

**FEA DATA REQUEST**  
**FEA-SDG&E-DR-02**  
**SDG&E SECOND AMENDED GRC Phase 2 APPLICATION – A.15-04-012**  
**SDG&E RESPONSE**

**DATE RECEIVED: APRIL 6, 2016**

**DATE RESPONDED: APRIL 19, 2016**

- 2-1. As a follow-up to the response to FEA Data Request 1-16 with respect to the allocation of CARE, ESAP, EPIC, CSI, SGIP, LGC, EE, CTC, DR and other non-marginal cost items, please:
- a. Identify the allocation determinants (for example, coincident peak demands, class peak demands, sum of customer maximum demands, energy, number of customers, etc.) used in allocating the costs of each of the enumerated items to customer classes and rate schedules. If there are any differences between the treatment of bundled service customers and direct access customers, please describe them. Note, this includes use of “imputed” values.
  - b. Please describe and identify where each of these costs currently are recovered in the rates of customers on AL-TOU and A6-TOU.

**SDG&E Response:**

- a) As mentioned in SDG&E’s response to FEA DR 1-16, the allocation methodologies for the rate components listed above treat Direct Access customers the same as bundled customers. CARE and ESAP current allocations are based on authorized energy determinants. The current EPIC allocation is based on an authorized allocation percentage from D.11-12-035, which was based on then-current Public Goods Charge (PGC) allocation. The EE current allocation is based upon forecasted EE program spending by customer class from D.05-09-043. CSI, SGIP, and DR allocations are based on authorized allocation percentages from D.08-02-034. The LGC current allocation is based on the 12-month coincident peak demand methodology. The CTC current allocation is based on the “top 100 hours” allocation methodology which allocates revenues based on the customer classes’ contribution to the top 100 hours of system load during a given annual period.
- b) CARE, ESAP, EPIC, EE, and LGC costs are recovered solely through energy charges. As shown in the Test Year (TY) 2012 General Rate Case (GRC) Phase 2 Partial Settlement Agreement (attached in response to Question 2-11 below), adopted by D.14-01-002, AL-TOU secondary and primary voltage levels recover CSI, SGIP, CTC, and DR costs through the energy charge. AL-TOU substation and transmission voltage levels, as well as A6-TOU (all voltage levels) recover CSI, SGIP, CTC, and DR costs through the Non Coincident Demand charge.

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2-2. Please provide the same information that was requested in DR 2-1 with respect to allocations and collections under proposed rates.

**SDG&E Response:**

- a) The proposed allocation methodology for the CARE, ESAP, LGC, EE, and CTC components are the same as the current methodology, and thus the proposed allocations treat direct access customers the same way that the current allocations do. The only updates for these components are updates based on more recent forecasts or data. The EPIC allocation is being updated to be based on proposed 2016 determinants. There are no updates proposed to the CSI, SGIP, and DR allocations.
- b) See response for 2-1 (b).

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- 2-3. SDG&E’s response to FEA DR 1-17 includes the sentence: “Updates were not proposed for CSI, SGIP, and DR allocations.” Please explain what kinds of updates are referenced, and what this sentence is intended to convey.

**SDG&E Response:**

SDG&E’s response to FEA DR 1-17 references the direct testimony of SDG&E witness Christopher Swartz, “SDG&E is not proposing to change the current cost responsibility and allocation treatment of these program costs and thus, there will be no rate impact from recovering these costs in PPP rates instead of distribution rates”<sup>1</sup>. This statement is intended to convey that SDG&E is not proposing in this proceeding to make any changes to the allocations for these programs. The previously approved allocations, currently in effect, would remain the same.

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<sup>1</sup> See, Direct Testimony of Christopher Swartz, pg. CS-18

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2-4. On pages 12-14 of his direct testimony in this proceeding, SDG&E witness Saxe describes an error made in the allocation of distribution revenue allocations in test year 2012 GRC, Phase 2 (A.11-10-002) and on page 14 of his testimony, at lines 4-9, states as follows:

“The use of coincident peak demands based on the 2008 load research data from the Circuit and Substation Study Requirement to allocate marginal distribution demand-related revenues understated the responsibility of the residential class for these marginal distribution demand-related cost revenues and overstated the responsibility of the non-residential classes for these marginal distribution demand-related cost revenues that was presented in my TY 2012 GRC Phase 2 rebuttal testimony.”  
[Footnote omitted.]

