for
Authority to Update Marginal Costs,
Cost Allocation, and Electric Rate
Design.

Application 23-01-008

**DECISION ADOPTING SETTLEMENT AGREEMENTS TO UPDATE
MARGINAL COSTS, COST ALLOCATION AND ELECTRIC RATE
DESIGN FOR SAN DIEGO GAS & ELECTRIC COMPANY**

TABLE OF CONTENTS

Title	Page
DECISION ADOPTING SETTLEMENT AGREEMENTS TO UPDATE MARGINAL COSTS, COST ALLOCATION AND ELECTRIC RATE DESIGN FOR SAN DIEGO GAS & ELECTRIC COMPANY	1
Summary	2
1. Procedural Background.....	2
2. Submission Date	6
3. Issues Before the Commission.....	6
4. Whether to Approve the Marginal Cost Settlement Agreement.....	9
4.1. Marginal Distribution Customer Costs	10
4.2. Marginal Distribution Demand Costs	13
4.3. Marginal Commodity Costs.....	16
5. Whether to Approve the Partial Settlement Agreement	27
5.1. Schedules PUBLIC Grid Integration Rate and Vehicle Grid Integration	28
5.2. Critical Peak Pricing Rates	30
5.3. Base TOU Periods	31
5.4. Increase in Monthly Service Fees	33
5.5. Time Dependent Allocation of Distribution Demand Costs	35
5.6. Rate Design of Schedule EV-TOU-5	37
5.7. Seasonality Adjustment for Residential Tiered Rates	39
5.8. Creation of a Medium Commercial Customer Class and Rates	40
5.9. Creation of a Medical Baseline Balancing Account and Cost Recovery of the Medical Baseline Program Through the Public Purpose Program Surcharge	43
5.10. Cost Recovery of Schedule EV-HP Under/Over-Collection.....	44
5.11. Revenue Allocation	46
5.12. Treatment of Wildfire-Related Costs Through the Equal Percentage of Total Revenues Methodology	49
5.13. Net Energy Meter Data	51
6. Whether to Approve the Medical Baseline Settlement Agreement	53
7. Whether the SAPC Methodology Should be Modified	61

8. Whether the Power Charge Indifference Amount (PCIA) Rate Component Should be a Separate Line-Item on Bundled Customer Bills.....	64
9. Whether San Diego Gas & Electric Company’s Commodity and Distribution Tariffs Should be Combined	67
10. Uncontested Issues.....	69
10.1. Movement of Seasonal Differential from Utility Distribution Company (UDC) Total Rate Adjustment Component (TRAC) to Commodity Rates	70
10.2. Adjustment of the Distribution Super Off-Peak Rate for Schedule EV-TOU-5	71
10.3. Street Lighting Rate Proposal	72
10.4. Creation of a Medium Commercial Class and Migration of TOU-M Customers to the Medium Commercial Class.....	73
10.5. Revenue Allocation for Competition Transition Charge, Local Generation Charge, Demand Response, and Public Purpose Program Subcomponents	75
10.6. Increasing the Line-Item Discount for Non-Residential California Alternate Rates for Energy Customers.....	76
10.7. Combination of Schedules DS, DT, and DT-RV into a Single Submetered Tariff.....	77
10.8. Schedules VGI and PUBLIC GIR Commodity and Distribution Rate Proposals.....	78
10.9. Marginal Flexible Capacity Cost Proposal.....	79
11. Summary of Public Comments	80
12. Procedural Matters.....	81
13. Comments on Proposed Decision.....	81
14. Assignment of Proceeding.....	82
Findings of Fact.....	82
Conclusions of Law	84
ORDER	92

Attachment A – Marginal Cost Settlement Agreement

Attachment B – Partial Settlement Agreement

Attachment C – Medical Baseline Settlement Agreement

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Summary

This decision addresses the 2024 General Rate Case Phase 2 proceeding of San Diego Gas & Electric Company (SDG&E).

This decision adopts three settlement agreements:

- a. The Partial Settlement Agreement, which resolves cost allocation, creation of a Medium Commercial Class, base time-of-use rates, and most of the other contested issues in this proceeding;
- b. The Marginal Cost Settlement Agreement that includes proposals to set marginal costs used in cost allocation and rate design; and
- c. The Medical Baseline Settlement Agreement that provides for a line-item medical baseline discount.

This decision also adopts the system percentage of change methodology to update rates, resolves a Power Charge Indifference Adjustment rate design and bill presentment issues, adopts a proposal to combine SDG&E's non-residential commodity and distribution tariffs, and approves SDG&E's other uncontested proposals.

This proceeding is closed.

1. Procedural Background

San Diego Gas & Electric Company (SDG&E) filed its 2024 General Rate Case, Phase 2 (GRC Phase 2) application (Application) on January 17, 2023. In the Application, SDG&E requests California Public Utilities Commission (Commission) approval of its proposals for revenue allocation, time-of-use

(TOU) rate design, distribution marginal costs, commodity marginal costs, street lighting costs and rate design, and miscellaneous tariff and rate design changes.

After SDG&E filed the Application, parties filed responses and protests. On February 9, 2023, Small Business Utility Advocates (SBUA) filed a response to the Application. The Center for Accessible Technology (CforAT) filed a protest on February 16, 2023. On February 27, 2023, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), San Diego Community Power (SDCP) and Clean Energy Alliance (CEA), collectively the Joint CCAs, the Utility Consumers' Action Network (UCAN), the California Farm Bureau Federation (Farm Bureau), Solar Energy Industries Association (SEIA), and The Utility Reform Network (TURN) also filed protests. To address issues raised by parties, SDG&E filed a reply on March 9, 2023.

On April 26, 2023, an Administrative Law Judge (ALJ) ruling noticed the prehearing conference (PHC). An ALJ ruling noticed a new PHC date and time on May 1, 2023. On May 10, 2023, a PHC was held to address issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary.

After considering the discussion at the PHC, and party responses and protests of SDG&E's Application, an Assigned Commissioner's Scoping Memo and Ruling was issued on June 3, 2023, that determined the issues and initial schedule of the proceeding to be set forth in this proceeding.

On June 23, 2023, an ALJ ruling directed SDG&E to file supplemental testimony with an approved 2023 sales forecast. In response to e-mail sent by Cal Advocates to the service list, an ALJ ruling noticed public participation hearings

(PPHs) and revised the procedural schedule. On November 6, 2023, a PPH was held in Escondido, California and on November 20, 2023, a virtual PPH was held.

On February 16, 2024, an ALJ ruling noticed a status conference on the need for evidentiary hearings (Status Conference) to be held on February 26, 2024. On February 23, 2024, a Joint Status Report was filed by SDG&E, UCAN, SEIA, the California City County Street Light Association (CALSLA), Joint CCAs, SBUA, Cal Advocates, TURN, the Federal Executive Agencies (FEA), Farm Bureau, and the City of San Diego. On February 26, 2024, the assigned ALJ held the Status Conference.

On March 5, 2024, an ALJ ruling set evidentiary hearings to be held from May 8, 2024, to May 10, 2024, if needed and modified the procedural schedule.

On April 9, 2024, the proceeding was reassigned from Commissioner Genevieve Shiroma to President Alice Reynolds. On April 15, 2024, an ALJ ruling noticed a second Status Conference on settlement negotiations to be held on April 25, 2024, and modified the procedural schedule.

On May 7, 2024, an ALJ ruling modified the procedural schedule and requested a response from the Joint CCAs regarding the need for evidentiary hearings. On May 13, 2024, an ALJ ruling modified the procedural schedule, including a revised date for evidentiary hearings to be held on May 30, 2024, if needed. On May 17, 2024, CEA and SDCP filed a response in support of their request for evidentiary hearings. On May 20, 2024, SDG&E filed a reply.

On May 20, 2024, an ALJ ruling denied the request from the Joint CCAs to hold evidentiary hearings to litigate bill presentment issues and removed evidentiary hearings from the Hearing Calendar.

On May 28, 2024, a Joint Motion was filed by SDG&E, Cal Advocates, TURN, UCAN, City of San Diego, CALSLA, SBUA, FEA, and Farm Bureau for Commission adoption of the Marginal Cost Settlement Agreement. On May 28, 2024, a Joint Motion was filed by SDG&E, Cal Advocates, TURN, UCAN, City of San Diego, CALSLA, SBUA, FEA, SEIA, and Farm Bureau for Commission adoption of the Partial Settlement Agreement of certain specified requests in the Partial Settlement Agreement. On June 5, 2024, a Joint Motion was filed by SDG&E, Cal Advocates, and TURN for Commission adoption of the Medical Baseline Settlement Agreement.

On June 27, 2024, SEIA filed comments in opposition to the Marginal Cost Settlement Agreement. On July 3, 2024, UCAN, City of San Diego, and CforAT filed a Joint Opposition to the Medical Baseline Settlement Agreement.

On July 2, 2024, an ALJ ruling admitted exhibits into the record of this proceeding.

On July 3, UCAN, the City of San Diego, and CforAT filed a Joint Opposition to the Medical Baseline Settlement Agreement.

On July 11, 2024, Decision (D.) 24-07-018 extended the statutory deadline for this proceeding until November 7, 2024.

On July 12, 2024, SDG&E filed reply comments in support of the Marginal Cost Settlement Agreement and SBUA, Farm Bureau, and Cal Advocates filed Joint Reply Comments in support of the Marginal Cost Settlement Agreement. On July 23, 2024, Joint Reply Comments were filed by SDG&E, Cal Advocates, and TURN in support of the Medical Baseline Settlement Agreement.

On July 26, 2024, an ALJ ruling set dates for opening briefs to be filed by August 16, 2024, and reply briefs by August 30, 2024. On August 16, 2024, SDG&E, City of San Diego, UCAN, and Joint CCAs filed opening briefs. On August 30, 2024, SDG&E, Farm Bureau, Joint CCAs, City of San Diego, and UCAN filed reply briefs.

On March 13, 2025, D.25-03-014 further extended the statutory deadline for this proceeding until September 30, 2025.

2. Submission Date

This matter was submitted on August 30, 2024, upon party filing of reply briefs.

3. Issues Before the Commission

The issues that the Commission will resolve in this decision are the following:

1. Revenue allocation including but not limited to use of the System Average Percentage Change (SAPC) Method, and updates to Energy Efficiency allocation for the Public Purpose Program (PPP) charge.
2. Marginal costs including updates to marginal distribution customer and demand costs and marginal energy and generation capacity costs.
3. Rate design including but not limited to:
 - a. Establishing a year-round weekday super off-peak TOU period.
 - b. Revising the medical baseline discount.
 - c. Monitoring Critical Peak Pricing (CPP) event periods in every GRC Phase 2 filing versus annually.
 - d. Establishing Small Commercial rate design changes to increase monthly service fees (MSF) to reflect cost-of-

service and movement of Schedule TOU, Electric Demand Ranging from 20 kilowatts (kW) to 40 kW (TOU-M) to the Medium Commercial Class.

- e. Dividing the Medium and Large Commercial and Industrial (M/L C&I) class into a Medium Commercial Class and a Large Commercial and Industrial class.
- f. Implementing Medium Commercial Class eligibility criteria, rate schedule reclassifications, and rate design changes to increase MSF to reflect cost-of-service and update recovery of distribution demand costs through volumetric rates, coincident demand charges, and non-coincident demand charges.
- g. Instituting Large Commercial and Industrial class rate design changes to increase MSF to reflect cost-of-service and update recovery of distribution demand costs through coincident demand charges and non-coincident demand charges.
- h. Executing Agricultural class rate design changes to increase MSF to reflect cost-of-service.
- i. Updating Streetlighting distribution rates and approving costs for Schedule Outdoor Area Lighting with Light Emitting Diode (LED) lamps (OL-1).
- j. Implementing miscellaneous tariff and rate design changes including Schedules Vehicle Grid Integration (VGI) and Public Grid Integrated Rate (PUBLIC GIR) updates.

Ten parties in this proceeding joined the Partial Settlement Agreement: SDG&E, Cal Advocates, TURN, UCAN, City of San Diego, CALSLA, SBUA, FEA, SEIA, and Farm Bureau (Partial Settlement Parties). No parties opposed the Partial Settlement Agreement. The Partial Settlement Agreement terms propose continued use of the SAPC method for revenue allocation, updating base TOU

periods, updating CPP event periods, the creation of a Medium Commercial and Large Commercial and Industrial Class, revising the collection of MSFs and allocation of distribution demand costs for the Small Commercial, Medium Commercial, Large Commercial and Agricultural classes, and changes to Schedules PUBLIC GIR and VGI.

Nine parties in this proceeding joined the Marginal Cost Settlement Agreement: SDG&E, Cal Advocates, TURN, UCAN, City of San Diego, CALSLA, SBUA, FEA, and Farm Bureau (Marginal Cost Settling Parties). SEIA opposed the Marginal Cost Settlement Agreement in comments and briefs.

Three parties in this proceeding joined the Medical Baseline Settlement Agreement: SDG&E, Cal Advocates, and TURN (Medical Baseline Settling Parties). UCAN, the City of San Diego, and CforAT opposed the Medical Baseline Settlement Agreement in comments and briefs.

Rule 12.1(d) of the Commission's Rules of Practice and Procedure (Rule) provides that the Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

Where settlements are contested, they will be subject to more scrutiny than an uncontested settlement. While the Commission's policy is to favor the settlement of disputes, we will not approve unreasonable settlements. We will consider whether the Settlement Motions fail to address any contested issue in the proceeding, significantly deviates from Commission policies and practices, or fails to fully and fairly consider the interests of all affected entities and

customers. We will also consider whether the proponents of the Settlement Motions have adequately explained and justified each element of the settlement.

In this decision, we will first address the settlement agreements individually and approve them if they are reasonable in light of the whole record, consistent with law, and in the public interest. Next, we will resolve contested issues that were not addressed in any settlement agreement, including whether the SAPC methodology should be modified, whether the Power Charge Indifference Adjustment (PCIA) rate component should be a separate line-item on bundled customer bills, and whether SDG&E's commodity and distribution tariffs should be combined. Finally, we will resolve uncontested proposals put forward by SDG&E.

4. Whether to Approve the Marginal Cost Settlement Agreement

In this section, we provide brief descriptions of positions put forward by the Marginal Cost Settling Parties, the terms of the Marginal Cost Settlement Agreement, and SEIA's comments opposing the Marginal Cost Settlement Agreement terms related to marginal energy costs and marginal generation capacity costs.

Three key documents provide the necessary background and results with respect to the Marginal Cost Settlement Agreement. First, the Joint Motion for Adoption of the Marginal Cost Settlement Agreement summarizes the relevant background and settlement process; states the Marginal Cost Settling Parties' positions and settlement terms; states why Marginal Cost Settling Parties believe the Marginal Cost Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest; and addresses limited

other items. Second, the comparison exhibit (attached to the Joint Motion) indicates the Marginal Cost Settling Parties' respective positions along with the resulting settlement on each settled item.¹ Third, the Marginal Cost Settlement Agreement (included as Attachment A to this decision) identifies the settlement conditions, states the settlement terms for each settled item, and includes proposed tariff language.

Finally, we will weigh the Marginal Cost Settlement Agreement provisions to determine if they are consistent with the law, serve the public interest, and are reasonable in light of the whole record.

4.1. Marginal Distribution Customer Costs

Marginal distribution customer costs (MDCCs) represent the cost for an additional customer to access SDG&E's electric distribution system. These costs include the cost to connect an additional customer to SDG&E's electric distribution system and associated customer service and maintenance costs.

To set MDCCs, SDG&E conducted a study to update 2019 costs for transformers, service drops, and electric meters (TSM), operation and maintenance (O&M), customer service, and shared service drops for each proposed customer class to 2024 dollars.² Then, SDG&E applied the Real Economic Carrying Charge (RECC) method to annualize these costs for each customer (\$/customer -year).³ As described by SDG&E, the RECC method is

¹ Marginal Cost Settling Parties note that the joint motion must be supported by a comparison exhibit when the settlement pertains to a proceeding under the Rate Case Plan, citing Rule 12.1(a). (See Joint Motion at 2 (footnote 1) and Attachment A.)

² Exhibit (Ex.) SDGE-4 at 6 to 10.

³ Ex. SDGE-4 at 8.

based on the premise that new customers do not pay the upfront cost (TSM) that are needed to connect them to SDG&E's electric distribution system and on-going customer service and maintenance costs. Instead, SDG&E states that all customers pay the annualized cost for TSM equipment and associated maintenance and service in their monthly electric bills, which amounts to paying a monthly TSM rental fee.⁴ SDG&E claims that application of the RECC method to recover MDCCs more accurately captures the cost to provide customer access to its electric distribution system when compared to other methods.⁵

Cal Advocates and TURN support the use of the New Customer Only (NCO) method to calculate the MDCC for each customer class by multiplying the present value of TSM equipment by the growth rate in new customers. In an ideal situation, Cal Advocates states that new customers should incur the total upfront costs for TSM equipment when receiving access to SDG&E's distribution system.⁶ Since the installation of new TSM equipment may be cost prohibitive, Cal Advocates points out that utilities provide line extension allowances that defray these costs up to the allowance limit. Line extension allowances are subsidized by utility customers.⁷

Cal Advocates claims that the NCO method is appropriate to socialize TSM costs because it assumes that only the short-run, first-year costs incurred by new customers to connect to the distribution grid are marginal. As such, Cal

⁴ Ex. SDGE-4 at 10.

