

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

Application of San Diego Gas & Electric  
Company (U 902-E) Requesting Approval and  
Funding for 2018-2022 Demand Response  
Portfolio in compliance with Decision 16-09-  
056.

Application No. 17-01 \_\_\_\_  
(Filed January 17, 2017)

**CHAPTER 6**

**PREPARED DIRECT TESTIMONY**

**OF B. ELAINE MACDONALD**

**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

**JANUARY 17, 2017**

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**PREPARED DIRECT TESTIMONY OF  
ELAINE MACDONALD  
CHAPTER 6**

**I. BUDGET OVERVIEW AND PURPOSE**

The purpose of this chapter is to review and request approval of the 2018-2022 Demand Response (DR) program budget, cost recovery, fund-shifts and reporting. San Diego Gas & Electric Company (SDG&E) is requesting \$16,741,020 in 2018 in addition to \$633,490, for Electric Rule 32 and \$4,777,759 for the Demand Response Auction Mechanism (DRAM). Table A-1 below shows the proposed budgets for 2018 through 2022 demand response portfolio under the authorized funding categories. The programs are organized by the ten demand response funding categories adopted in Decision (D.) 12-04-045. Table A-2 below outlines the budget request for Electric Rule 32 direct market participation support outside the utility DR portfolio, and Table A-3 shows the budget for DRAM, also outside the portfolio. Therefore, SDG&E does not include costs associated with Electric Rule 32 nor its additional DRAM support herein within its budget cap.

**EMD Table A-1  
SDG&E SUMMARY OF UTILITY DEMAND RESPONSE PROGRAMS  
BUDGET REQUEST BY CURRENT PROGRAM CATEGORIES  
(Thousands of Dollars)**

Line	SDG&E Demand Response Programs by Category	Foot-note	Budget Authorized for 2017	Budget Requested for 2018	Budget Requested for 2019	Budget Requested for 2020	Budget Requested for 2021	Budget Requested for 2022	Total Budget Requested for 2018-22
1	<b><u>Category 1 - Reliability Programs</u></b>								
2	Base Interruptible Program (BIP)		943	943	943	943	943	943	4,714
3	<b>Total</b>		<b>943</b>	<b>943</b>	<b>943</b>	<b>943</b>	<b>943</b>	<b>943</b>	<b>4,714</b>

4	<b><u>Category 2 - Price-Responsive Programs</u></b>								
5	Armed Forces Program (AF)		-	-	-	949	1,053	1,158	3,159
6	Over-generation Program		-	-	-	726	736	747	2,209
7	Summer Saver Program (SSP)	1	2,534	-	-	-	-	-	-
8	AC Saver Day-Of (AC_DCL)		-	2,013	1,954	1,881	1,752	1,755	9,356
9	AC Saver Day-Ahead (AC_PCT)		-	485	529	570	650	722	2,957
10	Capacity Bidding Program (CBP)		2,181	2,184	2,089	2,153	2,058	2,139	10,623
11	Peak Time Rebate (PTR)	2	198	22	-	-	-	-	22
12	<b>Total</b>		<b>4,913</b>	<b>4,704</b>	<b>4,571</b>	<b>6,279</b>	<b>6,248</b>	<b>6,521</b>	<b>28,325</b>
13	<b><u>Category 3 - DR Service Provider Managed Programs</u></b>		0	0	0	0	0	0	0
14	<b>Total</b>		<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>
15	<b><u>Category 4 - DR Enabling Programs</u></b>								
16	Technology Incentives (TI)		2,960	1,442	2,950	2,959	2,968	2,978	13,297
17	Small Customer Technology Deployment (SCTD)		1,430	-	-	-	-	-	0
18	Technology Deployment (TD)		-	838	847	834	843	852	4,215
19	DR Emerging Technology (ET)		723	729	751	773	797	821	3,870
20	<b>Total</b>		<b>5,113</b>	<b>3,009</b>	<b>4,548</b>	<b>4,567</b>	<b>4,608</b>	<b>4,650</b>	<b>21,383</b>

