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Commissioner	:	<u>Shiroma</u>
Admin. Law Judge	:	<u>Mutialu</u>
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Witnesses	:	<u>Nathan Chau</u>



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

PREPARED TESTIMONY
ON
RESIDENTIAL RATE DESIGN
IN
SAN DIEGO GAS & ELECTRIC'S
2024 GENERAL RATE CASE PHASE 2

San Francisco, California
December 8, 2023

TABLE OF CONTENTS

	<u>Pages</u>
CHAPTER 7 – RESIDENTIAL RATE DESIGN.....	7-1
I. INTRODUCTION.....	7-1
II. DISCUSSION OF CAL ADVOCATES’ RECOMMENDATIONS.....	7-2
A. The Commission should adopt SDG&E’s proposal to eliminate seasonal rate differentials by adjusting commodity revenue allocation instead of adjusting the TRAC to better align rates with costs and to reduce confusion.....	7-2
B. The Commission should adopt SDG&E’s proposal to maintain larger TOU differentials.....	7-5
C. SDG&E’s proposal to correct EV-TOU-5 by increasing super off-peak rates to cover marginal costs will reduce cost shifting and is more in line with cost causation.	7-6
D. SDG&E’s Medical Baseline (MB) program needs reform to reduce subsidies paid by SDG&E’s non-MB customers.	7-7
1. Overview of the MB program.....	7-7
2. Features unique to SDG&E’s MB program.....	7-8
3. The MB program is funded by non-MB customers.	7-9
4. SDGE’s proposal to modify MB.....	7-10
5. Cal Advocates’ proposed modification to SDG&E’s MB program proposal will ensure equal treatment between customers on tiered and untiered rates while still reducing the overall annual subsidy.....	7-11
III. CONCLUSION	7-12
APPENDIX A –QUALIFICATIONS OF WITNESSES	
APPENDIX B – ATTACHMENTS	

CHAPTER 7 – RESIDENTIAL RATE DESIGN

(Witness: Nathan Chau)

I. INTRODUCTION

This chapter addresses the Public Advocates Office at the California Public Utilities Commission’s (Cal Advocates) analysis of San Diego Gas & Electric Company’s (SDG&E) proposed residential rate changes in its 2024 General Rate Case (GRC) Phase 2 Application (A.) 23-01-008. In this proceeding, SDG&E proposes to:

1. Remove the seasonal differential from the total rate adjustment component (TRAC);
2. Increase the distribution super off-peak rate to marginal cost¹ in its electric vehicle time-of-use schedule, EVTOU-5;
3. Move the medical baseline (MB) embedded “rate discount” to a line-item discount; and
4. Reduce the resulting MB line-item discount from 25.69 %² to 12% over 4 years.³

Cal Advocates supports these proposals as they will improve overall alignment of rates with marginal costs, reduce complexity, and lessen costs shift to the broader residential customer class.

Concerning SDG&E’s MB proposal, Cal Advocates proposes that SDG&E reduce SDG&E’s proposed line-item discount for MB enrolled customers on tiered rates and untiered rates until the total average discount for both cohorts equate to 20%. This will achieve parity in the average percentage discount received by MB customers on tiered and untiered TOU rates. In contrast, MB customers on tiered rates currently see a higher

¹ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-21.

² TOU-ELEC rate adopted in D.22-11-022, features a separate 20% line-item Medical Baseline discount. Therefore, Medical Baseline discount for TOU-ELEC rate schedule will remain unchanged for Year 1 and continue to follow the proposed transition path for Years 2 to 4. See Chapter 3 Revised Direct Testimony of Ray C. Utama, Erica Wissman, Hannah Campi, and Evelyn Luna on Behalf of SDG&E, dated 9/29/23, at 10.

³ Revised Direct Testimony of Ray C. Utama, Erica Wissman, Hannah Campi, and Evelyn Luna on Behalf of SDG&E, dated 9/29/23, at 9 and 10.

1 average discount than MB counterparts on untiered TOU rates. SDG&E’s proposal does
2 not resolve this discrepancy. Specific details of this proposal are discussed in more detail
3 in section II.D.

4 **II. DISCUSSION OF CAL ADVOCATES’ RECOMMENDATIONS**

5 **A. The Commission should adopt SDG&E’s proposal to** 6 **eliminate seasonal rate differentials by adjusting** 7 **commodity revenue allocation instead of adjusting the** 8 **TRAC to better align rates with costs and to reduce** 9 **confusion.**

10 The TRAC is part of SDG&E’s utility distribution component (UDC, also referred
11 to as “delivery rates” in this chapter). According to SDG&E, the original purpose of the
12 TRAC was to provide a baseline adjustment for SDG&E’s residential tiered rate
13 schedules based on a set tier differential. It was not intended to adjust seasonal
14 differentials in rates.⁴ Seasonal differentials may be conveyed to levy higher average
15 charges in one season over another.⁵ The TRAC is comparable to Pacific Gas and
16 Electric Company’s (PG&E) and Southern California Edison Company’s (SCE)
17 Conservation Incentive Adjustment (CIA)^{6 7} when limited to its original purpose of
18 simply providing baseline adjustments.

19 However, over the years, the elimination of the seasonal differential in rates
20 resulted in an inconsistent application of the TRAC between tiered rates and untiered
21 rates.⁸ Prior to the elimination of these seasonal differentials, SDG&E charged
22 significantly higher average summer prices than winter prices. The Commission

⁴ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-9.

⁵ For example, prior to D.20-04-007, SDG&E charged higher average rates in the summer than in the winter for its non-TOU rates. The TRAC was modified to eliminate this differential. See Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-4.

