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Exhibit Number	:	<u>CA-02</u>
Commissioner	:	<u>Alice Reynolds</u>
Admin. Law Judge	:	<u>Brandon T. Gerstle</u>
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		<u>Priya Misra</u>



**PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**TESTIMONY
IN RESPONSE TO
APPLICATION OF SOUTHERN CALIFORNIA EDISON
COMPANY FOR APPROVAL OF LARGE POWER
DYNAMIC PRICING RATE**

Application (A.) 24-06-014, A.24-12-008

Systems and Processes

San Francisco, California
January 16, 2026

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1 **CHAPTER 2 – BUDGET, COST RECOVERY, IMPLEMENTATION,**
2 **OUTREACH AND EVALUATION**

3 **(Witnesses:** Lauren Schenck, Patricia Hashimoto, and Priya Misra)

4 **I. INTRODUCTION**

5 This chapter provides the Public Advocates Office at the California Public
6 Utilities Commission’s (Cal Advocates) testimony on budget, cost recovery,
7 implementation, marketing, education, and outreach (ME&O) and measurement and
8 evaluation (M&E) for Southern California Edison Company’s (SCE) proposed Marginal
9 Cost-Based Dynamic Pricing Rates in Compliance with Decision 22-10-049 and Load
10 Management Standards (LMS-Compliant Proposed Rate also referred to as Proposed
11 Rate).¹ The deficiencies highlighted here generally apply to both of the applications in
12 this consolidated proceeding but focus on the LMS-Compliant Proposed Rate, unless
13 otherwise noted. This is due to Cal Advocates’ recommendation that the Commission
14 reject SCE’s proposed Large Power Dynamic Rate (LPDR)², further discussed in Chapter
15 1.

16 In its application and responses to data requests, SCE fails to provide a detailed
17 budget or cost recovery proposal.³ Furthermore, SCE’s proposed implementation and
18 M&E plans lack critical details for assessing reasonableness. Additionally, SCE’s
19 proposed ME&O plan and equity and access outreach strategy do not include the level of
20 detail that would allow the Commission to ensure that the proposal is reasonable.
21 Finally, with SCE’s proposed timeline for providing these necessary details occurring

¹ A. 24-12-008, *Testimony of Southern California Edison Company (U-338-E) in Support of Application for Approval of Marginal Cost-Based Dynamic Pricing Rates in Compliance with Decision 22-10-021 and Load Management Standards*, Exhibit 2 – Systems and Processes (SCE-02), filed December 20, 2024.

² Application (A.) 24-06-014, et al., *Testimony of Southern California Edison Company (U-338-E) in Support of (1) Application for Approval of Large Power Dynamic Pricing Rate and (2) Application for Approval of Marginal Cost-Based Dynamic Pricing Rates in Compliance with Decision 22-10-022 and Load Management Standards*, Exhibit 4 – Supplemental Testimony Pursuant to Decision 25-080-049 (SCE-04), filed October 28, 2025.

³ SCE-02, at 24, lines 1-9.

1 *after* the Commission concludes the proceeding,⁴ parties' ability to provide input on
2 important details relating to budget, cost recovery, and implementation would be unduly
3 limited.

4 SCE's proposal to address most of these details in advice letters after the
5 proceeding has concluded is not in line with the rules governing advice letters.⁵ The
6 Commission should reject SCE's consolidated application unless SCE provides the
7 following through supplemental testimony:

- 8 • High- and low-end budget estimates for implementation,
9 operations, administration, and capital for its LMS-Compliant
10 Proposed Rate; and
- 11 • A measurement and evaluation (M&E) plan that includes
12 metrics on costs and benefits, as well as load impact and
13 outreach efforts.

14 Should SCE provide sufficient information to determine whether the LMS-
15 Compliant Proposed Rate is just and reasonable, the Commission should require SCE to
16 establish a memorandum account for tracking costs associated with the LMS-Compliant
17 Proposed Rate. Additionally, the Commission should require SCE to survey a
18 statistically significant population of low-income and DAC customers, including those
19 not enrolled in dynamic rates, for its Expanded Dynamic Rate Pilot (Expanded DRP)
20 evaluation reports.

21

⁴ SCE-02, at 24, lines 4-6.

⁵ General Order 96-B, Energy Industry Rules 5.1 and 5.2. *See* <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M023/K381/23381302.PDF>

1 **II. DISCUSSION OF CAL ADVOCATES'**
2 **RECOMMENDATIONS**

3 **A. Budget, Cost Recovery, and Implementation (Lauren**
4 **Schenck)**

5 **1. The Commission should require SCE to provide**
6 **high- and low-end budget estimates for**
7 **implementation, operations, administration, and**
8 **capital in this proceeding.**

9 SCE fails to provide sufficient information on budget estimates, cost recovery
10 mechanisms, or implementation plan details in its testimony to allow for complete
11 evaluation of its proposal. Instead, SCE proposes to provide its budget estimates, cost
12 recovery mechanisms,⁶ and implementation plan details⁷ via an advice letter after the
13 conclusion of the proceeding.⁸ These details are material to the reasonableness of the
14 proposed new rate and the Commission should provide parties the opportunity to address
15 any disputes that might arise based on SCE's proposed budget estimates, cost recovery
16 mechanisms, and implementation plan. The Commission should not approve a new rate
17 structure without detailed budget estimates, cost recovery mechanisms, or an
18 implementation plan because without first having these crucial details, the Commission
19 cannot ascertain the reasonableness of the Proposed Rate. Approval of the Proposed Rate
20 without this essential information could lead to a variety of issues including unreasonable
21 rates, cost shifting amongst customers, and setting an unwise precedent for investor-
22 owned utilities (IOU) applications.

23 These concerns surrounding the reasonableness of SCE's dynamic rate proposal
24 are compounded by issues raised in the recent final evaluation report of SCE's Dynamic

⁶ SCE-02, at 24, lines 1-9.

⁷ SCE-02, at 23, lines 11-13.

⁸ Application (A.) 24-06-014, *Testimony of Southern California Edison Company (U-338-E) in Support of Application for Approval of Large Power Dynamic Pricing Rate*, Exhibit 1 – Opening Testimony (SCE-01A), filed June 26, 2024, at 30, lines 20-24.

1 Rate Pilot (DRP Final Evaluation) authorized in Decision (D.) 21-12-015.⁹ The report
2 highlights several key issues, including the complexity of implementing real-time pricing
3 structures, the delays in providing timely billing information, and the challenges in
4 achieving meaningful customer load response.¹⁰ Without a well-defined cost estimate
5 and implementation framework, utilities and regulators risk underestimating the financial
6 and operational resources required to support dynamic rate adoption, leading to
7 inefficiencies, unintended costs, and potential ratepayer impacts as these implementation
8 costs get passed on through rates.

9 Furthermore, the DRP Final Evaluation found that customer response to dynamic
10 price signals was inconsistent and often limited, with many participants failing to shift
11 usage.¹¹ The lack of a structured implementation plan contributed to issues such as
12 inadequate real-time feedback for customers and difficulties in ensuring alignment
13 between dynamic rates and existing tariff structures.¹² These findings emphasize the
14 need for thorough cost estimates and implementation strategies to mitigate the risks of
15 program failure, ensure customer engagement, and provide a clear path for scalable
16 adoption. Without these critical components, dynamic rate programs may struggle to
17 achieve their intended goals of demand flexibility and grid efficiency.

