

Docket No.: A.23-01-008

Exhibit No.: \_\_\_\_\_

Date: January 8, 2024

**DIRECT TESTIMONY OF MARY NEAL ON BEHALF OF THE UTILITY  
CONSUMERS' ACTION NETWORK CONCERNING SAN DIEGO GAS & ELECTRIC  
COMPANY'S APPLICATION FOR AUTHORITY TO UPDATE MARGINAL COSTS,  
COST ALLOCATION, AND ELECTRIC RATE DESIGN**

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1 **I. Introduction and Summary**

2 **Q. Please state the name and business address of the testimony sponsor.**

3 A. Mary Neal of MRW & Associates, LLC (MRW) is sponsoring this testimony.<sup>1</sup>

4 MRW's business address is 1736 Franklin Street, Suite 700, Oakland, California  
5 94612.

6

7 **Q. On whose behalf are you testifying?**

8 A. This testimony is being provided on behalf of the Utility Consumers' Action Network  
9 (UCAN).

10

11 **Q. What is the purpose of your testimony?**

12 A. I have analyzed San Diego Gas and Electric's (SDG&E) marginal cost, revenue  
13 allocation, and rate design proposals as described in its Application and testimony in  
14 this General Rate Case (GRC) Phase 2 proceeding. The purpose of my testimony is to  
15 present the results of my analysis and recommendations.

16

17 **Q. How is your testimony organized?**

18 A. I address the following issues:

19 • Section II of my testimony discusses the impact of net energy metering (NEM) on  
20 SDG&E's cost-of-service and how to approach the issues of cross-subsidies created  
21 by NEM policy.

22 • Section III provides my recommendations regarding SDG&E's analysis of shared

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<sup>1</sup> Ms. Neal's qualifications are provided in Attachment A.

1 service drop costs.

2 • Section IV provides recommendations on revenue allocation both for the test year and  
3 for implementing subsequent rate changes in between GRC proceedings.

4 • Section V touches on rate design, though I do not offer specific rate design  
5 recommendations at this time.

6 **Q. Please summarize UCAN's recommendations regarding SDG&E's marginal  
7 cost, revenue allocation, and rate design proposals.**

8 A. My recommendations are as follows:

9 1. I recommend SDG&E complete the quantification of NEM on cost-of-service as  
10 outlined in this testimony. Given the time required to do that, I would expect it to be  
11 completed in a subsequent phase of this proceeding.

12 2. If the Commission declines to adopt my recommendation to continue NEM-related  
13 cost-of-service analysis in this proceeding, I recommend accepting SDG&E's  
14 proposal to use its current SAPC-adjusted revenue allocation factors for the current  
15 test year.

16 3. I recommend SDG&E conduct a full evaluation of NEM cost-of-service cross-  
17 subsidies in the next GRC Phase 2.

18 4. At this time, I do not recommend using SDG&E's shared service drop analysis for  
19 marginal cost-based revenue allocation in this proceeding. If SDG&E provides  
20 further data in response to this testimony, I may change this recommendation.

- 1           5. If the Commission accepts SDG&E’s proposal to use SAPC-adjusted revenue  
2           allocation factors, then I do not recommend a specific revenue allocation carve out  
3           for wildfire mitigation costs or any other costs. However, if the Commission  
4           decides to base revenue allocation on a cost study, it would be reasonable to  
5           allocate wildfire mitigation costs on an equal cent per kWh basis in the test year.
- 6           6. When performing SAPC rate changes, I recommend revenues at current rates be  
7           determined by multiplying SDG&E’s current detailed rates by its proposed  
8           forecasted billing determinants in order to ensure more even rate impacts to  
9           customers, which is the intent of the methodology.
- 10          7. I do not object to any of SDG&E’s rate design proposals at this time. However,  
11          UCAN reserves the right to comment on rate design issues after reviewing the  
12          direct testimony of other parties in this proceeding.

13   **II. Impact of Net Metering on Marginal Cost and Revenue**  
14   **Allocation**

15   **Q. Please provide some background on the fundamentals of how to assess the cost**  
16   **of service of customers with behind-the-meter solar facilities enrolled in NEM**  
17   **programs?**

18   A. There are times when NEM customers use energy from the grid. SDG&E labels this  
19   “delivered energy.” There are also times when NEM customers export power to the  
20   grid. SDG&E calls this “received energy.” There is a cost of service to the utility to  
21   provide NEM customers “delivered energy.” This can be calculated similar to  
22   customers without behind-the-meter generation, but the load profiles of customers  
23   with solar tend to be different from other customers with little to no consumption in

1 the midday period. There is also a cost-of-service benefit from the “received energy.”  
2 A cost-of-service study can be performed that estimates the cost-of-service of NEM  
3 customers as if they were their own rate class. The cost of “delivered energy” would  
4 be netted against the benefits from “received energy.” Net costs would be compared  
5 to the expected revenues from NEM customers to evaluate whether such customers  
6 pay their cost-of-service.

7 **Q. Has the Commission found that NEM programs in California impact non-NEM**  
8 **participant rates?**

9 A. Yes. Based on the NEM 2.0 Lookback Study, the NEM tariff and NEM successor  
10 tariff, also called NEM 1.0 and NEM 2.0, have put upward pressure on customer rates  
11 in SDG&E’s territory.<sup>2</sup> This is because the compensation that customers with behind-  
12 the-meter solar receive under the NEM program exceeds avoided costs.<sup>3</sup> Under the  
13 approved NEM 3.0 paradigm,<sup>4</sup> grid exports of solar energy from NEM customers will  
14 be valued using avoided-cost based rates, which should reduce this upward rate  
15 pressure, but not for customers grandfathered on NEM 1.0 and NEM 2.0 rates.

16 **Q. Based on the available analysis you have reviewed to date, do all SDG&E NEM**  
17 **customers pay their cost-of-service?**

18 A. No. The NEM 2.0 Lookback Study also performed a cost-of-service analysis and  
19 found that although SDG&E’s non-residential NEM 2.0 customers would continue to

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<sup>2</sup> Verdant Associates, LLC, Net-Energy Metering 2.0 Lookback Study, January 21, 2021, Table 1-6, p. 12, [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/net-energy-metering-nem/nemrevisit/nem-2\\_lookback\\_study.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/net-energy-metering-nem/nemrevisit/nem-2_lookback_study.pdf)

<sup>3</sup> I recognize that calculating avoided costs is controversial, but the Commission relied on the NEM 2.0 Lookback Study when concluding that “the NEM 2.0 tariff negatively impacts non-participant ratepayers.” Reference Finding of Facts 4 and 10 in Decision (D.) 22-12-056.

<sup>4</sup> D.22-12-056.

