In the Matter of the Application of San Diego Gas & Electric Company (U 902 E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.	Application 10-07-009 (Filed July 6, 2010)
Application of San Diego Gas & Electric Company (U 902 E) for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design	Application 19-03-002 (Filed March 4, 2019)

Application: 10-07-009/A.19-03-002
Exhibit No.: ________

CHAPTER 1

PREPARED REBUTTAL TESTIMONY OF

JEFF P. STEIN

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 4, 2020

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PREPARED REBUTTAL TESTIMONY OF

JEFF P. STEIN

(CHAPTER 1)

I. INTRODUCTION AND PURPOSE

The purpose of my rebuttal testimony is to respond to the prepared direct testimony submitted by intervening parties in San Diego Gas & Electric's ("SDG&E") 2019 General Rate Case ("GRC") Phase 2 Application ("A.") 19-03-002 on policy issues related to SDG&E's proposals for revenue allocation and rate design. My rebuttal testimony will reaffirm policy justifications for: (1) the creation of a new Schools-only customer class; (2) the necessity to promote rate stability by not updating the revenue allocations for the Distribution, Commodity, Competition Transition Charge ("CTC"), and Local Generation Charge ("LGC") rate components established by Decision ("D.") 17-08-030, except as needed to accommodate the addition of the Schools-only customer class; (3) update revenue allocations for some of the Public Purpose Programs ("PPP") rate components presented in the revised direct testimony of SDG&E witness Jesse B. Emge (which has been adopted by SDG&E witness Neetu Malik, in rebuttal Chapter 2); and (4) other policy related matters. Specifically, I will address policy issues presented by the following parties:

- The Public Advocates Office ("Cal Advocates") of the California Public Utilities Commission ("CPUC" or "Commission"), submitted as testimony by Nathan Chau, Jake McDermott, Ryan Saraie, Ben Gutierrez, Christopher Hogan, Louis Irwin, and Christopher Danforth, dated April 6, 2020.

- The Utility Reform Network ("TURN"), as submitted by Jaime McGovern, revised April 23, 2020.
- The Utility Consumers' Action Network ("UCAN"), as submitted by Mary Neal, dated April 6, 2020.
- The San Diego Public Schools ("Schools"), as submitted by witnesses Dr. Lon W. House and Dr. Gina Potter, dated April 6, 2020.
- The Federal Executive Agencies ("FEA"), as submitted by Maurice Brubaker, dated April 6, 2020.
- The California Large Energy Consumers Association ("CLECA"), as submitted by Catherine E. Yap, dated April 6, 2020.
- The California Farm Bureau Federation ("Farm Bureau"), as submitted by Brandon Charles, dated April 6, 2020.
- The Solar Energy Industries Association ("SEIA"), as submitted by R. Thomas Beach, dated April 6, 2020.
- Energy Producers and Users Coalition ("EPUC"), as submitted by Robert R. Stephens, dated April 6, 2020.
- City of San Diego ("City"), as submitted by William A. Monsen, dated April 6, 2020.
- Small Business Utility Advocates ("SBUA") by Paul L. Chernick, dated April 6, 2020.
- California Solar and Storage Association ("CalSSA"), OhmConnect, Inc, and California Energy Storage Alliance ("CESA"), ("Joint Advanced Rate Parties"), dated April 6, 2020.

- San Diego Airport Parking Company ("SDAP"), as submitted by Robert Levin and Lisa McGhee, dated April 6, 2020.

Failure to address any individual issue in this rebuttal testimony does not imply any agreement by SDG&E with any proposal made by these or other parties.

As a matter of overall policy, SDG&E is committed to building the cleanest, safest, and most reliable energy company. Within this GRC Phase 2, SDG&E's proposals work toward balancing the Commission's rate design principles ("RDPs").[1] The guiding principles needed to meet the state's climate goals require balancing customer choice and economically efficient decisions at all levels, which is critical to providing affordable rates that promote grid harmonization and benefit all customers. Only through the combination of equity, transparency, and comprehensive customer education can SDG&E be an effective platform for ensuring all ratepayers have full access to affordable, competitive customer choices in a sustainable energy market and a safe, reliable electric grid.

