

Company: San Diego Gas & Electric Company (U 902 E)  
Proceeding: Rate Design – Residential Rate Structures  
Rulemaking: R.12-06-013  
Exhibit: \_\_\_\_\_

**PREPARED REBUTTAL TESTIMONY OF  
CAROLINE A. WINN  
CHAPTER 1  
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**OCTOBER 17, 2014**



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1 with the exception of UCAN<sup>2</sup> oppose fixed charges and instead support a  
2 minimum bill. The rebuttal testimony of SDG&E witness Cynthia Fang (Chapter  
3 4) addresses these proposals.

4 • **Compliance with Assembly Bill (“AB”) 327’s mandate to gradually reduce  
5 the California Alternate Rates for Energy (“CARE”) discount by 2018.**

6 Intervening parties have proposed alternate transition paths and mechanisms to  
7 address the CARE discount structure. The rebuttal testimony of SDG&E witness  
8 Cynthia Fang (Chapter 4) addresses these proposals.

9 • **Provide an optional un-tiered TOU rate with a cost-based Demand  
10 Differentiated Monthly Service Fee (“DDMSF”) to be implemented in 2015.**

11 Some parties have concerns about SDG&E’s optional un-tiered TOU rate as  
12 proposed. The rebuttal testimony of SDG&E witness Chris Yunker (Chapter 3)  
13 addresses these concerns.

14 • **Implement experimental TOU rates to study the impact of shorter on peak  
15 periods and inform other TOU rate options that could be offered to  
16 customers.** None of the intervening parties have opposed SDG&E’s  
17 experimental TOU pilot. However, UCAN suggests that a large-scale default  
18 TOU pilot is needed prior to transitioning all residential customers to TOU rates.<sup>3</sup>  
19 We agree. In Section V below, I address the policy basis for SDG&E’s  
20 recommendation for a default TOU pilot.

21 **III. SDG&E’S RATE REFORM VISION REFLECTS A BALANCED APPROACH THAT  
22 IS DESIGNED TO MEET THE NEEDS OF ALL OF SDG&E’S CUSTOMERS**

23 The testimony of various intervenors would appear designed to meet the needs of only a sub-  
24 set of SDG&E’s customers. For example, as addressed in the rebuttal testimony of SDG&E witness  
25 Cynthia Fang (Chapter 4), UCAN and ORA’s proposal to delay SDG&E’s transition path for  
26 reduction of the tier differential focuses only on the potential impacts to lower tier customers but  
27 fails to consider implication to customers with upper tier usage. And as addressed in the rebuttal  
28 testimony of SDG&E witness Chris Yunker (Chapter 3), parties that support higher tier differentials  
29 are focused on the conservation incentives faced only by upper tier customers, to the exclusion of  
30 conservation incentives for lower tier customers. On the other hand, SDG&E is focused on a

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<sup>2</sup> UCAN Phase 1 Testimony for Residential Rate Reform Prepared by David R. Croyle for The Utility Consumer Action Network (UCAN), pp.5-6.; EDF remains silent on the issue as indicated in the rebuttal testimony of SDG&E witness Cynthia Fang (Chapter 4), p. 5

<sup>3</sup> UCAN Phase 1 Testimony for Residential Rate Reform Prepared by David R. Croyle for The Utility Consumer Action Network (UCAN), p.4.

1 balanced approach that is designed to meet the needs of all customers and to further all of the Rate  
2 Design principles that have been identified in this proceeding, today and in the future.

3 As indicated in what was initially submitted as the direct testimony of SDG&E witness Chris  
4 Yunker<sup>4</sup> (which I have now adopted the policy sections as my own testimony as indicated in Section  
5 I above), SDG&E believes that an optimal rate design would have to be designed to meet the  
6 following objectives:

- 7 • Utilities charge for the services they provide;
- 8 • Rates are designed to cover costs on the same basis as they are incurred; and
- 9 • Incentives or subsidies that have been deemed necessary to further public policy  
10 objectives are separately and transparently identified.

11 These objectives are not targeted at benefitting any sub-set of SDG&E's customers. Instead  
12 they are intended to better inform, empower and create fairness to all of SDG&E's customers and to  
13 further all of the Rate Design Principles that have been adopted herein. As is discussed in greater  
14 detail in the rebuttal testimony of SDG&E witness Alex Kim (Chapter 6), customer surveys indicate  
15 that customers do not have a full understanding of their energy usage; specifically how and when  
16 they use it, and how much it costs them. While some parties have expressed concerns over the  
17 potential impacts of SDG&E's rate reform proposals on the incentives of upper tier customers to  
18 pursue conservation and/or Distributed Energy Resource (DER) investments, a customer who does  
19 not understand their energy usage and the costs associated with that usage cannot reasonably be  
20 expected to make well-informed decisions regarding their energy usage and/or DER investments.