⁵ Ex. SDGE-4 at 5.

⁶ Ex. SDGE-4 at 5.

⁷ Ex. CalAdv-02 at 1-5.

Advocates states that the NCO method excludes sunk costs for TSM equipment used by existing customers. Cal Advocates opposes the RECC method because it imposes an annualized “rental” fee on customers for the cost of new and existing customers which is not marginal.⁸

Similarly, TURN supports the NCO method because it is based on the number of new or marginal customer additions during a specific period, is not spread over the utility’s average number of existing customers and reflects TSM cost when a new customer connects to the distribution system.⁹

In rebuttal testimony, SDG&E points out that the NCO and RECC methods rely on the “same TSM costs” to develop MDCCs. SDG&E believes that the RECC method correctly uses factors to annualize the cost of connection assets to provide service to the next customer, versus a new customer, and applies these costs to all customers that receive service from SDG&E. Conversely, SDG&E states that the NCO calculates the incremental change in total MDCC due to the expected customer growth rate of each customer class. When using the NCO method, SDG&E claims that the resulting MDCCs are not tied to variations in TSM equipment costs but variations in expected customer growth rates.¹⁰

The Marginal Cost Settlement Agreement provides for SDG&E to update MDCCs based on the 2024 marginal cost study, for all customer classes, for the purpose of rate design.¹¹ SEIA did not propose MDCCs, did not contest other

⁸ Ex. CalAdv-02 at 1-9 to 1-10.

⁹ Ex. TURN-1E at 11.

¹⁰ Ex. SDGE-4 at 5.

¹¹ Marginal Cost Settlement Agreement at B-1.

parties' MDCCs, and did not comment on the merit of proposed MDCCs in the Marginal Cost Settlement Agreement.¹²

We adopt the Marginal Cost Settlement Agreement terms that resolve issues concerning MDCCs because it is reasonable in light of the whole record, consistent with the law, and in the public interest. We do not find sufficient evidence that justifies adoption of the NCO or the RECC method to develop MDCCs. The NCO method depends on estimating the growth of new customers in each customer class which could widely vary, while the RECC method annualizes the cost pre-existing equipment to both new and current customers. In both instances, there is a potential for unfairly assigning TSM costs. To strike a balance, it is reasonable to adopt the Marginal Cost Settlement Agreement term for SDG&E to set MDCCs based on results from its 2024 marginal cost study for all customer classes, for the purposes of rate design in the instant proceeding.

4.2. Marginal Distribution Demand Costs

Marginal distribution demand costs (MDDCs) represent the costs to serve an additional unit of customer demand from the substation to a customer access point. These costs include marginal substation costs and the marginal feeder and local distribution costs. SDG&E utilizes the National Economic Research Associates (NERA) regression model to plot cumulative incremental changes in distribution growth-related investments, measured in dollars, as a function of cumulative incremental growth in distribution peak load data, measured in kilowatts to determine MDDCs.¹³

¹² Marginal Cost Settlement Agreement at 2, Footnote 4.

¹³ Marginal Cost Settlement Agreement at 6.

Parties did not oppose SDG&E's use of the NERA regression model to calculate MDDCs. Cal Advocates proposes and SEIA supports using a rolling maximum of actual peak loads versus forecasted data to calculate MDDCs.^{14 15} TURN recommends that the MDDC should include an adder to recover the cost of investments required to maintain the distribution system.¹⁶ Along this line of reasoning, SEIA claims that distribution investments that serve reliability or wildfire hardening needs should also be accounted for in the MDDC calculation.¹⁷ In response to TURN and SEIA, SDG&E asserts that only distribution capacity-related investments should be reflected in MDDCs.¹⁸

The Marginal Cost Settlement Agreement specifies that SDG&E will update MDDCs based on the 2024 marginal cost study for the purposes of rate design.¹⁹ SEIA argues that the Marginal Cost Settlement Agreement for MDDCs should not be applied to Rulemaking (R.) 22-07-005 (Demand Flexibility Rulemaking) or the 2024 Avoided Cost Calculator (ACC) which is used to determine the cost-effectiveness of demand-side programs and design export compensation for customers subscribed to the Net Billing Tariff (NBT).²⁰ SEIA claims that the Marginal Cost Settlement Agreement MDDCs based on forecast

¹⁴ Ex. CalAdv-03 at 2-6.

¹⁵ Ex. SEIA-01 at 19.

¹⁶ Ex. TURN-1E at 16-17.

¹⁷ Ex. SEIA-01 at 20-21.

¹⁸ Ex. SDG&E-4 at Section III B.

¹⁹ Marginal Cost Settlement Agreement at B-1.

²⁰ Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 4-5.

model results does not reflect actual peak loads. Alternatively, SEIA reiterates its support of using the rolling maximum of actual peak loads and a broader set of non-capacity related investments to calculate MDDCs.²¹

SDG&E refutes SEIA's claim. SDG&E points out that the forecast model used to estimate MDDCs accounts for actual maximum peak loads. Also, SDG&E reasons that forecast peak loads are more appropriate for determining the amount of needed distribution infrastructure investment.²² Counter to SEIA's argument, Cal Advocates, SBUA, and Farm Bureau state that interveners have the opportunity to submit alternative marginal costs, including MDDCs, in future proceedings that reflect more recent cost data and cost-of-service trends.²³

We adopt the Marginal Cost Settlement Agreement terms that resolve issues concerning MDDCs because it is reasonable in light of the whole record, consistent with the law, and in the public interest. We do not find sufficient evidence that justifies adoption of MDDCs that recover non-capacity-related distribution investments, including those that serve reliability, or serve to reduce wildfire risk because it is not clear if these costs are marginal. Therefore, it is reasonable to adopt the Marginal Cost Settlement Agreement term for SDG&E to set MDDCs based on results from its 2024 marginal cost study for all customer classes, only for the purposes of rate design in the instant proceeding. As stated in the Marginal Cost Settlement Agreement, SDG&E will update marginal

²¹ Ex. SEIA-01 at 17-19

²² Reply Comments of SDG&E in Support of the Marginal Cost Settlement Agreement at 11.

²³ Joint Reply of Cal Advocates, SBUA, and California Farm Bureau for Adoption of Marginal Cost Settlement Agreement in the 2024 GRC 2 at 4.

commodity costs for purposes of future dynamic rate proposals, notwithstanding the marginal costs used for other rate design purposes.²⁴

To this end, we agree with SEIA that MDDCs should not be used broadly for other purposes without additional consideration in the relevant Commission proceedings regarding whether the MDDCs adopted here are reasonable and appropriate to the specific purposes of that proceeding, such as whether to use these MDDCs in the 2026 ACC or in the Demand Flexibility Rulemaking to set marginal hourly distribution rates. As noted by Cal Advocates, SBUA, and Farm Bureau, interveners may propose updated MDDC values based on more recent distribution load data.

4.3. Marginal Commodity Costs

Marginal commodity costs include marginal energy cost (MECs), that is the cost to provide an incremental unit of electricity consumption, and marginal generation capacity cost (MGCC), or the cost to provide an incremental unit of generation capacity or power.

In its 2024 marginal commodity cost study, SDG&E utilizes the PLEXOS production cost model and a Renewable Portfolio Standard (RPS) compliance adder to forecast 2024-2027 electricity prices that are used to calculate MEC values.²⁵ To set the MGCC, SDG&E utilizes the 2022 Integrated Resource Plan (IRP) RESOLVE Candidate Resource Costs for building a new four-hour lithium-ion battery energy storage system (ESS), less their market earnings that are sourced from the California Independent System Operator (CAISO) 2021 Annual

²⁴ Marginal Cost Settlement Agreement at 12 and Marginal Cost Settlement Agreement term 3.3.

²⁵ Ex. SDG&E-5 at 3-5.

Report on Market Issues and Performance. To this resulting value, SDG&E includes a cost for diminishing ESS capacity represented by the Effective Load Carrying Capacity Factor (ELCC) and includes a cost for additional capacity to meet the Planning Reserve Margin (PRM value).²⁶

SDG&E reports that results from its 2024 marginal commodity cost study show that the TOU differential is muted (e.g., residential TOU summer on-peak rates would be 45.9 ¢/kWh, while residential TOU summer off-peak rates would be 42.9 ¢/kWh).²⁷ SDG&E claims that observed market price spikes during peak hours versus off-peak and super-off peak hours in 2020, 2021, and the summer of 2022 support the preservation of current TOU price differentials to incent customer load shifting.²⁸ As such, SDG&E intends to disregard the illustrative MEC and MGCC values from its 2024 marginal commodity cost study and maintain current TOU rates.

Cal Advocates asserts that SDG&E's use of an outdated version of PLEXOS leads to "unsound hourly price differences (in the MEC values) due to the outdated software's algorithms". SEIA agrees.²⁹ When utilizing a more recent version of PLEXOS, and the California Energy Commission's (CEC) 2023 Integrated Energy Policy Report (IEPR) for fuel costs, Cal Advocates reports that SDG&E's illustrative MEC values are more reflective of the cost to serve customers (e.g., residential TOU summer on-peak rates would be 64.9 ¢/kWh,

²⁶ Ex. SDG&E-5 at 9.

²⁷ Ex. SDG&E-5 at 7.

²⁸ Ex. SDG&E-1, Section VI.

²⁹ Ex. SEIA-01 at 13.

while residential TOU summer off-peak rates would be 59.8 ¢/kWh).³⁰ TURN agrees with Cal Advocates' use of an updated RPS adder, and further proposes that the MEC should include an ancillary services adder.³¹ Because California is ahead of its RPS goals, SEIA suggests that an RPS adder should not be included in MEC values.³²

Cal Advocates maintains that SDG&E relies on outdated data to calculate ESS costs to set MGCCs. Instead, Cal Advocates uses the six-year average cost to build a new ESS from the 2023 IRP Resource Cost and Build workpapers, escalates the ESS market earnings taken from the CAISO 2021 Annual Report on Market Issues and Performance to 2024 dollars, and adds SDG&E's PRM value to calculate MGCCs.³³ Cal Advocates asserts that an ELCC value should not be included in the MGCC calculation because it "accounts for a generation resource's ability to produce energy in order to prevent a shortfall of electricity during peak grid stress and therefore unrelated to diminishing returns due to degradation".³⁴

Cal Advocates urges the Commission to adopt its calculated MGCC value because it "better reflects the current value of generation capacity" and supports the Commission's Rate Design and Demand Flexibility Design Principles.³⁵

³⁰ Ex. CalAdv-04 at 3-8 to 3-9.

³¹ Ex. TURN-1E at 31.

³² Ex. SEIA-01 at 15.

³³ Ex. CalAdv-05 at 4-5.

³⁴ Ex. CalAdv-05 at 4-4.

³⁵ Ex. CalAdv-05 at 4-9

TURN supports Cal Advocates approach but reaches a slightly lower MGCC value compared to Cal Advocates.³⁶

SEIA proposes that SDG&E's MEC values should be based on marginal/avoided costs from the Commission's SERVVM production cost model used in the 2022 ACC, with adjustments to the natural gas forecast, because they support the IRP resource portfolio, and are benchmarked to CAISO prices.³⁷ To be consistent, SEIA suggests that the same production cost model should be used to determine both MEC values and ESS revenues that are used as inputs to the MGCC.³⁸

SDG&E agrees with Cal Advocates and TURN that the most recent version of PLEXOS should be used to develop MEC values when possible, and with Cal Advocates and SEIA that utilizing the CEC's 2023 IEPR to develop MECs is reasonable.^{39 40} In response to TURN, SDG&E points out that the ancillary services adder is already included in the proposed MEC values, as an element of the PLEXOS model.⁴¹ Further, SDG&E disagrees with SEIA that a RPS adder should be excluded from MEC values because the RPS Market Price Benchmark,

³⁶ Ex. TURN-1E at 25.

³⁷ The Stochastic Energy Resource Valuation Model or SERVVM is a modeling tool often used to evaluate resource adequacy, reliability, and economic value of energy resources (like batteries). The term "stochastic" refers to the application of probability to model uncertainties — such as weather, demand, outages, or variable renewable generation.

³⁸ Ex. SEIA-01 at 14.

³⁹ Ex. SDG&E-15 at 5.

⁴⁰ Ex. SDG&E-15 at 12.

⁴¹ Ex. SDG&E-15 at 12

an indicator of renewable contract prices, rose from 2023 to 2024.⁴² SDG&E also opposes Cal Advocates' proposal to exclude ELCC costs from the MGCC estimate because it would not measure the full costs associated with battery ESSs.⁴³

SDG&E also rejects SEIA's proposal to adopt MECs obtained from the 2022 ACC and ESS market revenues as inputs to the MGCC because the SERVIM model used to develop them requires setting a price cap and floor for day-ahead prices and calibrating the implied market heat rates to account for system scarcity. SDG&E also states that the SERVIM model is outdated because it includes a No New Distributed Energy Resource (No New DER) scenario that may not align with the IRP's latest adopted system plan that "is more consistent with how supply-side resources are evaluated in the IRP".⁴⁴ ⁴⁵ Further, SDG&E notes that its PLEXOS model relies on IRP planning inputs and assumptions and is used in its Energy Resource Recovery Account (ERRA) forecast proceedings.

Despite its response to party concerns, SDG&E maintains in rebuttal testimony that the 2024 marginal commodity cost study, upon which the MEC and MGCC are based, does not require various updates or modifications because they are not intended to be used for revenue allocation or rate design in the instant proceeding. SDG&E points out that it proposes to use the SAPC method, not the MEC values calculated in the 2024 marginal commodity costs study, for

⁴² Ex. SDG&E-15 at 12

⁴³ Ex. SDG&E-15 at 17.

⁴⁴ Ex. SDG&E-15 at 9.

⁴⁵ Ex. SDG&E-15 at 9.

revenue allocation. SDG&E also proposes maintaining the current TOU differentials for rate design.^{46 47} Moreover, SDG&E emphasizes that the Demand Flexibility Order Instituting Rulemaking will provide guidelines for the design of dynamic MGCC rates. Consequently, SDG&E states that it will be able to update MGCC rates for dynamic rate pilots.⁴⁸

The Marginal Cost Settlement Agreement specifies that SDG&E will maintain current MEC and MGCC values, based on its 2019 marginal cost study, for all customer classes, for purposes of electric rate design. According to the Marginal Cost Settling Parties, the intent of the Marginal Cost Settlement Agreement is to preserve “the strong price signals embedded in current generation rates, which results in greater rate stability”.⁴⁹ Further, SDG&E will update MEC and MGCC for the purpose of future dynamic rate proposals, notwithstanding the marginal costs used for other rate design purposes. SDG&E will consider using updated MEC and MGCC values for any future electric vehicle (EV) or electrification rate(s).⁵⁰

In comments, SEIA emphasizes that the Marginal Cost Settlement Agreement did not propose marginal costs for use in revenue allocation and rate design in the instant proceeding and in a broad range of other proceedings.⁵¹

⁴⁶ Ex. SDG&E-15 at 10.

⁴⁷ Ex. SDG&E-15 at 20.

⁴⁸ Ex. SDG&E-15 at 6.

⁴⁹ Marginal Cost Settlement Agreement at 15.

⁵⁰ Marginal Cost Settlement Agreement, Attachment B, Comparison Exhibit.

⁵¹ Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 6-7.

Consequently, SEIA believes that the Marginal Cost Settlement Agreement is therefore not in the public interest. For example, SEIA states that the Marginal Cost Settlement Agreement does not align with the Commission's policy for establishing dynamic rates based on up-to-date marginal costs or accurately updating the ACC.⁵² To this point, SEIA highlights that the Commission's adoption of the Marginal Cost Settlement Agreement would preserve use of SDG&E's 2019 marginal commodity cost study results to set MEC and MGCC values that are outdated and not just, and do not meet the Commission's Rate Design Principles or Demand Flexibility Principles.⁵³ SEIA asserts that using an updated version of PLEXOS, an updated natural gas forecast, and deleting the RPS adder would result in higher MEC values.⁵⁴ SEIA reiterates its position that the (1) SERVIM production cost model that is used to develop the 2022 ACC is a better option to set MEC values and market revenues as input to MGCC values and (2) the 2023 versus the 2022 IRP RESOLVE model should be used to determine battery energy storage costs and the 2022 ACC production cost model should be used to estimate battery ESS revenues to minimize volatility.⁵⁵

⁵² Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 6.