1 pay rates above cost-of-service, residential NEM 2.0 customers would only pay 9% of  
2 cost-of-service.<sup>5</sup>

3 **Q. What is the relevance of this rate impact to this proceeding?**

4 A. The essential question to this proceeding is not how much NEM customers will pay  
5 or receive in benefits or how much overall rate impact there will be from the NEM  
6 program, but how the rate impact is shared among rate classes. Does the rate impact  
7 fall mainly on rate classes that have proportionally larger amounts of NEM  
8 customers? What alternatives may be available to prevent such an outcome? These  
9 are the relevant questions I am considering in this testimony.

10 **Q. Has SDG&E attempted to answer these questions?**

11 A. SDG&E provided an analysis of the impact of NEM rate programs on marginal costs  
12 by separately analyzing the marginal costs of NEM and non-NEM customers.<sup>6</sup> This  
13 includes consideration of a marginal cost benefit of received energy for marginal  
14 commodity costs.<sup>7</sup>

15 **Q. What were the results of SDG&E's analysis?**

16 A. SDG&E found that NEM customers have higher marginal costs on a dollar per kWh  
17 basis than non-NEM customers, even after consideration of benefits of received  
18 energy.<sup>8</sup>

19 **Q. Does SDG&E take a position on how to incorporate these results into its cost-of-**  
20 **service study?**

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<sup>5</sup> Verdant Associates, LLC, Net-Energy Metering 2.0 Lookback Study, January 21, 2021, Table 5-11, p. 98, [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/net-energy-metering-nem/nemrevisit/nem-2\\_lookback\\_study.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/net-energy-metering-nem/nemrevisit/nem-2_lookback_study.pdf)

<sup>6</sup> Revised Prepared Direct Testimony of Samantha Pate, p. SP-24, line 1 to SP-25, line 8.

<sup>7</sup> Revised Prepared Direct Testimony of Jeff De Turi, p. JDT-20, lines 5-8.

<sup>8</sup> Revised Prepared Direct Testimony of Samantha Pate, p. SP-24, line 12 to SP-25, line 8.

1 A. Not at this time.<sup>9</sup> SDG&E does not take the next step in a cost-of-service analysis to  
2 separately analyze the cost-based revenue allocation for NEM customers if they were  
3 treated as a separate rate class and compare that to rate revenues from NEM  
4 customers.

5 **Q. What do you expect the results of an analysis of NEM cost-of-service to show if**  
6 **SDG&E had completed it?**

7 A. As already discussed, given the NEM 2.0 Lookback Study results, I expect it to show  
8 that residential NEM customers do not pay their cost-of-service. SDG&E's own  
9 marginal cost analysis of NEM customers showing increased marginal costs for NEM  
10 customers would also tend to support this conclusion, but a comparison to revenues  
11 from distribution and commodity rates for NEM and non-NEM customers would be  
12 needed to fully quantify any cross-subsidies.

13 **Q. How does NEM impact the illustrative cost-based revenue allocation presented**  
14 **in SDG&E's testimony in this proceeding?**

15 A. Although NEM load and cost-of-service is not explicitly analyzed in SDG&E's  
16 revenue allocation model, there are implicit impacts of NEM. Under SDG&E's cost-  
17 based revenue allocation, I expect non-NEM residential rates are disproportionately  
18 impacted by NEM rate policy. SDG&E calculates the cost-of-service of each rate  
19 class's combined NEM and non-NEM customers. For instance, residential NEM and  
20 non-NEM customers are combined into one residential rate class. The presence of  
21 NEM customers in a rate class tends to reduce the metered energy in kWh available  
22 to bill customers for that class. When setting rates by dividing revenue requirements

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<sup>9</sup> Attachment B:SDG&E Responses to UCAN-SDG&E-DR-001, questions 5 and 6.

1 by billed kWh, having less kWh to bill puts upward pressure on rates to pay for fixed  
2 costs. The impact of NEM would also tend to impact the load shape for classes with  
3 NEM, and hence the cost-of-service of those classes, but not the load shapes of  
4 classes with little to no NEM. Thus, I would expect increasing NEM penetration in a  
5 class would impact that class, but only have limited impact on the cost-of-service of  
6 other classes. Given NEM customers are concentrated in the residential class, I expect  
7 residential non-NEM customers to face greater upward rate pressure than other rate  
8 classes.

9 The residential rate design also lacks fixed demand or customer charges,  
10 leaving no rate component to ensure residential NEM customers contribute to fixed  
11 demand and customer-related costs, a major contributing factor to the results in the  
12 NEM 2.0 Lookback Study showing residential NEM customers do not pay cost-of-  
13 service. This would also lead to disproportionate rate impacts for non-NEM  
14 customers in the residential class.

15 **Q. Is SDG&E's proposed treatment of NEM reasonable?**

16 A. No. Allowing NEM policy to increase residential rates serves to increase financial  
17 incentives for residential customers to install solar and enroll in NEM, increasing the  
18 rate burden to non-NEM residential customers even further in an unsustainable cycle.  
19 NEM rate policy is also part of a set of policies to support clean energy, and clean  
20 energy creates benefits for all customers. There is no logical reason any subsidy paid  
21 to NEM customers to support clean energy development should be paid  
22 disproportionately by one rate class or another.

1           A preferred approach would be to complete the quantification of NEM/non-  
2 NEM cost-of-service cross subsidies and determine a policy that adjusts the revenue  
3 allocation to allocate any NEM underpayment to all classes to avoid disparate rate  
4 impacts. For instance, the Commission should consider allocating any NEM revenue  
5 deficit to all classes on an equal percentage basis by rate function.

6 **Q. What do you recommend regarding NEM issues?**

7 A. I recommend SDG&E complete the quantification of NEM on cost-of-service as  
8 outlined in this testimony. Given the time required to do that, I would expect it to be  
9 completed in a subsequent phase of this proceeding. However, income-graduated  
10 fixed charges may be assessed on residential customers as being considered in R.22-  
11 07-005. Such fixed charges could have a significant impact on residential NEM  
12 customers' revenues and contribution toward cost-of-service, and hence the impact of  
13 the revenue allocation adjustment for NEM I recommend. Considering this, although  
14 I do recommend spending more time evaluating NEM impacts on cost-of-service, I  
15 would also accept SDG&E's proposal to use its current SAPC-adjusted revenue  
16 allocation factors for the current test year. Regardless, I recommend SDG&E conduct  
17 a full evaluation of NEM cost-of-service cross-subsidies in the next GRC Phase 2.

18 **Q. To clarify, are you recommending NEM customers be placed into a separate rate**  
19 **class with separate rates?**

20 A. No. I do not recommend they be placed into a separate rate class with a cost-of-  
21 service based rate target and separate rates. I only recommend an adjustment to the  
22 revenue allocation to reduce disparate rate impacts from NEM rate policy. I  
23 understand such an adjustment would have limitations. Because NEM customers

1 would not be in a separate class, the Commission would not be able to directly target  
2 their rates at a certain amount at or below cost-of-service, nor could it do so for non-  
3 NEM rates.

