Exhibit No.:	SDGE-13
Proceeding No.:	A. 23-01-008
Witness:	Campi, Luna, Wissman and Saxe
Date Served:	February 7, 2024

CHAPTER 3

PREPARED REBUTTAL TESTIMONY OF

HANNAH CAMPI, EVELYN LUNA, ERICA WISSMAN

and WILLIAM G. SAXE

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

February 7, 2024

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PREPARED REBUTTAL TESTIMONY OF HANNAH CAMPI, EVELYN LUNA, ERICA WISSMAN and WILLIAM G. SAXE (CHAPTER 3)

I. INTRODUCTION AND PURPOSE

This rebuttal testimony addresses rate design issues raised by parties in response to San Diego Gas and Electric Company's (SDG&E) proposals in its Revised Direct Testimony. Specifically, this testimony addresses testimony of the following parties:

- The Public Advocates Office (Cal Advocates) of the California Public Utilities Commission (CPUC or Commission), submitted by Nathan Chau (Chapter 7), dated December 8, 2023, and Alejandro Marquez (Chapter 8) and Vanessa Martinez (Chapter 10), dated January 19, 2024.
- The Utility Reform Network (TURN), as submitted by Garrick Jones, dated revised January 17, 2024.
- Small Business Utility Advocates (SBUA), as submitted by Maureen L. Reno, dated January 8, 2024.
- The Center for Accessible Technology (CforAT), as submitted by Melissa W. Kasnitz, dated January 8, 2024.
- City of San Diego (City), as submitted by William A. Monsen, dated January 8, 2024.
- The California Farm Bureau Federation (Farm Bureau), as submitted by Lloyd C. Reed, dated January 8, 2024.
- The Solar Energy Industry Association (SEIA), as submitted by Tom Beach, dated January 8, 2024

- The California City County Street Light Association (CALSLA), as submitted by Alison Lechowicz, dated January 8, 2024.

In this rebuttal testimony, failure to address any individual issue does not imply any agreement by SDG&E with the proposal made by these or other parties. The testimony is organized as follows: Residential Rate Design – Medical Baseline related proposals (Luna), Small Commercial Rate Design (Wissman), Medium Commercial Rate Design (Campi), Large Commercial & Industrial Rate Design (Campi), Agricultural Rate Design (Luna), and CPP Rates (Saxe).

II. RESIDENTIAL RATE DESIGN (EVELYN LUNA)

A. Medical Baseline Discount

This testimony adopts the September 29, 2023, revised prepared direct testimony of Ray Utama (Chapter 3) regarding the residential medical baseline discount proposal in SDG&E's 2024 General Rate Case (GRC) Phase 2 application. As presented in that testimony, SDG&E developed a proposal to update its tiered Medical Baseline (MB) discount from an embedded rate discount to a line-item discount, and to create a glidepath to decrease the MB discount over four years from 25.69% to 12.00% (a decrease of approximately 3.42% per year).[1] Additionally, for purposes of consistency in the MB discount as amongst rates, SDG&E proposed to add the MB discount to untiered rates and would similarly decrease that discount over the four year glidepath to arrive at a flat, line-item discount of 12.00% for untiered rates.[2] SDG&E did not propose any changes to the additional baseline allowances (kWh allowances per day) that are required by statute and allotted to medical baseline customers on tiered rates.

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[1] SDG&E Revised Direct Testimony of Ray C. Utama, Erica Wissman, Hannah Campi and Evelyn Luna (Chapter 3) (September 29, 2023) (SDG&E's Chapter 3 Revised Direct Testimony), p. 10.

[2] *Id.*

Cal Advocates generally supports SDG&E's proposal to reduce the MB discount over four years, citing that it will improve the overall alignment of rates with marginal costs, simplify rates, and decrease cost shift to the broader residential customer class.[3] Additionally, after reviewing testimony from Cal Advocates and considering their alternative proposal, SDG&E believes it is an acceptable middle ground between its proposal and that of other parties that seek no decline in SDG&E's high MB discounts. Accordingly, SDG&E revises its proposal to seek Commission approval for Cal Advocates proposed MB discount design for tiered rates and untiered rates, with a small adjustment to the untiered rate proposal.[4]

Cal Advocates proposal, which is also supported by TURN,[5] would result in an effective 20% MB discount for both tiered and untiered rates after a four year glidepath.[6] The MB line-item discount for tiered rates would decrease from 25.69% to 9.50% over a four-year period (approximately 4.05% per year).[7] Cal Advocates makes a similar proposal for untiered rates, that starts at 25.69% and declines over the four year glidepath, landing at a flat 20.00% line-item discount in year four.[8] However, SDG&E proposes a 20% discount be applied from year 1 for untiered rates. Because untiered rates do not currently have any MB discount, a flat structure

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[3] Errata Prepared Direct Testimony (Executive Summary) on Behalf Cal Advocates on SDG&E's 2024 GRC Phase 2 (January 19, 2024) (Cal Advocates Errata Direct (Executive Summary)) p. 10.

[4] SDG&E notes that Cal Advocates proposal for tiered rates, like SDG&E's, does not make any changes to baseline allowances.

[5] Errata Prepared Testimony of Garrick Jones, Marginal Cost, Revenue Allocation and Rate Design Policy Issues for SDG&E, on behalf of TURN (January 17, 2024) (TURN Errata Prepared Direct Testimony (Jones)), p. 41.

[6] Cal Advocates Prepared Direct Testimony of Nathan Chau - Residential Rate Design, Chapter 7 (December 8, 2023) (Cal Advocates Direct (Chau) Chapter 7), p. 7-11.

[7] *Id.*, Table 2 at p. 7-12.

[8] *Id.*, Table 3 at p. 7-12.

would avoid the unnecessary administrative complication and potential customer confusion associated with declining benefits, while still providing a comparable discount to tiered rates.

CforAT broadly supports Cal Advocates' alternate proposal of a 20% level discount, but emphasizes that now is not the appropriate time to reduce the MB discount due to current affordability concerns and SDG&E's forecasted revenue requirement increases.[9] Additionally, CforAT argues that the Commission should adopt a 25.69% rate discount for qualifying MB customers on untiered residential rates and maintain the MB discount level for tiered rates until the next GRC Phase 2 proceeding.[10] CforAT cites affordability concerns for vulnerable customers, however, maintaining a 25.69% MB discount for enrolled customers continues the cost-shift to non-medical baseline customers, including CARE and FERA customers, through higher Total Rate Adjustment Component (TRAC) rates. Extending the MB discount to untiered rates without reducing the effective discount will lead to further increases to the cost-shift for non-participating customers. Under SDG&E's proposal, customers who enrolled in the medical baseline program on tiered rates will continue to receive additional tier 1 allowance to meet their medical needs, consistent with the Commission's Rate Design Principles (RDPs) adopted in Decision (D.) 23-04-040, Ordering Paragraph (OP) 1 (a).[11] Importantly, the Medical Baseline Program (MBP) is not a low-income program, and therefore it is contrary to the Commission's RDPs to continue this subsidization. Medical baseline customers that are facing affordability challenges have access to alternative programs intended to address affordability, such as the

[9] Opening Testimony of Melissa W. Kasnitz on Medical Baseline/Medical Discount Issues (January 8, 2024) (CforAT Direct Testimony (Kasnitz)), p. 2.

[10] *Id.*, pp. 3-4.

[11] D.23-04-040 at OP 1(a), ("All residential customers (including low-income customers and those who receive a medical baseline or discount) should have access to enough electricity to ensure that their essential needs are met at an affordable cost.").

CARE and FERA programs. Further, pursuant to SDG&E's proposal, MB customers that also participate in CARE or FERA will receive the discounts on a multiplicative basis.[12] Returning to reevaluate this issue in the next GRC as suggested by CforAT ignores the financial burden non-participating customers, including low-income customers, will experience as a result.

The City of San Diego argues that SDG&E did not demonstrate that the current MB discount is unjust or unreasonable.[13] Per the Commission's RDP (h), "*Rates should avoid cross-subsidies that do not transparently and appropriately support explicit state policy goals.*"[14] Currently, MB rates contain cross-subsidies that are neither transparent nor support explicit state policy goals. SDG&E's proposal is reasonable, is supported by the RDPs and aligns with the original intent of the medical baseline statute. D.84-01-064 does not require medical baseline customers to receive a rate discount, it only states that qualifying residential customers shall receive an additional allotment of energy every month at the lowest price available (tier 1 pricing).[15] This helps ensure MB customers have enough energy available to support their medical devices. Therefore SDG&E's proposal is aligned with the Commission's goals and intent of the program.