⁶ https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_E-1.pdf

⁷ https://edisonintl.sharepoint.com/teams/Public/TM2/Shared Documents/Public/Regulatory/Tariff-SCE Tariff Books/Electric/Schedules/Residential Rates/ELECTRIC_SCHEDULES_D.pdf

⁸ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-4.

approved elimination of this differential to reduce large seasonal bill volatility² and reduce summer bills. SDG&E subsequently eliminated the seasonal differential by increasing the TRAC rate component in the winter and reduced it in the summer on *some* of its residential rate schedules.¹⁰ This adjustment offsets the electric commodity rates which are higher in summer and lower in winter, thus neutralizing the seasonal differences between rates. As a result, customers pay higher delivery rates in winter than in summer. However, the difference between summer and winter rates continues to grow substantially due to increasing electric commodity costs.¹¹ Table 1 illustrates SDG&E's TRAC mechanism for Schedule DR, SDG&E's standard non-TOU tiered rate. The TRAC is negative in the summer season to offset high commodity Electric Energy Commodity Cost (EECC, also known as SDG&E's commodity or generation rate) rates so that the "total rate" in each season is the same. The TRAC is also lower for "baseline" rates to provide the aforementioned "baseline adjustment."

Table 1: SDG&E's Schedule DR Rates with TRAC (1/1/23)

		<i>A</i>	<i>B</i>	<i>C=A+B</i>	<i>D</i>	<i>E</i>	<i>F=C+D+E</i>
Season	Tier	Other Delivery Charges	TRAC	UDC Rate	WF-NBC + DWR BC ¹²	EECC Rate	Total Rate
Summer	Baseline	\$0.26500	-\$0.12472	\$0.14028	\$0.00530	\$0.30687	\$0.45245
	Above Baseline	\$0.26500	-\$0.00748	\$0.25752	\$0.00530	\$0.30687	\$0.56969
Winter	Baseline	\$0.26500	\$0.05585	\$0.32085	\$0.00530	\$0.12630	\$0.45245
	Above Baseline	\$0.26500	\$0.17309	\$0.43809	\$0.00530	\$0.12630	\$0.56969

SDG&E proposes to eliminate the seasonal rate differential for all residential tiered rates by adjusting commodity rates, instead of adjusting the TRAC,¹³ which

² D.20-04-007 FOF 4, at 33.

¹⁰ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-7.

¹¹ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-7.

¹² WF-NBC refers to the Wildfire Non-Bypassable Charge and DWR BC refers to the Department of Water Resources Bond Charge.

¹³ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-11.

1 produces more predictable and cost-based¹⁴ rates. To accomplish this goal, SDG&E
2 proposes to recover a portion of the generation capacity costs in winter rates, instead of
3 summer rates, in a manner consistent with the ratios adopted in Decision (D.) 21-03-003
4 for SDG&E's untiered TOU residential rate schedules.^{15,16} SDG&E proposes to further
5 adjust the amount of commodity revenue collected in summer and winter to be more
6 evenly distributed¹⁷ by recovering 42% of commodity revenue in the summer months and
7 58% in the winter months based on the number of months in each season.¹⁸

8 Cal Advocates agrees with SDG&E that this proposal will eliminate volatility in
9 delivery bills, align rates with cost, and simplify rates.¹⁹ There is no basis²⁰ for
10 SDG&E's TRAC, which forms part of the delivery rate, to be significantly higher in the
11 winter.²¹ Today, the winter UDC (as a result of the TRAC) rates are 107% higher²² than
12 summer UDC rates and the differential may continue to grow if not corrected. This kind
13 of seasonal differentiation in rates is more appropriately conveyed through commodity
14 rates since they capture costs that actually vary by season.²³ SDG&E's proposal will also
15 reduce confusion for its many Community Choice Aggregators (CCA)²⁴ customers who
16 only pay SDG&E's delivery rate. It is confusing for customers to artificially pay winter

¹⁴ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-12.

¹⁵ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-16.

¹⁶ Specifically, this means that instead of recovering 100% of on-peak generation capacity costs in summer rates, this proposal only recovers 90% of the on-peak capacity costs in summer rates and the remaining 10% in winter rates. In addition, instead of recovering 100% of off-peak generation capacity costs in summer rates, this proposal only recovers 60% of the off-peak capacity costs in summer rates and the remaining 40% in winter rates – see Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-16.

¹⁷ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-14.

¹⁸ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-17.

¹⁹ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-9.

²⁰ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-6.

²¹ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-9.

²² Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-8.

²³ See Chapter 3 on marginal energy costs and Chapter 9 on TOU periods for more information on this matter.

²⁴ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-8.

1 delivery charges that are two times higher per kilowatt-hour (kWh) than summer delivery
2 charges.

3 The Commission should adopt SDG&E's proposal to eliminate seasonality from
4 the TRAC. Rate adjustments made to mitigate seasonal differentials should be
5 implemented through commodity rate adjustments and not the TRAC. This approach is
6 consistent with PG&E's and SCE's current practice of charging the same conservation
7 incentive adjustment in all seasons.²⁵ SDG&E's proposals to do so will restore TRAC to
8 its original intended purpose of simply providing a baseline adjustment in tiered rates.

9 **B. The Commission should adopt SDG&E's proposal to**
10 **maintain larger TOU differentials.**²⁶

11 SDG&E proposes to maintain as much as possible the existing time-of-use (TOU)
12 differentials for residential schedule TOU-DR-1 by setting the summer super off-peak
13 period commodity rate to marginal cost.²⁷ Currently, SDG&E's Schedule TOU-DR-1
14 summer super off-peak commodity rate is set at full equal percentage marginal cost
15 (EPMC) consistent with SDG&E's 2019 GRC Phase 2 marginal commodity cost study.²⁸
16 SDG&E is not proposing to update its commodity rates with the 2024 marginal
17 commodity cost study cost-based rates²⁹ in an effort to preserve the wider existing
18 summer TOU commodity price differentials for Schedule TOU-DR-1. Fixing the
19 summer super off-peak rate commodity rate at marginal cost would result in a peak to

²⁵ https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDULES_E-1.pdf

<https://edisonintl.sharepoint.com/teams/Public/TM2/Shared%20Documents/Forms/AllItems.aspx?ga=1&id=%2Fteams%2FPublic%2FTM2%2FShared%20Documents%2FPublic%2FRegulatory%2FTariff%2DSCE%20Tariff%20Books%2FElectric%2FSchedules%2FResidential%20Rates%2FELECTRIC%5FSCHE%20DULES%5FD%2Epdf&parent=%2Fteams%2FPublic%2FTM2%2FShared%20Documents%2FPublic%2FRegulatory%2FTariff%2DSCE%20Tariff%20Books%2FElectric%2FSchedules%2FResidential%20Rates>

²⁶ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-14.