18 **a. SCE fails to provide proposals for budget
19 and cost recovery.**

20 In its testimony, SCE states that it “is not able to provide estimates for
21 implementation cost at this time due to the uncertainty of the final rate design,

⁹ Decision (D.) 21-12-015, *Phase 2 Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in Summers of 2022 and 2023* (D.21-12-015), Ordering Paragraph 62 at 180; issued in Rulemaking (R.) 20-11-003. See <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M428/K821/428821475.PDF> Accessed March 25, 2025.

¹⁰ Christensen Associates, *Final Evaluation of Southern California Edison’s Dynamic Rate Pilot* (SCE DRP Final Evaluation), published February 28, 2025, at 7-8. See Exhibit CA-03.

¹¹ SCE DRP Final Evaluation, at 7. See Exhibit CA-03.

¹² SCE DRP Final Evaluation, at 8-9. See Exhibit CA-03.

1 unfamiliarity with implementing rates of this complexity, and the need for additional
2 customer research[.]”¹³ Instead of providing the Commission with budget estimates or
3 cost recovery details within this proceeding, SCE proposes to submit these details later
4 using advice letters.¹⁴ Nonetheless, SCE has already had \$12 million (M) approved for
5 use in pricing and billing system updates to comply with LMS.¹⁵ The Commission
6 should require SCE to submit budget estimates within this proceeding that include
7 accounting for the funds it has already been granted, and used, and how those costs are
8 currently being tracked, to ensure comprehensive review and proper oversight.

9 Permitting SCE to move forward with such a new, complex and large program
10 without a true idea of the cost, or how costs will be tracked and recovered, would be
11 imprudent. This information is necessary to determine whether the Proposed Rate is
12 reasonable since cost and cost recovery are integral pieces of any new rate, particularly
13 rate proposals that would implement novel rate designs. Final budgets necessarily rely on
14 what is included in a project’s final design. Nonetheless, estimates are usually included
15 based on the proposal as written, with cost categories broken out so that stakeholders and
16 decision-makers can get a sense of the magnitude of costs for each category in order to
17 determine if the proposal is reasonable. SCE instead points to uncertainty and
18 unfamiliarity with such rate designs as its reasoning for not including any cost estimates
19 within this proceeding.¹⁶ However, this uncertainty and unfamiliarity underscores why
20 budget estimates are so pertinent to determining the reasonableness of moving forward
21 with such a novel rate. Without an initial budget estimate, costs could range widely and
22 it will be more difficult for the Commission to determine whether SCE has been a
23 prudent steward of ratepayer funds.

¹³ SCE-02, at 24, lines 1-4.

¹⁴ SCE-02, at 23, lines 11-13.

¹⁵ SCE-02, at 23, lines 19-20.

¹⁶ SCE-02, at 24, lines 1-4.

1 Despite the myriad of details that are yet to be fleshed out, SCE has provided a
2 framework for its billing system implementation¹⁷ and ME&O plans.¹⁸ However, SCE
3 still did not provide budget estimates for these areas. SCE's choice to not include these
4 details in its proposal and instead request permission to finalize them later is not
5 reasonable and would result in a piecemeal record of critical details, hindering
6 comprehensive party review and Commission decision-making.

7 As discussed in further detail in the following sections, the LMS-Compliant
8 Proposed Rate would introduce several layers of uncertainty regarding pricing systems
9 and processes, as well as customer understanding and acceptance. These uncertainties
10 add to the complexity of implementation, which in turn adds to the potential
11 implementation cost. For example, the budgets for existing dynamic rate pilots range
12 from \$4.7 million to \$21.5 million.¹⁹ Given all the uncertainties associated with SCE's
13 proposal, the Commission should require SCE to present high- and low-end cost
14 estimates for implementation, operations, administration and capital in this proceeding.
15 Not doing so would result in the failure to present a key part of the necessary details
16 required to determine the reasonableness of the proposed new rate. Without budget
17 estimates, it is impossible to understand the cost impact the proposal will have on
18 ratepayers.

19 Cost recovery mechanisms are equally important and should also be included to
20 assess the reasonableness of SCE's proposal. Determining the appropriate cost recovery
21 mechanism for each new program and rate the Commission authorizes is necessary for a
22 robust decision-making process. For instance, when costs are recovered outside of the
23 participating customer class, there is a risk of cost shifting. Cost shifting occurs when
24 one customer class underpays for their cost of service, causing other customer classes to

¹⁷ SCE-02, at 7, lines 15-25, and 8, lines 1-7.

¹⁸ SCE-02, at 27, lines 7-22, and 28, line 1-4.

¹⁹ Rulemaking (R.) 22-07-005, *Expansion of PG&E and SCE System Reliability Dynamic Rate Pilots* (Demand Flex OIR), at 2. See www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/demand-response/demand-flexibility-oir/pilot-expansion-2024.pdf Accessed October 31, 2024.

1 overpay for their cost of service to recover the total authorized revenue requirement.
2 Cost-shifting goes against the Commission’s third Rate Design Principle that states,
3 “Rates should be based on cost causation.”²⁰ The Commission should not allow SCE to
4 wait to address its budget and cost details after the conclusion of the proceeding.

b. SCE's fails to provide essential details in its implementation plan.

7 As discussed below, SCE's application highlights many of the systems and
8 processes that have *yet to be decided on*. These to-be-determined implementation details
9 include: (1) what SCE's proposed proprietary price machine²¹ will be able to do²² and
10 how much it will cost to build and run; (2) how SCE intends to select its program
11 managers and the expected costs;²³ (3) how shared costs with community choice
12 aggregators (CCA) are to be tracked and recovered; and (4) customer tools and support.

13 Each of these sets of details are integral to the cost of the proposed new rate and
14 are not appropriate for consideration via advice letter *after* the Commission makes its
15 decision on whether to approve the proposed new rate. The Commission should require
16 SCE to provide a fully developed implementation plan before moving forward with the
17 proposed new rate, as these details can lead to disputes over material issues.

i. Pricing Machine

19 SCE proposes to build and host a propriety price machine²⁴ “to calculate and
20 distribute dynamic prices.”²⁵ SCE further outlines its proposed guidelines for allowing
21 other load serving entities (LSE) to use its price machine instead of having to build their

²⁰ Decision (D.) 23-04-040, *Decision Adopting Electric Rate Design Principles and Demand Flexibility Design Principles* (D.23-04-040), at 2; issued in Rulemaking (R.) 22-07-005. See <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M507/K837/507837776.PDF> Accessed March 25, 2025.

21 SCE-02, at 7, lines 9-13.

22 SCE-02, at 5, lines 9-13.

23 SCE-02, at 21, lines 19-22.

24 SCE-02, at 7, lines 9-13.

25 SCE-02, at 4, line 21.

1 own.²⁶ Finally, SCE proposes that the functionality, the number of price machines, and
2 details pertaining to the cost and administration of its proposed price machine be
3 developed in a separate proceeding.²⁷ SCE's reasoning for its proposal for a proprietary
4 price machine²⁸ includes no discussion of costs, and should therefore be rejected by the
5 Commission.