Furthermore, SDG&E supports TURN's recommendation that the cost of the MBP subsidy should be recovered through the Public Purpose Program (PPP) rate component and allocated on an equal-cent-per-kWh basis.[16] Although, TURN proposes using the same allocator

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[12] SDG&E's Chapter 3 Revised Direct Testimony, p. 9.

[13] Direct Testimony of William A. Monsen on behalf of the City of San Diego Regarding Marginal Costs, Revenue Allocation, and Rate Design in Application 23-01-008 (January 8, 2024) (City of SD Direct Testimony (Monsen)), p. 25.

[14] D. 23-04-040 at OP 1(h).

[15] D.84-01-064, Findings of Fact 6.

[16] TURN Errata Prepared Direct Testimony (Jones), p. 36.

to the CARE program[17], SDG&E believes that MBP should follow a cost recovery similar to the Energy Savings Assistance Program (ESAP) given that MBP is not a low-income program.[18] SDG&E currently does not track the cost of the medical baseline subsidy but estimates it to be $39.5 million in 2023.[19] Recovery through the PPP component is preferable because it is more transparent and it also the appropriate rate component to collect the cost of state mandated programs. In order to properly recover the costs through PPP, SDG&E seeks Commission approval to establish a balancing account to record costs associated with the MBP.

For the reasons stated above, the Commission should adopt SDG&E's proposal to (1) add a flat 20% MB discount for untiered rates; (2) move the MB rate discount in tiered rates from an embedded rate discount to a line-item discount; (3) adopt a glidepath to reduce the line-item discount over the next four years; and (4) approve recovery of the MB discount in the PPP rate component following ESAP's cost allocation.

III. SMALL COMMERCIAL RATE DESIGN (ERICA WISSMAN)

A. SDG&E's Proposed MSFs for Small Commercial Customers are Reasonable

1. Proposed MSFs Do Not Exceed Cost-Basis

Several parties disagree with SDG&E's proposed increases to the Small Commercial Monthly Service Fees (MSFs). In Chapter 8 of its Opening Testimony, Cal Advocates recommends that the Commission reject SDG&E's proposed MSF increases for Small Commercial customers, arguing that the Marginal Customer Access Costs (MCAC) that SDG&E's MSFs are based on are incorrectly calculated using the Real Economic Carrying

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[17] *Id.*, p. 36.

[18] Both CARE and ESAP are recovered in an equal-cent-per-kWh basis, however CARE recovery exempts CARE and streetlighting customers whereas ESAP only exempts the streetlighting class.

[19] *See* Attachment A hereto, TURN-SDG&E-DR-003_Q2.e.

Charge (RECC) method rather than Cal Advocates' preferred method, New Customer Only (NCO).[20] TURN, SBUA, and CALSLA agree with Cal Advocates that the alternative NCO method of developing MCAC, should be used.[21] As discussed further in the Prepared Rebuttal Testimony of SDG&E witness William G. Saxe, SDG&E maintains that RECC methodology is appropriate and more accurate for determining distribution MCACs. For this reason, the Commission should reject arguments that limit MSFs based on the NCO method.

In addition, Cal Advocates, SBUA, and SEIA disagree with the application of the Equal Percentage of Marginal Costs (EPMC) factor to develop the Small Commercial MSFs, citing to D.17-09-035 to support their proposed exclusion of the factor.[22] However, as discussed in Prepared Rebuttal Testimony of SDG&E witness Samantha Pate, the Commission has stated in several proceedings that D.17-09-035 does not hold precedential value and that it supports the EPMC methodology.[23] Any arguments based on D.17-09-035 should be rejected. SDG&E's proposed Small Commercial MSFs do not exceed cost-basis when determined using the more appropriate RECC method and the Commission-supported EPMC factor, and therefore the proposed increases are reasonable.

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[20] Cal Advocates Errata Prepared Direct Testimony of Alejandro Marquez – Small Commercial Rate, Chapter 8 (January 19, 2024) (Cal Advocates Errata Direct (Marquez) Chapter 8), p. 8-3.

[21] TURN Errata Prepared Direct Testimony (Jones), p. 8; Direct Testimony of Maureen L. Reno on behalf of the SBUA Regarding SDG&E Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design in Application 23-01-008 (January 8, 2024) (SBUA Direct Testimony (Reno)), p. 17; Prepared Direct Testimony of the CALSLA in SDG&E's 2024 TY GRC Phase 2 (Alison Lechowicz) (January 8, 2024) (CALSLA Direct Testimony (Lechowicz)), p. 2.

[22] Cal Advocates Errata Direct (Marquez), p. 8-7; SBUA Direct Testimony (Reno), p. 13; Prepared Direct Testimony of R. Thomas Beach on Behalf of SEIA (January 8, 2024) (SEIA Direct Testimony (Beach)), p. 38.

[23] D.18-08-013, pp. 19-20, 54; D.21-11-016, pp. 113-114; Rulemaking (R.) 22-07-005, Administrative Law Judge's Ruling Providing Guidance for Phase 1 Track A Proposals […] (January 17, 2023), Attachment - Phase 1 Track A: Income-Graduated Fixed Charge Guidance Memo, p.4.

For further context, SDG&E's annual MSFs for customers taking service on the default Small Commercial rate schedule since 2010 are presented in Figure 1 below:

Figure 1 – Schedule TOU-A MSFs (2010 – 2023)

Schedule TOU-A MSFs ($/mo.)				
Year	0-5 kW	>5-20 kW	>20-50kW	>50kW
2010	$ 9.56	$ 9.56	$ 9.56	$ 9.56
2011	$ 9.56	$ 9.56	$ 9.56	$ 9.56
2012	$ 9.56	$ 9.56	$ 9.56	$ 9.56
2013	$ 9.56	$ 9.56	$ 9.56	$ 9.56
2014	$ 7.00	$ 12.00	$ 20.00	$ 50.00
2015	$ 7.00	$ 12.00	$ 20.00	$ 50.00
2016	$ 7.00	$ 12.00	$ 20.00	$ 50.00
2017	$ 8.00	$ 16.00	$ 30.00	$ 75.00
2018	$ 9.00	$ 16.00	$ 30.00	$ 75.00
2019	$ 10.00	$ 16.00	$ 30.00	$ 75.00
2020	$ 10.00	$ 16.00	$ 30.00	$ 75.00
2021	$ 10.00	$ 16.00	$ 30.00	$ 75.00
2022	$ 10.70	$ 17.12	$ 32.10	$ 80.25
2023	$ 11.45	$ 18.32	$ 34.35	$ 85.87

As shown in Figure 1, SDG&E's smallest commercial customers (0-5kW) have seen a total net increase of $1.89/year in their MSFs since 2010. According to the US Bureau of Labor Statistics, $9.56 in 2010[24] is equivalent to $13.53 in 2023, when accounting only for inflation.[25] Comparing this $13.53 figure to the 2023 MSF of $11.45 for the smallest TOU-A customers indicates that MSFs have increased at a slower rate than inflation. Therefore, SDG&E's proposed 15% increase each year for the smallest customers, increasing to $13.17/month in 2024, is generally consistent with inflationary increases, which further supports the reasonableness of the increase.

[24] In 2010, the MSF for Small Commercial Customers (Schedule TOU-A), was $9.56/month.

[25] US Bureau of Labor Statistics, CPI Inflation Calculator, available at https://data.bls.gov/cgi-bin/cpicalc.pl.

2. Proposed MSFs Would Benefit Small Commercial Customers on Average

SBUA's claim that SDG&E's proposed increases to Small Commercial MSFs would "impose severe burdens" on California's small businesses is unsupported. SBUA fails to provide a definition of what constitutes a "severe burden" or evidence to support this claim.[26] SDG&E's proposals, as evidenced in its bill impacts presented in Attachment G2 of SDG&E's Chapter 3 Revised Direct Testimony, show that the majority of Small Commercial class customers are seeing bill decreases as a result of its combined proposals. For nearly all Small Commercial rate schedules, the majority of customers in the first year would see either a bill decrease, no change, or a bill increase of less than 2%. For example, for customers on the default Small Commercial rate schedule TOU-A, over 77% of customers would see bill decreases, and of the smaller percentage of customers that see bill increases (22%), over 32% of those customers would see bill increases of less than 2%. Customers that would see bill increases of over 2% under SDG&E's proposals are extremely low usage customers, which indicates that they are likely participating in a Net Energy Metering program. On average, TOU-A customers that would see bill increases of greater than 2% have a current monthly bill of $15.87, and their new bill under SDG&E's proposals would only increase by $1.58. Even the largest percent increase in TOU-A customers' bills of 44.77% only equates to a $1.77 increase, as their current bill is so low – equaling less than $5, or half of the *residential* minimum bill.[27] The bill impact results for Standard TOU-A customers, presented on page 1 of 15 of Attachment G2 of SDG&E's Chapter 3 Revised Direct Testimony, are included in Figure 2 below.