4 **Q. Would NEM-related considerations be the only factor to consider in setting**  
5 **revenue allocation?**

6 A. Not in any way. First, I expect calculating the NEM and non-NEM cost-of-service to  
7 be controversial, as all cost-of-service analyses are controversial. Cost-of-service  
8 experts frequently have disagreements on cost causation. Those issues would still  
9 need to be addressed and worked through in a Commission proceeding. I also make  
10 no claim that just because NEM customers are not expected to pay their cost-of-  
11 service that all non-NEM customers are. And it may not be reasonable to force all  
12 customers to cost-of-service because of other policy concerns, especially affordability  
13 and gradualism. All those concerns would remain.

14 The unreasonable outcome I am attempting to avoid is for the Commission to  
15 increase rates to a rate class because a cost-of-service study indicates that class is not  
16 paying its cost-of-service when we know that NEM rate policy contributes to the  
17 projected cost-of-service shortfall and the impact of NEM rate policy has not been  
18 quantified. What I recommend is for the impact of NEM on cost-of-service to be  
19 brought into the discussion so any burden NEM places on rate affordability can be  
20 explicitly assessed as part of the proceeding.

### 21 **III. Additional Marginal Cost Issues**

22 **Q. Are there additional marginal cost issues you wish to discuss?**

1 A. Yes. I address the marginal cost of shared service drops that SDG&E provides in its  
2 testimony. UCAN also reserves the right to comment on further marginal cost issues  
3 after reviewing the direct testimony of other parties in this proceeding.  
4

### 5 **A. Shared Service Drop Analysis**

6 **Q. Please summarize SDG&E's shared service drop analysis.**

7 A. Pursuant to the settlement agreement in the previous GRC Phase 2 proceeding,  
8 SDG&E performed an analysis of shared service drop costs.<sup>10</sup> This was in part  
9 pursuant to a recommendation in my testimony in that proceeding on behalf of  
10 UCAN.<sup>11</sup> SDG&E found that shared service drops cost more than non-shared service  
11 drops on a per customer basis.<sup>12</sup>

12 **Q. Is this the result you expected when you made this recommendation?**

13 A. No. In my experience with the cost-of-service of other utilities, shared service drops  
14 cost less per customer than non-shared service drops. This makes intuitive sense as  
15 one drop feeds a bank of meters with much lower amount of cable length required per  
16 customer. Most recently, I testified about service drop costs for multi-family and  
17 single-family installations in Southern California Edison's (SCE) GRC Phase 2.<sup>13</sup>  
18 Based on data SCE provided in that proceeding used in its marginal customer cost  
19 study,<sup>14</sup> typical service drop costs for single family homes are \$395.24/customer,

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<sup>10</sup> Revised Prepared Direct Testimony of William G. Saxe, p. WGS-9, lines 16-19.

<sup>11</sup> A.19-03-002, Direct Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network, pp. 37-40, <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A1903002/2571/331349521.pdf>

<sup>12</sup> Revised Prepared Direct Testimony of William G. Saxe, p. WGS-10, lines 1-13.

<sup>13</sup> A.20-10-012. Direct Testimony of Mary Neal on Behalf of The Western Manufactured Housing Communities Association, <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2010012/3930/394797040.pdf>

<sup>14</sup> A.20-10-012. SCE Data Request Response attached to Direct Testimony of Mary Neal on Behalf of The Western Manufactured Housing Communities Association, <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2010012/3930/394796943.pdf>

1 somewhat higher but in the range of the \$331/customer SDG&E reports for  
2 residential non-shared service drops. However, SCE’s shared service drop cost  
3 estimate for apartments was \$36.66/customer, a different order of magnitude from  
4 SDG&E’s reported \$442/customer for shared service drops.

5 **Q. Can you explain the disparity?**

6 A. No. One thing that did seem unreasonable in SDG&E’s results is that SDG&E quoted  
7 a length of 371.7 feet per shared multi-family service drop,<sup>15</sup> which seems  
8 unreasonably long, over twice the quoted length of a non-residential shared service  
9 drop (153.2 feet).<sup>16</sup> When asked about the disparity, SDG&E stated that multi-family  
10 facilities “tend to be set further back from the road.”<sup>17</sup> Upon close examination of the  
11 underlying data,<sup>18</sup> this is actually the total cable installed divided by the total number  
12 of installations. However, some installations do not report the cable length. Dividing  
13 the total cable length by the number of installations reporting cable length results in  
14 an average service drop installation length of 627.2 feet for multi-family installations  
15 and 165.6 feet for non-residential installations. The difference between them (461.6  
16 feet) seems much too large to be caused by a road set-back. There could be multiple  
17 service drops per installation, which would limit the amount of potential cost  
18 reduction from sharing service drops, but SDG&E would have to provide further  
19 clarification.

20 **Q. What do you recommend about this analysis?**

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<sup>15</sup> Attachment B: SDG&E Response to UCAN-SDG&E-DR-001, question 4, part bi.

<sup>16</sup> Attachment B: SDG&E Response to UCAN-SDG&E-DR-001, question 4, part biii.

<sup>17</sup> Attachment B: SDG&E Response to UCAN-SDG&E-DR-002, question 1, part a.

<sup>18</sup> Attachment B: SDG&E Response to UCAN-SDG&E-DR-002, question 1.

1 A. At this time, I do not recommend using SDG&E's shared service drop analysis for  
2 marginal cost-based revenue allocation in this proceeding. If SDG&E provides  
3 further data in response to this testimony, I may change this recommendation, but  
4 given the disparity between SDG&E and SCE's analyses, I doubt further analysis will  
5 be able to reconcile the two in the remaining time in this proceeding.

6 **IV. Revenue Allocation**

7 **Q. Please explain how this section of your testimony is organized.**

8 A. First, I make recommendations regarding SDG&E's test year revenue allocation.  
9 Second, I discuss improvements to the SAPC methodology SDG&E currently  
10 employs in updating rates in between test years.

11  
12

**A. Test Year Revenue Allocation**

13 **Q. What recommendations do you offer for SDG&E's test year revenue allocation?**

14 A. I make recommendations related to how to incorporate the impact of NEM and  
15 regarding allocation of wildfire-related costs.

16 **Q. What recommendations do you offer for SDG&E's test year revenue allocation  
17 regarding NEM-related issues?**

18 A. In the first section of my testimony, I discussed the impact of NEM on cost  
19 allocation. As discussed there, I would not recommend using a cost-based revenue  
20 allocation methodology that does not explicitly quantify cross-subsidies from NEM  
21 rate policy. Instead, I recommend SDG&E further define these subsidies in this  
22 proceeding or would support SDG&E's proposal to use the current SAPC-adjusted  
23 revenue allocation fractions for the test year.