With regard to this statement:

- a. Please describe, in as much detail as available, the dollar magnitude of the misallocation by customer class and by major rate schedule within the M-L C&I class.
- b. State how and when the referenced error was discovered and what actions were taken once the error was identified.
- c. Explain what is meant by the sentence on page 14 of Mr. Saxe’s testimony, lines 13-16, which states:  
“It should be noted that SDG&E’s current electric rates, which reflect the implementation of D.14-01-002 adopting the partial settlement agreement on revenue allocation in SDG&E’s TY 2012 GRC Phase 2 proceeding, correctly comport with the approved settlement.”

**SDG&E Response:**

- a. The Settling Parties in SDG&E’s TY 2012 GRC Phase 2 (A.11-10-002) reached agreement on the allocation of SDG&E’s Commission-authorized distribution revenues to each customer class, including setting revenue caps, as adopted in the Settlement Agreement approved by D.14-01-002. The distribution revenue allocations proposed by SDG&E in this proceeding were one of the starting points used in reaching that agreement. For this reason, it is not possible to determine the impact of the misallocation on the distribution revenue allocations that were ultimately agreed to by Settling Parties and adopted in D.14-01-002.
- b. The direct testimony of William G. Saxe (Chapter 6), page WGS-13, lines 13-16, explains that during the development of the distribution revenue allocations in its 2016 GRC Phase 2 proceeding (A.15-04-012)  
“...SDG&E realized that it had incorrectly applied the results of the Circuit and Substation Study Requirement in the allocation of the marginal

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**Response to Question 2-4b (Continued)**

distribution demand-related costs in the TY 2012 GRC Phase 2 proceeding.” As stated on page WS-14 of Mr. Saxe’s testimony, lines 13-16, as cited in Question 2-4(c), Mr. Saxe explains that SDG&E implemented electric rates pursuant to D.14-01-002 that approved the revenue allocations agreed to by Settling Parties in SDG&E TY 2012 GRC Phase 2 proceeding. SDG&E is proposing to correct the implementation method used to allocate marginal distribution demand-related cost revenues to customer classes in this proceeding (TY 2016 GRC Phase 2, A.15-04-012).

- c. SDG&E included the sentence on page 14, lines 13-16, of Mr. Saxe’s direct testimony (Chapter 6) to clearly state that the rates SDG&E implemented, were implemented pursuant to D.14-01-002. D.14-01-002 adopted the revenue allocations agreed to in the Settlement Agreement. Thus, SDG&E is in compliance with this decision and the rates implemented reflect the cost allocations approved therein. The revenue allocation miscalculation SDG&E described in Mr. Saxe’s direct testimony happened in the development of the revenue allocations SDG&E proposed in the TY 2012 GRC Phase 2 proceeding, and these revenue allocations were used in developing the revenue allocations agreed to by Settling Parties that were adopted by D.14-01-002.

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- 2-5. SDG&E’s witness Christopher Swartz discusses primary substation and secondary substation service at page 25 of his direct testimony. With regard to this testimony:
- a. Please describe in detail the characteristics of secondary substation service and primary substation service, and state how they differ from secondary service, from primary service, and from transmission service.
  - b. The testimony beginning on line 10 on page 25 states:  
“However, while these customers continue to fully utilize distribution demand services, including services related to local and feeder distribution demand costs, failure to include these costs in the prices these customers pay results in a shift of costs to other customers.”

According to Schedule AL-TOU, AL-TOU 6 and Form 106-3859 (Request for Service at Secondary/Primary Substation Level Rates), the customer pays a “distance adjustment fee” times the distance from the Customer’s Service Point to the nearest transmission voltage level line. Isn’t the purpose of this charge to reflect the applicable costs of the distribution system?