[26] SBUA Direct Testimony (Reno), p. 9.

[27] SDG&E's Chapter 3 Revised Direct Testimony, Attachment G2 at p. 1 of 15.

Figure 2 – Schedule TOU-A Illustrative Bill Impacts

Line No.	% of Bill Change Range	Number of Customers	% of Customers	% of Customers Cumulative	Avg kWh for the Range	1/1/2023 Effective Rate ($)	2024 GRC Phase 2 Proposed Year 1 ($)	CHANGE ($)	CHANGE (%)	Line No.
1	< -10%	62	0.09%	0.09%	580	$141.56	$125.02	-$16.53	-18.85%	1
2	-10% to -8%	17	0.02%	0.11%	1,400	$373.23	$339.66	-$33.56	-8.98%	2
3	-8% to -6%	16	0.02%	0.13%	1,052	$280.07	$259.63	-$20.44	-7.06%	3
4	-6% to -4%	11	0.02%	0.15%	1,793	$478.38	$452.54	-$25.83	-5.43%	4
5	-4% to -2%	22,798	32.13%	32.28%	2,961	$1,206.44	$1,178.48	-$27.95	-2.25%	5
6	-2% to 0%	32,148	45.30%	77.58%	605	$252.26	$248.31	-$3.94	-1.35%	6
7	0% to 2%	5,101	7.19%	84.77%	139	$65.90	$66.38	$0.47	0.80%	7
8	2% to 4%	1,993	2.81%	87.58%	74	$37.08	$38.15	$1.06	2.87%	8
9	4% to 6%	1,095	1.54%	89.12%	47	$26.75	$28.11	$1.35	4.92%	9
10	6% to 8%	759	1.07%	90.19%	26	$20.85	$22.35	$1.50	6.95%	10
11	8% to 10%	516	0.73%	90.92%	-9	$16.30	$17.92	$1.61	8.93%	11
12	10% to 12%	401	0.57%	91.48%	5	$14.40	$16.13	$1.72	10.97%	12
13	12% to 14%	370	0.52%	92.00%	12	$16.17	$18.31	$2.13	12.96%	13
14	14% to 16%	346	0.49%	92.49%	-6	$11.43	$13.23	$1.80	14.96%	14
15	16% to 18%	237	0.33%	92.82%	-22	$10.17	$12.03	$1.86	16.99%	15
16	18% to 20%	189	0.27%	93.09%	-13	$9.10	$10.88	$1.77	19.00%	16
17	> 20%	4,903	6.91%	100.00%	-17	$4.96	$6.74	$1.77	44.77%	17
18	TOTAL	70,962	100.00%	100.00%	1,239	$508.66	$498.14	-$10.52	-2.07%	18

Moreover, the more vulnerable Small Commercial customers, such as non-profit group living facilities enrolled in expanded CARE (Schedule E-CARE, or "E-LI") and receiving discounted rates, would see significant bill savings, of up to -42.16%.[28] Although the bill impacts presented in Attachment G2 of SDG&E's Chapter 3 Revised Direct Testimony do not isolate the impact of the proposed MSF increases, SDG&E's GRC Phase 2 proposals are a package, and the net impact of each of its proposals should be considered comprehensively.

SDG&E's proposed Small Commercial MSF increases are a key driver to the bill reductions presented in Attachment G2 of SDG&E's Chapter 3 Revised Direct Testimony. Rates are designed to be revenue neutral, so the proposed MSF increases would result in compensating decreases in volumetric rates. For example, SDG&E's proposed TOU-A distribution volumetric rates would be approximately 3% lower in the first year compared to TOU-A distribution volumetric rates as of January 1, 2023, when isolating only the impact of the MSF increases for the proposed Small Commercial rate schedules. This resulting decrease in volumetric rate would

[28] *Id.,* Attachment G2 at p. 4 of 15.

help reduce Small Commercial customers' bills, especially those with higher usage. Take a secondary TOU-A customer with a monthly demand of 5kW – 20kW as an example. Assuming this illustrative customer has an average monthly usage of 1,239 kWh, as presented on page 1 of 15 of Attachment G2 of SDG&E's Chapter 3 Revised Direct Testimony, this customer would see a monthly bill reduction of $1.85.[29] As illustrated by the volumetric rate reduction and the bill impacts provided in Attachment G2, Small Commercial customers will largely benefit from SDG&E's proposals, while at the same time moving towards Commission goals of more cost-based rates,[30] along with other state goals, as discussed further below.

B. SDG&E's Proposed MSFs Are Aligned with State Goals

1. Proposed Small Commercial Rates Would Encourage Electrification

In Chapter 8 of their Opening Testimony, Cal Advocates argues that there is no need to provide lower volumetric rates to all Small Commercial customers, as TOU-A2 already offers more cost-based MSFs, and in turn, lower volumetric rates.[31] SDG&E proposes to increase all Small Commercial MSFs in order to lower their corresponding volumetric rates, as discussed in more detail in Chapter 3 of SDG&E's Revised Prepared Direct Testimony. Lower volumetric rates will help incentivize electrification by effectively lowering the incremental operating costs of electrification technologies, enabling customers to convert their appliances to electric and increase their usage without being penalized with the higher bills that they would potentially see under the current rate structure. However, only offering one "more cost-based" rate schedule

[29] MSF portion of bill impact: $21.07 - $18.32 = $2.75
Volumetric portion of bill impact: 1,239 kWh x ($0.12771/kWh - $0.13142/kWh) = -$4.60
Total bill impact = $2.75 - $4.60 = -$1.85.

[30] D.23-04-040 at OP 1(c).

[31] Cal Advocates Errata Direct (Marquez), pp. 8-7 to 8-8.

that encourages electrification may be a barrier for many customers, as the burden would fall to the customer to be aware of and research which rate schedule offers the greatest incentive to electrify. Small Commercial customers may not have the resources to research and educate themselves on the benefits and bill impacts of each Small Commercial rate offering. Rate design should encourage electrification for all customers. This principle is supported by the Commission's Rate Design Principles, which state that "[r]ates should encourage economically efficient (i) use of energy, (ii) reduction of greenhouse gas emissions, and (iii) **electrification**."[32]

In addition, SBUA expresses concern that lowering Small Commercial volumetric rates will dampen price signals,[33] and recommends that the Commission adopt a rate design that leads to an increase in volumetric rates in order to provide customers with the opportunity to "control costs by reducing electric use, particularly during periods when electricity has the highest costs."[34] SBUA's recommendation to increase volumetric rates is contrary to the direction California's energy policy is moving in. State legislators have recognized the necessity of rate reform through Assembly Bill (AB) 205, which repeals the residential fixed charge cap and requires that the Commission approve default residential fixed charges by July 1, 2024. Although this legislation pertains to residential rates, it signifies the general shift in rate design policy to a structure that provides lower volumetric rates relative to the status quo. AB 205, along with the Commission's amended RDPs, demonstrate a shift in state goals from solely conservation to a balance of conservation, grid utilization, and electrification.[35] SDG&E's proposal to increase

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[32] D.23-04-040 at OP 1(d) (emphasis added).

[33] SBUA Direct Testimony (Reno), p. 16.

[34] *Id.,* (citation omitted).

[35] D.23-04-040 at OP 1(d).

Small Commercial MSFs encourages electrification by lowering volumetric rates relative to the status quo, thereby reducing the operating costs of electrification technologies.