²⁷ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-17

²⁸ Supplemental Testimony of Ray Utama on Behalf of San Diego Gas & Electric Company, dated 9/29/23 at RU-18

²⁹ Supplemental Testimony of Ray Utama on Behalf of San Diego Gas & Electric Company, dated 9/29/23 at RU-13

1 super off-peak commodity price ratio of 1.89.³⁰ If SDG&E does not fix the super off-
2 peak rate to commodity marginal costs, the ratio of on-peak to super off-peak commodity
3 prices would fall from 2.35 to 1.72, which reflects a major rate change. Cal Advocates
4 supports SDG&E's proposal as it will minimize bill impacts for customers and provide
5 rate stability.³¹

6 **C. SDG&E's proposal to correct EV-TOU-5 by increasing**
7 **super off-peak rates to cover marginal costs will reduce**
8 **cost shifting and is more in line with cost causation.**

9 SDG&E's EV-TOU-5 is an optional whole-house rate for qualifying residential
10 customers with an electric vehicle (EV).³² Additionally, net billing tariff (NBT)
11 customers are required to take service on this rate.³³ EV-TOU-5 was first adopted in
12 SDG&E's 2016 GRC Phase 2 decision with a \$16 fixed charge and distribution and
13 transmission super off-peak rates of \$0/kWh.³⁴ A few years later, in SDG&E's 2019
14 GRC Phase 2 the Commission adopted a settlement agreement that increased the super
15 off-peak distribution rate for EV-TOU-5 to \$0.01496/kWh while leaving the super off-
16 peak transmission rate at \$0/kWh.³⁵

17 SDG&E proposes to increase the distribution super off-peak rate to marginal
18 cost,³⁶ stating that customers who enroll in this rate receive a subsidy from other
19 customers because the current distribution super off-peak rate is below marginal cost.³⁷
20 Under SDG&E's proposed remedy, EV-TOU-5's super off-peak period rate would

³⁰ Supplemental Testimony of Ray Utama on Behalf of San Diego Gas & Electric Company, dated 9/29/23 at RU-18

³¹ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-14.

³² Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-20.

³³ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-20.

³⁴ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-20.

³⁵ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-20.

³⁶ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-21.

³⁷ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-20.

1 increase from \$0.01496/kWh to \$0.04812/kWh by year 3,³⁸ which is an annual increase
2 of approximately \$0.011/kWh. Cal Advocates supports SDG&E's proposal since it
3 better aligns rates with marginal cost and reduces the cost shift seen in the current rate,
4 which is consistent with the Commission's updated rate design principles 2 and 9,
5 respectively.³⁹

6 By year 3 of SDG&E's proposed glidepath, EV-TOU-5's total super off-peak rate
7 remains lower and leads to higher differentials than those in other optional rate schedules
8 like TOU-ELEC, EV-TOU-2, and DR-SES.⁴⁰ Therefore, adopting SDG&E's proposed
9 super off-peak rate increase for EV-TOU-5 will maintain strong price differentials to
10 support EV charging during the super off-peak period.

11 **D. SDG&E's Medical Baseline (MB) program needs reform**
12 **to reduce subsidies paid by SDG&E's non-MB customers.**

13 **1. Overview of the MB program.**

14 The MB program is an assistance program for residential customers who depend
15 on power for certain medical needs.⁴¹ As required by statute,⁴² it provides eligible
16 customers on tiered rates with an additional allocation of energy (kWh) at lower baseline
17 rates, reducing or eliminating the energy subjected to higher tier 2 or non-baseline prices.
18 Cal Advocates estimates that the additional baseline allowance provides MB customers
19 an average discount of 1.83%⁴³ compared to the scenario where this additional baseline
20 allowance is not provided.

³⁸ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-21.

³⁹ D 23-04-040, at 1. Rate design principle 2: Rates should be based on marginal cost. Rate design principle 9: Rate design should not be technology-specific and should avoid creating unintended cost-shifts.

⁴⁰ Supplemental Testimony of Ray Utama on Behalf of SDG&E, dated 9/29/23, at RU-21.

⁴¹ Revised Direct Testimony of Ray C. Utama, Erica Wissman, Hannah Campi, and Evelyn Luna on Behalf of SDG&E, dated 9/29/23, at 8.

⁴² California Public Utilities Code § 739(c). See response to CalAdv-SDG&E-DR-026.

⁴³ Response to CalAdv-SDG&E-DR-026, "CalAdv-SDG&E-DR-036_Q1_MBCalcs" workpapers. \$37.52 benefit from increased baseline allowance divided by \$317.13 counterfactual bill. The counterfactual bill is the amount the customer would pay if not enrolled in the MB program.

1 Due to the nature of the current MB structure, only qualified medical customers on
2 residential tiered rate schedules can receive the benefits of the program. MB-enrolled
3 customers who choose to enroll in an untiered rate are unable to reap the benefits of the
4 additional baseline allowance that MB customers are statutorily entitled to receive. This
5 is because untiered rates do not have a baseline allowance. To increase customer choice,
6 the Commission adopted straight line discounts to be applied to certain untiered rates⁴⁴ to
7 provide MB customers the freedom to choose their preferred electric rate without having
8 to sacrifice the benefits of the MB program entirely.⁴⁵ Pursuant to D.22-11-022, an MB
9 customer who enrolls in SDG&E's TOU-ELEC rate will receive a 20% line-item
10 discount.⁴⁶ In contrast, PG&E and SCE offer line-item discounts of 12% and 11%,
11 respectively, for MB customers on their optional untiered rates.