24 **Q. What recommendations do you offer for SDG&E's wildfire cost allocation?**

1 A. Consistent with my testimony in the previous SDG&E GRC Phase 2 proceeding,<sup>19</sup> in  
2 principle, wildfire mitigation costs should be treated differently from other  
3 distribution costs. Cost allocation should follow a beneficiary pays standard, meaning  
4 those that benefit from infrastructure investments should pay for those costs. In this  
5 instance, wildfire mitigation costs provide the benefit of reducing the chance of a  
6 conflagration that kills people and destroys homes and businesses. These investments  
7 also reduce the need for costly public safety power shutoffs. Such benefits are widely  
8 shared by all in society, and the cost allocation should reflect this. Costs creating  
9 societal benefits—including wildfire liability costs—have been allocated on an equal  
10 cent per kWh basis in the past, so it is reasonable to use that allocation for wildfire  
11 mitigation costs. Indeed, since these costs have the effect of preventing wildfires and  
12 reducing wildfire liabilities, it is reasonable such costs be allocated on the same basis.

13 However, also consistent with my testimony in the prior proceeding, if the  
14 Commission accepts SDG&E’s proposal to use SAPC-adjusted revenue allocation  
15 factors, then I do not recommend a specific revenue allocation carve out for wildfire  
16 mitigation costs or any other costs. However, if the Commission decides to base  
17 revenue allocation on a cost study, it would be reasonable to allocate wildfire  
18 mitigation costs on an equal cent per kWh basis in the test year.

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<sup>19</sup> A.19-03-002, Rebuttal Testimony of Mary Neal on Behalf of the Utility Consumers’ Action Network, pp. 9-11, <https://docs.epuc.ca.gov/PublishedDocs/SupDoc/A1903002/2637/335842398.pdf>

1           **B.     Future Rate Changes: SAPC Methodology Recommendations**  
2

3   **Q.     Please provide some background on SDG&E’s use of SAPC methodology in**  
4           **setting rates.**

5   A.     Per the terms of the approved settlement agreement from the previous GRC Phase 2  
6           proceeding,<sup>20</sup> SDG&E began applying what it terms an SAPC methodology for  
7           setting rates. In this proceeding, SDG&E continues to recommend using SAPC  
8           methods for setting rates in between GRC Phase 2 proceedings.<sup>21</sup>

9   **Q.     At a high level, please define what an SAPC methodology is and the reason it is**  
10           **typically used in rate proceedings.**

11   A.     An SAPC methodology does not rely on a cost-of-service model to determine a  
12           revenue allocation to implement a rate change. Instead, all rate classes are given the  
13           same average rate change equal to the system average percent change. It is typically  
14           used in setting rates when a cost-of-service model is not performed, such as rate  
15           changes in between general rate cases, or as a method of promoting rate stability  
16           since all classes receive the same change and no one class has a very small or large  
17           change compared to other classes.

18   **Q.     Does UCAN support SDG&E’s use of an SAPC methodology?**

19   A.     Generally, yes. UCAN recommended SDG&E use the SAPC methodology in the  
20           previous GRC Phase 2 proceeding as a way to promote rate stability and as a way to  
21           address inequities caused by relying on revenue allocation factors based on  
22           inaccurate, outdated load forecasts.<sup>22</sup>

23   **Q.     What issues do you have with SDG&E’s current SAPC methodology?**

1 A. In the proceeding to address Application (A.) 21-08-010, UCAN identified an issue  
2 with how SDG&E calculates SAPC rate changes. Effectively, rate classes are not  
3 receiving the rate stability benefits UCAN had hoped for in supporting the SAPC  
4 methodology as part of the previous GRC Phase 2 settlement. Rate classes do not all  
5 receive the same average rate change.

6 **Q. What did the Commission rule in A.21-08-010 and what are the implications for  
7 this proceeding?**

8 A. In D.22-03-003, the Commission found UCAN’s arguments were out of scope of the  
9 proceeding and stated that “[d]etermining the appropriate method of calculating  
10 SAPC should be addressed in SDG&E’s GRC Phase 2 proceedings.”<sup>23</sup> This being  
11 SDG&E’s new GRC Phase 2 proceeding, UCAN wishes to raise the same issue here  
12 for adjudication by the Commission as per the Commission’s prior decision.

13 **Q. Has SDG&E proposed any changes to its SAPC methodology in the GRC Phase  
14 2 proceeding?**

15 A. No.<sup>24</sup> UCAN’s earlier concerns from A.21-08-010 remain.

16 **Q. Please elaborate on the issue of why SDG&E’s SAPC methodology does not  
17 provide the intended rate stability benefits?**

18 A. The issue stems from how the forecast of revenues at current rates is calculated. To  
19 calculate the rate adjustment factors used in an SAPC rate change, system revenues at  
20 current rates must be compared to the system revenue requirement. The ratio between

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<sup>20</sup> Settlement was adopted in D.21-07-010.

<sup>21</sup> Revised Prepared Direct Testimony of Samantha Pate, p. SP-10, lines 15-20.

<sup>22</sup> A.19-03-002, Direct Testimony of Mary Neal on Behalf of the Utility Consumers’ Action Network, pp. 23-27, <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A1903002/2571/331349521.pdf>

<sup>23</sup> D.22-03-003 at 14.

<sup>24</sup> Attachment B: SDG&E Response to UCAN-SDG&E-DR-001, question 2, part a.

1           them determines the rate adjustment factors that are multiplied by current rates to  
2           calculate new rates.

3                        To determine revenues at current rates, SDG&E multiplies a simplified  
4           estimate of current average rates by its projections of sales for each rate class. Instead,  
5           I recommend revenues at current rates be determined by multiplying SDG&E's  
6           current detailed rates by its proposed forecasted billing determinants, which are the  
7           metered amounts of kW and kWh and other determinants used to bill customers. The  
8           result of this recommendation is more even rate adjustment factors across rate classes,  
9           the intended result of an SAPC methodology.

10   **Q.    What advantage does using billing determinants instead of class average rates to**  
11   **forecast revenues provide?**

12   A.    In using the simplified class average rate, SDG&E essentially assumes that the  
13   updated load forecast has no effect on class average rates. Given SDG&E's complex  
14   rate design that incorporates time-of-use (TOU) rates, demand charges, and customer  
15   charges, this is typically an inaccurate assumption. Customer load shapes change over  
16   time due to things such as increased behind-the-meter solar penetration and electric  
17   vehicle adoption. When load shapes change, the class average rate will change even if  
18   the detailed rates do not change. As an example, consider a customer on TOU rates  
19   with separate peak and off-peak rates. Assume those peak and off-peak rates do not  
20   change year-to-year, but the load shape does. Assume the load shape changes such  
21   that more consumption is consumed in the on-peak period. When calculating the  
22   average rate, measured as total dollars billed divided by total consumption, the

1 average rate would increase during the year with higher amounts of on-peak  
2 consumption.