2. Proposed Small Commercial Rates Would Encourage Conservation

Further, SBUA's concerns that SDG&E's proposed Small Commercial rates will not encourage conservation, especially during hours of grid strain, are unwarranted. SDG&E's proposed volumetric rates still recover a significant portion of costs and provide strong price signals during the peak period to shift or conserve energy. SDG&E is also not proposing any changes to its Time-Of-Use (TOU) differentials, as discussed in Chapter 3 of SDG&E's Revised Prepared Direct Testimony.[36] Figure 3 below illustrates that SDG&E's proposed volumetric rates maintain strong price signals to shift usage outside the peak period compared with current rates.[37] Although Figure 3 only presents the rates and TOU differentials for the default Small Commercial rate schedule, the impact of SDG&E's proposals on TOU differentials is similar for all time-differentiated Small Commercial rate schedules. These wider differentials, or stronger price signals, will continue to encourage customers to conserve energy during the on-peak period and shift usage outside of this period, when electricity has the highest costs. Therefore, SDG&E's proposed Small Commercial rate design effectively balances different Commission goals set forth in the RDPs[38] by lowering total volumetric rates, thereby encouraging electrification, and by maintaining strong TOU differentials that encourage energy conservation during peak periods.

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[36] SDG&E's Chapter 3 Revised Direct Testimony (Wissman), p.17.

[37] As of January 1, 2023.

[38] D.23-04-040 at OP 1(d) and (e).

Figure 3 – Current and Proposed TOU-A Rates and Differentials

SDG&E TOU-A - Secondary		
	Current Rate ($/kWh)	SDG&E Proposed Rate ($/kWh)
Summer: On-Peak	0.61132	0.60055
Summer: Off-Peak	0.43288	0.42235
Winter: On-Peak	0.44409	0.43351
Winter: Off-Peak	0.33702	0.32669
Summer: On/Off Differential	1.41	1.42
Winter: On/Off Differential	1.32	1.33

IV. MEDIUM COMMERCIAL CLASS (HANNAH CAMPI)

A. Summary of Proposed Medium Commercial Class and Rate Design Changes

In Chapter 3 of SDG&E's Direct Testimony, it proposed the creation of a new Medium Commercial customer class, and to reclassify some of its customers to Medium Commercial that are in the existing Small Commercial and Medium/Large Commercial & Industrial (M/L C&I) classes. This would result in Small Commercial, Medium Commercial, and Large Commercial and Industrial customer classes post implementation. The key features of the proposed Medium Commercial class are as follows:

- Proposed customers include:
  - Customers currently on TOU-M, currently a Small Commercial rate schedule;
  - Customers on EV-HP and OL-TOU, currently M/L C&I rate schedules; and
  - A subset of M/L C&I customers currently on rate schedules AL-TOU and DG-R. Customers with demand under 200 kW are proposed to be moved

to a "medium" version of their current schedule. AL-TOU-M and DG-R-M are the only "new" rate schedules proposed, however they are designed to be close replicas of AL-TOU and DG-R.

SDG&E is proposing rate design changes for AL-TOU, AL-TOU-M, DG-R, and DG-R-M. SDG&E proposes minor modifications (relative to AL-TOU) to AL-TOU-M as described in SDG&E's Revised Direct Testimony, Chapter 3 at 24, lines 7-16. For both the Medium and Large Versions of AL-TOU, SDG&E proposes a glidepath to allocate a greater share of distribution demand charges to the non-coincident demand charge and a smaller share to the on-peak demand charge for those rate schedules. For both the Medium Class and Large Class versions of DG-R, SDG&E proposes to make the on-peak volumetric distribution rate equal in the summer and winter. DG-R currently has an on-peak volumetric distribution rate that is higher in the winter than the summer, and equal in all other TOU periods.

For schedules TOU-M, OL-TOU, and EV-HP, SDG&E is not proposing any structural rate design changes but is proposing to update costs to reflect SDG&E's proposed Medium Commercial marginal costs and revenue allocation. Relevant rate schedules are displayed below, schedules with proposed design changes are italicized.

Figure 4: Rate Schedules Affected by Medium Class Proposal

Current		Proposed	
Small Commercial	TOU-M	Small Commercial	N/A
N/A		Medium Commercial	TOU-M, OL-TOU, EV-HP, *AL-TOU-M, DG-R-M*
M/L C&I	AL-TOU, DG-R, OL-TOU, EV-HP	Large C&I	*AL-TOU, DG-R*

B. SDG&E's Proposed Medium Commercial Class is Set at the Appropriate Levels

1. Parties Support SDG&E's Proposal to Develop a Medium Commercial Class

Many parties supported the development of a Medium Commercial class in principle,[39] highlighting consensus that there is significant range among SDG&E's commercial customers and these customers would benefit from an additional level of granularity in commercial rate schedules. While no parties opposed the development of a Medium Commercial class, SBUA and the City of San Diego expressed reservations about the specifics of SDG&E's proposal and the timeline for its implementation.

2. 200 kW is an Appropriate Threshold Between the Medium and Large Commercial Classes

The City's primary concern with SDG&E's proposal is determining the demand level at which the M/L C&I class should be divided, requesting additional analysis of alternative demand levels for dividing the classes.[40] SDG&E appreciates the City's desire for additional analysis around alternative demand levels that could be used as a threshold for a Medium Commercial class and is open to a re-evaluation of the Medium Commercial customer class in its next GRC Phase 2. However, SDG&E believes that several of the data points requested do not provide meaningful insight into where the lines between customer classes should be drawn. Bill impacts, for example, will always include a range of results. Since the GRC Phase 2 is a revenue neutral

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[39] City of SD Direct Testimony (Monsen), pp. 8-12; Direct Testimony and Schedules of Maurice Brubaker on behalf of The Federal Executive Agencies (January 8, 2024), pp. 5-6; SBUA Direct Testimony (Reno), p. 22. Cal Advocates did not specifically address SDG&E's proposal for a Medium Commercial class but appears to support a Medium Commercial class by presenting Small, Medium, and Large Commercial classes in tables displaying their proposals, for example, Table 1-1 at p. 4 in Cal Advocates Errata Direct - Executive Summary.

[40] City of SD Direct Testimony (Monsen) p. 7.

proceeding, reductions in one area will necessitate increases in another. While these are relevant to understand as one aspect of evaluating a proposal, bill and rate impacts do not provide insight into cost-basis, which SDG&E believes is a more relevant factor for designing a new customer class.

Additionally, the Commission has used 200 kW as the threshold between Medium and Large Commercial customers in decisions directing the investor-owned-utilities (IOUs) to implement CPP rates for large customers first.[41] SDG&E has also described Large customers as 200kW-1MW in its Smart Meter Case.[42] Maintaining this threshold for Large Commercial customers would lend consistency across these rate design decisions.

These proceedings provided the precedent for SDG&E's additional analysis examining if 200 kW was supported from a cost and customer basis, and finally the resulting rates and bills. No party presented a specific alternative proposal for how a Medium Commercial class should be developed. Although there are near infinite ways in which SDG&E could divide its revenue among groups of customers including energy use or demand levels, any changes should be based on cost and consider customer understanding and consistency.

Further, the Commission should reject adopting an interim proposal that includes any variation of shadow billing or bill protection. This would require SDG&E to develop rates as if a Medium class had not been implemented, and track what each customer's bill would have been under both cases. This doubles rate design and billing efforts associated with these customers who would retain the option to switch rate schedules under SDG&E's proposal. Such redundant billing is a significant effort with limited benefit since the majority of customers in the proposed

[41] D.05-04-053, p. 2-4.

[42] D.07-04-043, p. 17.

Medium Commercial class are currently on M/L C&I rate schedules and will generally see lower costs on Medium Commercial rate schedules. Moreover, adopting bill protection defeats the purpose of re-designing rates, which is to better allocate costs. Regardless of the redesign, there will always be some customers that pay more and some that pay less, with bill protection no specific customer is a loser, but all customers become losers as the bill protection undercollection is redistributed to all ratepayers. Bill protection should be used sparingly and this is not an instance in which it is warranted. If the Commission is not willing to adopt a proposal without bill protection, it should deny SDG&E's request for a Medium Commercial class and the parties can reconsider the issue in the next GRC Phase 2.

3. TOU-M Customers Should be Part of SDG&E's Medium Commercial Class

SBUA requests a waiver of demand charges for customers on TOU-M, whose rate schedule would be moved from the Small Commercial to the Medium Commercial class with SDG&E's proposal.[43] However, there is no reason for such a waiver. First, it could unnecessarily complicate rate design and create a legacy rate for TOU-M customers if this waiver exempts current TOU-M customers and not new customers who elect TOU-M after it is part of the Medium Commercial class. Second, this would require changing the rate design these customers are used to. SDG&E did not propose any rate design changes to schedule TOU-M, meaning TOU-M customers would continue to pay the same demand charge that is part of current rate design for this schedule.