21 These customer survey results underscore the importance of transitioning to a rate design that  
22 is simple and better informs customers regarding when and how they use energy as well as the costs  
23 associated with their use of energy. Better informed customers will be able to more effectively

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<sup>4</sup> R. 12-06-013 Supplemental Phase 1 Rate Change Proposals, Prepared Direct Testimony of Chris Yunker (Chapter 1) filed on February 28, 2014, p.CY-7, lines 18-21.

1 consider options that best meet their specific needs. More accurate price signals will empower and  
2 educate customers to cost effectively reduce and/or shift demand and make economically efficient  
3 investments as they consider potential distributed energy resource investments. Of equal, if not  
4 greater importance, will be customer education and outreach efforts to increase customers'  
5 understanding and awareness of the costs associated with their electricity demand as well as the  
6 options that are available to them to better manage their energy consumption. One example of a tool  
7 that SDG&E has found successful in helping customers better understand their energy use is a  
8 Weekly Energy Use Alert. Enrolled customers receive a weekly email that summarizes their prior  
9 week's energy use along with offering energy savings tips. Nine in ten customers surveyed believe  
10 the information is useful with nearly 80% having made some type of change to their electric usage<sup>5</sup>.  
11 Combined with more accurate price signals, these kinds of tools will empower customers to use  
12 energy, and make DER investments, in ways that lead to lower costs and environmental impacts, to  
13 the benefit of all electricity consumers. Finally, transitioning to more accurate price signals will  
14 promote fairness by better ensuring that the rates charged to one customer do not force them to pay  
15 for services that are provided to other customers.

16 In order to reflect these needs, SDG&E has adopted the following vision for residential rates:

17 *SDG&E will offer simple and fair rate options that empower customers to make*  
18 *efficient energy choices.*

19 By implementing this vision, SDG&E will meet the needs of all of its customers in an  
20 equitable way that better informs and empowers customers while promoting continuous efficiency  
21 improvements over time.

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<sup>5</sup> SDG&E Weekly Alert Email (WAE) Customer Satisfaction Survey, April 2013.

1 **IV. SDG&E’S PROPOSED RATE REFORM ROADMAP IS DESIGNED TO INFORM,**  
2 **EMPOWER, AND PROTECT CUSTOMERS**

3 Several parties have raised concerns regarding the potential impact of SDG&E’s rate design  
4 proposals on customers, particularly inland and lower income customers. SDG&E shares the desire  
5 of these parties to avoid adverse impacts on these and other customers and, as is detailed in the direct  
6 testimony<sup>6</sup> and rebuttal testimonies of Christopher Yunker (Chapter 3) and Cynthia Fang (Chapter 4)  
7 SDG&E has designed its Rate Reform Roadmap to minimize adverse customer impacts while  
8 transitioning to rates that are simple and better inform customers because they more accurately  
9 reflect the costs SDG&E incurs to provide service.

10 SDG&E agrees with several parties that have argued the following elements are essential to  
11 making the transition path successful:

- 12 • **Pilot Studies.** No party has opposed the experimental TOU pilot proposed in the  
13 direct testimony of SDG&E witness Leslie Willoughby<sup>7</sup> in order to determine the  
14 optimal TOU period lengths for SDG&E’s TOU rates. Furthermore, SDG&E agrees  
15 with UCAN that, while useful information will come from opt-in pilots conducted  
16 prior to 2018, and further argues that the best and most accurate information to  
17 inform a transition of residential customers to TOU rates would come from a default  
18 TOU pilot<sup>8</sup>. In response to UCAN’s proposal, as well as the experience of  
19 Sacramento Municipal Utility District (“SMUD”), as outlined at the Commission  
20 Workshops that were held on July 30-31, 2014<sup>9</sup> SDG&E is also proposing to conduct  
21 a default TOU pilot in 2018 to better inform future rate options, including TOU rates.  
22 Key elements of the pilot are described in the rebuttal testimony of SDG&E witness  
23 Leslie Willoughby (Chapter 5).

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<sup>6</sup> R.12-06-013 Supplemental Phase 1 Rate Change Proposals, Prepared Direct Testimony of Chris Yunker (Chapter 1) and Cynthia Fang (Chapter 2) filed on February 28, 2014,

<sup>7</sup> R.12-06-013 Supplemental Phase 1 Filing, Prepared Supplemental Testimony of Leslie Willoughby (Chapter 2) filed on March 21, 2014.