⁵³ Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 7-8.

⁵⁴ Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 12-13.

⁵⁵ Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 10 and at 14.

Further, SEIA discounts SDG&E concerns about SERVVM model issues including setting a price cap and floor for day-ahead prices, adjusting implied market heat rates to capture system scarcity, and including a “No DER” scenario.⁵⁶ SEIA claims that these modifications enable SERVVM model results to be benchmarked in reference to recent historical CAISO market prices and to improve its accuracy. SEIA then questions if the PLEXOS model has been similarly benchmarked. SEIA details that any small error resulting from the “No DER” scenario is outweighed by the merit of using the ACC namely that it is Commission-approved, based on the current IRP portfolio, benchmarked to CAISO prices, and produces consistent MECs and MGCCs.⁵⁷

In their reply, SDG&E contends that the record and the Commission’s Rate Design Principles support the Marginal Cost Settlement Agreement. SDG&E states that relying on SDG&E’s 2019 marginal commodity costs upon which the current TOU differentials are based promotes load shifting. To support their contention, SDG&E cites Rate Design Principle #4, “Rates should encourage conservation and energy efficiency” and Rate Design Principle # 5, “Rates should encourage reduction of both coincident and non-coincident peak demand”.^{58 59} Moreover, SDG&E views the MGCC value of \$141.11 \$/kilowatt-year (\$/kW-

⁵⁶ Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 11.

⁵⁷ Comments of SEIA in Opposition to the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 11.

⁵⁸ D.23-04-040 at 13 and 15.

⁵⁹ Reply Comments of SDG&E in Support of the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 7.

year) from the 2019 marginal commodity study as a compromise between the proposed MGCC values from Cal Advocates (\$ 89.20/kW-year), TURN (\$ 96.17/kW-year), and SEIA (\$ 238.62/kW-year).⁶⁰ Cal Advocates, SBUA, and FEA agree.⁶¹ Furthermore, Cal Advocates, SBUA, and FEA state that if SEIA's MGCC proposal is adopted it could "significantly increase rates and bills for customers unable to shift their usage from more expensive on-peak periods to less expensive TOU periods".⁶²

We adopt the Marginal Cost Settlement Agreement terms that resolve issues concerning MECs and MGCCs because it is reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Marginal Cost Settlement Agreement term for SDG&E to set MECs and MGCCs based on results from its 2019 marginal cost study for all customer classes, only for the purpose of rate design in the instant proceeding. As stated in the Marginal Cost Settlement Agreement, SDG&E is required to update marginal commodity costs for purposes of future dynamic rate proposals, notwithstanding the marginal costs used for other rate design purposes.⁶³

⁶⁰ Reply Comments of SDG&E Company in Support of the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 10.

⁶¹ Joint Reply of Cal Advocates, SBUA, and FEA in Support of the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 2.

⁶² Joint Reply of Cal Advocates, SBUA, and FEA in Support of the Marginal Cost Settlement Agreement in the 2024 GRC Phase 2 at 3.

⁶³ Marginal Cost Settlement Agreement at 12 and Marginal Cost Settlement Agreement Term 3.3.

As will be discussed in Section 5, the Partial Settlement Agreement includes settlement terms that propose to use the SAPC method versus marginal costs, including MECs and MGCCs, for revenue allocation. SEIA is a signatory to the Partial Settlement Agreement. No other party opposed using the SAPC method for the purpose of revenue allocation.

With respect to rate design, the Marginal Cost Settlement Agreement would preserve the generation price signal and rate stability. In addition, we agree with the Settling Parties that the Marginal Cost Settlement Agreement's MGCC value of \$141.11 \$/kW-year strikes a fair balance between MGCC proposals put forward by SDG&E, Cal Advocates, TURN, and SEIA. The Marginal Cost Settlement Agreement also prescribes that SDG&E will also "update marginal commodity costs for purposes of future dynamic rate proposals, notwithstanding the marginal costs used for other rate design purposes".⁶⁴ To this end, we agree with SEIA that MECs and MGCCs from SDG&E's 2019 marginal cost study should not be used broadly for other purposes without additional consideration as to whether the MECs and MGCCs adopted here are appropriate for other uses, including their use in the Demand Flexibility Order Instituting Rulemaking to set marginal hourly energy rates. Per the Marginal Cost Settlement Agreement terms, SDG&E will use the MECs and MGCCs from SDG&E's 2019 marginal cost study for purposes of rate design in the instant proceeding and update MEC and MGCC for the purpose of future dynamic rate proposals. In consideration of these intended outcomes, namely

⁶⁴ Marginal Cost Settlement, Attachment B, Comparison Exhibit at B-1.

preservation of price signals, maintaining rate stability, and updating MECs and MGCCs for the development of dynamic rates, we determine that the Marginal Cost Settlement Agreement serves the public interest.

Further, the record did not provide sufficient evidence to suggest that the marginal/avoided costs from the SERVVM model that are incorporated in the ACC should be used to set MECs and MGCCs for the purpose of revenue allocation and rate design. While we acknowledge SEIA's arguments for using the SERVVM production cost model to establish greater consistency in setting MEC values and ESS market revenues for MGCCs, SDG&E points out that the PLEXOS model is used for other purposes including in ERRA forecast proceedings. When considering that PLEXOS is used more broadly, it is imperative to assess additional information before approving the use of SERVVM-based marginal/avoided costs from in the ACC to set MEC and MGCC values in this proceeding. Therefore, we do not determine the validity of using the SERVVM model versus PLEXOS to set marginal commodity costs in this decision.

While we approve SDG&E's use of the 2019 marginal commodity cost study, we strongly encourage that SDG&E strives to use the most up-to-date version of production cost models (e.g., PLEXOS), and data including but not limited to natural gas forecasts sourced from the CEC's IEPR, ESS market revenues from CAISO market reports, and IRP input values when developing MECs and MGCCs in future GRC Phase 2 applications. Abiding by this recommendation will enable interveners and the Commission to deliberate the merit of MECs and MGCCs that are more reflective of actual costs.

5. Whether to Approve the Partial Settlement Agreement

Three key documents provide the necessary background and proposed outcomes with respect to the Partial Settlement Agreement. First, the Joint Motion for Adoption of the Partial Settlement Agreement summarizes the relevant background and settlement process; states the Partial Settlement Parties' positions and settlement terms; states why Settling Parties believe the Partial Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest; and addresses limited other items. Second, the comparison exhibit (attached to the Joint Motion) indicates the Settling Parties' respective positions along with the resulting settlement on each settled item.⁶⁵ Third, the Partial Settlement Agreement (included as Attachment B to this decision) identifies the settlement conditions, states the settlement terms for each settled item, and includes proposed tariff language.

A brief description of parties' positions and settled terms follows.⁶⁶ We will then evaluate the Partial Settlement Agreement provisions to determine if they are consistent with the law, serve the public interest, and are reasonable in light of the whole record.

⁶⁵ Settling Parties note that the joint motion must be supported by a comparison exhibit when the settlement pertains to a proceeding under the Rate Case Plan, citing Rule 12.1(a). (*See* Joint Motion at 3 (footnote 1) and Attachment B.)

⁶⁶ *See* Joint Motion at 5 to 30, Joint Motion Attachment B (Comparison Exhibit), and Partial Settlement at 7 to 17.

5.1. Schedules PUBLIC Grid Integration Rate and Vehicle Grid Integration

In testimony, SDG&E did not initially propose any changes in the PUBLIC Grid Integration Rate and Vehicle Grid Integration rate schedules. However, Cal Advocates, recommends that SDG&E (1) conform the commodity capacity adder event periods for the PUBLIC GIR and VGI with the CPP event period; (2) conform the naming convention for the PUBLIC GIR and VGI commodity capacity adders with the dynamic export rate terminology; and (3) modify the load metric used to call commodity capacity adder events from the SDG&E system gross load to CAISO net load.⁶⁷

SDG&E asserts that the PUBLIC GIR and VGI commodity adder events are dynamic pricing events whereas CPP events are called in response to system reliability needs. However, SDG&E acknowledges that the naming convention for the PUBLIC GIR and VGI commodity adders and its export compensation rate is confusing.⁶⁸

The Partial Settlement Agreement provides that (a) Components Commodity Critical Peak Pricing (C-CPP) and Distribution Critical Peak Pricing (D-CPP) in Schedules PUBLIC GIR and VGI will be renamed to Generation Capacity Component and Distribution Capacity Component, respectively; (b) SDG&E will modify the methodology for calculating the Generation Capacity Component and Distribution Capacity Component (using three years rather than one year of historical load data to establish the top 150 system peak hours used

⁶⁷ Ex. CalAdv-10 at 10-6.

⁶⁸ Ex. SDG&E-13 at 24-33.

to calculate the generation capacity component for the PUBLIC GIR and VGI schedules; (c) SDG&E agrees to consider using CAISO net load in lieu of SDG&E system load in future rate design applications; (d) SDG&E agrees to discuss application of demand flexibility (DF) guidelines to current DF rates with Cal Advocates; and (e) SDG&E agrees to consider application of DF guidelines to the GIR and VGI schedules.⁶⁹

In light of the whole record, and because it is consistent with law and in the public interest, it is reasonable to adopt the Partial Settlement Agreement term for SDG&E to rename the C-CPP and D-CPP components in the PUBLIC GIR and VGI schedules respectively as the Generation Capacity Component and the Distribution Capacity Component as it provides additional clarity. Further, it is reasonable to adopt the Partial Settlement Agreement term for SDG&E to use three versus one year of load data to establish the top 150 system peak hours to calculate the generation capacity components in the PUBLIC GIR and VGI schedules because it permits a more accurate representation of peak generation capacity costs and prices. While the Partial Settlement Agreement did include a provision that required SDG&E to assess the benefits of using CAISO net load versus SDG&E system net, SDG&E's pledge to consider this change in future rate design applications is encouraged. SDG&E is also encouraged to consider how to apply DF guidelines to its current DF rates.

⁶⁹ Partial Settlement Agreement at 8.

5.2. Critical Peak Pricing Rates

In testimony, SDG&E claims that the current requirement to annually update CPP event periods through a loss of load of analysis submitted via a Tier 2 Advice Letter is difficult because it requires (1) a recalculation of forecasted customer usage and (2) customer education about any changes. As a remedy, SDG&E proposes that CPP event periods should be updated during every GRC Phase 2 cycle.⁷⁰

Cal Advocates asserts that special rates like the CPP should be cost-based which requires a loss of load analysis to be performed more often than every four to five years.⁷¹ The City of San Diego suggests that CPP updates could occur biennially (i.e. every two years) to strike a balance between reducing the regulatory burden and determining with greater frequency if CPP event hours are not in alignment with TOU on-peak hours.⁷²

Cal Advocates also requests that SDG&E's CPP event terminology and event trigger language is consistent for its seven CPP rates.⁷³ In response, SDG&E states that its customers are comfortable and not confused about the existing CPP terminology and that any modification would require customer re-education about rates that have not changed.⁷⁴

⁷⁰ Ex. SDGE-1 at 22.

⁷¹ Ex. CalAdv-11 at 10-4

⁷² Ex. CSD-1 at 19-20.

⁷³ Ex. CalAd-11 at 10-4

⁷⁴ Ex. SDGE-13 at 13.

The Partial Settlement Agreement provides that SDG&E will submit a Tier 2 AL to update CPP event periods every two years versus annually.⁷⁵

We adopt the Partial Settlement Agreement provisions that resolve issues concerning CPP event period updates and event trigger terminology because these provisions are reasonable in light of the whole record, consistent with law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to update CPP event periods based on loss of load analysis every two years by submitting a Tier 2 Advice Letter by March 31 of that year because the event periods would be based on more recent cost data. Further, it is reasonable to adopt the Partial Settlement Agreement term for SDG&E to conform to event trigger language for CPP events across all its CPP rates to provide customers with consistent direction for load response to these rates.

5.3. Base TOU Periods

In testimony, SDG&E proposes to preserve its base Super Off-Peak periods from midnight to 6:00 a.m. on weekdays and midnight to 2:00 p.m. on weekends.⁷⁶ Based on its analysis, Cal Advocates agrees with SDG&E that there are no material changes in underlying costs during SDG&E's base Super Off-Peak period.⁷⁷

SDG&E also proposes offering a year-round midday Super Off-Peak period from 10AM to 2PM on weekdays that is currently offered only during March and April. SDG&E asserts this measure would enable customer load

⁷⁵ Partial Settlement Agreement at p.8.

⁷⁶ Ex. SDGE-11 at 12.

⁷⁷ Ex. CalAdv-10 at 9-7.

shifting during daytime hours when clean energy is available.⁷⁸ Cal Advocates agrees that a year-round mid-day Super Off-Peak offers more opportunity for customers to load shift, but specifically to lower cost periods.⁷⁹ SBUA asserts that SDG&E's proposed mid-day Super Off-Peak change is supported by its marginal cost analysis.⁸⁰ SEIA initially did not agree with the change because it would not maintain consistent TOU prices to support customer response, only result in slight cost savings, and have a small adverse impact on solar and storage customers that would compound other changes to the rooftop solar market.⁸¹

The Partial Settlement Agreement provides for maintaining SDG&E's base TOU periods but extends the weekday Super Off-Peak period to include the hours 10AM to 2PM year-round. SDG&E will conduct a study to analyze the following: a one-hour shift in the on-peak period, a 5PM–10PM on-peak period, a 3PM–8PM on-peak period, and a weekday 6AM–10AM on-peak period.⁸²

We adopt the Partial Settlement Agreement provisions that resolve issues concerning base TOU periods because it is reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain its base Super Off-Peak TOU periods, except to expand the weekday Super Off-Peak period to include 10 AM to 2 PM year-round, because there are no material

⁷⁸ Ex. SDGE-1 at 4-20.

⁷⁹ Ex. CalAdv-10 at 9-2.

⁸⁰ Ex. SBUA-01 at 25-30.

⁸¹ Ex. SEIA-01 at i-ii abd at 24-29.

⁸² Partial Settlement Agreement at B-1.

changes in the underlying costs, is supported by its marginal cost analysis, and will provide customers with greater opportunity to shift load to lower cost hours, despite any minor impacts on solar and storage customers as noted by SEIA.

While not originally proposed by SDG&E, it is also reasonable to adopt the Partial Settlement Agreement provision for SDG&E to conduct an analysis to identify high and low cost hours to assess the merit for shifting the on-peak period from 4PM–9PM to 5PM–10PM and assess the creation of a 3PM–8PM on-peak period, and a weekday 6AM–10AM period. SDG&E states that results from these studies will be used to show high and low-cost hours to inform the development of TOU off-peak and Super Off-Peak periods. SDG&E intends to send these results to the service list and will further consider revision of on-peak periods in its next GRC Phase 2 proceeding.⁸³ We also encourage SDG&E to consider revising on-peak TOU periods in its next GRC Phase 2 application based on these analyses.

5.4. Increase in Monthly Service Fees

In testimony, SDG&E proposes a 15 percent (%) increase per year in the MSF from 2024-2027 for all commercial and agricultural customers, except for a 7.5 percent increase per year in rates for substation customers. According to SDG&E, the progressive increase in the MSF, which recovers a portion of distribution demand costs, would allow the MSF to be closer to cost basis and recover a greater percentage of these fixed costs through the MSF versus through the volumetric distribution energy rate.⁸⁴

⁸³ Partial Settlement Agreement at 12.

⁸⁴ Ex. SDGE-3-R at 11-16, 23-24, 28-29, & 31-34.

FEA supports SDG&E's MSF proposal because it is supported by SDG&E's cost-of-service analysis.⁸⁵ However, Cal Advocates asserts that SDG&E's MSF proposal is unnecessary because the current MSF collects the appropriate level of fixed costs when utilizing the NCO method versus the RECC method to calculate the marginal customer access costs for connecting a new small commercial customer.⁸⁶ SBUA agrees with Cal Advocates that the NCO method should be used to calculate the MSF without applying the equal percentage of marginal cost (EPMC) scalar.⁸⁷ Farm Bureau cites the rate shock imposed by SDG&E's proposed 75% aggregate increase in the MSF for agricultural customers by Year 4 and suggests a 3.1% increase in the MSF that is based on the Consumer Price Index.⁸⁸

The Partial Settlement Agreement provides for the following increases in customer MSFs over the next four years: 5% per year for the Small Commercial Class, 15% per year for the Medium Customer Class, 10% per year for the Large Commercial Customer Class except for increases of 7.5% per year for substation customers in this class, and 5% per year for Agricultural Customer Class.⁸⁹

We adopt the Partial Settlement Agreement provisions that resolve issues concerning MSF fees because it is reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the

⁸⁵ Ex. FEA-01 at 6.

⁸⁶ Ex. CalAdv-09 at 8-3.

⁸⁷ Ex. SBUA-01 at 34.

⁸⁸ Ex. CFBF-01 at 5-6.

⁸⁹ Partial Settlement Agreement at 14.