21	<b><u>Category 5 - Pilots</u></b>								
22	Summer Saver Pilot	1	78	-	-	-	-	-	-
23	Armed Forces Pilot		250	769	869	-	-	-	1,638
24	Over-generation Pilot		697	706	716	-	-	-	1,423
25	<b>Total</b>		<b>1,025</b>	<b>1,475</b>	<b>1,586</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,061</b>
26	<b><u>Category 6 - Evaluation, Measurement &amp; Verification</u></b>								
27	Evaluation, Measurement & Verification		1,535	1,204	1,495	1,225	1,267	1,248	6,439
28	Measurement and Evaluation Research		200	-	-	-	-	-	-
29	<b>Total</b>		<b>1,735</b>	<b>1,204</b>	<b>1,495</b>	<b>1,225</b>	<b>1,267</b>	<b>1,248</b>	<b>6,439</b>
30	<b><u>Category 7 - Marketing and Outreach Activities</u></b>								
31	Local Marketing, Education and Outreach (LMEO)		885	853	882	902	923	944	4,502
32	<b>Total</b>		<b>885</b>	<b>853</b>	<b>882</b>	<b>902</b>	<b>923</b>	<b>944</b>	<b>4,502</b>
33	<b><u>Category 8 - System Support Activities</u></b>								
34	Regulatory Policy & Program Support		838	856	882	909	937	966	4,550
35	IT Infrastructure & System Support		2,307	2,083	1,914	1,583	1,808	1,443	8,831
36	<b>Total</b>		<b>3,145</b>	<b>2,939</b>	<b>2,796</b>	<b>2,492</b>	<b>2,744</b>	<b>2,408</b>	<b>13,380</b>

37	<b><u>Category 9 - Integrated Programs and Activities</u></b>								
38	Total		- 0	-0	-0	-0	-0	-0	-0
	<b><u>Category 10 - Special Projects</u></b>								
39	Permanent Load Shifting (PLS)		1,613	1,613	1,616	1,619	1,622	1,625	8,097
40	<b>Total</b>		<b>1,613</b>	<b>1,613</b>	<b>1,616</b>	<b>1,619</b>	<b>1,622</b>	<b>1,625</b>	<b>8,097</b>
41	<b>GRAND TOTAL</b>		<b>\$19,371</b>	<b>\$16,741</b>	<b>\$18,438</b>	<b>\$18,027</b>	<b>\$18,356</b>	<b>\$18,340</b>	<b>\$89,902</b>

Table Footnotes:

1. D.04-06-011 Filing for Summer Saver.
2. D.13-05-010 for Peak Time Rebate in 2012 GRC (2017 DR application only includes administration and the marketing budget, which is contained in line 29 above).

**EMD Table A-2  
BUDGET REQUEST FOR ELECTRIC RULE 32  
(Thousands of Dollars)**

Line	SDG&E Demand Response Programs by Category	Foot -note	Budget Authorized for 2017	Budget Requested for 2018	Budget Requested for 2019	Budget Requested for 2020	Budget Requested for 2021	Budget Requested for 2022	Total Budget Requested for 2018-22
1	Electric Rule 32 (Including IT)		-	634	628	646	666	686	3,259

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**EMD Table A-3  
BUDGET REQUEST FOR DRAM  
(Thousands of Dollars)**

Line	SDG&E Demand Response Programs by Category	Foot -note	Budget Authorized for 2017	Budget Requested for 2018	Budget Requested for 2019	Budget Requested for 2020	Budget Requested for 2021	Budget Requested for 2022	Total Budget Requested for 2018-22
1	Demand Response Auction Mechanism (DRAM) (Including IT)		4,500	4,778	-	-	-	-	4,778

1 **II. COST RECOVERY MECHANISM**

2 Consistent with D.09-08-027, which discusses the regulatory accounting and cost  
3 recovery treatment, SDG&E currently records all program costs associated with its existing  
4 DR programs and its current DRP bilateral contracts, including DRAM, in its Advanced  
5 Metering and Demand Response Memorandum Account (AMDRMA). All authorized DR  
6 program costs related to DR Operation and Maintenance (O&M) expenses, capital related  
7 costs (*i.e.*, depreciation, return and taxes), customer capacity incentive payments, and all  
8 other costs, not recovered through SDG&E’s General Rate Case (GRC), are recorded in  
9 AMDRMA.