12 **2. Features unique to SDG&E's MB program.**

13 SDG&E's MB program provides additional benefits that are not available to
14 PG&E's and SCE's MB customers. These include: 1) an embedded "rate discount" (i.e.
15 lower TRAC rates), and 2) exemptions from the Department of Water Resources Bond
16 Charge (DWRBC) and wildfire non-bypassable charge (WF-NBC).⁴⁷ As a result,
17 SDG&E's average MB customer on a tiered rate schedule receives a 33% discount.⁴⁸ In
18 contrast, PG&E and SCE do not offer these additional benefits. This discrepancy was
19 last considered by the Commission in the residential rate reform order instituting

⁴⁴ PG&E D.22-04-004, issued April 11, 2022, in A.20-10-006, at pp. 5-9. SCE D.22-08-001, issued August 9, 2022, in A.20-10-012, at pp. 20-21. SDG&E D.22-11-022, issued November 17, 2022, in A.21-09-001, at pp.48-51.

⁴⁵ Center for Accessible Technology (CforAT) protest, dated Feb 16 2023, at 2.

⁴⁶ Under such an arrangement, MB customers on TOU-ELEC would pay the same rate as non-CARE MB customers. Then a straight 20% discount is applied to that total bill every month.

⁴⁷ Response to CalAdv-SDG&E-DR-026.

⁴⁸ Response to CalAdv-SDG&E-DR-026.

1 rulemaking. However, the Commission decided that the issue was beyond the scope of
2 that proceeding⁴⁹ and reserved it for consideration in a future ratesetting proceeding.⁵⁰

3 **3. The MB program is funded by non-MB customers.**

4 Currently, MB customers enrolled in SDG&E's residential tiered rates receive
5 discounted TRAC rates which are offset by residential tiered non-MB rate schedules.⁵¹
6 MB-enrolled customers are exempt from paying the costs associated with the DWR-BC
7 and WF-NBC charges which requires those costs to be recovered from all other customer
8 classes.⁵² Additionally, any undercollection due to the additional daily baseline
9 allowance that MB customers receive is accounted for in the TRAC and recovered from
10 all other tiered residential rate schedules.⁵³ Today, the total subsidy associated with
11 SDG&E's entire MB program totals \$39.5 million/year at today's rates and MB
12 enrollment.⁵⁴ For reference, PG&E, which has a residential customer base outnumbering
13 SDG&E's by over 300%, reported total MB subsidies of \$35.7 million/year in 2022.⁵⁵

14 Most of SDG&E's \$39.5 million subsidy is funded by non-MB residential
15 customers via higher rates. \$26 million/year of this \$39.5 million is attributed to the
16 additional benefits that SDG&E provides MB enrolled customers (i.e., rate discount and
17 exemptions), and are not available to PG&E's and SCE's MB customers. Therefore, just
18 \$13.4 million of the total subsidy is associated with the portion of SDG&E's MB
19 program that is required by statute.

⁴⁹ D.15-07-001, Finding of Fact 90 "Changes to the medical baseline program discount should be minimized in this proceeding" at 324.

⁵⁰ D.15-07-001, at 250.

⁵¹ Response to CalAdv-SDG&E-DR-026.

⁵² Response to CalAdv-SDG&E-DR-026.

⁵³ Response to CalAdv-SDG&E-DR-026.

⁵⁴ Response to CalAdv-SDG&E-DR-021. "CalAdv-SDG&E-DR-021-Q1" workpapers.

⁵⁵ See D.24-04-004 at 18, FOF 7 states "The \$35.7 million in medical baseline program bill savings represented an 11.7 percent discount on medical customers' aggregate bills."

1 Additionally, SDG&E’s MB customers on tiered rates enjoy higher discounts than
2 customers on untiered rates.⁵⁶ SDG&E’s average MB customer on a tiered rate schedule
3 receives a 33% discount⁵⁷ while an MB customer that enrolls in SDG&E’s TOU-ELEC
4 rate will receive a 20% line-item. By contrast, PG&E’s and SCE’s untiered rate line-item
5 discounts of 12% and 11%, respectively, are designed to match the average discounts
6 enjoyed by customers on tiered rates.⁵⁸

7 **4. SDGE’s proposal to modify MB**

8 First, SDG&E proposes to convert the “rate discount” to a line-item discount.⁵⁹
9 Second, SDG&E proposes a new line-item discount for MB-eligible customers who
10 enroll in untiered rate schedules, thus opening more rate options beyond TOU-ELEC for
11 MB customers.⁶⁰ Third, SDG&E proposes to decrease the total line-item discount
12 gradually.⁶¹ SDG&E proposes to reduce this percentage line-item discount from 25.69
13 % to 12% over 4 years until it aligns with the discount provided by PG&E and SCE.⁶²
14 The MB discount for TOU-ELEC rate schedule will remain unchanged for Year 1 and
15 continue to follow the proposed transition path for Years 2 to 4.⁶³ Eligible MB customers

⁵⁶ Revised Direct Testimony of Ray C. Utama, Erica Wissman, Hannah Campi, and Evelyn Luna on Behalf of SDG&E, dated 9/29/23, at 8.

⁵⁷ Response to CalAdv-SDG&E-DR-026.

⁵⁸ For PG&E see D.24-04-004 at 18, FOF 7 states “The \$35.7 million in medical baseline program bill savings represented an 11.7 percent discount on medical customers’ aggregate bills.” FOF 8 states “PG&E proposes to offer medical customers a 12 percent discount, rather than a 11.7 percent discount, for ease of customer education and outreach.”

For SCE, see D.22-08-001 at 20. “SCE agreed to provide a line-item discount of 11 percent to eligible customers selecting residential non-tiered rate schedules...in order to provide these customers with an equivalent benefit to the medical baseline subsidy on rates that do not have a baseline credit structure.”

⁵⁹ See response to CalAdv-SDG&E-DR-026.

⁶⁰ See response to CalAdv-SDG&E-DR-026.

⁶¹ See response to CalAdv-SDG&E-DR-026.

⁶² Revised Direct Testimony of Ray C. Utama, Erica Wissman, Hannah Campi, and Evelyn Luna on Behalf of SDG&E, dated 9/29/23, at 9 and 10.