II. INTERVENOR POSITIONS

A. Cal Advocates

Cal Advocates submitted amended testimony on April 6, 2020.[2] The following is a summary of Cal Advocates' positions:

- Cal Advocates proposes to move cost recovery of approximately $38.8 million of wildfire mitigation-related revenue requirement from

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[1] The Commission adopted the 10 RDPs in Decision ("D.")15-07-001, p.28, in Rulemaking ("R.") 12-06-013. *See also,* R.18-12-006, Order Instituting Rulemaking to Continue the Development of Rates and Infrastructure for Vehicle Electrification (December 13, 2018), p. 17, n.28 (stating that, although the 10 RDPs were adopted in a residential rate design proceeding, "they are also applicable and should be followed for designing new commercial rates").

[2] April 6, 2020, Amended Prepared Testimony of Public Advocates Office on San Diego Gas & Electric Company's 2019 General Rate Case Phase 2.

distribution, where it is allocated based on equal percent marginal cost ("EPMC"), to the PPP rate component, where it would be allocated on a volumetric $/kilowatt-hour ("kWh") basis.

- Adopt a capping proposal to moderate class average rate changes that is limited to plus or minus 3% over system average rate change ("SARC") for bundled customers and 6% for Direct Access/Community Choice Aggregation customers.
- Cal Advocates believes that SDG&E should provide information in its next GRC Phase 2 on whether the Medium/Large Commercial and Industrial ("M/L C&I") customer class should be further subdivided and supports adoption of their proposed distribution demand charge split between on-peak and non-coincident charges.
- Require SDG&E to undertake transmission and distribution studies related to time-of-use ("TOU") cost recovery and provide results of the studies in the next General Rate Case Phase 2.

B. TURN

TURN submitted testimony on April 6, 2020, and served revised testimony on April 23, 2020.[3] The following is a summary of TURN's positions:

- TURN proposes that SDG&E should aggregate the distribution revenue allocation of the proposed Schools and Residential customer classes.

[3] April 23, 2020, Revised Direct Testimony of Jaime McGovern Addressing Application of San Diego Gas & Electric Company for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design.

- TURN supports Cal Advocates' recommendation to allocate the identified wildfire mitigation-related revenue requirement on a $/kWh basis and to recover these costs through the PPP.
- TURN supports Cal Advocates' proposal to cap rate changes to plus/minus 3% over the SARC.

C. UCAN

UCAN submitted testimony on April 6, 2020.[4] The following is a summary of UCAN's positions:

- UCAN recommends that SDG&E take into account the significant changes that have taken place in SDG&E's service territory recently regarding behind-the-meter ("BTM") technology adoption and declining sales when preparing for its next GRC Phase 2, including undertaking a study to examine the impact of net energy metering ("NEM") customers on marginal costs.

D. San Diego School District

The Schools submitted testimony on April 6, 2020.[5] The following is a summary of the Schools' positions:

- The Schools oppose the creation of SDG&E's proposed Schools-only customer class, on their belief that it does not meet the intent of D. 17-08-030.

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[4] April 6, 2020, Direct Testimony of Mary Neal on behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design.

[5] April 6, 2020, Prepared Direct Testimony of Dr. Gina Potter and Lon W. House on behalf of the San Diego Public Schools.

- The Schools oppose Schedule TOU-SCH-S, because they believe that small schools would experience significant bill increases under the new rate schedule.
- The Schools propose that Schedules TOU-SCH-M/L and TOU-SCH-DGR should be a tariff option under the M/L class that is open to schools.

E. FEA

FEA submitted testimony on April 6, 2020.[6] The following is a summary of FEA's positions:

- FEA asserts that SDG&E's revenue allocation proposal retains inappropriate interclass cross-subsidies, and that the M/L C&I class is allocated too much cost responsibility per SDG&E's proposal when compared to the cost-based revenue allocation.
- FEA states that cost-based rates are recommended as the primary factor to achieve equity, conservation and efficiency.
- FEA disagrees with Cal Advocates' wildfire mitigation costs proposal.