6 Currently, SCE calculates and distributes prices manually.²⁹ SCE notes in its
7 testimony that it has already considered various options for its proposed price machine
8 and found significant drawbacks with each, but does not elaborate on these drawbacks or
9 how they might be overcome.³⁰ These issues, combined with SCE's proposal to establish
10 crucial details that directly impact costs after it receives approval to move forward with
11 its proposed property price machine, demonstrate that SCE's application is not
12 reasonable and should not be approved..

13 Additionally, since SCE already has an approved budget of \$12M for pricing and
14 billing system upgrades,³¹ it should have some idea of how those funds have/will be used.
15 The Commission should require SCE to submit high- and low-end cost estimates for
16 SCE's proposed price machine before allowing it to proceed with building out a new
17 proprietary price machine. Without knowing the potential cost of the proposed price
18 machine, the Commission cannot determine its reasonableness.

19 If the Commission finds that SCE's approach and estimates are reasonable and
20 more cost-effective than its current system, it should only permit SCE to move forward
21 with developing a price machine while tracking costs in a memorandum account.
22 Memorandum accounts allow for both transparency and oversight of costs, which is

²⁶ SCE-02, at 7, lines 5-9.

²⁷ SCE-02, at 5, lines 9-13.

²⁸ SCE-02, at 6, lines 22-26, and 7, lines 1-13.

²⁹ SCE-01A, at 30, lines 13-15.

³⁰ SCE-02, at 5, lines 15-17.

³¹ SCE-02, at 23, lines 19-20.

1 critical for large projects with substantial unknowns such as the one SCE is proposing
2 here. By requiring cost estimates and using memorandum accounts, the Commission can
3 ensure that ratepayers' money is put to the best use possible.

4 **ii. Program Management**

5 SCE notes that it intends to use third-party vendors to provide and maintain tools
6 and websites,³² but does not discuss how it intends to search for and contract with these
7 vendors. At a minimum, the Commission should require SCE to go through the standard
8 Request for Proposal process when selecting and contracting with third parties to ensure
9 that the contractor chosen represents the best available option.

10 **iii. CCA Coordination**

11 As will be discussed further in briefs, Public Utilities Code Section 366.2(a)(4)
12 makes it clear that the implementation of a CCA program shall not result in the shifting
13 of costs to bundled electricity service customers.³³ As such, clear guidelines need to be
14 established as to which costs are considered shared between SCE and CCAs, and to what
15 extent, and which costs are not and the appropriate associated cost recovery. As with the
16 other issues discussed in this section, without a budget proposal, guidelines surrounding
17 cost sharing cannot be established since parties are blind to the expected costs as a whole.
18 The Commission should require SCE to coordinate with the CCAs in its territory that
19 have expressed interest in offering dynamic rates, to develop budget estimates and cost-
20 sharing and cost recovery guidelines and submit them within this proceeding to ensure
21 party oversight and continuity of the record.

22

³² SCE-02, at 21, lines 19-22.

³³ California Code, Public Utilities Code § 366.2(a)(4) states that: "The implementation of a community choice aggregation program shall not result in a shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation."

iv. Customer Interfacing: Bills, Tools, and Support

SCE's testimony includes discussion on various potential options for bill presentation,³⁴ as well as customer tools and support.³⁵ Each of the options included in SCE's testimony is likely to have its own costs which differ from the rest of the options, yet SCE provides no cost estimates. The Commission should require SCE to include cost estimates for each customer interfacing option it is considering in order to determine their reasonableness for Commission approval.

c. SCE's proposed timeline and process for addressing implementation does not allow sufficient stakeholder input or oversight.

SCE has proposed to file a Tier 2 advice letter *after* the conclusion of this proceeding to propose its final implementation plan and budget.³⁶ SCE's proposed timeline and process does not permit for sufficient engagement from interested parties who would be limited to the advice letter process and would not have sufficient time and opportunity to question SCE's factual assertion and implementation proposals. SCE's proposed timeline is unacceptable as it prevents parties from addressing any material disputes that might arise from SCE's implementation plan and/or budget determinations.

19 In response to a data request, SCE explains that it does not plan to determine
20 which billing system pathway or forecast pricing system it will use for the Proposed Rate
21 until after the Commission approves the rate.³⁷ These details are integral to accuracy of
22 prices presented to customers,³⁸ customer acceptance, and cost of implementation and
23 should be included in the Commission’s determination of the reasonableness of SCE’s
24 application.

34 SCE-02, at 8, lines 9-24.

35 SCE-02, at 11-15.

36 SCE-01A, at 30-31.

³⁷ DR-003, Question 3. See Appendix 2B, Attachment 2.1.

³⁸ SCE has not explained its process for calculating prices including the models it will use and the level of automation, all of which could impact the accuracy of prices SCE would communicate to customers.

1 **2. The Commission should require SCE to establish a**
2 **memorandum account for tracking costs associated**
3 **with the LMS-Compliant Proposed Rate**

4 Cal Advocates recognizes the Commission's desire to move forward with
5 implementing dynamic rates³⁹ and urges the Commission to do so with caution. The
6 novel nature of these rates requires them to be carefully crafted and studied. If SCE
7 provides detailed costs estimates and an implementation plan, and the Commission
8 approves the LMS-Compliant Proposed Rate, it should require SCE to track any costs
9 associated with implementation in a memorandum account as was required for its
10 Expanded DRP implementation costs.⁴⁰ The uncertainty in the amount of work and the
11 associated costs with the Expanded DRP led the Commission to reason that a
12 memorandum account would provide parties with the opportunity to review
13 appropriately.⁴¹ As the Commission had reasoned for the Expanded DRP, using a
14 memorandum account for SCE's Proposed Rate will allow for the proper oversight of the
15 spending SCE undertakes in implementing and administering its Proposed Rate.
16 Additionally, it will allow the Commission to determine the reasonableness of the costs
17 when the account is submitted for recovery by SCE, as is required by the Commission's
18 Rate Design Principles⁴² and Demand Flexibility Design Principles.⁴³

19

³⁹ Decision 24-01-032, *Decision to Expand System Reliability Pilots of Pacific Gas and Electric Company and Southern California Edison Company*, at 6; issued in Rulemaking 22-07-005. See <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M524/K176/524176497.PDF> Accessed March 25, 2025.

⁴⁰ D.24-01-032, at 55.

⁴¹ D.24-01-032, at 55.

⁴² SCE-01A, Table I-1, at 3.

⁴³ SCE-01A, Table I-2, at 4.

1 **B. M&E (Patricia Hashimoto)**

2 **1. The Commission should require that SCE develop a**
3 **measurement and evaluation plan that includes**
4 **metrics on costs and benefits, as well as load impact**
5 **and outreach efforts to be conducted annually.**

6 In order to ensure that the proposed dynamic rate benefits ratepayers, the
7 Commission should require SCE to perform annual measurement and evaluation (M&E)
8 of the LMS-Compliant Proposed Rate. In its testimony, SCE notes that it “will complete
9 an annual evaluation to estimate load shifts and bill impacts for customers who elect to
10 operate on the Proposed Rates compared to their OATs.”⁴⁴ The annual evaluation that
11 SCE proposes in its testimony focuses on the LMS-Compliant Proposed Rate’s impacts
12 on participating customers and does not include analysis of the proposed rate’s impacts
13 on other customers.⁴⁵ The Commission should require that SCE’s evaluation include an
14 analysis of the impact of the Proposed Rate on all customers, in addition to its proposed
15 analysis of electricity usage by customers on the LMS-Compliant Proposed Rate in
16 comparison to customers on OATs. Evaluation of the impact of the LMS-Compliant
17 Proposed Rate on all customers should include attention to the equity and access
18 outcomes of the rate, such as whether low-income and DAC customers benefit from the
19 rate as much as other customers.