⁶³ Revised Direct Testimony of Ray C. Utama, Erica Wissman, Hannah Campi, and Evelyn Luna on Behalf of SDG&E, dated 9/29/23, at 10.

1 on tiered residential rate schedules will continue to receive increased baseline allowances,
2 in compliance with statute.⁶⁴

3 Cal Advocates supports the general direction of SDG&E's proposals as they will
4 reduce subsidies paid by the broader residential class. Cal Advocates, however, disagrees
5 with some of the details of the proposals. The conversion of the rate discount to a line-
6 item discount will simplify rates. This also means that MB customers would no longer be
7 exempt from the DWR BC and the WF-NBC, thereby reducing the subsidies provided by
8 other customer classes. Furthermore, a reduction of the resulting line-item discount is a
9 step in the right direction towards reducing the total subsidies associated with the non-
10 statutory provisions of SDG&E's MB program.

11 However, under SDG&E's proposals, the average MB customer on a tiered rate
12 will *still* effectively receive a slightly higher bill discount than an MB-enrolled customer
13 taking service on an untiered rate due to the additional statutory baseline allowance.⁶⁵
14 There is no reason why an average MB customer should see reduced benefits by moving
15 to an untiered rate option.

16 **5. Cal Advocates' proposed modification to SDG&E's**
17 **MB program proposal will ensure equal treatment**
18 **between customers on tiered and untiered rates**
19 **while still reducing the overall annual subsidy.**

20 Cal Advocates identifies two overarching defects with SDG&E's current MB that
21 require correction; 1) the additional discounts not required by statute should be reduced,
22 and 2) the benefits enjoyed by MB customers on tiered and untiered residential rates
23 should be more comparable. SDG&E's proposed reforms do not address the latter issue.

24 Cal Advocates proposes that SDG&E equalize line-item discounts until customers
25 on tiered and untiered rates see the same 20% average discount across the board based on
26 the following proposed glidepath. The glidepath would convert the MB rate discounts for
27 MB customers on tiered rates to a 21.25% line-item discount in Year 1, and decrease to

⁶⁴ California Public Utilities Code § 739(c). See response to CalAdv-SDG&E-DR-026.

⁶⁵Response to CalAdv-SDG&E-DR-026

8.43% by Year 4 to target an overall effective discount of 20% (Table 2). TOU-ELEC's current line-item discount of 20% would remain fixed throughout the transition. The line-item discount would decline at a much slower pace for untiered rates since there is no baseline allowance benefit on such rates (Table 3).

Table 2: Cal Advocates' Proposed MB Line-Item Discount Glidepath (Tiered Rates)				
1/1/23 Rate Discount	Year 1	Year 2	Year 3	Year 4
25.69%	21.64%	17.59%	13.55%	9.50%

Table 3: Cal Advocates' Proposed MB Line-Item Discount Glidepath (Untiered Rates)				
1/1/23 Rate Discount	Year 1	Year 2	Year 3	Year 4
25.69%	24.27%	22.85%	21.42%	20.00%

Cal Advocates' proposal would necessitate providing different line-item discounts to MB on tiered rates and MB on untiered rates. However, this minor inconvenience will solve the existing discount discrepancies between customers on tiered and untiered rates. Cal Advocates proposes adopting SDG&E's 4-year timeline to phase in such changes. These reforms will reduce the subsidies associated with the non-statutory provisions of the MB program, thereby reducing the amount funded by non-MB customers. By the end of the proposed 4-year glidepath, SDG&E's MB customers will still enjoy effective discounts that are double those of PG&E's and SCE's MB customers.

III. CONCLUSION

The Commission should adopt SDG&E's proposed residential rate changes to the TRAC, rate differentials, EV-TOU-5, and Cal Advocates' proposed modifications to SDG&E's proposal for MB customers. These modifications will better align rates with marginal costs, promote rate stability, reduce complexity, and mitigate cost shifting.

APPENDIX A

QUALIFICATIONS OF WITNESSES

**QUALIFICATIONS AND PREPARED TESTIMONY
OF
NATHAN CHAU**

Q.1 Please state your name and address.

A.1 My name is Nathan Chau and my business address is 505 Van Ness Avenue, San Francisco, California. I work in the Electricity Pricing and Customer Programs Branch of the Public Advocates Office as a Regulatory Analyst.

Q.2 By whom are you employed and what is your job title?

A.2 I am employed at the California Public Utilities Commission as a Regulatory Analyst.

Q.3 Please describe your educational and professional experience.

A.3 I hold a Bachelor of Science degree in Applied Economics from the University of the Pacific. My degree included coursework in finance, economics, and econometrics that I find relevant to this case. Since joining the Commission in April 2015, I have actively participated in a number of rate cases such as SDG&E's General Rate Case Phase II (A.15-04-012), PG&E's General Rate Case Phase II (A.16-06-013), the Time-of-Use Order Instituting Rulemaking (R.15-12-012), and the Residential Rate Reform proceeding (R.12-06-013). I also worked as project coordinator and witness in PG&E's General Rate Case Phase II (A.19-11-019).

Q.4 What is your area of responsibility in this proceeding?

A.4 I am a witness sponsoring Chapter 3 on Residential Rate Design and Chapter 9 on TOU Periods.

Q.5 Does that complete your prepared testimony?

A.5 Yes it does.

APPENDIX B

SUPPORTING ATTACHMENTS

Attachment 7-A: SDG&E's March 10, 2023 response to data request Cal Adv-SDGE-04.

**Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-004
DATE RECEIVED: February 24, 2023
DATE DUE: March 10, 2023**

DATA REQUEST

GENERAL OBJECTION

SDG&E objects to these requests to the extent they have been submitted by a non-party to the named proceeding. All responses herein are provided subject to and without waiving this objection.

