CSD DATA REQUEST
CSD-SDG&E- REVISED DR-02
SDG&E SECOND AMENDED GRC Phase 2 APPLICATION – A.15-04-012
SDG&E RESPONSE
DATE RECEIVED: MAY 19, 2016
DATE RESPONDED: JUNE 06, 2016

1. In SDG&E's testimony in Phase 2 of its 2012 Test Year GRC, Ms Fang testified that "However, SDG&E will be filing in a future FERC application its proposals related to transmission rate design to move towards more accurate price signals. As stated in the testimony of Mr. Yunker (Chapter 1), cost-causation of transmission resources is largely driven by a customer's usage in relation to system peak. Currently M/L C&I schedules demand charges are a 90/10 split between non-coincident/peak demand charges. Given the inaccuracy of this price signal, SDG&E will be examining a shift towards a 100% peak demand charge and eliminating the transmission NCD charge for the recovery of base transmission revenue requirements in the context of potential bill impacts." (p. CF-26). Please respond to the following questions:

a. Did SDG&E ever make such a filing at the FERC? If not, please explain why not. If so, please provide a copy of that filing and FERC's decision related to SDG&E's filing.

b. Please provide all communications (both internal and external to SDG&E) related to SDG&E's examination of "a shift towards a 100% peak demand charge and eliminating NCD charge for recover of base transmission revenue requirements…," including but not limited to all drafts of the filing at FERC (even if SDG&E ultimately did not make an application to FERC to change its rate design).

c. Please provide all analyses performed by SDG&E or its consultants in support of its examination of "a shift towards a 100% peak demand charge and eliminating NCD charge for recover of base transmission revenue requirements…" If these analyses include Excel spreadsheets, please ensure that the spreadsheets have live formulae and all links intact.

d. Please provide all analyses and documents supporting the statement that "…cost-causation of transmission resources is largely driven by a customer's usage in relation to system peak." If these analyses include Excel spreadsheets, please ensure that the spreadsheets have live formulae and all links intact.

e. Please provide all analyses and documents supporting the contention that "a 90/10 split between non-coincident/peak demand charges" provide inaccurate price signals to M/L C&I schedules. If these analyses include Excel spreadsheets, please ensure that the spreadsheets have live formulae and all links intact.

Response:

a. No, SDG&E did not make a filing at the FERC to shift to a 100% peak demand charge for M/L C&I schedules. In SDG&E's 2012 GRC Phase 2 proceeding (A.11-10-002), a partial settlement was filed on October 19, 2012 that included the following statement:

> For M/L C&I rate schedules, the current Peak/Non-coincident rate design structure for the recovery of distribution demand costs will remain in effect until the implementation of a shift of Transmission rate design towards more recovery though peak demand charges than current. Coincident with the implementation of the transmission rate design change to greater recovery through peak demand charges, SDG&E will implement the change to Distribution Demand recovery to 100% recovery through Non-coincident Demand Charge. (page 6)

This partial settlement in SDG&E's 2012 GRC Phase 2 proceeding was not approved in D.14-01-002 and as such no further action was taken.

b. Attached to this response is a preliminary draft of testimony and associated draft workpapers that were developed in anticipation of approval of the October 19, 2012 partial settlement in SDG&E's 2012 GRC Phase 2 proceeding. This initial draft testimony was developed but was not vetted or reviewed internally by SDG&E given that the partial settlement was not approved in D.14-01-002.

Zip Folder "SDGE Draft 2013 Transmission Rate Design Workpapers.zip" contains:

- FERC 2013 12-CP Allocation Data – Revised Customer Classes.xlsx: Provides 12-CP allocation by class and seasonal split
- Statement BB 2013.xls: Provides 12-CP allocation by class
- Statement BG 2013.xls: Shows revenue and rate comparison
- Statement BH – Present Structure.xlsx: Used in Statement BG for comparison
- Statement BL 2013.xlsx: Rate Design workpaper

Links are intact for anything linking between the above files.

c. SDG&E developed bill impact analysis to examine the impacts of its 2012 GRC Phase 2 proposal to move transmission to 100% peak demand charge to offset bill impacts related its proposal to move distribution to 100% non-coincident demand (NCD) charge. However, this analysis includes confidential customer data and therefore is not provided with this response.

d. Transmission investments may be driven by the following:

- **Reliability requirements**: which also include the need to address contingency conditions (e.g., the forced outage of one or more transmission lines) which can occur at any time;

- **Policy obligations** such as delivering and integrating renewable resources to meet Renewable Portfolio Standard (RPS) requirements and Greenhouse Gas (GHG reduction goals.
- **Economics**: where the economic benefits to consumers from reducing Local Capacity Requirements (LCRs) or minimizing congestion-related costs, offsets the cost of the transmission upgrade;
- **Maintenance:** such as aging infrastructure replacement and where new transmission is needed to allow other transmission facilities to be removed from service for maintenance without interruption of customer load.

These drivers can be independent of system peak and as such a cost-based price signal for transmission investment costs is some combination of peak and NCD charges. SDG&E has not conducted a study to determine what an appropriate split would be.

e. On November 14, 2008, SDG&E filed before the FERC in Docket NO. ER07-284-000, provided with this responses, a proposal “to shift cost recovery from 100 percent NCD to 90 percent NCD. The remaining 10 percent would be recovered wither through seasonal On-Peak Period Demand charges, or demand charges based on the Maximum Demand at the Time of Monthly System Peak.” (page 6, lines 6-9) The attached testimony goes on to state that SDG&E proposes the 10 percent reduction in NCD charges “to more closely reflect cost causation principles” but SDG&E proposed “only a 10 percent adjustment to NCD charges to minimize rate impacts.” (page 6, lines 17-19)

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2. Does SDG&E plan to modify its transmission rate design in the next three years? If so, please indicate when SDG&E plans to make such filings. If not, please explain why SDG&E believes that its current rate design does not send inaccurate price signals, given the statements by SDG&E noted in Question 1.

SDG&E Response:

SDG&E currently has no plans to modify its transmission rate design. As noted in response to Question 1. d. above, while SDG&E recognizes a truly cost-based price signal for transmission costs would be some combination of peak and NCD charges, SDG&E has not conducted a study to determine what that correct split is.

3. Does SDG&E plan to modify its transmission rate design to obtain 100% recovery through peak demand? If so, please explain why. If not, please explain why not and reconcile your response with the statements cited in Question 1 regarding the inaccuracy of the price signals resulting from a 90/10 split between non-coincident/peak demand.

SDG&E Response:

Please see response to Question 2 above.

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4. For each TOU scenario being prepared by SDG&E in this proceeding, please provide bill impacts consistent with the updated response to be provided by SDG&E to the City's Data Request 1 Question 4.

SDG&E Response:

SDG&E has provided requested bill impacts for two of the four TOU scenarios. TOU Scenario 4 bill impacts were provided on May 24, 2016 and TOU Scenario 1 impacts were provided on June 3, 2016. SDG&E expects to have TOU Scenario 2 ready by Wednesday June 8 and TOU Scenario 3 ready by Monday June 13.