3 Estimating revenues at current rates using the billing determinant forecast  
4 would capture the effect of changing load shapes on SDG&E revenues. To return to  
5 the earlier example of the customer paying higher average rates under a TOU rate  
6 paradigm, the billing determinant forecast includes forecasts of sales volumes in kWh  
7 at the TOU level. It would capture the proportionally higher kWh consumed on-peak  
8 and would thus be more accurate in predicting revenues at current rates.

9 **Q. How does your recommendation impact the rates for the test year and all future**  
10 **rate changes?**

11 A. This recommendation does not impact rates for the test year. SDG&E calculates new  
12 rate adjustment factors under the SAPC methodology when implementing sales  
13 forecast changes.<sup>25</sup> It is not implementing a new sales forecast in this proceeding.  
14 Under SDG&E's revenue allocation proposal, the only revenue allocation change  
15 stems from the proposal to split the medium and large customer class into multiple  
16 rate classes.<sup>26</sup>

17 This recommendation would impact future rate changes when the SAPC  
18 method is used to calculate new rates with a new sales forecast.

19 **Q. Have you attempted to quantify the impact of your recommendation on future**  
20 **rate changes?**

21 A. No. That would require too much speculation as to what the updated sales forecast  
22 would be.

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<sup>25</sup> Attachment B: SDG&E Response to UCAN-SDG&E-DR-001, question 2, part b.

<sup>26</sup> Attachment B: SDG&E Response to UCAN-SDG&E-DR-001, question 2, part c.

1 **Q. Can you provide an example of how it would have impacted rates if**  
2 **implemented in the past?**

3 A. Yes. I calculated the impact of this recommendation on SDG&E’s proposed rate  
4 changes in A.21-08-010. The ultimate impact on class average rates varies by rate  
5 function (commodity, distribution, etc.), but the intent is to ensure more even rate and  
6 bill impacts across customer classes. As an illustrative example from that prior  
7 proceeding, the commodity rate adjustment factors under SDG&E’s proposed  
8 methodology and UCAN’s recommendation is shown in the table below. As shown in  
9 the table, the rate adjustment factors are much more even across rate classes under  
10 UCAN’s recommended methodology.

11 **Table 1. Comparison of Commodity Rate Adjustment Factors Using SDG&E and**  
12 **UCAN Proposed SAPC Methodology Presented in A.21-08-010.<sup>27</sup>**

	<b>SDG&amp;E</b>	<b>UCAN</b>
	<b>RATE ADJUSTMENT FACTORS</b>	<b>RATE ADJUSTMENT FACTORS</b>
<b>Residential</b>	0.865	0.829
<b>Small Commercial</b>	0.809	0.829
<b>Med&amp;Lg C&amp;I</b>	0.791	0.829
<b>Agriculture</b>	0.829	0.829
<b>Lighting</b>	0.837	0.829

13  
14 **V. Rate Design**

15 **Q. Does UCAN object to any of SDG&E’s residential rate design proposals?**

16 A. Not at this time. However, UCAN reserves the right to comment on rate design issues  
17 after reviewing the direct testimony of other parties in this proceeding.

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<sup>27</sup> A.21-08-010, Direct Testimony of Mary Neal on Behalf of The Utility Consumers’ Action Network Concerning San Diego Gas & Electric Company’s Application for Approval of its 2022 Electric Sales Forecast, October 1, 2021, Table 1, p. 7, <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2108010/4169/411212379.pdf>

1 **VI. Conclusion**

2 **Q. Does this conclude your testimony?**

3 **A. Yes.**

Docket No.: A.23-01-008

Exhibit No.: \_\_\_\_\_

Date: January 8, 2024

**ATTACHMENTS TO THE DIRECT TESTIMONY OF MARY NEAL ON BEHALF OF  
THE UTILITY CONSUMERS' ACTION NETWORK CONCERNING SAN DIEGO GAS  
& ELECTRIC COMPANY'S APPLICATION FOR AUTHORITY TO UPDATE  
MARGINAL COSTS, COST ALLOCATION, AND ELECTRIC RATE DESIGN**

## Attachment A: Resume of Mary Neal

**MARY NEAL**

**PROFESSIONAL  
EXPERIENCE**

**Senior Project Manager  
MRW & Associates, LLC  
(2018)**

Conduct technical analysis of electric and gas utility rate cases and other regulatory filings and serve as expert witness in regulatory proceedings. Perform integrated resource planning on behalf of Community Choice Aggregators and Electric Service Providers in California. Construct and critique models for utility cost allocation, rate design, retail rate forecasts, and benefits of distributed generation facilities. Evaluate energy procurement options and provide analytical and strategic support for business decisions and litigation on electric and gas issues.

**Senior Consultant  
Daymark Energy Advisors, Inc.  
(2009-2017)**

Advised electric and gas industry clients on resource planning, utility rates, and market design issues. Testified before multiple state and Canadian provincial regulatory agencies on issues related to electric market modeling, fuel cost forecasting, cost allocation, rate design, and electric utility capital planning. Prepared and critiqued numerous electric and gas utility allocated cost of service, revenue requirement and rate design models. Led modeling team for Daymark Energy Advisors' AURORAxmp Northeast electric market model.

**Engineer  
Solar Turbines, Inc.  
(2005-2008)**

Designed dry low-emission combustion systems for Mars SoLoNOx gas turbines. Led development of fuel injectors for landfill gas and aftermarket retrofit applications.

**EDUCATION**

M.A., Energy and Environmental Analysis, Boston University, 2010  
B.S. Mechanical Engineering, University of California, Davis, 2005

