Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) For Authority To Update Marginal Costs, Cost Allocation, And Electric Rate Design.

Application: 15-04-012
Exhibit No.: SDG&E-09

PREPARED DIRECT TESTIMONY OF

LESLIE WILLOUGHBY

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY IN

SUPPORT OF SECOND AMENDED APPLICATION

CHAPTER 9

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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I. OVERVIEW AND PURPOSE

The purpose of my testimony is to propose changes to San Diego Gas & Electric Company's ("SDG&E") current Critical Peak Pricing ("CPP") triggers. My specific proposal is to align the CPP Default ("CPP-D") trigger with other demand response triggers, such as the Smart Pricing Program ("SPP")[1] and Peak Time Rebate ("PTR").[2] My testimony proposes modifying the CPP triggers in order to:

- Allow the CPP-D trigger to be reached when load reduction is needed;
- Enable day-ahead CPP-D[3] event decisions before 2:30 p.m.; and
- Add transparency to the SPP trigger and align the triggers for all of SDG&E's dynamic rate schedules.

The current CPP-D trigger is based on the actual system load the day prior to an event, which has limited SDG&E in its ability to call CPP events on system peak days. SDG&E proposes changing the CPP-D trigger so that it will be based on a system load forecast on a day-ahead basis. In addition, SDG&E proposes to add a system load forecast criteria to the SPP rate trigger, so that it is consistent with the CPP-D trigger. SDG&E also proposes minor changes to

[1] SPP rates are applicable to residential as Schedules TOU-DR and EECC-TOU-DR-P, small agricultural as Schedule TOU-PA and EECC-TOU- PA-P, and small commercial as Schedule TOU-A and EECC-TOU-A-P. Rate schedules with "P" (or Plus) on the end are commodity schedules that include an event day component.

[2] SDG&E proposes to gradually reduce PTR credits in this proceeding, toward the eventual elimination of the PTR credit. (See Chapter 2, Direct Testimony of Christopher Swartz.) The adjustments proposed in this testimony would align all demand response triggers, including PTR, for the remaining time period in which PTR is still in effect.

[3] CPP-D currently applies to non-residential customers with demand expected to equal or exceed 20 kW.

the SPP, CPP-D and PTR triggers in order to reconcile minor differences between those rate schedules. Minor changes include adding language to include test events to CPP-D tariffs and removing price references from both the SPP and PTR triggers. SDG&E proposes no change in this proceeding to the number of CPP-D events that are called annually.

SDG&E witness Cynthia Fang (Chapter 1) presents SDG&E's proposal to change its CPP periods. The proposed modifications to the CPP triggers presented herein incorporate SDG&E's proposed CPP period hours of 2 p.m. to 6 p.m. as described in Ms. Fang's testimony.

My testimony is organized as follows:

Section II – Background: provides the regulatory background of the requested trigger changes.

Section III – The Current CPP-D Trigger Has Not Always Been Reached on Days with High System Loads: presents SDG&E's proposal to replace the requirement for the day-ahead actual system load at 2:30 p.m. to be greater than 3,837 MW with the requirement that the forecasted system load be greater than 4,000 MW so that SDG&E will be better able to call CPP events when the system is expected to peak.

Section IV – The Current Trigger Prevents CPP Events from Being Called Before 2:30 P.M.: recommends that a day-ahead time constraint of 2:30 p.m. be eliminated.

Section V – New Regulatory Reporting Requirements: discusses new reporting obligations regarding demand response resources.

Section VI – Updating the SPP Trigger will Increase Transparency and Align the Triggers for All SDG&E Dynamic Rates: presents SDG&E's proposal to change the SPP trigger.

Section VII – Summary and Conclusions: puts forth my concluding remarks.

Section VIII – Statement of Qualifications: presents my witness qualifications.

II. BACKGROUND

Customers enrolled on CPP-D and SPP Plus rates experience increased electric rates for up to 18 event days a year, when loads are especially high. CPP rates are designed to motivate customers who receive commodity services from the utility to reduce electricity consumption during high electric demand or when reduced load is needed for other reasons through commodity price signals on those event days. CPP rates can provide an effective load management tool when load reductions are needed beyond what would be addressed through time-of-use ("TOU") rates.