10 Advice Letter (AL) 2972-E (filed September 28, 2016)<sup>1</sup> authorized recovery of costs  
11 for programs available only to bundled customers to be recorded in a subaccount in  
12 AMDRMA as outlined in D.16-06-029. AL 2972-E revised the AMDRMA into two  
13 subaccounts: 1) “AMDRMA – Distribution”; and 2) “AMDRMA – Generation.” The costs  
14 associated with programs that are available to all customers are recorded in the “AMDRMA  
15 – Distribution” subaccount and any balances shall continue to be transferred to SDG&E’s  
16 Rewards and Penalties Balancing Account (RPBA) to be recovered from all customers  
17 through electric distribution rates over 12 months, effective on January 1st of the following  
18 year. Costs required to administer, specifically Marketing Education & Outreach costs, for  
19 demand response programs available only to bundled customers are separately recorded in  
20 the “AMDRMA – Generation” subaccount. The year-end balance in the “AMDRMA –  
21 Generation” subaccount is transferred to the new Demand Response Generation Balancing

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<sup>1</sup> Approved by letter dated November 2, 2016 from Edward Randolph, Director of the Energy Division, to be effective October 28, 2016.

1 Account (DRGBA), to be recovered from bundled customers through electric commodity  
2 rates, effective January 1<sup>st</sup> of the following year. AL 2972-E established the DRGBA. DR  
3 customer incentive payments (energy component) are recorded in SDG&E's Energy  
4 Resource Recovery Account (ERRA).

5 SDG&E is requesting that authorized DR program costs related to DR Operation and  
6 Maintenance (O&M) expenses, capital related costs (*i.e.*, depreciation, return and taxes),  
7 customer capacity incentive payments, and all other costs, not recovered through SDG&E's  
8 General Rate Case (GRC), be recorded in AMDRMA.

9 Electric Rule 32 costs are recorded to the Direct Participation Demand Response  
10 Memorandum Account (DPDRMA) and the year-end balance transferred to the RPBA for  
11 recovery from all customers through electric distribution rates, effective on January 1<sup>st</sup> of the  
12 following year.

### 13 **III. PROGRAM BUDGET FLEXIBILITY AND FUND-SHIFTING**

14 In D.09-08-027, the Commission adopted budget fund-shifting rules to implement  
15 the finding (at 211-212) that provides:

16 It is reasonable to provide the utilities with some flexibility to shift  
17 funds among demand response programs, in order to provide the  
18 utilities with the ability to respond effectively to unforeseen  
19 developments that may occur, or to respond to changing conditions.

20 D. 09-08-027 (at 212) further stated that:

21 ... [p]roviding utilities with broad authority to shift funds among  
22 programs without prior notification or approval of this Commission  
23 undermines the regulatory process through which this decision was  
24 developed. The program budgets adopted here become meaningless  
25 if large portions can be shifted to different programs or budget  
26 categories.

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This decision went on to adopt fund-shifting rules that provide (*id.*):

1. The utilities may shift up to 50% of a program’s funds to another program within the same category. Utilities will document the amount of and reason for each shift in their monthly demand response reports.
2. The utilities must file an advice letter to eliminate a program. No program can be eliminated through multiple fund shifting events or for any other reason without prior authorization from the Commission.
3. The utilities must file a Tier 2 advice letter before shifting more than 50% of program’s funds to a different program within the same budget category. If shift of more than [sic] 50% of a program’s funds is necessary as part of the implementation of a new program, the fund shift should be included in the application for approval for the new program.
4. The following lists contain the ten program categories for fund shifting purposes, along with various programs authorized within each category. Utilities shall not shift funds between these ten categories.