## Prepared Testimony

1. Nova Scotia Utility and Review Board Matter No. 04600  
Direct Testimony of Mary Neal on Behalf of the Nova Scotia Small Business Advocate Concerning Nova Scotia Power's 2012 Annual Capital Expenditure Plan. January 13, 2012.
2. Public Service Commission of Wisconsin Docket No. 3270-UR-118  
Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board of Wisconsin Concerning Madison Gas & Electric's Application for Authority to Change Electric and Natural Gas Rates. August 27, 2012.
3. Public Service Commission of Wisconsin Docket No. 6690-UR-123  
Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board of Wisconsin Concerning Wisconsin Public Service Corporation's Application to Adjust Electric and Natural Gas Rates. August 13, 2014.
4. Nova Scotia Utility and Review Board Matter No. 06514  
Direct Testimony of Mary Neal on Behalf of the Nova Scotia Small Business Advocate Concerning Nova Scotia Power's 2015 Annual Capital Expenditure Plan. January 16, 2015.
5. Public Service Commission of Wisconsin Docket No. 05-CE-145/05-CE-147  
Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board of Wisconsin Concerning the Joint Application of Wisconsin Electric Power Company, Madison Gas and Electric Company, and WPPI Energy for a Certificate of Authority to Upgrade Various Power Block Equipment at Elm Road Generating Station Units to Facilitate the Use of Sub-Bituminous or Powder River Basin Coals as a Fuel Source/Construct a Site Bulk Material Handling Project at Oak Creek and Elm Road Generating Station. February 24, 2015.
6. Public Service Commission of Wisconsin Docket No. 6690-UR-124  
Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board of Wisconsin Concerning Wisconsin Public Service Corporation's Application to Adjust Electric and Natural Gas Rates. September 2, 2015.
7. Nova Scotia Utility and Review Board Matter No. 07176  
Direct Testimony of Mary Neal on Behalf of the Nova Scotia Small Business Advocate Concerning Nova Scotia Power's 2016 Annual Capital Expenditure Plan. February 17, 2016.
8. New York Public Service Commission Case No. 16-E-0060  
Direct Testimony of the Electric Rate Panel on Behalf of the New York Utility Intervention Unit Concerning the Rates, Charges, Rules and Regulations of Consolidated

Edison Company of New York, Inc. for Electric Service (with Lee Smith and Danielle Panko). May 27, 2016.

9. Vermont Public Service Board  
Testimony of Mary Neal on Behalf of Swanton Village Electric Concerning Swanton Village Electric's Proposed Electric Vehicle Charging Station Pilot Program (with assistance from Vermont Public Power Supply Authority). June 2016.
10. CPUC Application 18-07-024  
Testimony on Behalf of The City of Long Beach, Energy Resources Department. April 12, 2019.
11. Public Service Commission of Wisconsin Docket No. 5-CE-146  
Direct Testimony of Mary Neal on Behalf of Citizens Utility Board. April 26, 2019.
12. Public Service Commission of Wisconsin Docket No. 5-CE-146  
Supplemental Direct Testimony of Mary Neal on Behalf of Citizens Utility Board. May 3, 2019.
13. Public Service Commission of Wisconsin Docket No. 5-CE-146  
Rebuttal Testimony of Mary Neal on Behalf of Citizens Utility Board. May 28, 2019.
14. Public Service Commission of Wisconsin Docket No. 5-CE-146  
Surrebuttal Testimony of Mary Neal on Behalf of Citizens Utility Board. May 28, 2019.
15. Public Service Commission of Wisconsin Docket No. 6690-UR-126  
Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board, Clean Wisconsin & Wisconsin Industrial Energy Group. August 23, 2019.
16. Public Service Commission of Wisconsin Docket No. 6690-UR-126  
Supplemental Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board, Clean Wisconsin & Wisconsin Industrial Energy Group. August 28, 2019.
17. Public Service Commission of Wisconsin Docket No. 6690-UR-126  
Surrebuttal Testimony of Mary Neal on Behalf of the Citizens Utility Board, Clean Wisconsin & Wisconsin Industrial Energy Group. October 4, 2019.
18. CPUC Application 19-03-002  
Direct Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design. April 6, 2020.
19. CPUC Application 19-03-002  
Rebuttal Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design. May 4, 2020.

20. CPUC Application 19-10-012  
Testimony of Substitute Witness Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application to Extend and Modify the Power Your Drive Pilot Approved by Decision 16-01-045. May 18, 2020.
21. CPUC Application 19-10-012  
Rebuttal Testimony of Substitute Witness Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application to Extend and Modify the Power Your Drive Pilot Approved by Decision 16-01-045. June 19, 2020.
22. CPUC Application 19-09-014  
Direct Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Phase 2 Opening Testimony. August 21, 2020.
23. CPUC Application 19-11-019  
Direct Testimony of Mary Neal on Behalf of the Western Manufactured Housing Communities Association in Pacific Gas & Electric's 2020 Electric Cost Allocation and Rate Design Proceeding. November 20, 2020.
24. CPUC Application 20-10-012  
Direct Testimony of Mary Neal on Behalf of the Western Manufactured Housing Communities Association in Phase 2 of Southern California Edison's 2021 General Rate Case Application. July 26, 2021.
25. CPUC Application 21-08-010  
Direct Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Approval of its 2022 Electric Sales Forecast. October 1, 2021.
26. CPUC Application 21-08-010  
Rebuttal Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Approval of its 2022 Electric Sales Forecast. October 8, 2021.
27. CPUC Application 21-12-006  
Direct Testimony of Mary Neal on Behalf of The Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Approval of Real Time Pricing Pilot Rate. December 30, 2022.
28. CPUC Application 21-12-006  
Rebuttal Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Approval of Real Time Pricing Pilot Rate. January 30, 2023.

29. CPUC Application 22-09-015  
Testimony of Mary Neal on Behalf of Long Beach Utilities. June 12, 2023.
30. CPUC Application 22-09-015  
Rebuttal Testimony of Mary Neal on Behalf of the Western Manufactured Housing Communities Association in Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) Gas Cost Allocation Proceeding. July 28, 2023.
31. Public Service Commission of Wisconsin Docket No. 4220-CE-185  
Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board and Clean Wisconsin. November 29, 2023.
32. Public Service Commission of Wisconsin Docket No. 4220-CE-185  
Rebuttal Direct Testimony of Mary Neal on Behalf of the Citizens Utility Board and Clean Wisconsin. December 21, 2023.

## Attachment B: DR Responses

**Data Request Number:** UCAN-SDG&E-DR-001

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

1. Please refer to page SP-15 of Chapter 1 of SDG&E's revised testimony in this proceeding, lines 13-15: "The newly adopted Net Billing Tariff (NBT) is estimated to provide SDG&E solar customers simple paybacks in less than six years, well below the targeted nine-year payback of the decision." What analysis supports SDG&E's estimated six year payback? Please provide a copy of any SDG&E reports supporting this estimate.

**SDG&E Response:**

Please refer to the publicly available tool developed by E3 titled "NBT Model 12142022.xlsx" that can be found on the CPUC website:

<https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/customer-generation/nem-revisit/net-billing-tariff>

<https://view.officeapps.live.com/op/view.aspx?src=https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/net-energy-metering-nem/nemrevisit/nbt-model-12142022.xlsx&wdOrigin=BROWSELINK>

Additionally, please see Appendix B of D.22-12-056, pp. B-5 – B-6.