Partial Settlement Agreement term for SDG&E's MSF to increase by the following percentages per year for four years: (a) 5 percent per year for small commercial customers, (b) 15 percent per year for Medium Commercial customers, (c) 10 percent per year for the large commercial customers, except for increases of 7.5 percent per year for substation customers in this class, and (d) 5 percent per year for agricultural customers to allow the MSF to better reflect cost-of-service and minimize rate shock to customers. As suggested by Cal Advocates and SBUA, and in accordance with the Partial Settlement Agreement, we do not require SDG&E to use the NCO method to recalculate the MSF as this matter is addressed in our resolution of Marginal Customer Access Costs in the Marginal Cost Settlement Agreement.

5.5. Time Dependent Allocation of Distribution Demand Costs

SDG&E's Medium/Large Commercial and Industrial rates currently recover distribution demand costs for these customer classes through demand charges based on the following split: 65 percent are recovered through on-peak demand charges and 35 percent through non-coincident demand charges. Based on results from its marginal distribution demand cost study, SDG&E proposes to increase non-coincident demand charges by 12.5 percent per year, resulting in a split in 2027 of 15 percent recovered through on-peak demand charges and 85 percent collected through non-coincident demand charges.⁹⁰

SEIA recommends that 69.3 percent of SDG&E's distribution demand charges should be on-peak demand charges while 30.9 percent should be non-

⁹⁰ Ex. SDGE-3-R at 29.

coincident demand charges. SEIA points out that in the last decade the Commission has directed utilities to collect a larger portion of distribution demand charges through on-peak demand charges that are time-dependent. SEIA also suggests that its analysis in SDG&E's last GRC Phase 2 proceeding, Application (A.) 19-03-002, based on SDG&E's Demand Charge Study, supports a decrease in non-coincident charges and an increase in on-peak demand charges, and notes that the approved settlement in that proceeding is the basis for SDG&E's current 65% on-peak demand charge/35% non-coincident demand charge split.⁹¹

The Partial Settlement Agreement provides for maintaining SDG&E's current allocation of distribution demand costs for Medium/Large Commercial and Industrial rates such that 65% of distribution demand costs will be recovered through on-peak, or coincident demand charges while 35% of distribution demand costs will be recovered through non-coincident demand charges.⁹²

We adopt the Partial Settlement Agreement provisions that resolve issues concerning time dependent allocation of distribution demand costs because it is reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain the current time-dependent allocation of SDG&E distribution demand costs for the Medium Commercial Customer Class and the Large Commercial & Industrial customer class, which provides a recovery split

⁹¹ Ex. SEIA-01 at 41.

⁹² Partial Settlement Agreement at 10.

of 65 percent through on-peak demand charges and 35 percent through non-coincident demand charges.⁹³

The Commission's Rate Design Principles support the collection of distribution demand revenue through time dependent demand charges, collected through coincident, or on-peak demand charges, versus non-time dependent demand charges, or non-coincident demand charges. While Rate Design Principle 2 indicates that rates should be based on marginal costs, Rate Design Principles 4, 5, and 6 respectively state that rates should encourage efficient use of energy, and customer behaviors that improve electric system reliability in an economically efficient manner and optimize the use of existing grid infrastructure to reduce long-term electric system costs.⁹⁴ Our decision to preserve this split between SDG&E's on-peak and non-coincident demand charges provides rate stability so that customer behaviors continue to align with outcomes contemplated by these Rate Design Principles.

5.6. Rate Design of Schedule EV-TOU-5

The current distribution Super Off-Peak rate for recovery of residential marginal distribution costs for Schedule EV-TOU-5 is a flat rate that is below marginal cost and does not change with SDG&E's other distribution rates. In testimony, SDG&E proposes to adjust the Super Off-Peak distribution rate to recover residential marginal distribution costs.⁹⁵ No party opposed SDG&E's

⁹³ Partial Settlement Agreement at 15.

⁹⁴ D.23-04-040, Decision Adopting Electric Rate Design Principles and Demand Flexibility Design Principles at 2.

⁹⁵ Ex. SDGE-10-R at 20-21.

proposal. SEIA proposes extending EV-TOU-5 eligibility from EV and new solar customers to customers with other types of distributed energy resources, such as stand-alone storage and heat pumps.⁹⁶

The Partial Settlement Agreement provides for maintaining the rate design and eligibility for customer enrollment on Schedule EV-TOU-5. An additional provision is that SDG&E will adjust the distribution Super Off-Peak rate for recovery of residential marginal distribution costs.⁹⁷

We adopt the Partial Settlement Agreement provisions that resolve issues concerning the rate design of Schedule EV-TOU-5 because it is reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain the current rate design and eligibility for EV-TOU-5, except that SDG&E will adjust the distribution Super Off-Peak rate for recovery of residential marginal distribution costs. This rate change will permit SDG&E's EV-TOU-5 rate to align with Commission's Rate Design Principle 2 which states that rates should be based on marginal costs. Further, we do not have adequate information in the record to substantiate that the EV-TOU-5 rate should be extended to customers with other types of DERs, such as stand-alone storage and heat pumps.

⁹⁶ Ex. SEIA-01 at 47.

⁹⁷ Partial Settlement Agreement at B-4.

5.7. Seasonality Adjustment for Residential Tiered Rates

To reduce seasonal bill volatility, promote rate design consistency, and minimize customer impacts, SDG&E proposes to modify the seasonal differential treatment for residential tiered rates. SDG&E intends to achieve this by (1) moving the seasonal adjustment in residential tiered rates (TOU and non-TOU rates) from the Utility Distribution Charge (UDC) Total Rate Adjustment Component (TRAC) to the commodity rate; (2) update the non-seasonal flat commodity rate design for residential tiered non-TOU rates; (3) reallocating a portion of summer generation capacity costs to winter rates for residential tiered TOU rates (i.e., 90% of summer on-peak generation capacity costs will be recovered in summer and 10% recovered in the winter, and 60% of summer off-peak generation capacity costs will be recovered in the summer and 40% recovered in winter); (4) modifying the commodity revenue collected between summer and winter to be more proportional (i.e., 42% of commodity revenues allocated to the summer season and 58% allocated to the winter season) for residential tiered TOU rates; and (5) setting the summer Super Off-Peak period commodity rate to marginal cost instead of EPMC to provide additional rate stability and maintaining the summer TOU differential for the default residential tiered TOU rate, Schedule TOU-DR-1.⁹⁸ No party opposed SDG&E's proposal.

The Partial Settlement Agreement provides for SDG&E's uncontested proposal for resolving seasonal adjustment of residential tiered rates.⁹⁹ We adopt

⁹⁸ Ex. SDGE-10-R at 14-19.

⁹⁹ Partial Settlement Agreement at 19.

the Partial Settlement Agreement provisions that address issues concerning the seasonality adjustment for residential tiered rates because it is reasonable in light of the whole record, consistent with the law, and in the public interest. Therefore, it is reasonable to adopt the Partial Settlement Agreement term for SDG&E to adjust the seasonal differential treatment for these rates as these measures will decrease seasonal bill volatility and bill impacts and create more rate consistency.

5.8. Creation of a Medium Commercial Customer Class and Rates

SDG&E's Medium Commercial customers are currently part of the Medium/Large Commercial & Industrial customer class. SDG&E proposes to create a new cost-based Medium Commercial Customer Class for customers with demand from 20 kW to 200 kW per month. SDG&E reports that its cost studies show differences in the cost of service for customers with lower demand (below 200 kW) versus customers with higher demand (above 200 kW).¹⁰⁰

To effectuate this change, SDG&E intends to (1) migrate the appropriate Medium Commercial customers to Schedules TOU-M, EV High Power (EV-HP), or Optional Lighting TOU (OL-TOU) (2) create Schedule (Non-Residential TOU Metered (AL-TOU-M), with a volumetric distribution rate, and Schedule Distributed Generation Renewable Metered (DG-R-M) and (3) continue to enroll customers with demand greater than 200 kW on the EV-HP rate. Using at least one year of data, SDG&E will analyze the 20 kW–200 kW demand requirement, and alternative upper demand thresholds of 100 kW and 500 kW. Based on results from this analysis, SDG&E will consider revisions to its upper demand

¹⁰⁰ Ex. SDGE-3R at 19.

threshold for the Medium Commercial Class in its next GRC Phase 2 application.¹⁰¹

SBUA supports SDG&E's proposal but recommends that it (1) recalculate MSF with the NCO method without EPMC scaling (2) study bill impacts for the newly created Medium Commercial Class and the Large Commercial and Industrial class at different peak loads ranging from 50 kW to 500 kW and (3) provide shadow billing and bill protection to impacted customers. SBUA also recommends a study of splitting the class by different peak load levels (e.g., 50 kW, 100 kW).¹⁰² SEIA did not oppose the creation of a Medium Commercial Customer Class.¹⁰³

The Partial Settlement Agreement provides for the creation of a Medium Commercial Customer Class for SDG&E customers with demand ranging from 20 kW to 200 kW. SDG&E will conduct an analysis of the 20 kW and 200 kW demand threshold and assess the merits for setting the upper demand threshold for the Medium Commercial Customer Class at 100 kW or 500 kW. Based on the results from this analysis, SDG&E will consider revising the upper demand threshold for the Medium Commercial Customer class in its next GRC Phase 2 proceeding.¹⁰⁴ The Partial Settlement Agreement also provides that the eligibility

¹⁰¹ Ex. SDGE-3R at 19-26.

¹⁰² Ex. SBUA-02 at 13.

¹⁰³ Ex. SEIA-01 at 39.

¹⁰⁴ Partial Settlement Agreement at 11.

of SDG&E's Large Commercial and Industrial customers to enroll on Schedule DG-R will remain unchanged.¹⁰⁵

We adopt the Partial Settlement Agreement provisions that resolve issues concerning SDG&E's creation of a Medium Commercial Class and rates because they are reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to create a new Medium Commercial Customer Class with appropriate rate schedules due to differences in cost of service. In alignment with this change, it is reasonable to adopt the Partial Settlement Agreement term that Schedule DG-R for SDG&E's Large Commercial and Industrial customers eligibility will remain unchanged. Further, it is reasonable to adopt the Partial Settlement Agreement term for SDG&E to conduct a study that provides certain specified analyses before the next GRC Phase 2, and consider, based on these specified analyses, revising its upper demand threshold for the Medium Commercial Customer Class in its next GRC Phase 2 proceeding. Per SBUA's request, we do not require SDG&E to use the NCO method to recalculate the MSF for Medium Commercial customers as this matter is addressed in our resolution of Marginal Customer Access Costs in the Marginal Cost Settlement Agreement.

¹⁰⁵ Partial Settlement Agreement at 12.

5.9. Creation of a Medical Baseline Balancing Account and Cost Recovery of the Medical Baseline Program Through the Public Purpose Program Surcharge

Medical Baseline Program costs are currently recovered from customers through SDG&E's distribution rate component. In testimony, SDG&E did not propose to recover these costs through the PPP surcharge in rates. TURN proposes recovery of Medical Baseline Program costs through the PPP on an equal cents per kWh basis because it would more fairly and reasonably allocate the cost of a program derived from State law and existing for the public interest.¹⁰⁶ In rebuttal testimony, SDG&E supports TURN's proposal with two modifications: (1) using the Energy Savings Assistance Program (ESAP) allocator for Medical Baseline Program cost recovery because it is not a low-income program and (2) establishing a balancing account to record Medical Baseline Program costs.¹⁰⁷

The Partial Settlement Agreement provides for the creation of a balancing account to track the costs for a proposed line-item Medical Baseline Discount for SDG&E Medical Baseline customers, collected through the PPP charge, if approved by the Commission. The Partial Settlement Agreement specifies that the Medical Baseline Discount will not be applied to the additional baseline allowance received by Medical Baseline customers.¹⁰⁸

¹⁰⁶ Ex. TURN-1E at 36.

¹⁰⁷ Ex. SDGE-13 at 6.

¹⁰⁸ Partial Settlement Agreement at 12.

We adopt the Partial Settlement Agreement provisions that resolve issues concerning SDG&E's method for tracking and collecting Medical Baseline Program costs because they are reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to establish the Medical Baseline Program Balancing Account to track the cost for the Medical Baseline Program, with the provision that no discount will be recorded for the additional baseline allowance received by Medical Baseline Program customers pursuant to Public Utilities (Pub. Util.) Code § 739(c)¹⁰⁹ and recover the cost of the Medical Baseline Program discount in the PPP rate component with an equal cents per kWh allocator to all customers except the Street Lighting class. We adopt this Partial Settlement Agreement provision because the Medical Baseline Program is an assistance program for residential customers who have special energy needs due to qualifying medical conditions and aligns with the intent and purpose of the PPP. Further, it is reasonable to approve the Medical Baseline Program cost recovery mechanism proposed in the Partial Settlement Agreement only if a line-item Medical Baseline Program discount is approved in this proceeding.

5.10. Cost Recovery of Schedule EV-HP Under/Over-Collection

SDG&E initially proposes to recover over- and under-collections from the EV-High Power (HP) Rate, which is open to non-residential customers with demand of at least 20 kW, through use of the High Power Balancing Account

¹⁰⁹ This is an additional baseline allowance for residential customers dependent upon life-support equipment.

(HPRBA-E) and the High Power Interim Rate Waiver Balancing Account (HPWBA-E). The HPWBA-E was established to track the balance of costs for customers enrolled on Schedule TOU-M until the EV-HP Rate was available for customer enrollment. In this Application, SDG&E proposes to recover costs tracked in the HPWBA-E.¹¹⁰ According to SDG&E, any over or undercollection of EV-HP Rate costs should be paid for and benefit all customers due to reduced emissions from transportation electrification.¹¹¹ SBUA agrees.¹¹²

To prevent cost shifting, Cal Advocates suggests that any EV-HP Rate over or under collection should be restricted to eligible customers classes. Further, Cal Advocates points to stipulations in a Commission-adopted proposal put forward by SDG&E and other parties in A.19-07-006, that any revenue shortfall should be tracked and recovered in Medium/Large Commercial and Industrial commodity and distribution rates.^{113 114}

The Partial Settlement Agreement provides for the HPWBA-E, which recorded undercollection of costs from the EV-HP rate waiver, to be collected in distribution rates from the Medium Commercial Customer Class and the Large Commercial & Industrial Customer Class. SDG&E will seek Commission approval of the HPWBA-E through SDG&E's annual electric consolidated Advice Letter filing. Any remaining balance will be transferred to SDG&E's

¹¹⁰ Ex. SDGE-8 at 6.

¹¹¹ Ex. SDGE-8 at 5.

¹¹² Ex. SBUA-01 at 24-25.

¹¹³ Ex. CalAdv-07 at 5.

¹¹⁴ A.19-07-006, SDG&E's EV-HP Rate Application.

Electric Distribution Fixed Cost Account. For Schedule EV-HP, any under or over-collection balance will be collected from all customer classes in the distribution rate and recorded in the HPRBA-E two-way interest-bearing balancing account.¹¹⁵

We adopt the Partial Settlement Agreement provisions that resolve issues concerning SDG&E's recovery of EV-HP Rate costs because they are reasonable in light of the whole record, consistent with the law, and in the public interest. Therefore, it is reasonable to adopt the Partial Settlement Agreement term that provides for SDG&E recovery of the current under-collection balance in the HPWBA-E in the distribution rate component from customers in the Medium Commercial customer class and the Large Commercial and Industrial customer class because it aligns with the cost recovery mechanism adopted by the Commission in A.19-07-006. Further, it is reasonable to adopt the Partial Settlement Agreement term that any ongoing over/under-collection balances, if any, associated with the EV-HP will be recorded in the two-way HPRBA-E and collected from all customer classes in the distribution rate component. Our determination on this matter is based on prior Commission direction that transportation electrification benefits all customer classes through reduction in emissions and support of the State's climate goals.¹¹⁶

5.11. Revenue Allocation

In testimony, SDG&E proposes to maintain the SAPC method for revenue allocation regarding the Distribution, Demand Response, Commodity,

¹¹⁵ Partial Settlement Agreement at 13.

¹¹⁶ D.20-12-019 at 50.

Competition Transition Charges (CTC), and Local Generation Charge (LGC) rate components, with updates to accommodate the proposed new Medium Commercial customer class. SDG&E also proposes to update three components of the PPP (i.e., the Energy Efficiency Balancing Account, Flex Alert Balancing Account (FABA), School Energy Efficiency Stimulus Program Balancing Account (SEESPBA)) based on the most recently approved Energy Efficiency budget for 2022-2023 funding.¹¹⁷

Cal Advocates agrees with SDG&E's proposal to annually adjust revenue allocation via the SAPC method to smooth out rate changes.¹¹⁸ SBUA generally supports Cal Advocates' revenue allocation method but recommends that over or under collection of EV-HP costs should be recovered from all customers.¹¹⁹ While TURN proposes using the EPMC method for revenue allocation it did not oppose SDG&E's approach.¹²⁰

Cal Advocates proposes that 2024 test year revenues should be allocated based on its marginal cost studies but modified to reflect billing determinants that use the SAPC method. Further, Cal Advocates suggests that marginal generation capacity costs should be allocated to all hours with the potential for load loss.¹²¹ Farm Bureau recommends that SDG&E maintain its current revenue allocation factors for all classes because SDG&E's proposed (1) commodity

¹¹⁷ Ex. SDGE-2-R at 3-8.