To achieve the maximum flexibility and benefit of budget fund-shifting, to help maintain a vibrant and flexible DR program portfolio, and to minimize the burden and time delays of more frequent Advice Letter requests to the Commission, SDG&E proposes to reduce the budget categories adopted for the 2018-2022 program cycle from the current ten program categories, to six categories. SDG&E believes that the six categories described below would be more manageable and flexible.

The current ten categories are above in Table A-1 (at p. EMD-1 through EMD-4) and are repeated here:

1. Reliability Programs;
2. Price Responsive Programs;
3. DR Service Provider Managed Programs;
4. DR Enabling Programs;
5. Pilots;
6. Evaluation, Measurement and Evaluation;
7. Marketing, Education and Outreach;
8. System Support Activities;

9. Integrated Programs and Activities; and
10. Special Projects.

Instead of the above ten budget categories, SDG&E recommends the current budget areas be distributed among the following new six categories (1 through 6):

1. Collapse all programs currently outlined in Categories 1, 2 and 3 into a new Category 1 that could be called DR Core Programs;
2. Collapse all enabling technology, pilot and integrated programs and activities (the latter which is not used by SDG&E today), currently in Categories 4, 5 and 9, into a new Category 2 entitled Technology and Pilots;
3. Evaluation, Management, and Verification (EM&V) activities remain as a separate group, a new Category 3 (currently it is Category 6) and remain named EM&V;
4. Combining System Support Activities such IT Infrastructure and regulatory policy and program support, into a new Category 4 (currently in Category 8) entitled DR Support Activities;
5. Marketing efforts (such as LMEO), be in a new Category 5 (currently Category 7) and remain named MEO; and
6. All special programs as a group, be put in a new Category 6 (currently this is in Category 10) and remain named Special Projects.

Establishment of the ten budget categories, as set forth in D.09-08-027 (at 213-214), effectively isolates a number of programs into their own category for purposes of budget fund-shifting, and severely limits the flexibility that was noted as being an objective of fund-shifting in the first place. For example, with respect to SDG&E's programs, the existing Category 1-Emergency Programs include SDG&E's Base Interruptible Program (BIP), and other legacy programs such as Optional Binding Mandatory Curtailment Program (OBMC) and Scheduled Load Reduction Program (SLRP). While this would suggest the flexibility to shift funds among these programs, subject to the rules adopted by D.09-08-027, the reality is far more restrictive. Of these programs, only the BIP program has program budgets authorized within SDG&E's DR filings, and most recently by D.16-06-029. The other legacy programs are funded through SDG&E's GRC proceeding. As such, the other programs have a different ratemaking authorization and recovery, making budget fund-

1 shifting impractical and arguably not authorized under the rules adopted by D.09-08-027.

2 The same circumstances generally exist within Category 2-Price Responsive Programs, with  
3 those listed SDG&E programs being funded through different proceedings.

4 While SDG&E has presented a full five-year budget proposal, it recognizes the rate  
5 of change in technology and market transformation and the need to be flexible to adapt to  
6 opportunities and challenges. SDG&E will utilize the mid-cycle review to update program  
7 status and budgets to respond to these changes.

#### 8 **IV. QUALIFICATIONS**

9 My name is B. Elaine MacDonald. My business address is 8335 Century Park Court,  
10 San Diego, California 92123. I am employed by SDG&E as Business Analysis Manager for  
11 Customer Programs. My responsibilities include the financial reporting for Demand  
12 Response programs for SDG&E. I have been employed by SDG&E since 2015. Over the  
13 past 15 years I have held positions of increasing responsibility within Sempra Energy and its  
14 affiliates as well as Southern California Edison Company.

15 I hold a Bachelor of Commerce degree with a concentration in Finance from Saint  
16 Mary's University in Halifax, NS, Canada. I also earned my Masters in Business  
17 Administration (Global Management) from the University of Phoenix.

18 I have not previously testified before the California Public Utilities Commission.

19 This concludes my prepared direct testimony.