[43] SBUA Direct Testimony (Reno), p. 22.

Figure 5: Present and Proposed TOU-M Rates

SCHEDULE TOU-M	Rates Effective 1/1/2023	GRC Proposed Year 1 (2024)
Basic Service Fee	$131.53	$151.26
Non-Coincident Demand	$4.63	$7.06
Energy Charge		
Summer		
On-Peak	0.67597	0.66911
Off-Peak	0.33689	0.32801
Super Off-Peak	0.26120	0.25187
Winter		
On-Peak	0.36119	0.35245
Off-Peak	0.27417	0.26491
Super Off-Peak	0.24768	0.23826

TOU-M's basic service fee and non-coincident demand charge are higher in the GRC proposed rates as a result of being based off Medium Commercial rather than Small Commercial costs, but there are no additional charges proposed that are not part of the existing TOU-M rate design. SBUA seems to think that because TOU-M customers will have higher distribution costs as part of the Medium Commercial Class as compared to the Small Commercial Class, that they should be compensated in some manner. As noted above, a redesign of rates should result in allocating costs closer to how they are incurred. TOU-M customers with demand in the range of the proposed Medium Commercial Class (≥ 20kW-200kW) should be charged as Medium Commercial Customers. TOU-M customers with demands below 20 kW would remain able to opt-in to other Small Commercial rate schedules if they are eligible, or remain on TOU-M. No justification for any form of bill protection or changes to TOU-M's rate design has been presented, and as such should be rejected in this case.

V. LARGE COMMERCIAL RATE DESIGN (HANNAH CAMPI)

A. SDG&E's Proposals Align Large Commercial Rates with Cost-Basis

SDG&E's GRC Phase 2 proposals are rooted in cost-basis, and proposed rate designs first consider the results of SDG&E's cost studies. The proposed increases to MSFs move SDG&E's Large Commercial and Industrial rate schedules closer to cost of service as shown in SDG&E's cost studies, as well as lead to reductions in usage-based charges in line with state and Commission goals of incentivizing electrification.

B. SDG&E's Adjustments to NCD and OP Demand Charges Reflect Cost-Causation

SDG&E's proposal to adjust demand charges for relevant M/L C&I rate schedules reflects its most recent marginal distribution demand study and is supported by the Commission's recently revised Electric RDPs, D.23-04-040. The revised principles specify that rates should: be based on marginal cost; be based on cost-causation; and encourage customer behavior that improves system reliability.[44] SDG&E's proposals are based on the results of its marginal distribution demand study, which show the majority of marginal distribution demand costs resulting from non-coincident demand.[45] SDG&E's volumetric rates and on-peak distribution demand charges include incentives to reduce energy use and demand during the on-peak period and will continue to include these incentives under SDG&E's proposal. While SDG&E acknowledges recent commission decisions cited by SEIA,[46] it continues to believe that

[44] D.23-04-040 at OP 1(b), (c) and (e).

[45] Attachment B3 of SDG&E Revised Direct Testimony of William G. Saxe (Chapter 4) (September 23, 2023) at Attachment B.3.

[46] SEIA Direct Testimony (Beach) pp. 6-7.

its cost studies should provide the foundation for its rate design as they are the best available reflections of actual customer behavior and costs on SDG&E's system.

C. The Commission should limit cross-subsidies from Schedule DG-R

SEIA proposes to expand eligibility for Schedule DG-R from customers with distributed generation and storage to all C&I customers.[47] Schedule DG-R does not have distribution or commodity demand charges, and instead collects these costs through volumetric $/kWh rates. Eligibility is limited to customers who have certain distributed technologies, including customer-sited solar, storage, and other distributed energy resource technologies capable of meeting at least 10% of the customer's annual peak demand.[48] DG-R is designed to be revenue neutral to its customer class assuming all customers in the class are on DG-R. However actual revenues associated with DG-R customers show that this design does not fully recover costs, and therefore, should not be expanded to all M/L C&I customers at this time.

SDG&E is required to track DG-R undercollections for both distribution and commodity and recover or return any under- or over-collections to M/L C&I customers in the following year.[49] SDG&E has seen increases in DG-R undercollections over time, with current undercollections associated with DG-R over $23 Million in 2024 rates.[50] This amount can be seen in Figure 6 below, and is leading to upward rate pressure for M/L C&I customers on other rate schedules. Currently, the subsidy associated with storage-only DG-R customers is collected

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47 SEIA Direct Testimony (Beach) p. 45.

48 SDG&E's SCHEDULE DG-R, available at ELEC_ELEC-SCHEDS_DG-R.pdf (sdge.com).

49 Advice Letter 2209-E, approved December 29, 2010 and effective December 22, 20210 and D.08-02-034.

50 Attachment B of advice letter 4344-E implementing electric rates effective January 1, 2024.

from only DG-R[51] and undercollections from solar and other generation technologies DG-R customers is collected from all customers in the M/L C&I class.[52] Because all M/L C&I customers pay for those undercollections, DG-R customers end up receiving a subsidy in the long-run, as they only pay for a portion of the undercollections. If the Commission determines that eligibility for DG-R should be expanded, it should require that the undercollection for all DG-R customers be collected solely from DG-R customers so that the rate can be revenue neutral to other Medium and Large Commercial & Industrial customers in practice. Any overcollections from DG-R should also be returned to DG-R customers.

Additionally, the Commission could order a reexamination of whether or not DG-R's volumetric-only rate design is appropriate for high-demand (e.g., Medium and Large Commercial & Industrial customers) rate schedules. If DG-R was opened to all customers, M/L C&I customers without a DER would not have a mechanism for meeting a portion of their own peak demand, as required for current DG-R customers. As a result, they would receive a full exemption from distribution and commodity demand charges without the mechanism to reduce demand that is required of current DG-R customers. This could increase the undercollection if these costs are not fully recovered through volumetric rates. While SDG&E does not believe DG-R should be expanded to all customers, if the Commission adopts SEIA's proposal, it should also require an analysis of whether volumetric rates, which can also be netted out by solar customers participating in NEM, can adequately recover demand-related costs for high-demand

[51] *See* D.21-07-010, Settlement Agreement, Appendix B, Section 2.2.8 of 2019 GRC Phase 2 Settlement Agreement.

[52] *Id.*

customers and whether the ability to meet or otherwise reduce a portion of peak demand should be a requirement for enrollment on DG-R.

Figure 6: DG-R Related Under and Over Collections in Annual Consolidated Filings

	1/1/2016	1/1/2017	1/1/2018	1/1/2019	1/1/2020	2/1/2021	1/1/2022	1/1/2023	1/1/2024
Distributed Generation Renewable (DGR) Time Metered Under/(Over) Collection - Distribution	$3.64	$5.43	$5.98	$7.74	$10.38	$14.51	$13.11	$17.47	$21.77
Distributed Generation Renewable (DGR) Time Metered Under/(Over) Collection - Commodity	$0.30	$0.01	$0.21	$0.09	($0.11)	$0.32	($0.29)	$0.10	$1.35
Total DGR Undercollection Revenue in Consolidated Filing ($millions)	**$3.94**	**$5.43**	**$6.19**	**$7.83**	**$10.28**	**$14.83**	**$12.82**	**$17.57**	**$23.12**

VI. AGRICULTURAL CLASS (EVELYN LUNA)

A. Agricultural MSFs

Farm Bureau disagrees with SDG&E's proposed increases to MSFs for agricultural customers, stating that the proposed increases to MSFs will create "rate shock" and unduly punish smaller agricultural customers.[53] Farm Bureau puts forward its own proposal that would increase MSFs for agricultural rate schedules by 3.1% per year across the period 2024 – 2027, to be capped at 100% of the cost-based MSF. Farm Bureau takes the 3.1% increase from the Consumer Price Index for All Urban Consumers (CPI-U) for the 12-month period ending November 2023, as published by the U.S. Bureau of Labor Statistics on December 12, 2023.[54]

SDG&E opposes Farm Bureau's proposal for several reasons. First, Farm Bureau does not explain if annual MSFs increases will change every year for the duration of this GRC cycle to account for changes in inflation. Farm Bureau uses the CPI-U from the end of 2023 but in previous years inflation has been much higher. At the end of December of 2022, the same annual

[53] Direct Testimony of Lloyd C. Reed on behalf of Farm Bureau SDG&E's 2024 GRC Phase 2 (January 8, 2024) (Farm Bureau Direct Testimony (Reed)), p. 4-6.