OBJECTIONS TO INSTRUCTIONS

1. SDG&E objects to the instructions to the extent they purport to require verified responses.
2. SDG&E objects to the instructions to the extent they purport to require the individual(s) responsible for providing the response and/or designate the proper witness to cross-examine concerning the response. The responses reflect SDG&E's response as a Company to the requests and not the work of any one individual.
3. SDG&E objects to the instructions to the extent they state that the requests are ongoing in nature and require subsequent, supplemental information.
4. SDG&E objects to the instructions to the extent they request responses in multiple formats.
5. SDG&E objects to the instructions to the extent they provide shortened timelines for objections and requests for clarification.

EXPRESS RESERVATIONS

1. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
2. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.

Subject to the foregoing objections and reservations, SDG&E responds as follows.

SUBJECT: MEDICAL BASELINE AND TOU PERIOD ANALYSIS

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-004
DATE RECEIVED: February 24, 2023
DATE DUE: March 10, 2023

1. SDG&E states that the medical baseline program provides eligible medical customers with a higher baseline allocation to cover additional energy needs required by their medical equipment.

a. Please provide baseline quantities for medical baseline customers and non-medical baseline customers separately in each climate zone using the chart below. Please complete charts for both basic and all-electric customers.

A	B	C	D	E
Daily Baseline Quantities (kWh)				
Basic Customers				
	Summer		Winter	
Climate Zone	Non-Medical Baseline	Medical Baseline	Non-Medical Baseline	Medical Baseline
Coastal				
Inland				
Desert				
Mountain				

b. Please cite the Commission decision(s) where allowances in columns C and E were adopted.

c. How does SDG&E's additional baseline quantity amounts (e.g., column "C" minus column "B") for medical baseline customers comparable with those of Pacific Gas and Electric Company's and Southern California Edison Company's?

i. How were these calculations determined?

SDG&E Response:

a. See charts below:

A	B	C	D	E
Daily Baseline Quantities (kWh)				
Basic Customers				
	Summer		Winter	
Climate Zone	Non-Medical Baseline	Medical Baseline*	Non-Medical Baseline	Medical Baseline*

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-004
DATE RECEIVED: February 24, 2023
DATE DUE: March 10, 2023

Coastal	9.0	25.5	9.2	25.7
Inland	10.4	26.9	9.6	26.1
Desert	15.9	32.4	10.9	27.4
Mountain	13.6	30.1	12.9	29.4

A	B	C	D	E
Daily Baseline Quantities (kWh)				
All-Electric Customers				
	Summer		Winter	
Climate Zone	Non-Medical Baseline	Medical Baseline*	Non-Medical Baseline	Medical Baseline*
Coastal	6.0	22.5	8.8	25.3
Inland	8.7	25.2	12.2	28.7
Desert	17.0	33.5	17.1	33.6
Mountain	15.2	31.7	22.1	38.6

*Additional baseline allowance of 16.5 kWh per day. Where it is established that the energy required for a life-support device exceeds 16.5 kWh per day, the additional allowance will be granted in increments of 16.5 kWh per day until the estimated daily usage of the device is covered.

- b. Decision (D.) 84-01-064 directed each California electric utility to establish a standard monthly medical baseline allowance of 500 kWh per qualifying customer, in addition to the standard monthly nonmedical baseline allowance. When annualized, this figure calculates to approximately 16.5 kWh of additional baseline allowance per day.
- c. SDG&E objects to this request on the grounds that it seeks the production of information that is neither relevant to the subject matter involved in the pending proceeding nor is reasonably calculated to lead to the discovery of admissible evidence. Specifically, the request asks for SDG&E to provide an opinion regarding PG&E and SCE's medical baselines which are not in scope of this proceeding. Subject to and without waiving the foregoing objection, SDG&E responds as follows:

SDG&E's Medical Baseline program provides eligible medical customers with an additional baseline allowance of 16.5 kWh per day. Per PG&E's Electric Rule 19, PG&E's Standard Medical Baseline Quantity is approximately 16.438 kWh per day (the equivalent of 500 kWh per month) in addition to the regular Baseline quantity.¹ SCE's Medical Baseline program provides eligible customers with an additional 16.5 kWh of electricity per day.²

¹ https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_RULES_19.pdf

² <https://www.sce.com/residential/assistance/medical-baseline>

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-004
DATE RECEIVED: February 24, 2023
DATE DUE: March 10, 2023

2. SDG&E's states that medical baseline customers receive an average effective discount of 25.69%.² Please provide the workpapers with all formulas intact to support this statement.
- a. The workpapers should include clearly identifiable baseline allowance additions and live formulas linking:
 - i. the total otherwise applicable revenues billed to medical baseline customers,
 - ii. the actual revenues paid by medical baseline customers,
 - iii. the underlying rates,³ and
 - iv. the baseline quantities with and without the medical baseline allowance.
 - b. Please provide separate calculations for California Alternative Rates for Energy (CARE), Family Electric Rate Assistance Program (FERA) and non-CARE medical baseline customers.
 - c. Please provide a detailed explanation of how SDG&E calculated the 25.69% effective discount figure.

SDG&E Response:

- a. As noted in the prepared direct testimony of Ray C. Utama, Erica Wissman, Hannah Campi, and Gwendolyn Morien (Chapter 3), the 25.69% is simply an effective rate discount that includes the exemption of DWR-BC and WF-NBC charges and does not include the additional baseline allowances that Medical Baseline customers receive.

Pursuant to the residential rate reform decision (D.15-07-001), the rate subsidies that medical baseline customers receive stayed constant as part of the multi-year glidepath implementation. Implemented via Advice Letter (AL) 3413-E-A, with the collapse in residential tiers from four tiers to two tiers, the average effective discount has stayed constant at 25.69%. See Table 2 in AL 3413-E-A for SDG&E's average effective discount for Medical Baseline Customers.

SDG&E does not have any workpapers in relation to the 25.69% effective rate discount, as the 25.69% discount is simply prescribed by D.15-07-001 and AL 3413-E-A and applied to the total residential rate schedule.

- b. The effective discount that residential customers who are enrolled in CARE and Medical Baseline program receive consists of: a) discounted rates associated with Medical Baseline program (see above response to question 2a), b) exemptions from paying VGI costs and CARE Surcharge, c) separate line-item bill discount of 21%, and d) if they are on a tiered rate schedule, additional medical baseline allowance.