¹¹⁸ Ex. CalAdv-06 at 5-3.

¹¹⁹ Ex. SBUA-02 at 21.

¹²⁰ Ex. TURN-1E at 35.

¹²¹ Ex. CalAdv-06 at 5-5 to 5-9.

revenue allocation factor for the agricultural class is 58% above cost of service, and (2) Energy Efficiency revenue allocation would increase the allocation factor for the agricultural class from 1.83% to 2.77% even though only 1.73% percentage of Energy Efficiency funds were spent on the agricultural class from 2019-2021.¹²²

The Partial Settlement Agreement provides for maintaining the Energy Efficiency revenue allocations adopted in SDG&E's 2019 GRC Phase 2 proceeding, except to reflect these allocations in the proposed Medium Commercial Customer Class, updating distribution revenue allocations to better reflect cost-of-service, and adjust the commodity and distribution revenue allocations according to the Commission-approved SAPC methodology, and based on the newest approved and implemented sales forecast.¹²³

We adopt the Partial Settlement Agreement provisions that resolve issues concerning revenue allocation because they are reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain Energy Efficiency revenue allocations at the levels adopted in the 2019 GRC Phase 2 except for the creation of a new Medium Commercial customer class. To achieve this, the Medium Commercial Class will receive an Energy Efficiency revenue allocation of 17.54% with a concurrent 13.8% reduction in Energy Efficiency revenue allocated to the Small Commercial Class (from 15.50% to 13.36%) and a 27.1% reduction in Energy Efficiency revenue allocated to the Large Commercial

¹²² Ex. CFBBF-02 at 1-4.

¹²³ Partial Settlement Agreement at B-11.

Class (from 56.83% to 41.42%). It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to update its distribution revenue allocation for the Residential Class to 46.22%, for the Small Commercial Class to 12.92%, for the Medium Commercial Class to 12.02%, for the Large Commercial and Industrial Class to 27.12%, for the Agricultural Class to 1.46%, and for the Street Lighting Class to 0.27% to be more reflective of costs. To levelize rate changes, it is reasonable to adopt the Partial Settlement Agreement term for SDG&E to use the SAPC methodology to adjust the distribution and commodity revenue allocations based on SDG&E's newest approved and implemented sales forecast with limited, specified adjustments to move SDG&E's agricultural customer class towards a cost-basis.

**5.12. Treatment of Wildfire-Related Costs
Through the Equal Percentage of Total
Revenues Methodology**

Wildfire-related costs are currently recovered through distribution revenues based on the EPMC methodology. In opening testimony, SDG&E proposes to continue using this methodology to collect wildfire-related costs.¹²⁴ Farm Bureau agrees.¹²⁵

Cal Advocates proposes that an equal cents per kilowatt-hour methodology should be used to collect wildfire-related costs because it assigns

¹²⁴ Ex. SDGE-12 at 10.

¹²⁵ Ex. CFBB-2 at 10.

these costs to all customer classes that benefit from reduced life and property risks and reduced greenhouse gas emissions.¹²⁶ TURN agrees.¹²⁷

Alternatively, SDG&E proposes use of the equal percentage of total revenues (EPTR) methodology for non-securitized wildfire-related costs. SDG&E suggests that the EPTR methodology could be used to collect wildfire-related costs because it would assign wildfire-related costs across more customer classes and moderates impacts associated with use of the equal cents per kWh methodology.¹²⁸ FEA agrees.¹²⁹

The Partial Settlement Agreement provides for an EPTR Methodology which will allocate non-securitized wildfire-related revenue requirements annually to all SDG&E customer classes with distribution rate design and allocations based on the present total revenue. Though not explicitly stated, SDG&E will allocate securitized wildfire-related revenue requirements annually to all SDG&E customer classes based on the EPTR methodology.¹³⁰ Further, SDG&E will propose that any future Commission-approved wildfire-related and vegetation management related accounts that are not securitized should be included in the EPTR Methodology.¹³¹

¹²⁶ Ex. CalAdv-06 at 5-11 to 5-13.

¹²⁷ Ex. TURN-2 at 35-36.

¹²⁸ Ex. SDGE-12 at 15-18.

¹²⁹ Ex. FEA-01 at 3-4, 21.

¹³⁰ Partial Settlement Agreement at 17.

¹³¹ Partial Settlement Agreement at B-11.

We adopt the Partial Settlement Agreement provisions concerning the collection of wildfire-related costs including all wildfire-related costs included in the GRC Phase 1 proceeding (A.22-05-015), Catastrophic Event Memorandum Account, and Tree Trimming Balancing Account but excluding the securitized wildfire-related revenues and accounts because they are reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to use the EPTR methodology to allocate wildfire-related revenue requirements annually to all customer classes using distribution rate design and allocations that are based on present total revenue because it would assign wildfire-related costs across more customer classes and moderate impacts associated with the use of the equal cents per kWh methodology. Per the Partial Settlement Agreement, it is also reasonable to adopt the Partial Settlement Agreement term for SDG&E to propose that the EPTR methodology be applied to any future non-securitized wildfire-related and vegetation management-related accounts approved by the Commission to maintain consistency.

5.13. Net Energy Meter Data

SDG&E provided net energy meter (NEM) data to parties in this proceeding in compliance with the 2019 GRC Phase 2 Settlement. UCAN recommends that SDG&E conduct a full evaluation of NEM cost-of-service cross-subsidies in the next GRC Phase 2.¹³² SEIA says the Commission should consider how the traditional framework of “net” energy use has changed with the

¹³² Ex. UCAN-2 at 8.

approval of the NBT. SEIA also asserts that the analysis should consider that the cost of service for customers in a rate class varies over a significant range.¹³³

The Partial Settlement Agreement provides for SDG&E to supply data on hourly NEM delivered and NEM received, non-NEM loads according to rate class, billing determinants for delivered bundled load for non-legacy TOU periods, and payments to NBT customers for received load by rate class. According to the Partial Settlement Agreement, SDG&E will serve notice of completion of the requested data on the service list for this proceeding at least four weeks prior to filing its next GRC Phase 2 and will provide the data upon request thereafter.¹³⁴

We adopt the Partial Settlement Agreement provisions that concern providing NEM data because they are reasonable in light of the whole record, consistent with the law, and in the public interest. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to provide in the next GRC Phase 2: (a) data on Hourly NEM Delivered, NEM Received, and non-NEM loads by rate class (separated out by NEM 1, NEM 2, and NBT); (b) billing determinants for delivered bundled load for non-legacy TOU periods; and (c) payments to NBT customers for received load by rate class. Further, we encourage SDG&E to consider variations in cost of service for customers in a particular rate class in NEM and NBT data.

¹³³ Ex. SEIA-01 at 31.

¹³⁴ Partial Settlement Agreement at B-15 and B-17.

6. Whether to Approve the Medical Baseline Settlement Agreement

In this section, we provide brief descriptions of positions put forward by Settling Parties in the Medical Baseline Settlement Agreement, the Joint Opposition of UCAN, the City of San Diego, and CforAT to the Medical Baseline Settlement Agreement, and the Commission's determination on each issue.

Three key documents provide the necessary background and results with respect to the Medical Baseline Settlement Agreement. First, the Joint Motion for Adoption of the Medical Baseline Settlement Agreement summarizes the relevant background and settlement process; states the Medical Baseline Settling Parties' positions and Settlement Terms; states why Medical Baseline Settling Parties believe the Medical Baseline Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest; and addresses limited other items. Second, the comparison exhibit (attached to the Joint Motion) indicates the Medical Baseline Settling Parties' respective positions along with the resulting settlement on each settled item.¹³⁵ Third, the Medical Baseline Settlement Agreement (included as Attachment C to this decision) identifies the settlement conditions, states the settlement terms for each settled item, and includes proposed tariff language.

We will then evaluate the Medical Baseline Settlement Agreement provisions to determine if they are consistent with the law, serve the public interest, and are reasonable in light of the whole record.

¹³⁵ Medical Baseline Settling Parties note that the joint motion must be supported by a comparison exhibit when the settlement pertains to a proceeding under the Rate Case Plan, citing Rule 12.1(a). (See Joint Motion at 2 (footnote 1) and Attachment C.)

Pursuant to Pub. Util. Code Section 739 (c)(1), the Commission is required to establish a Medical Baseline allowance for all IOU residential electric and gas customers that are dependent on life-saving equipment.¹³⁶ The Medical Baseline allowance is an amount of energy billed at a lower rate that is above and beyond the standard residential baseline allowance that is also billed at a lower rate.

SDG&E proposes to offer a line-item Medical Baseline Discount on a customer's total electric charge instead of a lower rate on the Medical Baseline allowance. SDG&E claims its proposal will enable both eligible residential customers on tiered and untiered rates to access the Medical Baseline Discount. SDG&E proposes using the Commission-approved methodology to calculate rate discounts for the Medical Baseline Discount that were used to calculate rate discounts in SDG&E's optional, untiered TOU-ELEC rate schedule, or rates for residential customers that receive electric service for an EV, an energy storage device, and/or an electric heat pump for water heating or climate control. This methodology is also used to calculate the California Alternate Rates for Energy (CARE) and the Federal Electric Rate Assistance (FERA) Program rate discounts.¹³⁷

In direct testimony, SDG&E proposes to decrease the current 25.69% rate discount on the Medical Baseline allowance for tiered rate customers to 12%, in the form of a line-item Medical Baseline Discount, along a four-year glidepath.

¹³⁶ See at:

[https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC§ionNum=739.1.&article=2.&highlight=true&keyword=The%20Medical%20Baseline California Code, Public Utilities Code - PUC § 739 | FindLaw](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC§ionNum=739.1.&article=2.&highlight=true&keyword=The%20Medical%20Baseline%20California%20Code%20Public%20Utilities%20Code%20-%20PUC%20%24739%20FindLaw)

¹³⁷ Ex. SDGE-3-R at 7.

SDG&E's proposal would place its Medical Baseline Discount in the range of Medical Baseline Discounts offered by Pacific Gas & Electric (12%) and Southern California Edison (11%) for their untiered rates. For untiered customers, SDG&E proposes offering a flat 20% line-item discount for untiered Medical Baseline customers from year one with no glidepath.¹³⁸

Cal Advocates supports SDG&E's proposal because it would reduce the subsidy provided by SDG&E's non-Medical Baseline customers to Medical Baseline customers on tiered rates. This subsidy is not offered to PG&E and SCE Medical Baseline customers.¹³⁹

Cal Advocates points out that both PG&E and SCE have designed their rates to provide Medical Baseline customers on tiered and untiered rates with matching discounts.¹⁴⁰ Based on their assessment, Cal Advocates claims that SDG&E's Medical Baseline customers on tiered rates receive a higher subsidy because they (1) pay a lower TRAC rate, a non-bypassable charge that subsidizes baseline adjustments and (2) are exempt from paying the Department of Water Resource Bond Charge, and the Wildfire Non-Bypassable Bond Charge.¹⁴¹

To address this difference in rate subsidies, Cal Advocates proposes to modify SDG&E's proposal so that SDG&E's Medical Baseline customers on tiered rates would receive a 9.50% discount while SDG&E's Medical Baseline customers on untiered rates would receive a 20% discount at the end of the four-

¹³⁸ Ex. SDGE-3-R at 9.

¹³⁹ Ex. CalAdv-08 at 7-8.

¹⁴⁰ Ex. CalAdv-08 at 7-10.

¹⁴¹ Ex. CalAdv-08 at 7-8 to 7-9.

year glidepath. Because SDG&E's Medical Baseline customers on tiered rates receive a baseline allowance and SDG&E's Medical Baseline customers on untiered rates do not, Cal Advocates claims that its proposal would render an effective discount of 20% for each category of Medical Baseline customer.¹⁴²

SDG&E, TURN, and the City of San Diego generally support Cal Advocates' Medical Baseline Discount proposal.^{143 144} In rebuttal testimony, SDG&E revises its initial proposal to seek Commission adoption of Cal Advocates' proposal, except for providing a flat 20% effective Medical Baseline discount for customers on untiered rates from year one. SDG&E contends that Cal Advocates' proposal represents a fair compromise between various party positions that either favor modifying or retaining the current Medical Baseline Discount.¹⁴⁵ TURN supports Cal Advocates' proposal because it aligns the effective discounts received by Medical Baseline customers on tiered and non-tiered rates.¹⁴⁶ The City of San Diego suggests that SDG&E's proposal should be implemented over the next two GRC cycles and only after the Commission has addressed customers' affordability concerns.¹⁴⁷

¹⁴² Ex. CalAdv-08 at 7-12.

¹⁴³ Ex. TURN-1E at 50.

¹⁴⁴ Ex. CSD-2 at 2.

¹⁴⁵ Ex. SDGE-13 at 3.

¹⁴⁶ Ex. TURN-1E at 41.

¹⁴⁷ Ex. CSD-2 at 2.

CforAT opposes SDG&E's proposal because it would unduly reduce benefits to Medical Baseline customers that have affordability concerns.¹⁴⁸ UCAN agrees.¹⁴⁹ However, CforAT suggests that SDG&E's proposal could be addressed in SDG&E's next GRC Phase 2 proceeding.¹⁵⁰

The Medical Baseline Settlement Agreement includes the following provisions; SDG&E Medical Baseline customers enrolled on any rate schedule, with tiered or untiered rates, will receive (1) a line-item discount in lieu of a rate discount; (2) approximately the same effective discount of approximately 20% by the end of a four-year glidepath. SDG&E Medical Baseline customers on a tiered rate will receive a 9.5% Medical Baseline discount at the end of the four-year glidepath, while SDG&E Medical Baseline customers on an untiered rate will receive an effective 20% discount at the end of the four-year glidepath. SDG&E Medical Baseline customers that are eligible to receive CARE and the FERA rate discounts can receive both discounts. SDG&E will provide data on the (1) number of disconnections and (2) total dollar amount of residential customers in arrears for Medical Baseline customers that are enrolled or not enrolled in the CARE and the FERA Programs in its monthly disconnections report during the four-year glidepath.¹⁵¹

CforAT, UCAN, and the City of San Diego claim that the Medical Baseline Settlement Agreement calls for substantial bill increases for Medical Baseline

¹⁴⁸ Ex. CforAT-1 at 1-2.

¹⁴⁹ Ex. UCAN-2 at 12-13.

¹⁵⁰ Ex. CforAT-1 at 3-4.

¹⁵¹ Medical Baseline Settlement Agreement at 7-9.

customers with no proposed bill protection measures.¹⁵² CforAT estimated that the average annual bill increase for Medical Baseline customers at the end of the glidepath would range from \$446.75 and \$564.96.¹⁵³ Further, the City of San Diego highlights that Medical Baseline customers cannot reduce electricity consumption to power medical equipment.¹⁵⁴ Additionally, CforAT, UCAN, and the City of San Diego state there is no method to modify the proposed glidepath to increase the Medical Baseline discount if disconnection data shows that Medical Baseline customers are harmed.¹⁵⁵

In response, SDG&E, Cal Advocates, and TURN note that CforAT's estimated bill impacts are for Medical Baseline customers that are not low-income and do not comprise a large percentage of all Medical Baseline customers.¹⁵⁶ SDG&E, Cal Advocates, and TURN state that the roughly 4% annual decline in the Medical Baseline discount would not result in a large initial bill impact; and imposition of the income graduated fixed charge (IGFC) will

¹⁵² Opposition of CforAT, UCAN, and City of San Diego to Motion of the San Diego Gas and Electric Company, Cal Advocates, TURN for Adoption of Medical Baseline Settlement Agreement in the 2024 GRC Phase 2 at 2.

¹⁵³ Opposition of CforAT, UCAN, and City of San Diego to Motion of the San Diego Gas and Electric Company, Cal Advocates, TURN for Adoption of Medical Baseline Settlement Agreement in the 2024 GRC Phase 2 at 6.

¹⁵⁴ Opposition of CforAT, UCAN, and City of San Diego to Motion of the San Diego Gas and Electric Company, Cal Advocates, TURN for Adoption of Medical Baseline Settlement Agreement in the 2024 GRC Phase 2 at 4.

¹⁵⁵ Opposition of CforAT, UCAN, and City of San Diego to Motion of the San Diego Gas and Electric Company, Cal Advocates, TURN for Adoption of Medical Baseline Settlement Agreement in the 2024 GRC Phase 2 at 3.