[54] *Id.,* p. 5.

CPI-U was 6.7%,[55] and at the end of December 2021 it was 7.0%.[56] We can see from looking at the previous three years that attaching MSF increases to inflation would be too volatile. Lastly, a 3.1% increase is not enough to get MSFs closer to marginal cost. As discussed in the Prepared Rebuttal Testimony of SDG&E witness William G. Saxe, SDG&E's methodology for calculating marginal distribution customer costs is appropriate, and therefore its proposed MSF increases are reasonable and do not exceed cost basis. For that reason, SDG&E recommends that the Commission approves its proposal.

VII. CPP RATES (WILLIAM G. SAXE)

A. Annual CPP Period Evaluations are Unnecessary and Burdensome

Cal Advocates opposes SDG&E's proposal to eliminate the annual requirement to evaluate CPP periods.[57] Cal Advocates states that "[c]ustomers should understand that CPP periods can periodically be updated, and SDG&E can simply notify customers of the period change, if needed on an annual basis."[58] Cal Advocates states that SDG&E should generalize the marketing, education and outreach (ME&O) materials, where appropriate, to help educate customers on the importance of keeping CPP periods up to date.[59] Cal Advocates goes on to state that CPP periods may not necessarily always coincide with the effective on-peak period.[60]

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[55] U.S. Bureau of Labor Statistics, Consumer Price Index – December 2022, available at https://www.bls.gov/news.release/archives/cpi_01122023.pdf.

[56] U.S. Bureau of Labor Statistics, Consumer Price Index - December 2021, available at https://www.bls.gov/news.release/archives/cpi_01122022.pdf.

[57] Cal Advocates Errata Prepared Direct Testimony of Vanessa Martinez – Critical Peak Pricing Periods, Chapter 10 (January 19, 2024) (Cal Advocates Errata Direct (Martinez) Chapter 10), pp. 10-3 through 10-7.

[58] *Id.*, p. 10-5.

[59] *Id.*

[60] *Id.*

Finally, Cal Advocates states that the "CPP event periods do not impact the rate adder amount ($/kWh), the event period only dictates how long and when CPP events can be called. Therefore, the impact to customers if the CPP periods are changed on an annual basis is relatively limited since the rate adder amount and the frequency of CPP events would not be impacted by updates to the CPP period."[61]

SDG&E disagrees with Cal Advocates that changing the CPP period is a small task. As stated in SDG&E's direct testimony, changing the CPP period is a significant task because it requires development and conducting a marketing, education, and outreach campaign to all customers about the change.[62] Educating customers about a new, different CPP period, especially a change outside of the existing on-peak period, is not a "simple" exercise, contrary to what Cal Advocates claims. It will take a robust ME&O plan and planned communications to educate customers on a change to the CPP period.

Cal Advocates is also incorrect by stating broadly that CPP event periods do not impact the rate adder amount ($/kWh), and that the event period only dictates how long and when CPP events can be called.[63] In fact, there are differences between customer classes in this respect. While Residential, and some Small Commercial and Small Agricultural CPP rates have a set event adder price ($/kWh), the majority of CPP rate schedules have an event adder price whose calculation is dependent on the number of hours the event adder occurs. SDG&E must forecast how much revenue will be collected from the event adder, assuming

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[61] *Id.*, pp. 10-5 and 10-6.

[62] SDG&E Revised Direct Testimony of Samantha Pate (Chapter 1) (September 29, 2023), p. SP-22.

[63] Cal Advocates Errata Direct (Martinez) Chapter 10, p. 10-5.

nine events are called,[64] in order to calculate the remaining volumetric TOU period rates (non-event, everyday commodity volumetric rates). Because SDG&E is collecting some of the revenue in a CPP event adder that would otherwise be collected from these customers on a daily basis, the remaining volumetric CPP $/kWh rates are somewhat lower than the non-CPP version of the volumetric $/kWh rate. SDG&E does not forecast the amount of revenue that will be collected through the CPP event adder in a vacuum. The current CPP period is 4 pm to 9 pm, so SDG&E looks at historical customer usage during 4 pm to 9 pm for that CPP schedule from a prior period to calculate the forecasted customer usage during the CPP period. Based on the usage during this period, SDG&E estimates the amount of revenue that will be collected from the CPP event adder, and then calculates the remaining volumetric rates using the remaining revenue.

If the CPP event period changes, SDG&E will need to recalculate its forecasted customer usage during that event period; it would not be able to use historical information about usage from 4 pm to 9 pm to design a CPP period event adder rate that does not coincide with those hours. Depending on the change to the CPP period, the event adder price could end up being higher or lower than the current design. If these event adder rates change, it is likely that SDG&E would also need to communicate this change to customers, along with the event period change. Clearly, contrary to Cal Advocates' claims, changing the CPP event adder period is not a "simple" exercise, and the impact to customers is not guaranteed to be "relatively limited" if the CPP period is changed on an annual basis.

[64] CPP rates are designed assuming nine CPP events are called in a calendar year. Up to 18 CPP events may be called in a calendar year.

For the reasons stated above, the Commission should adopt SDG&E's proposal to change the requirement to evaluate CPP periods from an annual requirement to instead evaluate CPP periods in every SDG&E GRC Phase 2 proceeding starting with this current GRC cycle.

B. Cal Advocates Conflates CPP Event Methodologies and Definitions of Schedules VGI, Public GIR, and SDG&E's Dynamic Export Rate Pilot

Cal Advocates goes on to state that if the CPP event period is continually reviewed on an annual basis, SDG&E can maximize benefits for pending and future dynamic pricing rates, and that eliminating the annual CPP period review could negatively impact SDG&E's dynamic export rate pilot.[65] Cal Advocates also states that the CPP event periods for Schedules VGI and Public GIR use the same 4 pm to 9 pm event window.[66]

This is a fundamental misunderstanding of the purpose of dynamic pricing events and how dynamic pricing events are called for Schedules VGI, Public GIR, and SDG&E's recently adopted dynamic export rate pilot. The commodity capacity events for Schedule VGI, Schedule Public GIR, and the dynamic export rate pilot are not really events in the same sense as CPP events but rather commodity capacity adders that get applied based on SDG&E's top 150 system peak hours. CPP events are for the purpose of addressing system reliability risks, are called infrequently, and are limited to on-peak hours. The commodity capacity adders for Schedules VGI, Public GIR, and the dynamic export rate pilot do not have to coincide with 4 pm to 9 pm and do not have to be a certain hour length like the CPP events for SDG&E's standard CPP rates. Customers on Schedule VGI, Schedule Public GIR, and the dynamic export rate pilot are notified the day-ahead of the next day's pricing, including whether a commodity capacity adder will be

[65] Cal Advocates Errata Direct (Martinez) Chapter 10, p. 10-6.

[66] *Id*.

applied. The commodity capacity adder period methodology used for Schedule VGI, Schedule Public GIR, and the dynamic export rate pilot are different than the methodology used to develop the events in the standard CPP rates that follow the set CPP event period of 4 pm to 9 pm. Therefore, Cal Advocates' argument that eliminating the annual revenue requirement to assess the CPP event period would negatively impact the dynamic export rate pilot is moot and should be disregarded since CPP events are not called in Schedule VGI, Schedule Public GIR, and the dynamic export rate pilot.

C. Naming Convention of CPP Events Should be Clarified

Cal Advocates proposes that the naming convention used for CPP events for all of SDG&E's CPP type rate schedules should be the same. Cal Advocates argues that SDG&E uses the terminology of "CPP" for two of its CPP standard rate schedules (Schedule EECC-CPP-D and EECC-CPP-D-AG) and the terminology of "Reduce Your Use" (RYU) for three of its standard CPP rate schedules. Cal Advocates proposes that all five standard CPP rate schedules should use the same terminology for CPP events.[67] Cal Advocates also proposes that the terminology used for the capacity adders of C-CPP and D-CPP in SDG&E's dynamic pricing rate schedules (Schedules VGI and Public GIR) should also be streamlined to eliminate confusion.[68] Finally, Cal Advocates proposes that Schedules VGI and Public GIR, that base the C-CPP adder on SDG&E's top 150 system peak hours, should be changed to call the adder consistent with how CPP events are called in SDG&E's standard CPP tariffs.[69]

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[67] *Id.*, p. 10-8.