20 The Commission should require that SCE’s M&E includes, at a minimum, metrics
21 to evaluate the costs and benefits of the pilot, as well as the efficacy of SCE’s Marketing,
22 Education, and Outreach (ME&O) plan, rate design components and the rate’s ability to
23 incentivize load shift. By including these metrics in annual evaluations, SCE will be able
24 to present the Commission with details necessary to justify the continuation of the LMS-
25 Compliant Proposed Rate. The Commission will also be able to assess the impact of the
26 rate and identify any necessary modifications. For example, SCE’s 2025 GRC Phase 2
27 illustrated the importance of evaluating rate designs on a continuing basis: SCE proposed

⁴⁴ SCE-02, at 22, lines 5-6.

⁴⁵ SCE-02 at 22, lines 13-25, and 23, lines 1-2.

1 to disenroll Critical Peak Pricing (CPP) customers who consistently failed to reduce load
2 during CPP events,⁴⁶ and parties reached a settlement to remove non-performing and
3 structurally benefitting CPP customers on an annual basis.⁴⁷ The settlement defined non-
4 performers as customers who generate less than \$20 in net annual savings and defined
5 “structural benefitors” as customers whose electricity usage on CPP event days is higher
6 than their average usage on non-event days for two consecutive years.⁴⁸ This
7 modification of the CPP program to remove non-responsive customers illustrates that
8 measurement and evaluation of customers’ response to rates is necessary to understand
9 and address unexpected customer responses or lack of response. Reviewing rate design
10 impacts to reveal common issues and identify customers who are unaware of or unable to
11 respond to dynamic rates is necessary to determine what modifications are needed to
12 achieve its intended outcomes.

a. Cost/Benefit Evaluation

14 The Commission should require SCE to conduct a cost/benefit evaluation of the
15 LMS-Compliant Proposed Rate. The cost/benefit analysis should include metrics that
16 assess the greenhouse gas (GHG) impacts and system benefits (such as avoided energy,
17 generation capacity, etc. costs) associated with load shifting in comparison to customers
18 on the otherwise applicable tariff (OAT) and customers with CPP. Additionally, the
19 cost/benefit analysis should include details about the fixed and variable costs impacted by
20 the LMS-Compliant Proposed Rate. Including a cost/benefit analysis in the evaluation
21 will help the Commission understand the fiscal impact of the Proposed Rate. This, in

⁴⁶ A.24-03-019, SCE Phase 2 of 2025 General Rate Case Amended Rate Design Proposals, filed August 26, 2024, at 23, lines 5-13

⁴⁷ A.24-03-019, *Motion of Southern California Edison Company (U 338-E) and Settling Parties for Adoption of Small Commercial Rate Design Settlement Agreement*, filed August 7, 2025, at Appendix A-3.

⁴⁸ A.24-03-019, *Motion of Southern California Edison Company (U 338-E) and Settling Parties for Adoption of Small Commercial Rate Design Settlement Agreement*, filed August 7, 2025, at 4.

1 turn, will allow for changes to the LMS-Compliant Proposed Rate that will enhance the
2 benefits associated with it and will also help inform the design of future dynamic rates.

3 Continued evaluation of dynamic rates is necessary to assess whether they meet
4 the objective of reducing long-term system costs through more efficient pricing of
5 electricity as envisioned in the Order Instituting Rulemaking to Advance Demand
6 Flexibility Through Electric Rates.⁴⁹ To achieve this objective, SCE must evaluate
7 system costs and benefits in a way that includes customers not enrolled in the Proposed
8 Rate, in addition to SCE’s proposed evaluation of load shifts and bill impacts for
9 customers participating in the LMS-Compliant Proposed Rate.⁵⁰

10 **b. ME&O Evaluation**

11 The Commission should require SCE to study the effectiveness of its ME&O.
12 Such an evaluation should study both the effectiveness of SCE’s communications with its
13 customers about the LMS-Compliant Proposed Rate, and how those communications
14 have impacted customer understanding and acceptance of the rate. This will allow SCE
15 to adjust its ME&O should it find that customers are not opting into the LMS-Compliant
16 Proposed Rate as expected, or that customers are not understanding how the rate works or
17 how they could benefit from it. The ME&O evaluation should also seek to understand
18 the characteristics of customers that choose to participate, including the extent to which
19 self-selection bias plays a role in customer participation.⁵¹ The ME&O evaluation should
20 also examine whether SCE’s ME&O strategies are effective for both low-income and
21 DAC customers and other customers. This evaluation will help SCE to understand where
22 their ME&O efforts can have the most impact.

23

⁴⁹ Demand Flex OIR, at 1.

⁵⁰ SCE-02 at 22, lines 19-25, and 23, lines 1-2.

⁵¹ Self-selection bias occurs when individuals select themselves into a group, leading to a biased sample due to non-random sampling. The biased sample may exhibit characteristics or responses to treatment that a randomly sampled group would not.

c. Rate Design Evaluation

2 The Commission should also require SCE to conduct evaluations that include
3 tracking under- and over-collections by rate component to determine whether the
4 parameters and inputs for this complex rate are set appropriately. SCE proposes to allow
5 customers that participate in day-of retail supply-side demand response programs,
6 including the Base Interruptible Program (BIP), to also participate in the LMS-Compliant
7 Proposed Rate.⁵² SCE should conduct both rate design evaluations of the LMS-
8 Compliant Proposed Rate and of the combination of the LMS-Compliant Proposed Rate
9 with day-of retail supply-side demand response programs. The evaluations should include
10 a study of customers that participate in **both** the LMS-Compliant Proposed Rate and BIP
11 (“dual participants”) in order to ensure that there is no double compensation for the same
12 load shift. Including this evaluation also enables the identification of adjustments that
13 can be made to dual participants’ subscriptions or other rate design elements, as needed.
14 The novelty of the LMS-Compliant Proposed Rate makes it important to understand how
15 each piece of the rate design impacts cost recovery. Evaluating these aspects of the rate
16 will help SCE understand the need for updates to the rate and isolate which aspect(s) of
17 the rate design should be updated.

d. Load Impact M&E

19 The Commission should require SCE to measure and evaluate the load impact of
20 participants on its LMS-Compliant Proposed Rate to ensure that the dynamic rate is
21 providing its intended peak load reduction. Specifically, SCE should examine how prices
22 influence customers to shift or reduce their load. This analysis should, at a minimum,
23 follow the Commission’s Load Impact Protocols (LIP) Process to ensure that there are
24 controls in place to limit uncertainties and to allow for establishing whether there is a

⁵² A.24-12-008, *Testimony of Southern California Edison Company (U-338-E) in Support of Application for Approval of Marginal Cost-Based Dynamic Pricing Rates in Compliance with Decision 22-10-021 and Load Management Standards*, Exhibit 1 – Pricing (SCE-01B), filed December 20, 2024, at 46, lines 4-7.