¹⁵⁶ Joint Reply Comments of SDG&E, Cal Advocates, and TURN in Support of the Medical Baseline Settlement Agreement at 4.

result in less revenue recovery from volumetric rates, which in turn would also decrease the impact of a reduced Medical Baseline discount.¹⁵⁷

The Medical Baseline Settlement Agreement provides for SDG&E's Medical Baseline customers to receive approximately an effective discount of approximately 20% by the end of a four-year glidepath, regardless of rate schedule and structure (i.e. tiered or untiered rates).

According to the Medical Baseline Settlement Agreement, SDG&E's tiered rate Medical Baseline customers will receive an average 11.5% baseline allowance discount combined with a 9.5% line-item discount at the end of the four-year glidepath. SDG&E's Year 1 Medical Baseline discount would be implemented on January 1 in the year after Commission approval, while subsequent annual Medical Baseline discounts would be implemented on January 1 of the following years. The proposed method to calculate the Medical Baseline discount will replace the existing embedded rate discounts but will not replace their additional baseline kilowatt-hour allocation pursuant to California Pub. Util. Code § 739(c). SDG&E's untiered rate Medical Baseline customers, except for customers enrolled on TOU-ELEC, will receive an effective rate discount of 20% on January 1 in the year after Commission approval. SDG&E's Medical Baseline customers who are also eligible for another discount program like CARE or FERA can receive both discounts. Medical Baseline customers enrolled on the TOU-ELEC rate would remain at a 20% line-item discount.¹⁵⁸

¹⁵⁷ Joint Reply Comments of San Diego Gas & Electric, Cal Advocates, and TURN in Support of the Medical Baseline Settlement Agreement at 5.

¹⁵⁸ Medical Baseline Settlement Agreement at 5.

The Medical Baseline Settlement Agreement also provides for SDG&E to share data on Medical Baseline customers regarding the number of customers experiencing disconnection in its monthly disconnections report for the four-year term of the glidepath. SDG&E will also include Medical Baseline customer data on the total dollar amount of residential customers in arrears in its monthly disconnections report for the four-year term of the glidepath. SDG&E will report this information separately for Medical Baseline customers who are enrolled in CARE/FERA, and for Medical Baseline customers not enrolled in CARE/FERA.

In light of the whole record, and because it is consistent with law, and in the public interest, we adopt the Medical Baseline Settlement Agreement. It is reasonable to adopt the Medical Baseline Settlement Agreement because it enables all SDG&E Medical Baseline customers enrolled on untiered rates to receive a Medical Baseline Discount, aligns SDG&E's Medical Baseline Discount in the range of effective Medical Baseline Discounts offered by PG&E and SCE, reduces the cost shift to SDG&E's non-Medical Baseline customers, and will be implemented during four-year glidepath to minimize rate impacts. The Medical Baseline Settlement provides for all SDG&E Medical Baseline customers enrolled on untiered rates to receive a Medical Baseline Discount. The Medical Baseline Settlement also aligns SDG&E's Medical Baseline Discount (i.e., within 11% to 12%) in the range of effective Medical Baseline Discounts offered by PG&E and SCE. This will reduce the cost shift to SDG&E's non-Medical Baseline customers.

We do acknowledge that SDG&E's Medical Baseline customers will receive a lower discount. However, the proposed reduction in the Medical Baseline Discount will be implemented such that Medical Baseline customers

will observe an annual 4% decrease in the Medical Baseline discount along a four-year glidepath versus seeing an immediate and steep decline in their benefits. Further, low-income customers that receive the Medical Baseline Discount may also receive additional benefits through CARE and FERA enrollment.

7. Whether the SAPC Methodology Should be Modified

The SAPC is a methodology used to update rates so that each customer class experiences an equal percentage change in rates based on the SAPC.¹⁵⁹ The purpose of adopting the SAPC methodology in SDG&E's 2019 GRC Phase 2 proceeding, A.19-03-002, was to preserve rate stability between rate proceedings.

In the current SAPC methodology, new class average rates are calculated by multiplying forecasted class average sales (kWh) by an SAPC factor, which is the ratio of proposed system revenues or costs (\$) and current system revenues or costs (\$).¹⁶⁰ SDG&E claims this "allows for a quicker review and validation at the class average rate level", provides for a better comparison of rate impacts among customer classes, and is more readily reviewed and comprehended by internal and external stakeholders.¹⁶¹

Parties do not oppose using the SAPC methodology to set rates in this proceeding. However, UCAN does not agree with SDG&E's calculation of the

¹⁵⁹ Ex. UCAN-01 at 14.

¹⁶⁰ Ex. UCAN-01 at 15-16.

¹⁶¹ SDG&E Opening Brief at 6.

SAPC factor.¹⁶² Although UCAN recommended use of the SAPC methodology in SDG&E's 2019 GRC Phase 2 proceeding to promote rate stability, UCAN contends that in the instant proceeding SDG&E's use of the SAPC factor to set rates should not only address rate stability but also rate inequities.¹⁶³ UCAN claims that SDG&E's SAPC methodology calculates current system revenues by multiplying SDG&E's class *average* rates only by forecasted sales (kWh). UCAN states that SDG&E's SAPC methodology relies on SDG&E's previous load forecast versus an updated load forecast.¹⁶⁴ According to UCAN, this is noteworthy because SDG&E's forecasted load (kW) impacts its class rates and revenues. On this basis, UCAN claims that SDG&E's SAPC methodology that only incorporates forecasted sales (kWh) is flawed.¹⁶⁵ As a result, UCAN states that SDG&E's SAPC methodology does not result in each customer class receiving the same average rate change.¹⁶⁶

To address this perceived flaw, UCAN recommends that SDG&E's system revenues, that are used to determine the SAPC factor, should be calculated by multiplying SDG&E's current *detailed* rates by its proposed forecasted billing determinants, including forecasted load (kW), forecasted sales (kWh) and other determinants. UCAN claims that use of forecasted billing determinants in the SAPC methodology captures the effect of changing load shapes on SDG&E's

¹⁶² SDG&E Opening Brief at 4.

¹⁶³ Ex. UCAN-01 at 16.

¹⁶⁴ UCAN Opening Brief at 5.

¹⁶⁵ Ex. UCAN-01 at 17.

¹⁶⁶ UCAN Opening Brief at 3.

revenues.¹⁶⁷ According to UCAN's estimate, application of their revised SAPC methodology that incorporates forecasted billing determinants yields the same rate adjustment factor across all customer classes.¹⁶⁸ UCAN presents their analysis that shows how load shape changes impact average rate calculations.¹⁶⁹

SDG&E refutes UCAN's claims. First, SDG&E states that the 2019 GRC Phase 2 Settlement Agreement adopted in D.21-07-010 does not specify that the SAPC methodology should be based on detailed rates versus class average rates. SDG&E also explains that its SAPC methodology relies on annual forecasted loads that are in accordance with the adoption of annual sales forecasts in the Electric Procurement Revenue Requirement proceeding.¹⁷⁰

SDG&E advocates for using its SAPC methodology because it permits a quicker review and validation at the class average rate level, and provides a better comparison for how customer classes are impacted relative to one another and over time.¹⁷¹ SDG&E points out that UCAN's revised SAPC methodology does not take into account the complex rate design that incorporates TOU rates, demand charges, and customer charges.¹⁷² SDG&E also discounts UCAN's analysis of how average rate calculations are impacted by load shape. Further, SDG&E calls into question UCAN's analysis because it was introduced in briefs

¹⁶⁷ Ex. UCAN-01 at 17.

¹⁶⁸ Ex. UCAN-1 at 18.

¹⁶⁹ UCAN Opening Brief at 6.

¹⁷⁰ SDG&E Reply Brief at 4.

¹⁷¹ SDG&E Opening Brief at 5.

¹⁷² Ex. SDGE-12 at 9.

which did not permit a thorough vetting by parties through rebuttal testimony and data request responses.¹⁷³

Based on a review of the record, it is reasonable to adopt UCAN's recommendation that SDG&E should use a SAPC methodology that calculates current system revenues by multiplying SDG&E's current detailed rates by its proposed forecasted billing determinants, including forecasted load (kW), forecasted sales (kWh) and other determinants to update rates. We agree with UCAN that the current SAPC methodology, which SDG&E proposes to retain, does not account for changes in forecasted load which is essential for informing stronger TOU differentials and dynamic rates that signal ratepayers to shift their load accordingly. We also agree with UCAN that inclusion of forecasted load in the SAPC methodology should provide for a smooth allocation of revenues to all customer classes.

8. Whether the Power Charge Indifference Amount (PCIA) Rate Component Should be a Separate Line-Item on Bundled Customer Bills

Both bundled and unbundled customers are responsible for paying the above market costs of SDG&E's generation resources procured on their behalf, which is recovered in the PCIA and reflected in customer bills as a PCIA rate (\$/kWh). While bundled customers pay for energy and the delivery of energy, unbundled customers, including community choice aggregators (CCAs), only pay for the delivery services from SDG&E but obtain energy from another supplier.

¹⁷³ SDG&E Reply Brief at 5.

The Joint CCAs argue that SDG&E should redesign all energy or commodity rates in bundled customer bills to show the PCIA rate component which is currently embedded in SDG&E's generation rate.¹⁷⁴ Because SDG&E's current bill presentment for bundled customers only references PCIA charges in the fine print of a supplementary section, the Joint CCAs suggest that SDG&E clearly display the PCIA rate as a separate line-item in its Electric Energy Commodity Cost (EECC) tariffs with other generation charges. With this change, the Joint CCAs contend that customers can make useful, transparent, comparisons between bundled and unbundled rates and avoid any competitive disadvantage imposed on CCAs.¹⁷⁵ ¹⁷⁶ To highlight this issue, the Joint CCAs cite the Commission's precedent for ordering Pacific Gas & Electric in D.21-11-016 to present the PCIA rate separately on bundled customer bills.¹⁷⁷

SDG&E refutes the Joint CCAs' contention that presenting a line-item PCIA rate in bundled customer bills would provide more transparency than showing a PCIA charge.¹⁷⁸ According to SDG&E, the Commission did not specify in D.21-11-016 that the transparency of PG&E customer bills or customer understanding of PG&E tariffs would be enhanced.¹⁷⁹ SDG&E believes that providing a PCIA rate, reported in \$/kWh, would distract customers from the

¹⁷⁴ Opening Brief of SDCP and CEA at 2.

¹⁷⁵ Opening Brief of SDCP and CEA at 3.

¹⁷⁶ Opening Brief of SDCP and CEA at 13.

¹⁷⁷ Opening Brief of SDCP and CEA at 3. D.21-11-016 is the final decision in PG&E's 2020 GRC Phase 2 proceeding.

¹⁷⁸ Opening Brief of SDG&E at 10.

¹⁷⁹ Reply Brief of SDG&E at 7.

“more important and impactful” TOU rate, also reported in \$/kWh, that has a greater impact on customer bills.¹⁸⁰ While SDG&E does agree that adding a PCIA rate to bundled customers’ bills would make them more similar to CCA customer bills, SDG&E does not believe that such a change is necessary or reasonable.¹⁸¹

In lieu of granting the Joint CCAs’ request, SDG&E suggests that bundled customer bill presentment should be addressed in a holistic manner, so that it aligns with bill presentment for NEM or NBT customers, and when the IGFC has been implemented. Further, SDG&E suggests that this issue should be addressed in the joint comparison SDG&E and CCA rates, pursuant to D.12-12-036.

Based on arguments put forward by the Joint CCAs in testimony, and in comments on this proposed decision, it is reasonable to require SDG&E to show the PCIA rate as a separate line-item both in its EECC tariffs and on bundled customer bills.¹⁸² Here we emphasize that volumetric charges should be displayed in a fair manner on both bundled and unbundled customer bills. Placement of a PCIA rate in a separate line-item in EECC tariffs and on bundled customer bills will help customers better understand that the PCIA charge is not a fixed charge.

While we agree that a more detailed joint comparison of SDG&E and CCA rates and bills would enhance customer understanding about PCIA charges, it would not show how a PCIA rate is used to calculate a PCIA charge on bundled

¹⁸⁰ Opening Brief of SDG&E at 10.

¹⁸¹ Opening Brief of SDG&E at 11.

¹⁸² SDCP and CEA Opening Comments on Proposed Decision at p. 3-4.

customer bills that vary from month to month. Further, SDG&E did not put forward any evidence to support its claim that a PCIA rate on customer bills would impact customer response to TOU price signals. It is also unclear when and in what regulatory venue a holistic representation of bill components, including but not limited to the IGFC, will be addressed. For these reasons, it is reasonable to require SDG&E to (1) show the PCIA rate on bundled customer bills. in the same manner it currently displays the PCIA on unbundled customer bills as a volumetric rate and (2) delineate the PCIA from bundled commodity rates in its EECC tariffs. As a mechanism for tracking costs, we agree with SDG&E that it is reasonable for SDG&E to create a new PCIA Billing Change Memorandum Account to record the actual incremental implementation costs of implementing PCIA-related rate, tariff, and billing changes and for SDG&E to request recovery of such costs.¹⁸³

9. Whether San Diego Gas & Electric Company's Commodity and Distribution Tariffs Should be Combined

The City of San Diego recommends that the Commission require SDG&E to combine its EECC tariffs (i.e. generation and generation capacity tariffs) and Utility Distribution Company (UDC) tariffs (i.e. transmission and distribution tariffs) for all non-residential customers.¹⁸⁴ For simplicity, The City of San Diego claims that this measure would allow customers to only review a single tariff and avoid confusing Direct Access and CCA customers that need to view separate

¹⁸³ SDG&E Opening Comments on Proposed Decision at 7.

¹⁸⁴ Opening Brief of City of San Diego on Unsettled Issues at 4.

tariffs to examine various rates and charges.¹⁸⁵ Plus, the City of San Diego argues that consolidating the EECC and UDC tariffs would align tariff policies for PG&E, SCE, and SDG&E.¹⁸⁶ Farm Bureau agrees. As a remedy, Farm Bureau recommends that SDG&E should be directed to consolidate all charges for a single rate option into one tariff.¹⁸⁷

According to the City of San Diego, the requirement to combine commodity and distribution tariffs should have been resolved after the Commission adopted the Settlement Agreement in SDG&E's 2019 GRC Phase 2 (A.19-03-002) in D.21-07-010. In the Settlement Agreement, SDG&E agreed to provide an illustrative tariff with a simplified structure that combines commodity and distribution tariffs in either the next GRC 2 or Rate Design Window proceeding. While SDG&E's testimony in this proceeding introduces an illustrative tariff, the City of San Diego claims that SDG&E has not chosen to implement it in the Partial Settlement Agreement in this proceeding.¹⁸⁸

SDG&E disputes the City of San Diego's assertion that SDG&E failed to satisfy its 2019 GRC Phase 2 Settlement Agreement terms relating to consolidation of EECC and UDC tariffs. According to SDG&E, implementation of a consolidated tariff is contingent upon a decision in SDG&E's current GRC Phase 2 proceeding. Because the City of San Diego signed the Partial Settlement

¹⁸⁵ Opening Brief of City of San Diego on Unsettled Issues at 11.

¹⁸⁶ Opening Brief of Farm Bureau on Unsettled Issues at 3.

¹⁸⁷ Reply Brief of Farm Bureau on Unsettled Issues at 8.

¹⁸⁸ Opening Brief of Farm Bureau on Unsettled Issues at 3. Opening Brief of City of San Diego on Unsettled Issues at 3.

Agreement in this proceeding, SDG&E claims that the City of San Diego has waived its right to propose modifications to SDG&E's bill presentation.

SDG&E states that CCA customers comprise 80% of the customers in its service territory and only receive delivery services. Given this, SDG&E contends that it is important for CCA customers to see separate commodity and distribution tariffs to avoid confusion. To address the City of San Diego's and Farm Bureau's concern, SDG&E recommends that the Commission hold an all-party workshop for non-residential customers to deliberate the merits of tariff consolidation.

Based on arguments put forward by the City of San Diego, it is reasonable to require SDG&E to combine its EECC tariffs and UDC tariffs for non-residential customers. We agree with the City of San Diego that combining these tariffs will facilitate customer review of a single tariff and avoid confusing Direct Access and CCA customers that need to view separate tariffs to examine various rates and charges. Based on our determination, we do not require that an all-party workshop should be convened by the Commission to deliberate the merits of EECC tariff and UDC tariff consolidation.

10. Uncontested Issues

The Joint Status Report detailed ten uncontested proposals from SDG&E.¹⁸⁹ In the following section, we review, assess, and provide a determination on each proposal.

¹⁸⁹ Joint Status Report at 6-7.