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**Publish To:** Utility Consumers' Action Network

**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

2. Please refer to page RU-3 of Chapter 2 of SDG&E's revised testimony in this proceeding, lines 10-11: "SDG&E is proposing to use the SAPC methodology for sales forecast implementations for the duration of this four-year GRC cycle."
  - a. Is SDG&E proposing any changes to the SAPC methodology it currently uses? If so, please describe these changes.
  - b. SDG&E discusses using the SAPC methodology for sales forecast implementation. When SDG&E implements a rate change without changing the sales forecast, please describe what revenue allocation factors it currently uses and what it proposes to use throughout the next four-year GRC cycle.
  - c. For figures RU-2 through RU-6, is the only difference between the January 1, 2023 revenue allocations and illustrative proposed revenue allocations the split between the Medium and Large C&I class? If not, please describe any other changes.

**SDG&E Response:**

- a. No change is being proposed to the SAPC methodology.
- b. When a rate change occurs without changing the sales forecast, the revenue allocation factors do not change for that rate change. Instead, the revenue allocation factors calculated from the previous sales forecast update are used to allocate the updated revenue requirement. Through the next four-year GRC cycle, SDG&E proposes to continue with this methodology where SAPC rate component allocations are only updated when new sales forecasts are adopted in its annual Electric Procurement Revenue Requirement (ERRA) and Sales Forecast Applications.
- c. Correct, the only change between the January 1, 2023, and the illustrative proposed revenue allocations in figures RU-2 through RU-6 is the separation of the Medium Commercial class from the Small Commercial class and former Medium/Large Commercial & Industrial class.

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**Date Responded:** 12/6/23

3. Please refer to pages 8-10 of Chapter 3 of SDG&E's revised testimony in this proceeding, discussing SDG&E's proposals for the medical baseline program.
  - a. Please provide the monthly number of customers enrolled in the medical baseline program for each rate schedule and rate option for the most recent twelve months in which data is available. Please indicate which rate options have tiered rates that allow customers to receive the full benefits of the program.
  - b. Were medical baseline customers defaulted to non-tiered time-of-use rates during SDG&E's residential time-of-use rate transition?
  - c. Are there any other justifications for reducing the medical baseline discount other than consistency with the other electric IOUs? If so, please provide them.

**SDG&E Response:**

- a. See attached file "UCAN-SDG&E-DR-0011\_Q3a.xlsx"
- b. Customers who were defaulted to TOU during SDG&E's residential Mass TOU Default were transitioned to tiered TOU rates. No customers were defaulted to non-tiered TOU rates. With the exception of Medical Baseline customers who also reside in hot climate zones or were otherwise exempted from TOU default, Medical Baseline customers were defaulted to the default tiered TOU rate (TOU-DR1).
- c. SDG&E's proposal is designed to promote transparency, align with the original intent of the medical baseline statute (to provide additional kWh baseline allowance), and reduce cost shifting to non-participating customers, along with being more consistent with the methodology of the other electric IOUs. As stated by California PU Code Section 739(c)(1), "The commission shall establish a standard limited allowance which shall be in addition to the baseline quantity of gas and electricity for residential customers dependent on life-support equipment, including, but not limited to, emphysema and pulmonary patients. A residential customer dependent on life-support equipment shall be allocated a higher energy allocation than the average residential customer." The statute does not discuss a discount, only an incremental baseline allotment. Therefore, SDG&E believes it is appropriate to gradually decrease the rate discount that MB customers receive, while making no changes to the statutorily required increased baseline allotment.

**Data Request Number:** UCAN-SDG&E-DR-001

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

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**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

4. Please refer to page WGS-10 of Chapter 4 of SDG&E's revised testimony in this proceeding, lines 1-13, which discusses SDG&E's analysis of shared service drop costs.
  - a. Please provide the cost per foot of service drops for the following customers:
    - i. Multi-family residential shared service drops
    - ii. Residential non-shared service drops
    - iii. Non-residential shared service drops
    - iv. Small commercial non-shared service drops
    - v. Medium commercial non-shared service drops
  - b. Please provide the average service drop length for the following customers:
    - i. Multi-family residential shared service drops
    - ii. Residential non-shared service drops
    - iii. Non-residential shared service drops
    - iv. Small commercial non-shared service drops
    - v. Medium commercial non-shared service drops
  - c. Please provide the total number of customers sharing service drops for the referenced 54 multifamily residential installations.
  - d. Please provide the total number of customers sharing service drops for the referenced 94 non-residential installations.
  - e. If the cost per customer is higher for customers sharing service drops, please explain why SDG&E installs shared service drops? Please provide justification that SDG&E cannot reduce costs by installing individual service drops for buildings with multiple customers.

**SDG&E Response:**

- a. Below are the service drop costs per foot in the SDG&E 2024 GRC Phase 2:
  - i. \$42.25 per foot
  - ii. \$3.33 to \$9.65 per foot
  - iii. \$97.78 per foot
  - iv. \$7.41 to \$24.61 per foot
  - v. \$7.41 to \$61.21
- b. Below are the service drop feet in the SDG&E 2024 GRC Phase 2:
  - i. 371.7 feet

**Data Request Number:** UCAN-SDG&E-DR-001

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**Date Responded:** 12/6/23

- ii. 25 to 100 feet
- iii. 153.2 feet
- iv. 25 to 1,000 feet
- v. 25 to 1,000 feet
- c. 1,918 individual customers were sharing service drops for the 54 multi-family residential installations.
- d. 539 individual customers were sharing service drops for the 94 non-residential installations.
- e. SDG&E installs shared service drops to these multi-family and non-residential installations because only one service drop needs to be installed to serve this type of customer. Installing individual service drops where shared services drops are possible would mean installing multiple service drop lines per installation, which is not practical for reasons including the potential for increased maintenance costs, aesthetic reasons, and safety concerns. For instance, on average the 54 multi-family projects are serving 35.5 customers per project. It would not be practical and may not even be possible to install 35.5 service drops for each project when only one service drop is actually needed.

**Data Request Number:** UCAN-SDG&E-DR-001

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

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**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

5. Please refer to the marginal cost results presented in Attachments A and B to Chapter 4 of SDG&E's revised testimony in this proceeding. Please confirm the results presented here do not reflect any adjustments for the results of the marginal cost analysis of NEM and non-NEM customers presented in Attachment D. Otherwise, please describe how the NEM study was incorporated into SDG&E's marginal cost study.

**SDG&E Response:**

The proposed SDG&E marginal distribution costs results presented in Attachments A and B of the Chapter 4 Revised Direct Testimony do not reflect any adjustments for the results of the marginal cost analysis of NEM and non-NEM customers presented in Attachment D of the Chapter 4 Revised Direct Testimony. Attachments A and B present the results based on SDG&E's total customers, including both NEM and non-NEM customers combined, whereas Attachment D presents a comparison of the marginal distribution costs for NEM and non-NEM customers separately. The Attachment D results were presented for informational purposes and were not used anywhere in SDG&E's 2024 GRC Phase 2 proposals.