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-004
DATE RECEIVED: February 24, 2023
DATE DUE: March 10, 2023

The effective discount that residential customers who are enrolled in FERA and Medical Baseline program receive consists of: a) discounted rates associated with Medical Baseline program (see above response to question 2a), b) separate line-item bill discount of 18%, and c) if they are on a tiered rate schedule, additional medical baseline allowance.

The effective discount that residential customers who are enrolled in only the Medical Baseline program are explained in above response to question 2a.

- c. See above response to question 2a.

Attachment 7-B: SDG&E's August 19, 2023 response to data request Cal Adv-SDGE-21.

**Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-021**

DATE RECEIVED: July 7, 2023

DATE RESPONDED: August 18, 2023

DATA REQUEST

OBJECTIONS TO INSTRUCTIONS

1. SDG&E objects to the instructions to the extent they purport to require verified responses.
2. SDG&E objects to the instructions to the extent they purport to require the individual(s) responsible for providing the response and/or designate the proper witness to cross-examine concerning the response. The responses reflect SDG&E's response as a Company to the requests and not the work of any one individual.
3. SDG&E objects to the instructions to the extent they state that the requests are ongoing in nature and require subsequent, supplemental information.
4. SDG&E objects to the instructions to the extent they request responses in multiple formats.
5. SDG&E objects to the instructions to the extent they provide shortened timelines for objections and requests for clarification.

EXPRESS RESERVATIONS

1. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
2. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.

Subject to the foregoing objections and reservations, SDG&E responds as follows:

SUBJECT: MEDICAL BASELINE DISCOUNT

1. SDG&E objects to this request on grounds that it seeks analysis that SDG&E had not performed. Subject to and without waiving the foregoing objection, SDG&E notes that SDG&E performed the requested analysis because it had previously performed a similar analysis in another proceeding and believed it would not be burdensome. The analysis was significantly more burdensome than originally anticipated. SDG&E is providing the results of that analysis, but notes that it is not waiving its right to object to performing such analysis or any analysis in the future.

Please calculate the average percentage discount SDG&E's medical baseline customers currently benefit from, on all of its tiered rates.

a. The discount should be calculated by comparing the total bills these customers currently pay (accounting for higher baseline allowance and other rate discounts)¹ divided by the total bills these customers would have paid if not enrolled in the medical baseline program.

i. Please provide all calculations, inputs, and results in Excel format.

b. The workpapers should include clearly identifiable baseline allowance additions and live formulas linking:

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-021
DATE RECEIVED: July 7, 2023
DATE RESPONDED: August 18, 2023

- i. the total otherwise applicable revenues billed to medical baseline customers if such customers did not benefit from the medical baseline program,
 - ii. the actual revenues paid by medical baseline customers,
 - iii. the underlying rates and exemptions,
 - iv. the baseline quantities with and without the medical baseline allowance.
- c. Please provide separate calculations for California Alternative Rates for Energy (CARE), Family Electric Rate Assistance Program (FERA) and non-CARE/FERA medical baseline customers.
- d. Please provide a detailed explanation of how SDG&E arrived at these figures.

SDG&E Response:

Please see attached Excel file "CalAdv-SDG&E-DR-021_Q1.xlsx".

END OF RESPONSE

Attachment 7-C: SDG&E's September 21, 2023 response to data request Cal Adv-SDGE-26.

**Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-026
DATE RECEIVED: September 1, 2023
DATE RESPONDED Q1: September 18, 2023
DATE RESPONDED Q2: September 21, 2023**

DATA REQUEST

OBJECTIONS TO INSTRUCTIONS

1. SDG&E objects to the instructions to the extent they purport to require verified responses.
2. SDG&E objects to the instructions to the extent they purport to require the individual(s) responsible for providing the response and/or designate the proper witness to cross-examine concerning the response. The responses reflect SDG&E's response as a Company to the requests and not the work of any one individual.
3. SDG&E objects to the instructions to the extent they state that the requests are ongoing in nature and require subsequent, supplemental information.
4. SDG&E objects to the instructions to the extent they request responses in multiple formats.
5. SDG&E objects to the instructions to the extent they provide shortened timelines for objections and requests for clarification.

EXPRESS RESERVATIONS

1. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
2. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.

Subject to the foregoing objections and reservations, SDG&E responds as follows.

SUBJECT: MEDICAL BASELINE 3

1. Please confirm the following statements concerning SDG&E's medical baseline (MB) program benefits and SDG&E's proposal to reduce such benefits over time in this proceeding. If these statements are inconsistent with your MB proposal or require additional context, please explain further.
 - a. Currently SDG&E's MB customers on tiered rates receive both additional baseline allowance per statute and an additional benefit via a "rate discount" compared to non-MB customers.
 - i. This "rate discount" for non-CARE MB customers is implemented via a lower total rate adjustment component (TRAC) compared to non-CARE non-MB customers.
 - ii. CARE MB customers also see the same lower TRAC compared to non-MB customers before receiving the line-item CARE discount.
 - b. SDG&E's response to Cal Advocates' DR 21 shows that non-CARE MB customers on average receive a 33% discount compared to if they were billed on non-CARE non-MB rates.