10.1. Movement of Seasonal Differential from Utility Distribution Company (UDC) Total Rate Adjustment Component (TRAC) to Commodity Rates

SDG&E proposes to eliminate the seasonal differential between winter and summer rates in its residential tiered rate schedules by moving the seasonal differential adjustment from the UDC TRAC rate component to the commodity or EECC rate component, which is consistent with the treatment of SDG&E's 14 residential untiered TOU rate schedules which do not include TRAC components.^{190 191} SDG&E explains that TRAC "is the rate component designed to discount the Tier 1 baseline energy rate using a set differential and recover the cost of subsidized Tier 1 energy through the upper tier rates to ensure compliance with tier differential requirements, all while keeping the rates revenue neutral."¹⁹² According to SDG&E, moving the seasonal differential from UDC TRAC is necessary because the "majority of distribution costs" are not impacted by seasonal differences and therefore do not justify "significantly higher rates" in winter.¹⁹³

To balance the removal of the seasonal differential from UDC TRAC, SDG&E proposes to create non-seasonal volumetric commodity rates for residential tiered TOU rate schedules. For residential tiered TOU rate schedules, SDG&E proposes to move some generation capacity costs from summer to

¹⁹⁰ Joint Status Report at 6.

¹⁹¹ Ex. SDGE-10-R at 10.

¹⁹² Ex. SDGE-10-R at 10.

¹⁹³ Ex. SDGE-10-R at 9.

winter, more evenly distribute the commodity revenue between winter and summer seasons, and set the summer Super Off-Peak period commodity rate to marginal cost.¹⁹⁴ This approach is intended to reduce seasonal bill volatility, maintain rate design consistency, and minimize bill impacts to customers.¹⁹⁵

Based on our review, it is reasonable to approve SDG&E's proposal to move the seasonal differential from the UDC TRAC component to the EECC component in residential tiered rates because it aligns with Commission Rate Design Principle #3, which states that rates should be based on cost causation. We further agree with SDG&E that this change will maintain rate design consistency.

10.2. Adjustment of the Distribution Super Off-Peak Rate for Schedule EV-TOU-5

SDG&E proposes raising the Super Off-Peak distribution rate in Schedule EV-TOU-5 annually by 1.1 cents/kWh so that it will be set at marginal cost at the end of a three-year glidepath. According to SDG&E, this change is needed to comply with Commission Rate Design Principle #2, which states that rates should be based on marginal cost. Even with this proposed rate increase, SDG&E explains that the EV-TOU-5 Super Off-Peak distribution rate is below other distribution rates and maintains an incentive for transportation electrification.¹⁹⁶

Because it will enable compliance with Commission Rate Design Principle #2, while preserving an incentive for transportation electrification

¹⁹⁴ Ex. SDGE-10-R at 14.

¹⁹⁵ Ex. SDGE-10-R at 11.

¹⁹⁶ Ex. SDGE-10-R at 20-21.

through reduced electricity pricing, it is reasonable to approve SDG&E's proposal to raise the Super Off-Peak distribution rate in Schedule EV-TOU-5.

10.3. Street Lighting Rate Proposal

SDG&E proposes to update its streetlighting rates based on results from its street lighting cost study. Cost study results were utilized to develop street lighting rates for SDG&E and customer owned street light installations (Schedule LS-1 (Lighting-Street and Highway, Utility-Owned), Schedule LS-2 (Lighting-Street and Highway, Customer-Owned), Schedule LS-2 DS (Lighting-Street and Highway, Dimmable Customer-Owned), Schedule LS-2 AD (Lighting-Street and Highway, Customer-Owned, Ancillary Device Installations), outdoor area lighting installations (Schedule OL-1, Schedule OL-2), and residential walkways (Schedule DWL). To calculate updated distribution rates, SDG&E utilized a Street Lighting Model that included updated lighting determinants, updated lighting facilities and maintenance costs, updated marginal distribution costs, updated revenue allocation factors, and updated distribution escalation. For non-distribution rate components including transmission, distribution, PPP, nuclear decommissioning (ND), ongoing CTC, LGC, reliability services (RS), Wildfire Non-Bypassable Charge (WF-NBC), Department of Water Resources Bond Charge (DWR-BC), and the electric energy commodity charge (EECC), SDG&E utilized a Consolidated Model.

Per the 2019 GRC Phase 2 Settlement Agreement, adopted in D.21-07-010, SDG&E agreed to convert Schedule OL-1 lamps to Light Emission Diode (LED) technology. The distribution rates for Schedule OL-1 LED were also calculated with the Street Lighting Model.

When examining Street Light Model results, SDG&E's Schedule LS-1 rates range from \$4.74/lamp to \$67.14/lamp (8.3% change from \$62.00/lamp in 1/1/2023), Schedule LS-2 rates range from \$0.27/lamp to \$114.3/lamp (1.07% change from \$113.23/lamp in 1/1/2023), Schedule OL-1 rates range from \$20.09/lamp to \$123.58/lamp (3.14% change from \$120.44/lamp in 1/1/2023), Schedule OL-2 energy charge change from \$0.37 to \$0.36, Schedule DWL energy and lamp maintenance charge change from \$7.65 to \$8.13. The new rates for Schedule OL-1 LED rates range from \$7.81 to \$37.91.

Based on the minimal rate impacts observed in SDG&E's streetlighting study, it is reasonable to approve SDG&E's proposed updated rates for Schedule LS-1, Schedule LS-2, Schedule LS-2 DS, Schedule LS-2 AD, Schedule OL-1, Schedule OL-2, and Schedule DWL. Given the improvement in lighting efficiency achieved through upgrading OL lamp technology, it is reasonable to approve SDG&E's new rates for Schedule OL-1 LED.

10.4. Creation of a Medium Commercial Class and Migration of TOU-M Customers to the Medium Commercial Class

Pursuant to the 2019 GRC Phase 2 Settlement Agreement, adopted in D.21-07-010, SDG&E agreed to conduct a study to determine if it is feasible to disaggregate its Medium and Large Commercial and Industrial class into two distinct customer classes: a Medium Commercial class and Large Commercial and Industrial class. According to SDG&E, results from the study show that the cost to serve customers with demand under 200kW differs from costs to serve customers with demand above 200kW customers in the existing Medium and Large Commercial Industrial class. SDG&E also observed that there are enough

customers with demand between 20 and 200 kW enrolled on SDG&E's Commercial rates to develop a separate Medium Commercial class. In support of its proposal, SDG&E notes that the Commission has previously used 200 kW as a demand threshold to distinguish Medium and Large Commercial customers.¹⁹⁷

If authorized by the Commission, SDG&E proposes to migrate TOU-M customers to the Medium Commercial class. SDG&E explains that TOU-M customers are currently categorized as Small Commercial customers.¹⁹⁸ In its proposal, SDG&E would structure Schedule TOU-M as a "three period, seasonally differentiated TOU rate with volumetric distribution rates and a non-coincident demand charge and a variable monthly MSF based on demand, available to customers with maximum demands of 40 kW."¹⁹⁹

Based on our review, it is reasonable to approve SDG&E's proposal to create a Medium Commercial class based on study results that show costs to serve customers in this new customer class differ from costs to serve customers in the Large Commercial and Industrial class. It is also reasonable for SDG&E to migrate Schedule TOU-M customers to the Medium Commercial class because the demand threshold of 40 kW for these customers lies within the 20 kW to 200 kW demand range for Medium Commercial class customers.

¹⁹⁷ Ex. SDGE 3-R at 18.

¹⁹⁸ Ex. SDGE 3-R at 20.

¹⁹⁹ Ex. SDGE 3-R at 22.

10.5. Revenue Allocation for Competition Transition Charge, Local Generation Charge, Demand Response, and Public Purpose Program Subcomponents

SDG&E proposes to maintain use of the SAPC methodology to allocate Competition Transition Charge (recovers costs for power plants and long-term power contracts that are uneconomic due a shift to competitive generation resource procurement), Local Generation Charge (recovers new generation costs on a non-bypassable basis from all customers, consistent with the requirements of the Cost Allocation Mechanism (CAM) set forth in Rulemaking 06-02-013 and D.06-07-029)²⁰⁰, and Demand Response (a demand-side program that provides economic incentives to customers that reduce or shift demand during periods of peak demand revenues to customer classes). Aside from Energy Efficiency revenues, SDG&E also proposes to maintain use of the equal cents per kWh methodology to allocate PPP revenues (California Alternate Rates for Energy, Federal Electric Rate Assistance Program, Food Bank, Energy Savings Assistance Program, and Electric Program Investment Charge) that are tied to sales, and PPP revenues that are not tied to sales (Self-Generation Incentive Program, Tree-Mortality Non-Bypassable Charge, and the California Solar Initiative) maintaining the methodology as adopted in D.21-07-010, in the 2019 GRC Phase 2 proceeding.²⁰¹

Given the Commission's adoption of the Partial Settlement proposal for SDG&E to use the SAPC methodology to allocate distribution and commodity

²⁰⁰ Ex. SDGE 3-R at 6.

²⁰¹ Ex. SDGE 3-R at 6 and D.21-07-010 at 20-22.

revenues, it is reasonable for SDG&E to also use the SAPC methodology to allocate Competition Transition Charge, Local Generation Charge, and Demand Response revenues to customer classes. This will maintain consistency in the treatment of revenue allocation for SDG&E's rate elements.

10.6. Increasing the Line-Item Discount for Non-Residential California Alternate Rates for Energy Customers

SDG&E's non-residential California Alternative Rates for Energy (Expanded California Alternative Rates for Energy or E-Low Income (E-LI)) program is intended for non-profit, group living facilities and agricultural employee housing facilities. Currently, the E-LI program discount exempts enrolled customers from the Department of Water Resources-Bypassable Charge, Wildfire-Non-Bypassable Charge, VGI rate, and the California Alternative Rates for Energy surcharge, provides a line-item 20% discount, and an additional reduced, flat commodity rate (E-LI commodity rates) that results in a 35% E-LI discount as authorized in D.15-07-001.²⁰²

In this proceeding, SDG&E proposes to move the E-LI discount in commodity rates to each E-LI customer's respective and applicable TOU commodity tariff and increase the line-item discount from 20% to 35%. SDG&E wishes to make this change because it would simplify the rates model used to develop the E-LI rate, create administrative efficiencies, provide more rate

²⁰² Ex. SDGE-8 at 7.

transparency, and incentivize more efficient energy use through customer use of TOU rates.²⁰³

Because increasing the E-LI line-item discount from 20% to 35% and moving the E-LI discount from the commodity rate to an E-LI customer's applicable TOU-based commodity rate, E-LI customers will have more transparency about their total rate discount and greater opportunity for shifting load, it is reasonable to adopt SDG&E's proposal to redesign E-LI rates.

10.7. Combination of Schedules DS, DT, and DT-RV into a Single Submetered Tariff

SDG&E proposes to combine residential submetered multi-family tariffs Schedule DS (a tariff for residential customers that live in multi-unit dwellings whose electricity consumption measured on submeters), Schedule DT (a tariff for residential customers that live in mobile home parks whose electricity consumption measured on submeters), and Schedule DT-RV (a tariff for residential customers that live in residential vehicle parks and residential marinas whose electricity consumption measured on submeters) into a single tariff. While each of these tariffs has different eligibility criteria and discounts, SDG&E states that they have the same tiered rates and baseline allowances. SDG&E claims that consolidation of these tariffs would increase administrative efficiency while continuing to provide customers with the ability to view rates on their respective bills and access their applicable rate, rate discount, and special conditions on the new tariff.²⁰⁴

²⁰³ Ex. SDGE-8 at 7.

²⁰⁴ Ex. SDGE-8 at 2-3.

To enhance SDG&E's administrative efficiency, it is reasonable to approve SDG&E's proposal to consolidate Schedule DS, Schedule DT, and Schedule DT-RV into a single tariff.

**10.8. Schedules VGI and PUBLIC GIR
Commodity and Distribution Rate
Proposals**

SDG&E proposes modifying the commodity and distribution rates for Schedules Electric VGI (Electric Vehicle Grid Integration Pilot Program) and PUBLIC GIR.²⁰⁵

First, SDG&E wishes to replace the Distributed Generation Renewable (DG-R) under collection and over collection, applied to both VGI and PUBLIC GIR, and the Critical Peak Pricing under collection and over collection, applied to PUBLIC GIR with their class average under collection and over collections. Second, SDG&E wishes to apply the Critical Peak Pricing under collection and over collection to Schedule VGI.

SDG&E states that these changes align with its current Real Time Pricing proposal, enable Schedule VGI and Schedule PUBLIC GIR customers to contribute to commodity and distribution costs like other customers in the Medium or Large Commercial classes, and create administrative efficiency.²⁰⁶ When comparing 1/1/2023 rates to 2024 GRC Phase 2 rates, SDG&E estimates that Schedule VGI customer commodity base rates would change from 8.3 cents/kWh to 9.0 cents/kWh and distribution base rates would change from 5.14 cents/kWh

²⁰⁵ Ex. SDGE-8 at 8.

²⁰⁶ Ex. SDGE-8 at 8.

to 5.19 cents/kWh. For the same timeframe, SDG&E estimates that Schedule PUBLIC GIR customer commodity base rates would change from 9.1 cents/kWh to 9.0 cents/kWh and distribution base rates would change from 7.294 cents/kWh to 7.290 cents/kWh.²⁰⁷

We agree with SDG&E that it is important, when feasible, to establish a uniform method to collect commodity and distribution costs from customers enrolled on dynamic rates. In addition, SDG&E proposal does not impose an excessive rate increase (i.e. Schedule VGI customer commodity base rates would change from 8.3 cents/kWh to 9.0 cents/kWh, which represents an 8.4% increase). For these reasons, it is reasonable to approve SDG&E's proposal to modify the commodity and base rates for Schedule VGI and Schedule PUBLIC GIR.

10.9. Marginal Flexible Capacity Cost Proposal

Pursuant to the 2019 GRC Phase 2 Settlement Agreement, adopted in D.21-07-010, SDG&E agreed to evaluate flexible capacity as a marginal cost component.²⁰⁸ Flexible capacity is generation capacity needed to moderate power to the electric grid during ramping periods, or periods when there is a rapid increase in electric demand. CAISO conducts a study each year to determine the monthly need for flexible capacity to maintain system reliability.²⁰⁹ Based on CAISO's findings, load serving entities that provide electric service to retail and

²⁰⁷ Ex. SDGE-8, Attachment C.

²⁰⁸ Ex. SDGE-5 at 11.

²⁰⁹ CAISO Final Flexible Capacity Needs Assessment for 2026 at 1.

wholesale customers, including SDG&E, are required to secure sufficient flexible capacity to serve load during a 3-hour upward ramping period.²¹⁰

According to SDG&E, the cost of flexible capacity can be measured as the lesser of two values: the cost to construct a new battery storage facility, used to deliver power during ramping periods, or the cost to curtail solar generation, or the opportunity cost of not providing solar generation to the electric grid.²¹¹ The cost to provide an incremental unit of flexible capacity is the marginal cost of flexible capacity.

For this proceeding, SDG&E used the process detailed in the CAISO's Final Flexible Capacity Needs Assessment for 2023 for determining its own flexibility capacity needs during 3- hour ramping periods in the San Diego and Imperial Valley. According to its 2024-2027 load forecast, SDG&E determined that the 3-hour ramp "never exceeded the supply of resources" needed to provide flexible capacity. On this basis, SDG&E proposes to set the value of marginal flexible capacity cost at \$0.00.

Based on this information from SDG&E, it is reasonable for SDG&E to set the value marginal flexible capacity cost at \$0.00.

11. Summary of Public Comments

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b)

²¹⁰ CAISO Presentation "Flexible Capacity Needs and Availability Assessment Hours Technical Study for 2020" at Slide 4.

²¹¹ Ex. SDGE-5 at 11.

requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. Over 400 public comments were received. Several comments focused on the impact of imposing a year-round super off-peak period on SDG&E's non-solar customers. Many of the comments related to implementation of the IGFC on rates and on NEM customers which is not in the scope of this proceeding.

12. Procedural Matters

This decision affirms all rulings made by the assigned ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

13. Comments on Proposed Decision

The proposed decision of ALJ Rajan Mutialu in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3. Comments were filed on September 2, 2025 by CSD, CEA and SDCP, SDG&E, UCAN, CforAT, Cal Advocates, and Farm Bureau, and reply comments were filed on September 8, 2025 by CEA and SDCP, SDG&E, and SEIA. Reply comments were filed by UCAN on September 9, 2025.

Based on SDG&E's comments, additional time is needed to implement various rate and tariff changes approved by the Commission in this decision.²¹² Accordingly, SDG&E is required to submit its Consolidated Tier 1 Advice Letter to implement changes to its rates, tariffs, and rate design methodologies for rates effective as of January 1, 2026, within 60 days of approval of this decision. To prepare changes to its rates, tariffs, and rate design methodologies to address necessary billing system updates, customer marketing, education and outreach,

²¹² SDG&E Opening Comments on the Proposed Decision at 2.

and avoidance of split bills due to changes to Super-Off-Peak time-of-use periods, SDG&E is required to file a Tier 1 Advice Letter by February 1, 2026, to be implemented by April 1, 2026.