**SDG&E Response:**

- a. Secondary substation and primary substation rates are available to customers that have completed a Request for Service at Secondary/Primary Substation Level Rates, Form 106-3859, after SDG&E has verified the customer information in the form. Customers electing secondary substation rates are taking service at the secondary service level, but are being billed energy rates similar to transmission level service. Customers electing primary substation rates are taking service at the primary service level, but are being billed volumetric energy rates similar to transmission level service.
- b. The purpose of the “distance adjustment fee” is to collect the estimated costs of 12 kV wiring, including line losses, that a customer would incur if it took transmission level service from a customer installed substation. These costs reflect the cost of 12 kV wiring from the substation to the customer’s facility.

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- 2-6. Referring to Table CS-17 in Mr. Swartz's testimony, please explain why the monthly cost per customer should be approximately the same regardless of size (< 500 kW, > 500 kW, > 12,000 kW) and voltage level (primary, secondary).

**SDG&E Response:**

Table CS-17 does reflect differences in monthly customer costs (also referred to as the Monthly Service Fee or MSF) by customer size ( $\leq 500$  kW,  $> 500$  kW). As shown in this table, the Year 1 proposed MSF for Secondary  $\leq 500$  kW is \$139.73 per month whereas the Year 1 MSF for Secondary  $> 500$  kW is \$558.89 per month or approximately 400% higher. Also, the Year 1 proposed MSF for Primary  $\leq 500$  kW is \$37.68 per month whereas the Year 1 MSF for Primary  $> 500$  kW is \$44.83 per month or approximately 20% higher. The cost basis for these proposed MSFs, as shown in the Cost-Based MSFs identified in this table, are based on the marginal distribution customer cost presented in the testimony of SDG&E witness William G. Saxe (Chapter 6).

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- 2-7. Please provide a detailed narrative description and road map through the rates model and workpapers that show the specific derivation of the “cost-based MSF” (dollars per month) shown in Table CS-17 for secondary substation service and primary substation service, for each size level. Please include an explanation of why these calculations and cost components are appropriate given the nature of the service provided.

**SDG&E Response:**

In the direct testimony of Christopher Swartz (Chapter 2), page CS-25, lines 2-4, SDG&E is proposing that the MSF for secondary and primary substation service be increased 20% each year compared to the current rates consistent with other Medium/Large Commercial & Industrial (M/L C&I) customers. The calculation for these MSFs is shown in the “Distribution Transition Path” tab of the “CONFIDENTIAL Consolidated Model GRC P2 –Revised Workpapers.xlsx” file, cells W117 through AC130, previously provided to FEA. On page CS-25 of Mr. Swartz’s direct testimony and shown in these cells, SDG&E’s proposed 20% increase in substation MSFs is consistent with its proposed increase in the MSFs for all other M/L C&I service levels with the applicable service level’s End State Cost-Base MSF rates shown in cells AC117 through AC130 being the eventual end state rates.



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- 2-8. Did SDG&E calculate MSF costs for secondary substation service and primary substation service with a method that was based on actual equipment costs? If so, please provide that analysis.

**SDG&E Response:**

The Cost-Base MSFs for secondary substation and primary substation, identified in Table CS-17 of the direct testimony of Christopher Swartz, reflect the full recovery of distribution costs (customer and demand costs) in these MSFs, as referenced on pages CS-25 and CS-26. The calculation of End State Cost-Base MSFs for secondary and primary substation is shown in the “Distribution Transition Path” tab of the “CONFIDENTIAL Consolidated Model GRC P2 – Revised Workpapers.xlsx” file, cells AC119, AC120, AC125, AC 126, AC129, and AC130.

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2-9. Did SDG&E calculate the costs referenced in DR 2-8 using any other approach? If so, please provide that analysis.

**SDG&E Response:**

Please see response to Question 2-8.

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2-10. Please provide an analysis and cost development for the costs referenced in DR 2-8 using the method (s) used in the prior Phase 2 case, the TY 2012 Phase 2 proceeding.

**SDG&E Response:**

The TY 2012 Phase 2 basic service fee rates adopted in D.14-01-002 for substation customers reflected changes to only the Primary Substation > 12 MW basic service fee rates based on the method proposed by SDG&E in that proceeding. As requested, the table below provides the calculation of the Primary Substation > 12 MW basic service fee based on the method used in SDG&E's TY 2012 GRC Phase 2 case and costs based on the TY 2016 GRC Phase 2 updated marginal costs.