Dynamic rates such, as CPP, are now available to all SDG&E customers who receive commodity services from the utility, medium and large commercial and industrial ("M/L C&I"), small commercial, agricultural and residential customers. In this testimony, customers enrolled in commodity rates EECC-CPP-D (for M/L C&I) or EECC-CPP-D-AG (for medium and large Agricultural) are referred to as CPP-D customers. CPP-D became the default commodity rate for eligible medium and large non-residential customers in 2008. Prior to 2008, CPP rates were offered on an opt-in (voluntary) basis. At that time, a maximum of 13 CPP event days could be called during a calendar year. The CPP trigger was a combination of actual system load conditions by 2:30 p.m. the day before and the forecasted high temperature for Miramar weather station at 2 p.m. the day prior. The rate and trigger were modified in the 2008 General Rate Case Phase 2 ("GRC P2")[4] to: (1) reduce the CPP design day criteria[5] down from 13 to 9, (2) create the Capacity Reservation Charge ("CRC"), (3) increase the maximum number of CPP events

[4] Decision ("D.") 08-02-034, issued on February 29, 2008, approving Application ("A.") 07-01-047.
[5] CPP design days refer to the number of event days that are used to design the CPP rate.

from 13 to 18, and (4) update the trigger with a higher system load. Those customers defaulted onto CPP-D in 2008 were provided one year of bill protection; however, SDG&E did not call any CPP events in 2008, and as such bill protection was extended to a second year for these customers.[6]

D.12-12-004 approved SDG&E's Smart Pricing Program which included a critical peak pricing rate for small commercial customers (EECC-TOU-A-P), a voluntary critical peak pricing rate for residential customers (EECC-TOU-DR-P) and a voluntary critical peak pricing rate for small agriculture customers (EECC-TOU-PA-P), collectively referred to in my testimony as SPP Plus rates.

Schedule PTR was approved in D.08-02-034. Residential customers enrolled in this schedule can earn a bill credit on event days if their energy use is lower than their customer reference level. SDG&E modified PTR in 2014 converting it from a default program to an optional, opt-in program, where residential customers are required to sign up for event alert notifications, such as emails and/or texts. Those customers then receive bill credits for load reductions achieved during PTR program events.[7] The PTR program is marketed to SDG&E customers as the Reduce Your Use Rewards ("RYU") program.

[6] CPP bill protection was extended by D.09-09-036, which adopted a settlement between SDG&E, the Division of Ratepayer Advocates (now referred to as the Office of Ratepayer Advocates), Utility Consumers' Action Network, Federal Executive Agencies, Building Owners and Managers Association, California City-County Street Light Association, California Farm Bureau Federation, and the City of San Diego in SDG&E's 2009 Rate Design Window Application 08-11-014.

[7] Advice Letter 2571-E, filed on January 27, 2014 in compliance with D.13-07-003. Advice Letter 2571-E was approved on February 27, 2014, effective May 1, 2014.

III. THE CURRENT CPP-D TRIGGER HAS NOT ALWAYS BEEN REACHED ON DAYS WITH THE HIGH SYSTEM LOADS

The current trigger for the CPP-D rate requires both the forecasted temperature at Miramar to be greater than 84 degrees and the actual system load on the day before the event to reach or exceed 3,837 megawatts ("MW") by 2:30 p.m.[8] However, SDG&E's load patterns have changed since this trigger was created, and experience has shown that the current trigger does not necessarily allow for SDG&E to call CPP-D events on days that the system is peaking. In both 2012 and 2013, the SDG&E system load on the day before the annual system peak day was significantly lower than the load on the annual system peak day. In 2012, the actual system load the day before the annual peak day at 2:30 p.m. was only 3,717 MW, so the trigger condition was not reached. In 2013, the system load the day before the annual peak day was only 3,713 MW, so again the trigger was not reached. In order to be effective, the CPP-D trigger must be reached on the day before high system load days and especially on the day before the annual system peak day. Table LW-1 shows 4 additional dates on which the system peak load exceeded 4,100 MW but the CPP-D trigger system load condition was not met.

[8] The 3,837 value only applies to CPP events on Tuesday-Saturday. For events on Sunday, Monday and holidays the system load must reach 3,472 MW by 2:30 p.m. The 84 degrees value applies to CPP events on Monday-Friday. For events on Saturday, Sunday, or Holidays, the forecasted temperature must be 86 degrees or higher.

Table LW-1				
Day Prior to Event Date	Day Prior to Event MW at 2:30pm	Event Date	Event Day Actual Peak MW	Forecast for Event Date MW
8/29/2013	3,713	8/30/2013	4,604*	4,030
9/13/2012	3,717	9/14/2012	4,591*	4420
9/2/2013	3,591	9/3/2013	4,400	4265
9/5/2011	2,677	9/6/2011	4,320	4010
9/30/2012	3,532	10/1/2012	4,177	4410
8/9/2012	3,825	8/10/2012	4,137	4145
Note: CPP events were not actually called on the "event dates" in the table above. Event date represents a potential event date.				
* denotes the annual system peak day.				