<sup>8</sup> UCAN Phase 1 Testimony for Residential Rate Reform Prepared by David R. Croyle for The Utility Consumer Action Network, p. 4

<sup>9</sup> R.12-06-013 Residential Rate Rulemaking Workshop: Best Practices and Lessons Learned in Time Variant Pricing (TVP) held on July 30-31, 2014

- 1 • **Choice, Convenience & Control.** SDG&E agrees with UCAN, EDF and ORA that  
2 customers should be offered a variety of rate options that best fit their individual  
3 needs<sup>10</sup>. SDG&E proposes to implement optional un-tiered TOU rates beginning in  
4 2015 and as part of its initial TOU pilots has also proposed to include optional TOU  
5 rates with different TOU periods. Based on the results of the experimental TOU  
6 pilot, additional options with different TOU periods could be offered in the future. In  
7 addition, SDG&E agrees with UCAN on providing customers information about what  
8 changes they can make to help them with TOU rates as well as provide them a “menu  
9 of rate options.”<sup>11</sup> As indicated in my direct testimony<sup>12</sup> and the direct testimony of  
10 SDG&E witness Alex Kim<sup>13</sup>, SDG&E’s approach is to package solutions along with  
11 rate options to help customers better manage their energy use. SDG&E also provides  
12 customers a rate comparison tool and report which shows the rate options available as  
13 well as which option is best for them.
- 14 • **Robust customer education & outreach.** Parties seem to agree that it is essential to  
15 educate and inform customers about their rate changes and rate options. Specifically,  
16 ORA acknowledges that an effective outreach and education plan is critical when  
17 customers face major change and that customers must understand these changes in  
18 advance.<sup>14</sup> SDG&E is committed to proactively communicating with customers so  
19 that they are prepared for the changes that will take place. As indicated in my direct  
20 testimony<sup>15</sup>, SDG&E has already been proactively informing customers of rate  
21 changes that take place.
- 22 • **Bill protection.** Some parties raise the issue of bill protection. As indicated in my  
23 direct testimony, “SDG&E believes that customers need to feel safe as they make  
24 these energy choices.”<sup>16</sup> As such, SDG&E will offer bill protection to customers  
25 defaulting on TOU rates so they have an ability to test out the new rate without any  
26 negative bill impacts.

27 Implemented on the foregoing basis, SDG&E’s residential rate reform roadmap will better  
28 inform, protect and empower customers. For the reasons detailed in the rebuttal testimony of

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<sup>10</sup> UCAN Phase 1 Testimony for Residential Rate Reform Prepared by David R. Croyle for The Utility Consumer Action Network, pp.37-38; Phase 1 Testimony of Environmental Defense Fund, James Fine, p.18; Opening Testimony of ORA on 2015 and Beyond, Lee-Whei Tan (Chapter 1), p.1-1 lines 11-12 and p.1-21 lines 3-7.

<sup>11</sup> UCAN Phase 1 Testimony for Residential Rate Reform Prepared by David R. Croyle for The Utility Consumers Action Network, p.37-38

<sup>12</sup> R.12-06-013 Phase 1 Optional Additional Testimony of San Diego Gas & Electric Company, Prepared Direct Testimony of Caroline A. Winn (Chapter 1) filed on June 30, 2014.

<sup>13</sup> R.12-06-013 Supplemental Phase 1 Filing, Prepared Direct Testimony of Alex Kim (Chapter 1) filed on March 21, 2014

<sup>14</sup> Opening Testimony of ORA on 2015 Rates and Beyond, Michaela Flagg (Chapter 8), p.8-9, lines 16-17.

<sup>15</sup> R.12-06-13 Phase 1 Optional Additional Testimony of San Diego Gas & Electric Company, Prepared Direct Testimony of Caroline A. Winn (Chapter 1) filed on June 30, 2014, p. CAW-2.

<sup>16</sup> R.12-06-13 Phase 1 Optional Additional Testimony of San Diego Gas & Electric Company, Prepared Direct Testimony of Caroline A. Winn (Chapter 1) filed on June 30, 2014, p. CAW-7, lines 13-14.



1 | SDG&E witnesses Dr. Ahmad Faruqui (served by PG&E), Chris Yunker (Chapter 3) and Leslie  
2 | Willoughby (Chapter 5), these changes will increase conservation incentives for nearly 70% of  
3 | SDG&E's sales<sup>17</sup>, while also having no material adverse impact on overall conservation.

4 |         Finally, a core SDG&E policy objective is to ensure that low-income customers are not  
5 | jeopardized or overburdened by monthly energy expenditures and that the level of discount reflects  
6 | the level of need while still moving toward legislative compliance. In that regard, SDG&E has  
7 | proposed a roadmap that would gradually move the effective CARE discount to the level required  
8 | under AB327 over time to manage this transition for low income customers. The current structure of  
9 | these programs relies on subsidies through the tiered rate structure which is an economically  
10 | inefficient approach to achieve this objective. SDG&E proposes to move these subsidies outside of  
11 | the rates. The rebuttal testimony of SDG&E witness Cynthia Fang (Chapter 4) explains SDG&E's  
12 | proposal as well as the concerns that have been expressed about this proposal.