14. Assignment of Proceeding

President Alice Reynolds is the assigned Commissioner and Rajan Mutialu is the assigned ALJ in this proceeding.

Findings of Fact

1. Ten parties joined the Partial Settlement Agreement: SDG&E, Cal Advocates, TURN, UCAN, City of San Diego, CALSLA, SBUA, FEA, SEIA, and CFBF.

2. No party opposed the Partial Settlement Agreement.

3. Nine parties joined the Marginal Cost Settlement Agreement: SDG&E, Cal Advocates, TURN, UCAN, City of San Diego, CALSLA, SBUA, FEA, and CFBF.

4. SEIA opposed the Marginal Cost Settlement Agreement.

5. Three parties joined the Medical Baseline Settlement Agreement: SDG&E, Cal Advocates, and TURN.

6. UCAN, the City of San Diego, and CforAT opposed the Medical Baseline Settlement Agreement.

7. SDG&E's proposal to expand the weekday Super Off-Peak period to include 10AM to 2PM year-round is supported by its marginal cost analysis.

8. Marginal distribution demand costs are developed based on the National Economic Research Associates regression analysis.

9. Using National Economic Research Associates regression analysis to calculate marginal distribution demand costs is reasonable.

10. A rolling maximum method effectively handles any load decreases in data used in the National Economic Research Associates' Regression Method to calculate marginal distribution demand costs.

11. SDG&E included 2022 data in the forecasted data at the time of submitting its application on January 17, 2023.

12. Cal Advocates included 2022 historical data at the time of its testimony submission on December 8, 2023.

13. Cal Advocates' Marginal Energy Costs were modeled using a more current software version than SDG&E's illustrative Marginal Energy Costs.

14. The original purpose of the Total Rate Adjustment Component was to provide a baseline adjustment for SDG&E's residential tiered rate schedules based on a set tier differential.

15. Seasonal differences in SDG&E's residential tiered rates are currently handled through the TRAC.

16. Currently, residential customers on tiered schedules pay higher delivery rates in winter than in summer.

17. SDG&E's proposal to eliminate seasonal differentiation in the Total Rate Adjustment Component will also reduce confusion for its many Community Choice Aggregator customers who only pay SDG&E's delivery rate.

18. Schedule Electric Vehicle-Time-of-Use-5 customers currently pay distribution rates that are lower than residential marginal distribution costs.

19. Separate Net Energy Metering billing determinants have not been quantified in this proceeding.

20. PG&E separates the Power Charge Indifference Adjustment and generation rates for bundled customers in its bundled service tariffs.

21. SDG&E currently presents the PCIA on unbundled customer bills as a separate line item, along with other electric generation charges. That line item includes the kWh usage and dollar per kWh rate used to calculate the volumetric monthly PCIA charge.

Conclusions of Law

1. It is reasonable to adopt the Marginal Cost Settlement Agreement term for SDG&E to set Marginal Distribution Demand Costs based on results from its 2024 marginal cost study for all customer classes, only for the purposes of rate design in the instant proceeding.

2. It is reasonable to adopt the Marginal Cost Settlement Agreement term for SDG&E to set Marginal Customer Access Costs based on results from its 2024 marginal cost study for all customer classes, only for the purposes of rate design in the instant proceeding.

3. It is reasonable to adopt the Marginal Cost Settlement Agreement term for SDG&E to set Marginal Energy Costs and Marginal Generation Capacity Costs based on results from its 2019 marginal cost study for all customer classes, only for the purpose of rate design in the instant proceeding.

4. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to rename the Commodity-Critical Peak Pricing and Distribution-Critical Peak Pricing components in the PUBLIC Grid Integration Rate and Vehicle Grid Integration rate schedules respectively as the Generation Capacity Component and the Distribution Capacity Component.

5. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to use three versus one year of load data to establish the top 150 system peak hours to calculate the generation capacity components in the PUBLIC Grid Integration Rate and Vehicle Grid Integration rate schedules.

6. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to update Critical Peak Pricing event periods based on loss of load analysis every two years by submitting a Tier 2 Advice Letter by March 31 of that year.

7. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to conform event trigger language for Critical Peak Pricing events across all its Critical Peak Pricing rates.

8. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain its base Super Off-Peak TOU periods, except to expand the weekday Super Off-Peak period to include 10 AM to 2 PM year-round, because there are no material changes in the underlying costs, is supported by its marginal cost analysis, and will provide customers with greater opportunity to shift load to lower cost hours.

9. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to conduct an analysis to identify high and low-cost hours to assess the merit for shifting the on-peak period from 4PM-9PM to 5PM-10PM and assess the creation of a 3PM-8PM on-peak period, and a weekday 6AM-10AM period.

10. It is reasonable to approve the Partial Settlement Agreement term for SDG&E's Monthly Service Fee to increase by the following percentages per year for four years: (a) 5 percent per year small commercial customers, (b) 15 percent per year for medium commercial customers, (c) 10 percent year for the large

commercial customers, with 7.5 percent for substation customers, and (d) 5 percent per year for agricultural customers.

11. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain the current time-dependent allocation of SDG&E distribution demand costs for the Medium Commercial customer class and the Large Commercial & Industrial customer class, which provides a recovery split of 65 percent through on-peak demand charges and 35 percent through non-coincident demand charges.

12. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain the current rate design and eligibility for the Schedule Electric Vehicle-Time-of-Use-5 rate, except that SDG&E will adjust the distribution Super Off-Peak rate for recovery of residential marginal distribution costs.

13. It is reasonable to approve the Partial Settlement Agreement term for SDG&E to adjust the seasonal differential treatment for tiered rates.

14. It is reasonable to approve the Partial Settlement Agreement term for SDG&E to create a new Medium Commercial customer class with appropriate rate schedules.

15. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to conduct a Medium Commercial customer class demand cost study that provides certain specified analyses before the next General Rate Case Phase 2, and consider, based on these specified analyses, revising its upper demand threshold for the Medium Commercial customer class in its next General Rate Case Phase 2 proceeding.

16. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to establish the Medical Baseline Program Balancing Account to track the cost for the Medical Baseline Program, with the provision that no discount will be recorded for the additional baseline allowance received by Medical Baseline Program customers pursuant to Pub. Util. Code § 739(c) and recover the cost of the Medical Baseline Program discount in the Public Purpose Program rate component with an equal cents per kWh allocator to all customers except the Street Lighting class.

17. It is reasonable to adopt the Partial Settlement Agreement term to approve the Medical Baseline Program cost recovery mechanism proposed in the Partial Settlement Agreement only if a line-item Medical Baseline Program discount is approved in this proceeding.

18. It is reasonable to adopt the Partial Settlement Agreement term that provides for SDG&E recovery of the current under-collection balance in the High Power Waiver Balancing Account-Electric in the distribution rate component from customers in the Medium Commercial customer class and the Large Commercial and Industrial customer class.

19. It is reasonable to adopt the Partial Settlement Agreement term that Schedule DG-R for SDG&E's Large Commercial and Industrial customers eligibility will remain unchanged.

20. It is reasonable to adopt the Partial Settlement Agreement term that any ongoing over/under-collection balances, if any, associated with the Electric Vehicle-High Power rate will be recorded in the two-way High Power Rate

Balancing Account-Electric and collected from all customer classes in the distribution rate component.

21. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to maintain Energy Efficiency revenue allocations at the levels adopted in the 2019 General Rate Case Phase 2 except for creation of a new Medium Commercial customer class.

22. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to update its distribution revenue allocation for the Residential Class to 46.22%, for the Small Commercial Class to 12.92%, for the Medium Commercial class to 12.02%, for the Large Commercial and Industrial class to 27.12%, for the Agricultural Class to 1.46%, and for the Street Lighting class to 0.27%.

23. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to use the System Average Percent Change methodology to adjust the distribution and commodity revenue allocations based on SDG&E's newest approved and implemented sales forecast with limited, specified adjustments to move SDG&E's agricultural customer class towards a cost-basis.

24. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to use the Equal Percentage of Total Revenue methodology to allocate wildfire-related revenue requirements annually to all customer classes using distribution rate design and allocations based on present total revenue.

25. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to propose that the Equal Percentage of Total Revenues methodology be applied to any future wildfire-related and vegetation management-related accounts approved by the Commission to maintain consistency.

26. It is reasonable to adopt the Partial Settlement Agreement term for SDG&E to provide in its next GRC Phase 2 application: (a) data on Hourly Net Energy Metering Delivered, Net Energy Metering Received, and non-Net Energy Metering loads by rate class (separated out by Net Energy Metering 1, Net Energy Metering 2, and Net Billing Tariff); (b) billing determinants for delivered bundled load for non-legacy Time-of-Use periods; and (c) payments to Net Billing Tariff customers for received load by rate class.

27. It is reasonable to adopt the Medical Baseline Settlement Agreement.

28. It is reasonable to adopt UCAN's recommendation that SDG&E should use a System Average Percentage Change methodology that calculates current system revenues by multiplying SDG&E's current detailed rates by its proposed forecasted billing determinants, including forecasted load (kilowatts), forecasted sales (kilowatt-hours) and other determinants to update rates.

29. It is reasonable to require SDG&E to show the PCIA rate on bundled customer bills in the same manner it currently displays the PCIA on unbundled customer bills as a volumetric rate.

30. It is reasonable to require SDG&E to delineate the PCIA from bundled commodity rates in its EECC tariffs.

31. It is reasonable for SDG&E to create a new PCIA Billing Change Memorandum Account to record the actual incremental implementation costs of implementing PCIA-related rate, tariff, and billing changes and for SDG&E to request recovery of such costs.

32. It is reasonable to require SDG&E to combine its Electric Energy Commodity Cost tariffs and Utility Distribution Company tariffs for non-residential customers.

33. It is reasonable to approve SDG&E's proposal to move the seasonal differential from the Utility Distribution Company tariff Total Rate Adjustment Component to the Electric Energy Commodity Cost component in residential tiered rates because it aligns with Commission Rate Design Principle #3, which states that rates should be based on cost causation.

34. Because it will enable compliance with Commission Rate Design Principle #2 while preserving an incentive for transportation electrification through reduced electricity pricing, it is reasonable to approve SDG&E's proposal to raise the Super Off-Peak distribution rate in Schedule Electric Vehicle-Time-of-Use-5.

35. Based on the minimal rate impacts observed in SDG&E's streetlighting study, it is reasonable to approve SDG&E's proposed updated rates for Schedule LS-1 (Lighting-Street and Highway, Utility-Owned Installations), Schedule LS-2 (Lighting-Street and Highway, Customer-Owned Installations), Schedule LS-2 DS (Lighting-Street and Highway, Customer-Owned Installations, Dimmable Service), Schedule LS-2 AD (Lighting-Street and Highway-1, Customer-Owned Installations, Ancillary Device Installations), Schedule OL-1 (Outdoor Area Lighting Service-Street and Highway), Schedule OL-2 (Outdoor Area Lighting Service-Street and Highway-Customer-Owned Installations), and Schedule DWL (Residential Walkway Lighting).

36. Given the improvement in lighting efficiency achieved through upgrading Outdoor Area Lighting lamp technology, it is reasonable to approve SDG&E's new rates for Schedule Outdoor Area Lighting Service-1 Light Emitting Diode.

37. Based on our review, it is reasonable to approve SDG&E's proposal to create a Medium Commercial class based on study results that show costs to serve customers in this new customer class differ from costs to serve customers in the Large Commercial and Industrial class.

38. It is reasonable for SDG&E to migrate Schedule TOU-M customers to the Medium Commercial class because the demand threshold of 40 kW for these customers lies within the 20 kW to 200 kW demand range for Medium Commercial class customers.

39. Given the Commission's adoption of the Partial Settlement Agreement proposal for SDG&E to use the System Average Percentage Change methodology to allocate distribution and commodity revenues, it is reasonable for SDG&E to also use the System Average Percentage Change methodology to allocate Competition Transition Charge, Local Generation Charge, and Demand Response revenues to customer classes.

40. Because increasing the Expanded California Alternate Rates for Energy for Non-Residential Customers line-item discount from 20% to 35% and moving the Expanded California Alternate Rates for Energy for Non-Residential Customers discount from the commodity rate to an Expanded California Alternate Rates for Energy for Non-Residential Customer's applicable Time-of-Use-based commodity rate, Expanded California Alternate Rates for Energy for Non-Residential Customers will provide more transparency about their total discount

and greater opportunity for shifting load, it is reasonable to adopt SDG&E's proposal to redesign Expanded California Alternate Rates for Energy for Non-Residential Customer rates.

41. To enhance SDG&E's administrative efficiency, it is reasonable to approve SDG&E's proposal to consolidate Schedule DS (Submetered Multi-Family Service), Schedule DT (Submetered Multi-Family Service in Mobile Home Parks), and Schedule DT-RV (Submetered Multi-Family Service for Recreational Vehicles) into a single tariff.

42. Because it establishes a uniform method for collecting commodity and distribution costs from customers enrolled on dynamic rates and does not impose an excessive rate increase, it is reasonable to approve SDG&E's proposal to modify the commodity and base rates for Schedule Vehicle Grid Integration and Schedule PUBLIC Grid Integration Rate.

43. Based on findings from SDG&E, it is reasonable for SDG&E to set the value marginal flexible capacity cost at \$0.00.

O R D E R

1. The Joint Motion for Approval of the 2024 General Rate Case Phase 2 Partial 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, Small Business Utility Advocates, Solar Energy Industries Association, California City County Street Light Association, The Utility Reform Network, and City of San Diego is granted.

2. The Joint Motion for Approval of the 2024 General Rate Case Phase 2 Marginal Cost 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, Small Business Utility Advocates, California City County Street Light Association, The Utility Reform Network, and City of San Diego is granted.

3. The Joint Motion for Approval of the 2024 General Rate Case Phase 2 Medical Baseline Settlement Agreement filed by San Diego Gas & Electric Company, the Public Advocates Office at the California Public Utilities Commission, and The Utility Reform Network is granted.

4. San Diego Gas & Electric Company must submit its Consolidated Tier 1 Advice Letter to implement changes to its rates, tariffs, and rate design methodologies described in the conclusions of law of this decision for rates effective as of January 1, 2026 within 60 days of approval of this decision.

5. San Diego Gas & Electric Company must submit a Tier 1 Advice Letter on or before February 1, 2026 to implement changes to its rates, tariffs, and rate design methodologies described in the conclusions of law of this decision to address necessary billing system updates, customer marketing, education and outreach, and avoidance of split bills due to changes to Super-Off-Peak time-of-use periods to be implemented by April 1, 2026.

6. San Diego Gas & Electric Company must submit a Tier 2 Advice Letter every two years on or before by March 31 of that year to seek Commission

approval to update Critical Peak Pricing event periods based on loss of load analysis after the effective date of the final decision;

7. San Diego Gas & Electric Company must submit a Tier 1 Advice Letter that seeks Commission approval to conduct a study to determine if the upper demand threshold for the Medium Commercial Class should be revised to 100 kilowatts or 500 kilowatts before the next General Rate Case Phase 2 proceeding no later than 90 days after effective date of the final decision.

8. San Diego Gas & Electric Company must submit a Tier 1 Advice Letter that seeks Commission approval to recover the current under-collection balance in the Electric Vehicle High Power Waiver Balancing Account-E in the distribution rate component from customers in the Medium Commercial customer class and the Large Commercial and Industrial customer class no later than 90 days after effective date of the final decision.

9. San Diego Gas & Electric Company must provide the following data in its next General Rate Case Phase 2 application: (a) Hourly Net Energy Metering (NEM) Delivered, NEM Received, and non-NEM loads by rate class (separated out by data for customer enrolled on the NEM 1 tariff, and NEM 2 tariff, and Net Billing Tariff (NBT); (b) billing determinants for delivered bundled load for non-legacy Time-of-Use periods; and (c) payments to NBT customers for received load by rate class.

10. San Diego Gas & Electric Company must submit a Tier 1 Advice Letter that seeks Commission approval to present the Power Charge Indifference Adjustment rate on bundled customer bills and present the Power Charge

Indifference Adjustment rate in its Electric Energy Commodity Cost tariffs no later than 180 days after effective date of the final decision.

11. San Diego Gas & Electric Company must submit a Tier 1 Advice Letter that seeks Commission to combine its Electric Energy Commodity Cost tariffs and Utility Distribution Company tariffs for non-residential customers no later than 180 days after effective date of the final decision.

12. San Diego Gas & Electric Company shall file a Tier 1 advice letter within 30 days of the issuance date of this decision to create the new Medical Baseline Balancing Account and the new Power Charge Indifference Adjustment Billing Change Memorandum Account.

13. Application 23-01-008 is closed.

This order is effective today.

Dated September 18, 2025, at San Francisco, California.

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.

ATTACHMENT A:
Marginal Cost Settlement Agreement

ATTACHMENT B:
Partial Settlement Agreement

ATTACHMENT C:
Medical Baseline Settlement Agreement