Line No.	<u>FEA DR-02 Requested Primary Substation &gt; 12 MW Basic Service Fee Calculation</u>	
1	Marginal Substation Unit Cost (\$/kW)	\$22.05
2		
3	Substation Amount for Primary Substation > 12 MW (Line No. 1 X 12,000 kW)	\$264,556
4		
5	Monthly Marginal Substation Cost for Primary Substation > 12 MW (Line No. 3 / 12 Months)	\$22,046
6		
7	Adjusted Marginal Customer Costs for Primary Substation > 12 MW	
8	Marginal Customer Costs for Primary > 12 MW	\$226
9	Adjustment Factor	1.13
10	Total Adjusted Marginal Customer Costs for Primary > 12 MW	\$256
11		
12	Total Basic Service Fee for Primary Substation > 12 MW	\$22,302
Notes:		
	1) Marginal Substation Costs (Line No. 1) from Direct Testimony of William G. Saxe (Chapter 6).	
	2) Substation Amount for Primary Substation > 12 MW (Line No. 3) equals Line No. 1 multiplied by 12,000 kW.	
	3) Monthly Marginal Substation Costs for Primary Substation > 12 MW (Line No. 5) equals Line No. 3 divided by 12 months.	
	4) Marginal Customer Costs for Primary Substation > 12 MW (Line No. 8) from Direct Testimony of William G. Saxe (Chapter 6).	
	5) Adjustment Factor (Line No. 9) from Cell T48 of the "Distribution EPMC" tab of the "CONFIDENTIAL Consolidated Model GRC P2 - Revised Workpapers.xlsm" file.	
	6) Total Adjusted Marginal Customer Costs for Primary Substation > 12 MW (Line No. 10) equals Line No. 8 multiplied by Line No. 9.	
	7) Total Basic Service Fee for Primary Substation > 12 MW (Line No. 12) equals Line No. 5 plus Line No. 10.	

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- 2-11. Please provide a copy of testimony, exhibits, workpapers, stipulations, advice letter filings, resolutions, Commission orders and other documents pertaining to the primary and secondary substation rates:
- a. When originally adopted.
  - b. Any subsequent time if a change in costing or pricing concepts was proposed.

**SDG&E Response:**

Attached are documents that implemented rate design changes associated with SDG&E secondary and primary substation rates.

- a. SDG&E's primary substation rates were first adopted in SDG&E 1995 Rate Design Window (RDW) in Decision (D.) 95-04-048. The attached "1995 RDW Joint Testimony on Substation Rates" and D.95-04-048, pages 6-7, describe the substation rate design that was adopted. Also, the attached Advice Letter (AL) 943-E identifies the primary substation rates implemented pursuant to D.95-04-048, effective May 1, 1995.
- b. In SDG&E's 1996 RDW, SDG&E proposed and the Commission adopted in D.96-06-033 changes to the primary substation rate design. The attached "1996 RDW SDG&E Testimony on Substation Rates" describes these changes. Also, the attached AL 989-E identifies the primary substation rates implemented pursuant to D.96-06-033, effective June 10, 1996.

In SDG&E's 1999 RDW, SDG&E proposed and the Commission adopted in D.00-12-058 changes to the substation rate design agreed to by the settlement parties, including adding a new secondary substation rate. The attached "1999 RDW Settlement on Substation Rates" that was adopted in D.00-12-058. Also, the attached AL 1297-E identifies the secondary and primary substation rates implemented pursuant to D.00-12-058, effective March 1, 2001.

In SDG&E's TY 2012 GRC Phase 2 proceeding (A.11-10-002), SDG&E proposed and the Commission adopted in D.14-01-002 the Partial Settlement Agreement that changed the rate design for recovery of CTC and revenues associated with Miscellaneous Distribution programs from secondary and primary substation customers through non-coincident demand charges instead of energy charges. In addition, the basic service fees for secondary and primary substation greater than 12 MW were increased to reflect the updated marginal costs filed in this proceeding. The attached AL 2575-E and AL 2575-E-A identify the secondary and primary substation rates implemented pursuant to D.14-01-002, with these rates being consolidated with other rate changes in attached AL 2595-E-A, effective May 1, 2014.