**Data Request Number:** UCAN-SDG&E-DR-001

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

6. Given SDG&E's results of marginal costs for NEM and non-NEM customers presented in Attachment D to Chapter 4 and table JND-4 of Chapter 5 of SDG&E's revised testimony in this proceeding, does SDG&E take a position on whether it is reasonable to calculate separate revenue allocation factors for NEM and non-NEM customers? Why or why not?

**SDG&E Response:**

At this time, SDG&E does not take a position on whether it is reasonable to calculate separate revenue allocation factors for NEM and non-NEM customers. However, SDG&E reserves the right to re-evaluate for future proceedings.

**Data Request Number:** UCAN-SDG&E-DR-001

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

7. Please refer to page JDT-9 of Chapter 5 of SDG&E's revised testimony in this proceeding, lines 7-8: "Because ES has diminishing returns, the ELCC factors must be applied."
  - a. The footnote for the above referenced passage indicates ELCCs from a 2022 resource adequacy study were used. Please justify the use of these ELCCs when they were never adopted by the Commission.
  - b. ELCCs were calculated monthly. What monthly values were used to gross up the marginal generation capacity cost and why is this reasonable?

**SDG&E Response:**

- a. When the GRC P2 marginal commodity cost study was performed the 2022 Resource Adequacy (RA) ELCC study was the most recent study available, and therefore is the most appropriate study to use.
- b. A simple average of the monthly values was used to calculate the annual value. The average of all months was deemed reasonable since the battery storage resource will provide capacity year-round.

**Data Request Number:** UCAN-SDG&E-DR-001

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

8. Please refer to page JDT-9 of Chapter 5 of SDG&E's revised testimony in this proceeding, lines 8-9: "all capacity must be scaled up for the Planning Reserve Margin." What planning reserve margin was assumed and why?

**SDG&E Response:**

Per D.22-06-050, OP 8 at page 125, a 17% planning reserve margin was used. This was based on the CPUC's planning reserve margin which was adopted for the 2024 Resource Adequacy year.

**Data Request Number:** UCAN-SDG&E-DR-001

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 11/20/2023

**Date Responded:** 12/6/23

9. Please refer to the Supplemental Testimony of Ray Utama, pages RU-20 to RU-21, discussing a proposal to increase EV-TOU-5 SOP rates. Please provide the monthly number of customers taking service under EV-TOU-5 rates from the past 24 months data is available.

**SDG&E Response:**

Please see attached file, "UCAN-SDG&E-DR-001\_Q9.xlsx".

**Data Request Number:** UCAN-SDGE-DR-002

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 12/12/2023

**Date Responded:** 12/21/23

## **OBJECTIONS TO INSTRUCTIONS**

1. SDG&E objects to the instructions to the extent they state that the requests are ongoing in nature and require subsequent, supplemental information.
2. 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.

1. Please refer to SDG&E's response to UCAN-SDG&E-DR-001, which discusses service drop costs.
  - a. Please explain why the average service drop length for multi-family residential customers (371.7 feet) is more than twice the average length of non-residential shared service drops (153.2 feet) and more than three times the maximum service length for residential non-shared service drops (100 feet).
  - b. Please provide the breakdown of the service drop costs provided to part a of the referenced data request by labor, materials, and other costs.
  - c. Please provide the following for each of the 54 multi-family residential installations with shared service drops used for SDG&E's analysis.
    - i. Service drop labor cost
    - ii. Service drop material cost
    - iii. Service drop total cost
    - iv. Service drop length
    - v. Number of customers served
    - vi. Whether the service drop is underground or overhead
  - d. Please provide the following for each of the 94 non-residential installations with shared service drops used for SDG&E's analysis.
    - i. Service drop labor cost
    - ii. Service drop material cost
    - iii. Service drop total cost

**Data Request Number:** UCAN-SDGE-DR-002

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 12/12/2023

**Date Responded:** 12/21/23

- iv. Service drop length
- v. Number of customers served
- vi. Whether the service drop is underground or overhead
- e. Please explain why the average cost per foot of the non-residential shared service drops (\$97.78 per foot) exceeds that of the maximum cost per foot for medium commercial customers with non-shared service drops (\$61.21).

**SDG&E Response:**

- a. The distance between a customer's meter and the final line transformer tends to be more for multi-family residential customers than for non-residential customers because the multi-family residential facilities tend to be set further back from the road.
- b. The attached "UCAN DR-002, Q1" file provides the breakdown of the shared service drop costs between labor, material, and other costs.
- c. The attached "UCAN DR-002, Q1" file provides the data requested for the 54 multi-family residential installations with shared service drops used for SDG&E's analysis that is available.
- d. The attached "UCAN DR-002, Q1" file provides the data requested for the 94 non-residential installations with shared service drops used for SDG&E's analysis that is available.
- e. The difference in the actual service drop costs for non-residential shared service drop projects compared to the forecast costs for non-shared service drops for commercial customers is due to the service drop wire type needed. In general, shared service drops tend to be more per foot because the wire type needed to serve multiple customers tends to be more expensive than the wire type needed to serve individual customers.

**Data Request Number:** UCAN-SDGE-DR-002

**Proceeding Name:** A2301008 - SDGE 2024 GRC PH2

**Publish To:** Utility Consumers' Action Network

**Date Received:** 12/12/2023

**Date Responded:** 12/21/23

2. Please refer to Chapter 4 of SDG&E's revised direct testimony in this proceeding discussing marginal distribution costs.
  - a. Are marginal distribution customer cost estimates prepared separately for underground and overhead infrastructure? Why or why not?
  - b. Are marginal distribution demand cost estimates prepared separately for underground and overhead infrastructure? Why or why not?
  - c. Please provide the monthly number of SDG&E residential customers for each of the following categories for the most recent 12 months data is available:
    - i. Residential customers with underground service drops
    - ii. Residential customers with overhead service drops
    - iii. Non-residential customers with underground service drops
    - iv. Non-residential customers with overhead service drops

**SDG&E Response:**

- a. The proposed marginal distribution customer costs are based on underground infrastructure costs because typically new customer installations in San Diego reflect underground service.
- b. The proposed marginal distribution demand costs are calculated based on the costs and kW of SDG&E's existing distribution demand facilities (Feeder & Local Distribution and Substations) and thus, the marginal distribution demand costs are based on the weighted average of the actual underground and overhead distribution demand facilities installed.
- c. The table below provides the current customer counts broken down between residential and non-residential customers for both underground and overhead service. This data is only available at a point in time and thus, the monthly number of customers requested is unavailable.

	<u>Underground</u>	<u>Overhead</u>	<u>Total</u>
<b>Residential</b>	951,390	405,586	1,356,976
<b>Non-Residential</b>	119,188	27,821	147,009
	1,070,578	433,407	1,503,985

**END OF RESPONSE**