[68] *Id*.

[69] *Id.*, p. 10-10.

SDG&E disagrees with Cal Advocates proposal to use the same naming terminology for the events called in the different SDG&E standard CPP type rates. As stated above, SDG&E has three standard type CPP rates labeled RYU tariffs and two standard type CPP rates labeled CPP tariffs. The reason SDG&E chose to use the term RYU for these three rates that apply to SDG&E's smaller customers such as residential customers is because, based on feedback it received from customers, using the term "reduce-your-use" was seen as more customer friendly for these type of rates than using the term "critical peak pricing." This is the reason that SDG&E uses both CPP and RYU terminology for these standard CPP type rates. While SDG&E understands that using different terminology might be a little confusing to people on the outside looking at the rates SDG&E offers its customers, SDG&E believes its customers are comfortable with the terminology used and there is no confusion on their part since customers are either informed that a CPP event has been called or that a RYU event has been called. If SDG&E was required to use consistent terminology for calling these events, SDG&E would need to reeducate it customers that would experience the change in the event terminology. The process to reeducate its customers on this change, could be expensive and time consuming, is unnecessary since there is no confusion today on the terminology differences with its customers. For this reason, SDG&E recommends that the Commission reject Cal Advocate's proposal to require SDG&E to have consistent naming for events on standard CPP type rates because labeling the events CPP events for CPP tariffs and RYU events for RYU tariffs is not presenting an issue with SDG&E's customers.

Regarding Cal Advocates proposal for SDG&E to streamline the naming convention for Schedules VGI and Public GIR, SDG&E agrees with this proposal because using the term CPP in these dynamic pricing rate schedules is causing confusion. Because Schedules VGI and

Public GIR do not actually call CPP events but rather bill capacity adders when SDG&E's load is expected to need capacity reductions, the use of the terminology "C-PP" for the commodity capacity adder and "D-CPP" for the distribution capacity adder in these rate schedules is causing confusion. Cal Advocates suggestion that Schedules VGI and Public GIR should call CPP events consistent with how CPP events are called in standard CPP tariffs, discussed below, highlights this confusion because again Schedules VGI and Public GIR don't actually call CPP events. For this reason, SDG&E plans to relabel the capacity adders in Schedules VGI and Public GIR, and label the capacity adders in any future dynamic pricing rates, consistently in the future with the generation capacity adder labeled "Generation Capacity Component" instead of C-CPP, as was settled on in approved dynamic pricing export pilot rate,[70] and any distribution adder labeled "Distribution Capacity Component instead of D-CPP.

Finally, SDG&E disagrees with Cal Advocates that Schedules VGI and Public GIR should call CPP events consistently with how SDG&E calls CPP events in its standard CPP rates. As discussed above, the commodity capacity adders billed in Schedules VGI and Public GIR function differently than the CPP events called in SDG&E's standard CPP rates. For this reason, the Commission should reject Cal Advocates proposal to require SDG&E to change how it calls CPP events for Schedules VGI and Public GIR because SDG&E does not call CPP events in these rate schedules.

D. SDG&E's System Gross Load is More Appropriate than CAISO Net Load for Purposes of Calling Events

Cal Advocates recommends that SDG&E be required to modify the load metric used to call CPP events in SDG&E's standard CPP rates and C-CPP adders in Schedules VGI and

[70] A.21-12-008, Application of SDG&E for Approval of Commercial Electric Vehicle Dynamic Rate (December 17, 2021).

Public GIR from SDG&E's system gross load forecasts to CAISO's net load forecasts. Cal Advocates states that SDG&E did not provide any reasoning for why it used SDG&E's system gross load forecasts and that CAISO's net load forecasts are reasonable to use because it creates a cost-based CPP event threshold that reflects California's electrical grid needs. In addition, Cal Advocates states that SDG&E already uses CAISO emergency alerts in its process for determining whether a CPP event will be called, so use of CAISO net load would be more consistent with the existing approaches.[71]

SDG&E disagrees with Cal Advocate's recommendation that SDG&E should be required to change the load metrics it uses to call CPP events in its standard CPP rates and the C-CPP adders in Schedules VGI and Public GIR from SDG&E's system gross load forecasts to CAISO's net load forecasts. Cal Advocates is incorrect when it states that SDG&E did not provide a reasoning for why CPP events are based on SDG&E's system gross load forecasts and not CAISO's net load forecasts. As SDG&E stated in response to Cal Advocates DR-012, Question 5, "…CPP is a dynamic rate in SDG&E's service territory, and not a demand response program that participates in a market like CAISO."[72] What this means is that the purpose of CPP rates is to call CPP events when SDG&E's electrical grid is under stress and load reductions are needed on SDG&E's system, which is best measured by SDG&E's system load forecasts and not CAISO's load forecasts. SDG&E CPP event thresholds should reflect SDG&E's electrical grid needs and not California's electrical grid needs as Cal Advocates implies. While a request by CAISO to call a CPP event due to an emergency alert is one criteria SDG&E can use to call a CPP

[71] Cal Advocates Errata Direct (Martinez) Chapter 10, pp. 10-11 through 10-14.

[72] *Id.,* Appendix B, at B-11.

event, the CAISO load forecasts should not be the sole reason for calling a SDG&E CPP event since SDG&E's weather and load conditions are sometimes very different from conditions in the northern part of the state. For this reason, SDG&E disagrees with Cal Advocates recommendation to modify the load metric to reflect CAISO's load forecasts because SDG&E's load conditions should be the driver and thus, SDG&E's load forecasts should continue to be the load metric used to call SDG&E CPP events and C-CPP adders.

Regarding Cal Advocate's request that the load forecasts be based on net load forecasts rather than gross load forecasts, SDG&E again disagrees with Cal Advocates. Cal Advocates' Figure 10-1 shows a big difference between CAISO's gross load and net load.[73] The reason Figure 10-1 showed such a large difference between net and gross load is because this analysis was done on a full year average basis instead of just looking at the differences during CPP event and SDG&E's top 150 system peak hours. When reviewing the differences in SDG&E's gross load and net load during CPP events and SDG&E's top 150 system peak hours, we see very little difference in these loads because distributed generation in SDG&E's service territory are generally outside the CPP event hours and SDG&E's top 150 system peak hours used to develop the C-CPP adders, plus customers are generally consuming more energy during these hours. Because as stated above the CPP events and the C-CPP adders should be based on SDG&E's load conditions and not CAISO's load conditions, the load metrics for SDG&E's CPP events and CPP adders should not be changed and should continue to be based on SDG&E's system gross load forecasts because basing it on SDG&E's net load forecasts is more complicated and does not provide a benefit.

[73] *Id.,* Figure 10-1 at p. 10-12.

For the reasons stated above, the CPUC should reject Cal Advocates proposal to require SDG&E to change the load metric used to call the CPP events in standard CPP rates and the C-CPP adders in Schedules VGI and Public GIR from the SDG&E system gross load forecasts to the CAISO net load forecasts because SDG&E's system gross load forecasts are the proper metric for calling CPP events and C-CPP adders.

VIII. CONCLUSION

For the reasons stated above, SDG&E requests that the CPUC should: (a) adopt SDG&E's medical baseline discount proposal to reduce the discount via its outlined glidepath and move to a line-item discount as this will simplify rates and reduce the cost-shift; (b) adopt SDG&E's proposed rate design to increase MSFs for non-residential customers, as they are shown to be reasonable and below marginal cost; (c) approve SDG&E's proposals to create a new Medium Commercial class and more closely align its commercial rate schedules with cost-causation; (d) adopt SDG&E's proposal to change the requirement for evaluating the CPP period from an annual requirement to evaluating the CPP period every GRC Phase 2 proceeding starting with this current GRC cycle; (e) reject Cal Advocate's proposal to require SDG&E to have consistent naming for events on standard CPP type rates; (f) adopt Cal Advocates proposal for naming the capacity adder in dynamic rates with something other than "CPP"; (g) reject Cal Advocates proposal to require SDG&E to change how it applies capacity adders for Schedules VGI and Public GIR; and (h) reject Cal Advocates proposal to require SDG&E to change the load metric used to call the CPP events in CPP tariffs and the C-CPP adders in Schedules VGI and Public GIR from the SDG&E system gross load forecasts to the CAISO net load forecasts.

This concludes my prepared rebuttal testimony.