1 causal relationship between the rate and the load impact.⁵³ The LIP Process guide is a
2 compilation of the Energy Division's interpretation of the Commission's decisions in
3 Resource Adequacy and Demand Response proceedings that includes quarterly testing
4 requirements, compliance update processes, LIP filing schedules, and LIP best practices
5 such as adhering to content requirements for data, analysis, and executive summaries.⁵⁴
6 The LIP data and analysis requirements would require SCE's analysis to meet standards
7 necessary to establish a causal relationship between the LMS-Compliant Proposed Rate
8 and observed load impacts.⁵⁵ Additionally, the Draft Evaluation Plan and Final LIP
9 Report requirements included in the LIP Process would establish a consistent schedule
10 and review process for the evaluation,⁵⁶ which would enable CPUC and CEC staff and
11 Cal Advocates to review and comment on the Draft Evaluation Plan. Standardizing
12 annual evaluations according to Final LIP Report criteria would enable SCE to observe
13 the load impact outcomes of the LMS-Compliant Proposed Rate over time. The
14 Commission should require SCE to publish its first Draft Evaluation Plan at the next
15 available opportunity after the conclusion of the pilot, no later than December 31 of the
16 year in which SCE implements the LMS-Compliant Proposed Rate. SCE should follow
17 the most recently published LIP Process, which the Energy Division typically updates
18 annually.

19 The analysis should include a study of dual participants in the LMS-Compliant
20 Proposed Rate and BIP in order to ensure that there is no double-counting of load shift.
21 This is important to ensure that reliability planning is appropriately informed regarding
22 how much load shift can be expected from dual participants. The load impact analysis
23 should also include a comparison of hourly customer load data to hourly prices, as well as
24 monthly billing data to validate customers' aggregate hourly interval data. This

⁵³ *Guide to CPUC's Load Impact Protocols Process (LIP Process Guide), Version 6.0*, released December 23, 2025. Accessed January 13, 2026.

⁵⁴ LIP Process Guide, *Version 6.0* at 1, 6-11, 16, and 18-21.

⁵⁵ LIP Process Guide, *Version 6.0* at 7 and 11-12.

⁵⁶ LIP Process Guide, *Version 6.0* at 16.

1 comparison will help ensure the accuracy of the hourly data, help identify gaps and
2 anomalies, and aid in analyzing customer usage. The analysis should include
3 comparisons of customers' electricity usage on high price days and typical days, similar
4 to the comparison of usage on high-price and comparison days included in the final pilot
5 evaluations for SCE's DRP and Valley Clean Energy's Agricultural Pumping DRP.⁵⁷
6 Additionally, SCE should look at how customer load impacts on the LMS-Compliant
7 Proposed Rate differs from customer load impact on other piloted dynamic rates, CPP,
8 and the baseline load on the OAT. It is important for both SCE and the Commission to
9 understand whether and how the LMS-Compliant Proposed Rate accomplishes the
10 desired load shift in order to inform future dynamic ratemaking. Furthermore, knowing
11 how customers perform on the LMS-Compliant Proposed Rate versus other time-varying
12 rates will help parties to determine the extent to which customers respond to different rate
13 characteristics.

e. Controlling for Smart Devices

Controlling for the presence of smart devices is essential when evaluating dynamic rates, as these technologies significantly influence load impact assessments and customers' ability to respond to price signals. The DRP Final Evaluation highlights that half of respondents surveyed about their participation in the pilot required smart device upgrades to effectively respond to price signals, indicating that customers with automated controls are more likely to shift their energy usage compared to those relying on manual adjustments.⁵⁸ Without properly accounting for the role of automation, evaluation results could misrepresent the effectiveness of dynamic pricing, when the observed load shifts may be attributed more to technology adoption rather than the rate structure itself.

Moreover, the report indicates that the lack of timely information and real-time feedback on price signals hindered participants' ability to optimize energy consumption,

⁵⁷ SCE DRP Final Evaluation, at 24. Also see Christensen Associates, *Final Evaluation of Valley Clean Energy's Agricultural Pumping Dynamic Rate Pilot* (VCE DRP Final Evaluation), published April 17, 2025, at 42. See Exhibit CA-03.

⁵⁸ SCE DRP Final Evaluation, at 65. See Exhibit CA-03.

1 underscoring the importance of integrated smart technologies in facilitating dynamic rate
2 participation.⁵⁹ An effective pricing mechanism should not only encourage shifts in
3 energy usage but also ensure that customers can seamlessly interact with price variations.
4 By incorporating a control group of smart device users on the otherwise applicable rates,
5 evaluations can better isolate the impact of dynamic rates versus the impact of the
6 enabling technology, leading to a more accurate assessment of customer responsiveness
7 and the overall effectiveness of the rate design.

8 **C. ME&O (Priya Misra)**

9 **1. SCE's Marketing, Education, and Outreach plan
10 lacks sufficient budget details and engagement with
11 low-income and disadvantaged communities.**

12 SCE has not provided evidence to demonstrate that ME&O plan for its LMS-
13 Compliant Proposed Rate is reasonable because it fails to provide cost estimates.
14 Without an understanding of all the components that contribute to the cost of adopting
15 dynamic rates, including ME&O activities, and their impact on ratepayers, the
16 Commission risks underestimating the financial resources implicit in approving SCE's
17 application. This risk is compounded by SCE's lack of overall implementation costs and
18 cost recovery methods, as detailed above.

19 SCE has also failed to provide a reasonable equity and access strategy, because it
20 does not commit to outreach to low-income and disadvantaged communities (DAC)
21 customers who have not participated in its Dynamic Rate Pilot (DRP) to assess barriers to
22 enrollment.⁶⁰ As noted in the decision adopting guidelines on demand flexibility rate
23 design proposals (D.25-08-049), low-income and DAC customers may have additional
24 challenges for benefiting from dynamic rates.⁶¹ As such, these customers' feedback is

⁵⁹ SCE DRP Final Evaluation, at 8. *See Exhibit CA-03.*

⁶⁰ SCE-04, at 24-26.

⁶¹ Decision (D.) 25-08-049, *Decision Adopting Guidelines for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company on Demand Flexibility Rate Design Proposals*, Findings of Fact (FoF) 4, at 138.

1 vital for addressing issues around impediments to and motivations for participation in
2 dynamic rates.

3 The Commission should reject SCE's application unless SCE provides low- and
4 high-budget estimates for ME&O activities in its application. Additionally, the
5 Commission should require SCE to survey a statistically significant number of low-
6 income and DAC customers during its research on dynamic rates, including customers
7 who have never enrolled in a dynamic rate. SCE should document compliance with this
8 survey requirement in the Tier 1 advice letter that the Commission ordered to be
9 submitted 90 days after the completion of final evaluation reports for the Expanded
10 DRP.⁶²

11 **a. SCE's Application lacks sufficient details
12 about ME&O costs.**

13 SCE does not provide an ME&O budget for its LMS-Compliant Proposed Rate.
14 As previously noted, the lack of budgetary information places the Commission at risk of
15 approving a rate design without knowledge of how much it will cost to implement and
16 exposes ratepayers to potential unreasonable rate increases.