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-026
DATE RECEIVED: September 1, 2023
DATE RESPONDED Q1: September 18, 2023
DATE RESPONDED Q2: September 21, 2023

i. This 33% is a result of both the aforementioned rate discount and the increase in baseline allowance.

c. A MB customer who enrolls in SDG&E's TOU-ELEC customer will receive a 26% line-item discount and forfeit the additional baseline allowance given that TOU-ELEC is an untiered rate.

i. This line-item discount is lower than the 33% received by MB customers on tiered rates.

d. SDG&E's proposed changes to the MB program in this proceeding are limited to the "rate discount" mechanism and will not impact the additional baseline allowance for MB customers on tiered rates.

i. This means that if the proposal is implemented, total benefits for MB customers on tiered rates will still be higher than the total benefits received by MB customers on untiered rates. However, SDG&E's MB proposal would result in lower total benefits for both groups compared to SDG&E's current MB discount program

SDG&E Response:

a.

i. Partially confirm, but note that part of the discount is provided through rate exemptions. Currently, the "rate discount" for non-CARE MB customers is implemented via a lower TRAC and exemption of the Department of Water Resources-Bond Charge (DWR-BC) and Wildfire Fund-Nonbypassable Charge (WF-NBC) compared to non-CARE non-MB customers.

ii. Confirm. CARE + MB customers receive the same TRAC rate as MB customers, and exemptions of DWR-BC and WF-NBC charges, compared to non-MB customers, before receiving the CARE/MB line-item discount of 21%.

b. Confirmed.

i. This is partially correct. The discount is a result of: 1) embedded "rate discount", 2) DWR-BC exemption and WF-NBC exemption, and 3) increased baseline allowances.

c. Deny. Pursuant to D.22-11-022, a MB customer who enrolls in SDG&E's TOU-ELEC rate will receive a 20% line-item discount, while the average MB customer on a tiered rate schedule receives a 33% discount.

i. Confirm that the line-item discount is lower, not that it is 26%. Pursuant to D.22-11-022, an MB customer who enrolls in SDG&E's TOU-ELEC rate will receive a 20% line-item discount, while the average MB customer on a tiered rate schedule receives a 33% discount.

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-026
DATE RECEIVED: September 1, 2023
DATE RESPONDED Q1: September 18, 2023
DATE RESPONDED Q2: September 21, 2023

d. Confirmed.

SDG&E has three proposals related to the Medical Baseline program. First, SDG&E is proposing to move the “rate discount” to a line-item discount. Second, SDG&E is proposing a new line-item discount for Medical Baseline-eligible customers who enroll in untiered rate schedules. Third, SDG&E is proposing to decrease the total line-item discount gradually. Eligible MB customers on tiered residential rate schedules will continue to receive increased baseline allowances, in compliance with statute (California Public Utilities Code § 739(c)).

- i. It depends: whether or not the effective discount for a customer taking service on a tiered rate exceeds the line-item discount an untiered rate receives depends on an individual customer’s usage. However, based on SDG&E’s analysis, this is correct for the average MB customer. Under SDG&E’s proposal, the line-item discount for tiered will equal the line-item discount for untiered rates, but the average MB customer on a tiered rate will effectively receive a slightly higher bill discount than a MB-eligible customer taking service on an untiered rate due to the additional statutory baseline allowance of 16.5 kWh per day that SDG&E is required to provide per PU Code § 739(c). However,

Cal Advocates GRC Phase 2 Data Request
CalAdv-SDG&E-DR-026
DATE RECEIVED: September 1, 2023
DATE RESPONDED Q1: September 18, 2023
DATE RESPONDED Q2: September 21, 2023

2. How are the approximate \$40 million in total benefits, illustrated in the following table, of the MB program funded?

	Subsidy	Formula
non-CARE	\$31,866,720	CalAdv-SDG&E-DR-021-Q1, Summary Tab, Cell C6-B6
CARE	\$7,115,635	CalAdv-SDG&E-DR-021-Q1, Summary Tab, Cell C13-B13
FERA	\$510,851	CalAdv-SDG&E-DR-021-Q1, Summary Tab, Cell C20-B20
Total	\$39,493,206	

- a. Are these costs collected and recovered in public purpose program (PPP) charges, through:
- Higher residential rates;
 - higher rates for all customer classes,
 - or both
 - Please explain.
- b. Please explain the distinction, if any, between how the benefits from the additional baseline allowance and the “rate discounts” provided to non-CARE MB customers are recovered through rates.

SDG&E Response:
Provided on September 21, 2023

Currently MB benefits for tiered rates are in the form of an embedded “rate discount”, rate exemptions for DWR-BC and WF-NBC, and, for customers on tiered rates, an additional baseline allowance. MB program benefits are recovered through the TRAC rate component from all other tiered residential rate customers. Lower/discounted TRAC rates calculated for residential tiered MB rate schedules are offset by residential tiered non-MB rate schedules. Additionally, TRAC is also responsible for tier differentials and ensures revenue neutrality by accounting for the additional subsidy for baseline energy rates and recovers those costs through the upper tier rates. Therefore, any undercollection due to additional daily baseline allowance that MB customers receive is accounted for in TRAC and recovered from all other tiered residential rate schedules. For SDG&E’s untiered rate that has a medical baseline program line-item discount, the discount is recorded as a reduction to distribution revenues. The other MB benefit of exemption from DWR-BC and WF-NBC charges are recovered from all customer classes.

END OF RESPONSE

Attachment 7-D: SDG&E's November 27, 2023 response to data request Cal Adv-SDGE-36.

Data Request Number: CalAdv-SDG&E-DR-036

Proceeding Name: A2301008 - SDGE 2024 GRC PH2

Publish To: Cal Advocates

Date Received: 11/17/2023

Date Submitted: 11/27/2023

Subject: MB DISCOUNT EXAMPLE

1. Please provide the workpapers SDG&E used to illustrate the mechanics of the medical baseline (MB) discounts during the meeting with Cal Advocates on 11/16/2023 at 2:30 PM.
2. Please correct any incorrect statements about the workpaper requested in question 1. SDG&E quantified the benefits for the average medical baseline enrolled customer based on 2022 usage data and an average kWh/day baseline allowance. The workpapers includes:
 - a. Dollar and percentage estimates from the additional baseline allowance in isolation of other MB program benefits compared to the non-MB rate.
 - b. Dollar and percentage estimates from the embedded rate discount in isolation of other MB program benefits compared to the non-MB rate.
 - c. Dollar and percentage estimates of the total benefits from all benefits attributed to SDG&E's MB program compared to the non-MB rate.

SDG&E Response:

1. Please see attached file "CalAdv-SDG&E-DR-036_Q1_MBCalcs.xlsx"
2. Cal Advocates' statements regarding what is included in the workpaper requested in Question 1 are correct.