ATTACHMENT A

SDG&E 2024 GRC Phase 2
TURN DR 03
Responded on 12/12/023

Residential Average Rate Increase 2022-2023. See SDG&E AL 4129-E, Attachment A.	18.63%	
	Total Subsidy 2022	**Estimated Subsidy 2023**
Total Billed Revenue No Discount*	$ 132,677,988	$ 157,395,897.11
Total Billed Revenue With Discount*	$ 93,184,782	$ 110,545,106.67
Annual Subsidy	$ 39,493,206	$ 46,850,790.43
Subsidy from rate discount	$ 33,268,540.99	$ 39,466,470.18
Subsidy resulting from baseline allowance**	$ 6,224,665.14	$ 7,384,320.26
Percent Subsidy Attributable to BLA, Estimated by Revenue	19%	

	Proposed Line Item Discount		
Rate Discount Effective 1/1/2023	Year 1 (2024)	Year 2 (2025)	Year 3 (2026)
25.69%	22.27%	15.42%	12.00%
Line Item discount	$ 38,116,716.90	$ 35,505,721.79	$ 34,291,426.10
Additional Baseline	$ 7,384,320.26	$ 7,384,320.26	$ 7,384,320.26
Total Subsidy	**$ 45,501,037.15**	**$ 42,890,042.04**	**$ 41,675,746.36**
Reduction in subsidy relative to 2023	$ 1,349,753.28	$ 3,960,748.39	$ 5,175,044.07
Reduction in subsidy %	3%	8%	11%

Residential Average Rate Increase 2022-2023. See SDG&E AL 4129-E, Attachment A.	18.63%	
	Total Subsidy 2022	**Estimated Subsidy 2023**
Total Billed Revenue No Discount	$ 132,677,988	$ 157,395,897.11
Total Billed Revenue With Discount	$ 93,184,782	$ 110,545,106.67
Annual Subsidy	$ 39,493,206	$ 46,850,790.43
Subsidy from rate discount	$ 29,455,357.21	$ 34,942,890.26
Subsidy resulting from baseline allowance**	$ 10,037,848.92	$ 11,907,900.18
Percent Subsidy Attributable to BLA, Estimated by Customer	25%	

	Proposed Line Item Discount		
Rate Discount Effective 1/1/2023	Year 1 (2024)	Year 2 (2025)	Year 3 (2026)
25.69%	22.27%	15.42%	12.00%
Line Item discount	$ 33,747,843.41	$ 31,436,116.14	$ 30,361,000.96
Additional Baseline	$ 11,907,900.18	$ 11,907,900.18	$ 11,907,900.18
Total Subsidy	**$ 45,655,743.59**	**$ 43,344,016.31**	**$ 42,268,901.14**
Reduction in subsidy relative to 2023	$ 1,195,046.85	$ 3,506,774.12	$ 4,581,889.29
Reduction in subsidy %	3%	7%	10%

**See SDG&E Response to TURN DR 3, Q1b, Summary tab*
***See SDG&E Response to TURN DR 3, Q1b, Column S of "MED", "CARE_MED", and "FERA_MED" tabs*

SDG&E 2024 GRC Phase 2
TURN DR 03
Responded on 12/12/023

Components of MB Discount: Illustrative Customer Bill
See SDG&E response to CalAdvocates DR 36, Q1 for calculation of monthly savings by component

Current Treatment	Bill			
Non-MB Bill	$ 317.13	Total Discount	$	109.69
Exemptions	$ (0.33)	Baseline Adj. Share of Disco		25%
Rate Discount	$ (81.48)			
Additional Baseline	$ (27.88)			
MB Bill	$ 207.44			
Effective discount	-34.6%			

Data Request Number: TURN-SDG&E-DR-003

Proceeding Name: A2301008 - SDGE 2024 GRC PH2

Publish To: The Utility Reform Network

Date Received: 11/17/2023

Date Responded: 12/12/23

Subject: Medical Baseline Discount Program

1. Regarding SDG&E's response to CalAdv-SDG&E-DR-021 Q1 and the attached spreadsheet, please provide an updated Excel spreadsheet that includes all of the information included in the spreadsheet provided in response to CalAdv-SDG&E-DR021 Q1, but with the following additions
    a. An additional sheet that contains the Account Profile fields as well as Total Bill information for all non-participant (in MED, CARE, and/or FERA) ratepayers.

    b. For each customer identified in the updated spreadsheet (i.e., all MED, CAREMED, and FERA MED customers, in addition to, non-participant customers), please identify the customer's climate zone.

SDG&E Response:

a. In the Meet & Confer on December 5, 2023, SDG&E explained the file size issue for "non-participants" and agreed that this information would not be submitted.

b. Please see attached file "TURN-SDG&E-DR-003_Q1.b.xlsb", which includes the climate zone for all accounts previously provided to Cal Advocates in the referenced spreadsheet.

Data Request Number: TURN-SDG&E-DR-003

Proceeding Name: A2301008 - SDGE 2024 GRC PH2

Publish To: The Utility Reform Network

Date Received: 11/17/2023

Date Responded: 12/12/23

2. Following up on TURN DR 2-2:
   a. How does SDG&E propose to recover the cost of the Medical Baseline discount if its proposal to unify the Medical Baseline programs for tiered and non-tiered rates into a line-item discount (see Chapter 1, pp. 20-21) (e.g., From which class?; Through the TRAC?; Through distribution rates?; etc.).

   b. How are the DWRBC and WF-NBC rate-component exemptions recovered from all customer classes?

   c. Please identify the amount of the forecasted cost of the Medical Baseline discount in each year of the three-year transition path that is identified at p. 8 of Chapter 8.

   d. Please quantify the amount of the forecasted cost of the Medical Baseline extended Medical Baseline allowance.

   e. Please quantify the amount of the forecasted cost of the Medical Baseline discount in each year of the three-year transition path that is identified at p. 8 of Chapter 2.

SDG&E Response:

a. The cost of the proposed medical baseline discount would be recovered through SDG&E's distribution revenue requirement, recovered from all customer classes based on distribution revenue requirement allocations.
b. DWR-BC and WF-NBC are recovered on an equal cents per kWh basis through a rate that is the same for all customer classes, set annually by the DWR. The revenue not collected for these rate components by MB customers increases these rates for all eligible customers.
c. Pursuant to the parties' meet and confer, SDG&E responds to this request with the understanding that Chapter 8 is an error and the correct reference is to Chapter 3 for both parts c and e.
d. SDG&E objects to this request on grounds that it would require analysis that has not been performed. SDG&E further objects on grounds that the request is vague and ambiguous with respect to the term "extended Medical Baseline allowance." Subject to and not foregoing these objections, SDG&E responds as follows:

SDG&E interprets "extended Medical Baseline allowance" to mean extending a line-item discount to untiered residential rates which currently do not receive the baseline adjustment offered to tiered rates. SDG&E does not have a forecast of additional enrollment that may result from the proposed expansion of the medical baseline line-item discount to all residential rates, however any increase in subsidy would be limited to customers currently eligible for Medical Baseline but who chose to forgo that discount to enroll in an untiered rate without a Medical Baseline discount.

e. SDG&E objects to this request on grounds that it would require analysis that has not been performed. Subject to and without waiving the foregoing objection, SDG&E responds as follows:

See attached spreadsheet: "TURN-SDG&E-DR-003_Q2e.xlsx"

SDG&E's current Medical Baseline Discount has three components: a statutorily required additional baseline allowance for tiered rates, a volumetric rate discount, and exemptions from certain rate components (WF-NBC and DWR-BC). SDG&E is not proposing changes to the additional baseline allowance, so that portion of the subsidy is not projected to change in SDG&E's analysis (see cells F8:H8 and F23:H23 on tab "Q2e" of the attached spreadsheet. Exemptions make up a relatively small share of the discount for an average Medical Baseline customer (See cell B11 of tab "By Customer"). As a result, the portion of the subsidy that will be reduced by SDG&E's proposal is the portion attributable to the current rate discount.

SDG&E does not track the total or any portion of the subsidy associated with the Medical Baseline discount. The portion associated with additional baseline is a function of customer usage. As a result, SDG&E is providing an estimated range for this portion of the subsidy. Attached are estimates of the proposed cost of the subsidy in each year of the proposed three-year transition plan. These estimates make the following assumptions:

1. No change in current MB program enrollment
2. No change in rate levels or design from 1/1/2023
3. Excludes subsidy associated with exemptions

END OF RESPONSE