17 SCE's explanation for why it will not provide ME&O budgetary information until
18 the Commission issues a decision on this proceeding relies primarily on two
19 unsubstantiated claims.⁶³ First, SCE claims it needs to conduct additional customer
20 research.⁶⁴ Yet, SCE already has access to customer research in the form of two final
21 DRP evaluation reports, both of which offer suggestions for improving utilities'
22 communication with customers. For example, the Final Evaluation Report for SCE's
23 DRP suggests that the lack of access to "timely information on shadow bills and credits,"
24 by Automation Service Providers (ASPs) and customers, exacerbated by customers'

⁶² D.25-08-49, Ordering Paragraph (OP) 7, at 147-148.

⁶³ In addition to these two reasons, SCE also claims that the uncertainty of the final rate design makes it "not able" to provide budget estimates. However, this uncertainty does not prevent SCE from providing budget estimates for the rate design it is proposing in this application. SCE can capture any changes to the ME&O budget due to the Commission rulings in subsequent advice letters. SCE-02, at 24.

⁶⁴ SCE-02, at 8, 25, and 27-28.

1 “more visible” access to otherwise applicable tariff (OAT) charges, was a possible reason
2 for customers’ lack of load shifting in response to price.⁶⁵ The Final Evaluation Report
3 for VCE’s Agricultural Pumping DRP similarly concluded that, “[c]ustomers need more
4 frequent feedback on their savings/billing under the Pilot to be able to determine the
5 value of their actions.”⁶⁶ DRP evaluations suggest that increased customer education
6 and information sharing about potential savings and bill amounts could lead to more
7 effective load shifting.

8 SCE’s description of ME&O products and activities for the LMS-Compliant
9 Proposed Rate reflects these findings. SCE’s application describes specific online tools,
10 bill presentation adjustments, and educational resources to provide more timely
11 information to customers about how the rate functions and real-time and forecasted
12 prices.⁶⁷ SCE has already begun to implement some of its described ME&O tools, such
13 as a public webpage⁶⁸ displaying daily, hourly prices, and, as noted above, already
14 requested \$12M in IT capital funds in its General Rate Case (GRC) Phase 1 proceeding
15 (A.23-05-010).⁶⁹ While precise IT requirements and ongoing findings from customer
16 research may impact the certainty of implementation budgets, SCE has access to
17 sufficient information about the types of ME&O products and activities, informed by
18 data, that it has planned for the LMS-Compliant Proposed Rate to provide the
19 Commission with low- and high-budget estimates at this time.

20 SCE’s second reason for withholding an ME&O budget is that it anticipates that
21 additional guidance from Track B of the Demand Flexibility Rulemaking (DFOIR Track

⁶⁵ SCE DRP Final Evaluation, at 66-68. *See* Exhibit CA-03. The evaluation report also cited additional possible contributors to the lack of customer responsiveness to dynamic prices, including lack of hourly price differences leading to customers’ prioritization of comfort over minimal bill savings, time needed for customers to adjust to the pilot, and set-up time for ASPs to adjust their response algorithms.

⁶⁶ VCE DRP Final Evaluation, at 81. *See* Exhibit CA-03.

⁶⁷ SCE-02, at 8 and 11-15.

⁶⁸ “Hourly Flex Pricing Schedule,” *Southern California Edison*, accessed December 24, 2025, <http://www.sce.com/save-money/rate-financing/residential-rate-plans/hourly-flex-pricing-schedule>.

⁶⁹ SCE-02, at 23.

1 B of R.22-07-005) and learnings from its Expanded DRP may be released during the
2 course of this proceeding.⁷⁰ It is unclear how the LMS-Compliant Proposed Rate's
3 ME&O budget may be significantly altered by these sources. Moreover, the provision of
4 budget estimates at this time does not prevent SCE from incorporating additional findings
5 and guidance into iterative ME&O plans.⁷¹

6 Preliminary budget estimates for ME&O expenses are necessary for the
7 Commission to evaluate the financial costs of this application. SCE has not provided a
8 reasonable justification for withholding ME&O budget estimates. Therefore, the
9 Commission should reject this application unless SCE provides low- and high-budget
10 estimates for proposed ME&O activities.

11 **2. The Commission should require SCE to survey
12 non-participant low-income and DAC customers in
13 its Expanded DRP customer research.**

14 SCE has not demonstrated that its equity and access proposal will be informed by
15 sufficient customer outreach. In D. 25-08-049, the Commission ordered SCE to include a
16 proposal within its dynamic rate application for how future dynamic rates would consider
17 and resolve questions around equity and access.⁷² In response, SCE states that it will
18 include questions in its Expanded DRP evaluations to “identify barriers and drivers for
19 low-income and DAC customers to increase their enrollment and engagement with the
20 Pilot.”⁷³ SCE plans to report findings in Expanded DRP evaluation reports via tier 1
21 advice letters to the Commission.⁷⁴ SCE’s focus on enrollment barriers and motivation
22 for participation amongst low-income and DAC customers reflects parties’ working
23 group discussions.⁷⁵ However, SCE’s does not commit to surveying non-Pilot

⁷⁰ SCE-02, at 25.

⁷¹ SCE-02, at 25.

⁷² D.25-08-049, Ordering Paragraph (OP) 31, at 144.

⁷³ SCE-04, at 25.

⁷⁴ SCE-04, at 25.

⁷⁵ Rulemaking (R.) 22-07-005, *California Public Utilities Commission Demand Flexibility OIR Track B Working Group Report* (Working Group Report), October 11, 2023, at 32-34.

1 participants in its application, which jeopardizes the effectiveness of any subsequent rate
2 design adjustments and ME&O efforts targeting low-income and DAC customers.⁷⁶

3 SCE insufficiently notes that it “will consider” surveying non-participant DAC
4 customers and does not mention contacting non-participant low-income customers, which
5 risks SCE limiting its survey to low-income and DAC customers that are either currently
6 enrolled in the Expanded DRP or have un-enrolled.⁷⁷ Further, SCE does not state how
7 many customers this sampling criteria would include. Given the identified barriers
8 around participation in dynamic rates in disadvantaged communities⁷⁸, this restriction
9 may result in a sampling size that is not large enough to yield the “statistically significant
10 reasons for customer not to enroll on [sic] the Pilot,” that SCE seeks to attain in its
11 Expanded DPR evaluations.⁷⁹ This risk is underscored by SCE’s 2024 survey of
12 Expanded DRP participants, which yielded only four responses.⁸⁰ A small,
13 unrepresentative sample size risks SCE producing evaluation results that reflect
14 idiosyncratic circumstances of respondents rather than systematic barriers and, in turn,
15 undermining the effectiveness of any resulting recommendations on dynamic rate design.

16 Moreover, limiting outreach to low-income and DAC customers who are already
17 enrolled in SCE’s DPR excludes the customers who have been deterred by participation
18 barriers. Understanding non-participant customers is one of SCE’s stated goals for its
19 research, therefore it is unreasonable for SCE not to engage with this population.⁸¹

20 The Commission should require SCE to include both participant and non-
21 participant low-income and DAC customers in its customer research for Expanded DRP
22 studies. SCE should be required to demonstrate in its advice letter on evaluation results
23 that it surveyed a statistically significant sample size of low-income and DAC customers.

⁷⁶ SCE-04, at 26.

⁷⁷ SCE-04, at 26.

⁷⁸ Working Group Report, at 32-34.

⁷⁹ SCE-04, at 25.

⁸⁰ SCE-02, at 4.

⁸¹ SCE-04, at 25.