13 | **V. SDG&E's PROPOSALS ARE DESIGNED TO BENEFIT FROM AND PROMOTE**  
14 | **CONTINUOUS LEARNING TO MAXIMIZE BENEFITS TO CUSTOMERS**

15 |         Several intervenors have emphasized the importance of how the rate reform changes will be  
16 | implemented and in particular the critical role of customer acceptance as part of this process. Given  
17 | that these changes will be phased-in over several years, it is critical to ensure that customers are  
18 | aware of the changes that will take place, understand how those changes will impact them as well as  
19 | understand what they can do to best manage their energy use.

20 |         SDG&E has noted that panelists during the CPUC workshops held on July 30-31, 2014 as  
21 | well as UCAN<sup>18</sup> in its direct testimony have concluded that the best and most accurate information  
22 | to inform a transition of residential customers to Time of Use rates would come from a default TOU  
23 | pilot, which cannot occur prior to 2018. SDG&E agrees that transitioning to Time of Use rates

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<sup>17</sup> SDG&E Testimony of Dr. Ahmad Faruqui, pp. 19 and 24

<sup>18</sup> UCAN Phase 1 Testimony for Residential Rate Reform Prepared by David R. Croyle for the Utility Consumers Action Network, pp.37-41

1 should be done thoughtfully, only after the current rate structure is reformed and in a way that does  
2 not adversely impact customers especially those who live inland, are low income or elderly. As  
3 such, SDG&E is now proposing to initially implement a default TOU pilot beginning in 2018.  
4 SDG&E believes that a default pilot will provide additional information and insights that will better  
5 inform not only SDG&E's future rate reform design but also its outreach and education efforts in  
6 order to ensure a positive customer experience and implementation of rate design options that meet  
7 the needs and empower our customers.

8 Furthermore, the California legislature has now passed SB 1090<sup>19</sup>, which adopts new  
9 provisions designed to ensure an absence of hardship to customers who live hot, inland areas, and  
10 residential customers living in areas with hot summer weather. As such, implementing a TOU pilot  
11 initially will enable SDG&E to further assess the impacts of this group of customers as further  
12 detailed in the rebuttal testimony of SDG&E witness Leslie Willoughby (Chapter 5).

13 Ultimately, the goal of the pilots as well as the customer education and outreach efforts that  
14 SDG&E has proposed herein is to ensure that all of our customers are empowered with information  
15 and tools to help them effectively respond to these price signals by shifting their electricity  
16 consumption and/or selecting the rate option that best meets their individual needs.

## 17 **VI. CONCLUSION AND SUMMARY**

18 In summary, SDG&E's main objective is to fix the basic electric rate design through rate  
19 reform which includes fixed and volumetric pricing, collapsing the antiquated tiered rate structure  
20 and reducing the CARE discount in compliance with legislation in ways that meet the rate design  
21 principles that have been outlined herein. These changes will, for reasons detailed in the rebuttal

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<sup>19</sup> SB 1090 provides: (d) The commission shall not require or authorize an electrical corporation to employ default time-of-use rates for residential customers unless it has first explicitly considered evidence addressing the extent to which hardship will be caused on either of the following: (1) Customers located in hot, inland areas, assuming no changes in overall usage by those customers during peak periods; (2) Residential customers living in areas with hot summer weather, as a result of seasonal bill volatility, assuming no change in summertime usage or in usage during peak periods.

1 | testimonies of SDG&E witnesses Faruqui (served by PG&E), Yunker (Chapter 3), and Fang  
2 | (Chapter 4) reduce the amount of subsidies that exist today, send more accurate price signals to  
3 | better inform customers, properly shape customer behavior and provide more equitable rates to all  
4 | customers. These changes will also facilitate a pathway for SDG&E to meet its rate vision of  
5 | providing customers with options that are simple, fair and that promote and support efficient energy  
6 | options.

7 |         SDG&E supports transitioning customers to TOU rates, but in a way that does not adversely  
8 | impact customers, including lower-income customers and customers living in inland communities.  
9 | As such, SDG&E supports conducting a default TOU pilot in 2018 and implementing TOU rates in a  
10 | manner that includes options that best meet the needs of our customers.

11 |         SDG&E believes that its rate reform proposals along with conducting a default TOU pilot  
12 | and implementing a robust customer outreach and education effort, will best achieve the  
13 | Commission's Rate Design Principles.

14 |         This concludes my prepared rebuttal testimony.