Consistent with the above chart, SDG&E proposes to replace the requirement for the day-ahead actual system load at 2:30 p.m. to be greater than 3,837 MW with the requirement that the forecasted system load be greater than 4,000 MW. SDG&E receives this forecast daily and provides it to its Demand Response team during the months of May through October, which are SDG&E's summer season. The average of the system peak loads on the 9th highest system load day in 2012, 2013, and 2014 was 4,067 MW. As Table LW-1 shows, the load forecast for September 5, 2011 was 4,010 MW. Therefore, rather than a threshold of 4,067 MW, SDG&E recommends that the trigger be set at 4,000 MW to allow for forecast error.

The specific trigger language SDG&E proposes for its CPP-D tariffs is provided below:[9]

> A maximum of eighteen (18) CPP Events can be triggered on any day of the week, year round. CPP Events shall be effective from 2:00p.m. – 6:00 p.m.[10] A CPP Event may be triggered if the day-ahead system load forecast for the potential event day is greater than 4,000 MW. Events may also be triggered in

[9] The language about the maximum number of events is contained within special condition 16 of CPP-D and remains in special condition 16. SPP does not list the hours of operation and the maximum number of events in their trigger sections. It has separate special conditions that contain that information. PTR also lists the hours of operation separately and the maximum number of events does not apply.

[10] SDG&E's proposal to change the hours of its CPP period from 11 a.m. – 6 p.m. to 2 p.m. – 6 p.m. is included in the testimony of Ms. Fang (Chapter 1).

response to high forecasted temperatures, extreme conditions, and emergencies. Whenever the California Independent System Operator has issued an alert or warning notice, the California Independent System Operator shall be entitled to request that the utility, at its discretion, call a program event pursuant to this Schedule. Events may also be triggered for testing/evaluation purposes. If two CPP events are cancelled, the two cancelled CPP Events will be credited as one (1) CPP event towards the maximum number CPP Events that can be called during the year.

IV. THE CURRENT TRIGGER PREVENTS CPP EVENTS FROM BEING CALLED BEFORE 2:30 P.M.

Since the trigger criteria for the CPP event day includes the day-ahead actual system load at 2:30 p.m., a final decision about whether or not to call an event cannot be made until 2:30 p.m. on the day before an event. Having the flexibility to call events earlier in the day would allow SDG&E to notify customers of events sooner and plan accordingly. Therefore, SDG&E recommends that a day-ahead time constraint of 2:30 p.m. be eliminated and replaced with the requirement that the forecasted system load on a day-ahead basis be greater than 4,000 MW.

V. NEW REGULATORY REPORTING REQUIREMENTS

Recent regulatory rulings are playing a role in how the electric investor-owned utilities ("IOUs") utilize their Demand Response ("DR") resources. In January 2015, the California Public Utilities Commission ("Commission") issued Resolution E-4708 requiring SDG&E, Southern California Edison Company ("SCE") and Pacific Gas and Electric Company ("PG&E") to report:

> [B]oth the forecast and actual trigger conditions, the highest price of a generating resource that is part of the Utilities' portfolio that was dispatched, the actual value that met the trigger criteria, and certain confidential contract information. The Commission finds that this additional information is needed to improve transparency of the Utilities' administration of demand response programs, and to support future Commission analysis of any instances in

which a demand response program was economic to dispatch but the utility instead decided to utilize a non-demand response resource.[11]

Additionally, Ordering Paragraph ("OP") 1 of D.14-05-025 adopted the Office of Ratepayer Advocates' ("ORA") proposal that requires the IOUs to "provide weekly exception reporting to the Commission's Energy Division and ORA to identify and describe each occurrence when a demand response program was economic to dispatch but the utility decided to utilize a non-demand response resource instead."[12] The goals of these Commission directives are to improve the transparency of the utilities' administration of their DR programs and the dispatch decisions of those programs. SDG&E's proposal to use the day-ahead system load forecast is consistent with this directive.