1 **III. CONCLUSION**

2 SCE's application and testimony lack integral details that are necessary to justify
3 any new rate proposal, let alone one so complex as its LMS-Compliant Proposed Rate.
4 Unfortunately, SCE does not intend to develop these vital details until after it receives
5 approval from the Commission to commence with implementing the Proposed Rate. The
6 Commission should not permit SCE to move forward with its LMS-Compliant Proposed
7 Rate without providing basic budget and implementation plan details. Without such
8 details, SCE fails to adequately justify the Proposed Rate and the Commission should
9 therefore reject SCE's application.

10 Should the Commission decide to allow this application to proceed, it should only
11 move forward with the LMS-Compliant Proposed Rate and not the proposed LPDR as
12 discussed in Chapter 1. Given the uncertainty in potential estimated costs and work for
13 the LMS-Compliant Proposed Rate, the Commission should require SCE to track costs in
14 a memorandum account. Additionally, the Commission should require that SCE conduct
15 annual evaluations of the LMS-Compliant Proposed Rate that examine the rate's impacts
16 on all customers, not just participants. These evaluations should include cost/benefit
17 analysis, ME&O evaluation, rate design evaluation, load impact evaluation and
18 measurement, and controls for smart device use, at a minimum. The Commission should
19 also ensure that SCE's equity and access proposal includes outreach to a statistically
20 significant number of low-income and DAC customers in its Expanded DRP evaluations,
21 including non-pilot participants. These requirements would serve as guardrails to protect
22 customers and ensure that the Proposed Rate and future dynamic rates are built upon a
23 solid foundation of information.

APPENDIX A

Qualifications of Witness

**QUALIFICATIONS AND PREPARED TESTIMONY
OF
LAUREN SCHENCK**

4 Q.1 Please state your name and address.

5 A.1 My name is Lauren K. Schenck, and my business address is 505 Van Ness
6 Avenue, San Francisco, California, 94102.

7

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

9 A.2 I am employed by the Public Advocates Office at the California Public Utilities
10 Commission and my job title is Public Utilities Regulatory Analyst.

11

12 Q.3 Please describe your educational and professional experience.

13 A.3 I have a Bachelor of Science in Earth Sciences from the University of California,
14 Santa Cruz, and a Master of Science in Law from Northwestern University
15 Pritzker School of Law. I have been employed by the Public Advocates Office, in
16 the Electricity Pricing and Consumer Programs Branch since September of 2022,
17 and have worked on utility General Rate Cases, the Demand Flexibility Order
18 Instituting Rulemaking, and proceedings related to behind-the-meter solar. I have
19 experience conducting complex analyses related to rate design, sales forecasting,
20 and affordability issues.

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

22 A.4 My area of responsibility in this proceeding is focused on Marginal Energy Costs
23 and Marginal Generation Capacity Costs in Chapter 1 and Chapter 2 on Budget,
24 Cost Recovery, Implementation, and Evaluation Issues.

25

26 Q.5 Does that complete your prepared testimony?

27 A.5 Yes.

28

**QUALIFICATIONS AND PREPARED TESTIMONY
OF
PATRICIA HASHIMOTO**

4 Q.1 Please state your name and address.

5 A.1 My name is Patricia Hashimoto and my business address is 320 West 4th Street,
6 Los Angeles, California.

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

9 A.2 I am employed by the Public Advocates Office at the California Public Utilities
10 Commission, and my job title is Public Utilities Regulatory Analyst.

12 Q.3 Please describe your educational and professional experience.

13 A.3 I hold a Bachelor of Arts degree in Social Policy Analysis from Rice University. I
14 joined the Public Advocates Office in the Electricity Pricing and Customer
15 Programs Branch in August 2024 as a Public Utilities Regulatory Analyst, and I
16 participated in PG&E's General Rate Case Phase II (A.24-09-014). I have
17 experience conducting statistical modeling and analysis, including utilities demand
18 modeling.

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

21 A.4 I am responsible in this proceeding for the Measurement and Evaluation portion of
22 Chapter 2.

24 Q.5 Does that complete your prepared testimony?

25 A.5 Yes.

**QUALIFICATIONS AND PREPARED TESTIMONY
OF
PRIYA MISRA**

Q.1 Please state your name and address.

A.1 My name is Priya Misra, and my business address is 505 Van Ness Avenue, San Francisco, California, 94102.

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

A.2 I am employed by the Public Advocates Office at the California Public Utilities Commission and my job title is Public Utilities Regulatory Analyst.

Q.3 Please describe your educational and professional experience.

A.3 I have been employed by the Public Advocates Office's Electricity Pricing and Consumer Programs Branch since September 2025 and have worked on utility General Rate Cases and the New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs Rulemaking. Additionally, I spent three years managing U.S. foreign assistance to electricity and natural gas regulatory commissions in Europe and Eurasia with the U.S. federal government. I have a Bachelor of Arts from Vassar College and a Master of Philosophy from the University of Oxford.

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

A.4 My area of responsibility in this proceeding is focused on Marketing, Education, and Outreach (ME&O) in Chapter 2.

Q.5 Does that complete your prepared testimony?

27 A.5 Yes.

APPENDIX B

Supporting Materials

Attachment 2.1: Cal Advocates – SCE DR-003

Question 01:

BUDGET, IMPLEMENTATION, AND OUTREACH

1. What is SCE's proposed budget for implementation of its proposed rate?¹

a. Please provide a narrative explanation of each cost category along with an estimated cost and the proposed cost recovery mechanisms. At a minimum, SCE should address the following cost categories:

1. Implementation,
2. Marketing, education and outreach (ME&O),
3. Administrative costs,
4. Operating costs, and
5. Capital costs.

b. If SCE does not have a proposal at this time, please explain why not and provide a timeline for when SCE expects to have a budget proposal that includes, at a minimum, the items listed above.

¹ A.24-06-014 SCE Testimony in Support of Large Power Dynamic Pricing Rate.

Response to Question 01:

SCE does not have a complete cost proposal or proposed cost recovery method at this time. Please see Question 2 regarding the explanation of why, and the timeline to have a budget proposal.

28 The following chart outlines potential categories of costs that may be incurred as part of
29 the implementation or launch:

Cost Category	Activity	Cost
Implementation/Capital	System Upgrades (if automation is selected) (one time cost)	SCE does not have a firm cost for system upgrades specific to this Application for such things as capturing market prices, calculating forecast prices and customer rates, and billing customers.

		<p>as SCE expects to have shared costs for implementing this rate and the implementation of rates that are compliant with the CEC's Load Management Standards.</p>
ME&O	Marketing Education & Outreach (one time cost)	
Operating	Manual Billing	<p>While SCE does not have a firm estimate for ME&O costs, SCE expects these costs to be minimal as SCE will socialize this rate through its Large Power Account Managers.</p>
	(if automation is not selected or automation is not implemented until a later date) (annual cost)	<p>SCE does not have a firm estimate for manual billing costs specific to this Application as the timing and amount of system costs, if any, have not yet been determined, and manual billing costs would be dependent on that determination.</p>
1	Marketing Education and Outreach costs would include costs to create a fact sheet and	
2	digital landing page to describe the program to external audiences.	
3	The System Upgrade would include IT costs to upgrade SCE's systems to capture market	
4	prices, calculate forecast prices and customer rates, and automate billing for customers	
5	enrolled in this rate. These costs or a portion of these costs may not be incurred if the	
6	Manual Billing option is selected as a long-term solution. These IT system costs will	
7	likely overlap with costs for system changes needed for the broader implementation of	
8	CEC-LMS compliant rates.	
9	Manual Billing costs would include annual costs for billing specialists to manually	
10	calculate bills for 20-50 enrolled customers each month. These costs or a portion of these	

1 costs may not be incurred if the timing and scope of the System Upgrades for the broader
2 implementation of CEC-LMS compliant rates aligns with the implementation timeline
3 and scope of the proposed rate.