VI. UPDATING THE SPP TRIGGER WILL INCREASE TRANSPARENCY AND ALIGN THE TRIGGERS FOR ALL SDG&E DYNAMIC RATES

Currently, the SPP trigger does not specify a system load value above which events may be called. SDG&E proposes to add very similar triggering language to SPP Plus rates as proposed for CPP-D.[13] The proposed triggering language for SDG&E's Demand Response programs is similar, but not identical because each program has small nuances that warrant slightly different language. Adding more specific criteria to the SPP trigger will add transparency to the event calling process. In addition, aligning the triggers will provide consistency for the CPP-D, SPP Plus and PTR tariffs, which is important because both the CPP-D and SPP Plus rates are critical peak pricing rates. The goal of the trigger for all these tariffs is to be able to call event days when it is needed.

[11] Resolution E-4708, at pp. 1-2.
[12] D.14-05-025, at OP 1.
[13] If SDG&E's proposals are approved, the tariffs impacted by the language proposed herein and the changes to those tariffs will be provided in an advice letter filing made when implementing a final Commission decision in this proceeding.

Similar to the CPP-D proposed language above, SDG&E's proposed trigger for the SPP Plus tariffs is provided below:

> A RYU Event may be triggered if the day-ahead system load forecast for the potential event day is greater than 4,000 MW. Events may also be triggered in response to high forecasted temperatures, extreme conditions, and emergencies. Whenever the California Independent System Operator has issued an alert or warning notice, the California Independent System Operator shall be entitled to request that the utility, at its discretion, call a program event pursuant to this Schedule. Events may also be triggered for testing/evaluation purposes. If two CPP events are cancelled, the two cancelled RYU Events will be credited as one (1) RYU event towards the maximum number RYU Events that can be called during the year.

The current PTR trigger permits a PTR event to be called whenever a CPP-D event is called and, in addition, allows events to be called on a day-of basis. There are other additional triggers listed in the PTR tariff that will become duplicative of the reference to the CPP-D trigger if the proposed changes to the CPP-D trigger are adopted. Therefore, SDG&E proposes to simplify the PTR trigger by removing the redundant language and price reference. The proposed PTR trigger language is provided below:

> A PTR Event may be triggered if the day-ahead system load forecast for the potential event day is greater than 4,000 MW. Events may also be triggered in response to high forecasted temperatures, extreme conditions, and emergencies. Whenever the California Independent System Operator has issued an alert or warning notice, the California Independent System Operator shall be entitled to request that the utility, at its discretion, call a program event pursuant to this Schedule. Events may also be triggered for testing/evaluation purposes.

To avoid repetition and simplify the process of updating triggers, the PTR trigger will refer to the same language as the CPP-D trigger. Since there are no penalties to customers participating in PTR, SDG&E plans to keep the current option in the PTR trigger to call a day-of PTR event.

VII. SUMMARY AND CONCLUSION

SDG&E proposes to change the language to its CPP, SPP and PTR triggers so that it can more easily call events on its system peak days. The current trigger has not allowed SDG&E to call a CPP-D event on its system peak day for two of the last three years. By using a system load forecast, SDG&E will be better able to call CPP events when the system is expected to peak. SDG&E also proposes to align the language for CPP, SPP Plus and PTR tariffs so that its rates are consistent.

This concludes my prepared direct testimony.

VIII. WITNESS QUALIFICATIONS

My name is Leslie Willoughby. My business address is 8306 Century Park Court, San Diego, California 92123. I am employed by San Diego Gas & Electric Company ("SDG&E") as Electric Load Analysis Manager in the Customer Pricing Department. In my current position, I am responsible for managing and conducting load and energy research analysis.

I attended San Diego State University in San Diego, CA, where I graduated with a Bachelor of Science in Business Administration in 1983. I continued to attend San Diego State University where I graduated with an MA in Economics in 1989. In 1990, I was employed by SDG&E to work in the Load Research Section of the Marketing Department as an Associate Economic Analyst. Over the past 25 years I have held positions of increasing responsibility within the company that have included Load and Energy Research.

I have previously testified before the Commission.

APPENDIX – GLOSSARY OF ACRONYMS

Commission	California Public Utilities Commission
CPP	Critical Peak Pricing
CPP-D	Default CPP
CRC	Capacity Reservation Charge
DR	Demand Response
GRC P2	General Rate Case Phase 2
IOUs	Investor-Owned Utilities
M/L C&I	Medium and Large Commercial and Industrial
MW	Megawatts
OP	Ordering Paragraph
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas & Electric Company
PTR	Peak Time Rebate
RYU	Reduce Your Use
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SPP	Smart Pricing Program
SPP Plus	Smart Pricing Program Plus, commodity rate schedules with an event day component (i.e., EECC-TOU-DR-P, EECC-TOU- PA-P, and EECC-TOU-A-P)
TOU	Time of Use