4

5 **Question 02:**

6 BUDGET, IMPLEMENTATION, AND OUTREACH

7 2. In its testimony, SCE outlines two possible rate implementation pathways – either the
8 new rate will be calculated manually, or it will be done automatically via a billing system
9 upgrade.² a. Has SCE determined which billing system implementation pathway it
10 proposes the Commission approve?

11 1. If so, please provide a narrative explanation on how SCE has made its determination.
12 Please also include a cost-benefit analysis of each option.

13 2. If not, please provide a timeline for when SCE expects to know which billing system
14 implementation pathway it will propose to use and provide the details outlined above.

15 ² A.24-06-014 SCE Testimony in Support of Large Power Dynamic Pricing Rate, at 30.

16 **Response to Question 02:**

17 At this time, SCE has not decided whether to implement a billing system upgrade to
18 automate the new rate calculation or to use manual processes.

19 The Proposed Rate is likely to share several foundational elements with future CEC Load
20 Management Standards (LMS) compliant dynamic rates that SCE is required to file with
21 the CPUC on January 1, 2025. For example, both sets of rates are expected to include
22 subscription usage and prices, and a dynamic price driven by CAISO day-ahead prices.
23 SCE needs to implement the CEC LMS compliant dynamic rates, available to all
24 customers, by January 1, 2027 (see 20 CCR § 1623(a)(2)). SCE assumes these future
25 rates will need to be automatically calculated because the potential of wider adoption of
26 these rates by customer segments would make manual bill calculation impractical and
27 costly. Therefore, the Proposed Rate implementation may be a minor portion of shared
28 costs associated with the broader implementation of CEC LMS dynamic rates.

29 Since the proposed rate shares foundational components with these future dynamic rates
30 and considering the need to implement these rates quickly, SCE is evaluating whether
31 automating billing for the proposed rate is a reasonable step. This would not only meet

1 the billing needs for the proposed rate, but also lay the groundwork for automating future
2 dynamic rates.

3 SCE expects to have the necessary information to determine a proposed billing pathway
4 sometime after it receives guidance from the Commission (CPUC) to file applications for
5 future Dynamic Rates. Once the foundational elements of future Dynamic Rates are
6 known, SCE can determine the amount of overlap with the proposed rate and then
7 propose a reasonable billing pathway.

8

9 **Question 03:**

10 BUDGET, IMPLEMENTATION, AND OUTREACH

11 3. SCE explains that the CAISO-based price forecast data will also need to be calculated
12 daily for customer reference, likely requiring a separate system than the billing system.³
13 a. Has SCE determined whether it would use a separate system for calculating the
14 CAISO-based forecast prices?

15 1. If so, please provide a narrative explanation on how SCE made its determination. At a
16 minimum the explanation should include details on:

- 17 1. What the creation of the new system would entail,
- 18 2. The processes the new system would perform,
- 19 3. The estimated cost of the new system,
- 20 4. The proposed cost recovery mechanism for those costs, and
- 21 5. Any other pertinent details about the system itself.

22 2. If not, please provide a timeline for when SCE expects to make its determination and
23 provide the details outlined above.

24

25 b. Does SCE plan to leverage any of its existing systems and processes, including those
26 that were developed for its expanded pilots from Decision (D.) 24-01-032, for
27 implementation of this new proposed rate?

1 1. If so, please provide a narrative explanation of the systems and processes SCE
2 is planning to leverage and how use of those systems and processes impact SCE's
3 cost estimates.

4 2. If not, please explain why SCE does not plan to leverage any existing systems
5 or processes.

6

7 ³ A.24-06-014 SCE Testimony in Support of Large Power Dynamic Pricing Rate, at 30-31.

8 **Response to Question 03:**

9 SCE has not determined if a separate system would be needed to calculate, generate, and
10 publish forecast prices. SCE expects that the billing system may likely be a sub-optimal
11 choice for generating such forecast prices because the billing system data and process
12 architecture is configured specifically for the rigorous development, controls, and
13 precision needed to calculate and produce customer bills. Because forecasts of CAISO
14 derived load parameters are unique data fields from what is used for billing and will not
15 be used specifically for any billing system function, it is likely that a separate system will
16 be the most cost-effective way to calculate, store, and publish the forecast of dynamic
17 prices/rates. SCE will make a final determination of a separate system subsequent to the
18 final decision for this application as the decision will most likely complement the more
19 expansive needs for generating and publishing dynamic rates/prices across all rate classes
20 compliant with the CEC's Load Management Standards (LMS).

21 As a standard practice, SCE's first step in developing solutions for new rates is to
22 evaluate existing systems and processes because using existing systems is usually the
23 most time-efficient and cost-effective solution. If existing systems and processes cannot
24 be leveraged "as is", SCE will then determine if those systems can be enhanced to
25 provide the needed functionality. For the proposed rate, it is likely that some existing
26 systems related to CAISO data feeds and customer billing can be enhanced to provide
27 some of the needed functionality. However, the proposed rate is the first long term non-
28 pilot dynamic rate that SCE has proposed to implement, and so new enhancements and
29 potentially new systems may have to be developed because the functionality required will
30 be unlike that which is used for current rates. SCE anticipates that these systems will be
31 able to be further leveraged in the future, as SCE applies for additional LMS compliant
32 dynamic rates to serve more additional customer groups.

33 SCE currently does not have plans to leverage the existing systems and processes of the
34 expanded pilot for the new proposed rate because the scope and structure for the

1 expanded pilots differs from the scope and structure for the new proposed rate. For
2 example, the purpose of the expanded pilot is to study the basic use of dynamic pricing as
3 applied to a large spectrum of customer rate classes, while the proposed rate is focused on
4 large power customers who have a higher energy acumen. Additionally, the expanded
5 pilot implementation relies upon “shadow billing” which will be performed by a
6 contractor for a limited span of time and includes bill protection in the sense that
7 customers whose pilot shadow bills are higher than their OAT bills will not pay any
8 additional charges, while customers whose bills are less will receive payments equivalent
9 to the difference. These billing processes are suitable for a pilot being run for a limited
10 period of time but unsuitable for use in a long-term tariffed rate offering for large
11 customers. When developing processes and systems to support the contract rate and
12 future CEC LMS compliant dynamic rates, SCE will continue to evaluate systems built
13 for pilot rates and determine if they can be re-used or modified to support in lieu of
14 building new systems with a focus on solutions that both minimize cost and
15 implementation timelines. Dynamic Rate Pilot Fact Sheet: <https://www.dret-ca.com/wp-content/uploads/2023/10/Flexible-Pricing-Rate-Pilot-Fact-Sheet-1222-2022.pdf> As of
16 August 2024, Southern California Edison serves 261 TOU-8 subtransmission customers
17 with an average annual maximum demand of 7,754 kW.