F. CLECA

CLECA submitted testimony on April 6, 2020.[7] The following is a summary of CLECA's position(s):

[6] April 6, 2020, Direct Testimony and Schedules of Maurice Brubaker on behalf of The Federal Executive Agencies.
[7] April 6, 2020, Testimony of Catherine E. Yap on Behalf of the California Large Energy Consumers Association.

- CLECA disagrees with Cal Advocates' proposal to allocate wildfire mitigation costs in an equal cents per kWh, and supports SDG&E's methodology for allocating wildfire mitigation risk.

G. Farm Bureau

Farm Bureau submitted testimony on April 6, 2020.[8] The following is a summary of Farm Bureau's positions:

- Farm Bureau agrees with SDG&E's proposal to maintain its current generation and distribution revenue allocations.
- The Commission should adopt rate caps to mitigate large rate impacts on individual customer classes.

H. SEIA

SEIA submitted testimony on April 6, 2020.[9] The following is a summary of SEIA's positions:

- SEIA believes that SDG&E should modify the split between time dependent (peak-related) and non-time dependent (non-coincident) distribution demand charges based on the use of selected data from SDG&E's study, so that more costs are recovered through peak demand charges as opposed to noncoincident demand charges.
- SEIA argues that SDG&E should remove eligibility requirements regarding distributed generation for Schedule DG-R, an optional rate

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[8] April 6, 2020, Direct Testimony of Brandon Charles on Behalf of the California Farm Bureau Federation Concerning San Diego Gas and Electric Company's 2019 General Rate Case Phase 2 Application.

[9] April 6, 2020, Prepared Direct Testimony of R. Thomas Beach on behalf of the Solar Energy Industries Association.

schedule for M/L C&I DG customers that does not have distribution or generation demand charges, to all M/L C&I customers. At the least, SEIA believes that SDG&E should expand the eligibility so that customers with BTM storage may take service on Schedule DG-R.

- SEIA argues that SDG&E should modify its residential Schedule EV-TOU-5, a whole house optional rate for customers with electric vehicles ("EV"), to fulfill the Commission's requirement from D.20-03-003 that SDG&E file an application with a marketing and outreach plan for an untiered TOU rate with a fixed charge available to customers with either an EV, utilizing a BTM storage device, or using electric heat pumps for water heating or climate control.
- SEIA believes that the Commission should take a more active role in SDG&E's Federal Energy Regulatory Committee ("FERC") jurisdictional transmission rates and recommends several specific actions.

I. City of San Diego

The City of San Diego submitted testimony on April 6, 2020.[10] The following is a summary of the City's positions:

- The City argues that SDG&E should simplify its tariff structure.
- The City proposes that SDG&E should create a new customer class for "medium" sized C&I customers as the cost to serve these customers is likely different.

[10] April 6, 2020, Direct Testimony of William A. Monsen on behalf of the City of San Diego Regarding Marginal Costs, Revenue Allocation, and Rate Design.

- The City believes that the Commission should pilot any new dynamic rate offerings as they could have significant unintended consequences for customers.
- The City argues that SDG&E's demand [charge] study should be given no weight in this proceeding, as SDG&E's rate proposals are not related to this study.

J. SBUA

SBUA submitted testimony on April 6, 2020.[11] The following is a summary of SBUA's positions:

- SBUA recommends that SDG&E offer an option for level billing to provide rate stability.
- SBUA suggests shifting recovery of distribution demand-related costs from demand charges to TOU volumetric energy rates, on the basis that it would send a better energy price signal and encourage conservation.
- SBUA believes that SDG&E should modify its TOU periods to more accurately reflect system load shape.

K. Joint Advanced Rate Parties

The Joint Advanced Rate Parties submitted testimony on April 6, 2020.[12] The following is a summary of the Joint Advanced Rate Parties' positions:

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[11] April 6, 2020, Direct Testimony of Paul L. Chernick on behalf of Small Business Utility Advocates.

[12] April 6, 2020, Prepared Testimony of Mr. Scott Murtishaw and Ms. Maria Belenky on behalf of California Solar and Storage Association, OhmConnect, Inc., and California Energy Storage Alliance ("Joint Advanced Rate Parties").

- The Joint Advanced Rate Parties propose that SDG&E be required to implement a core set of real-time pricing ("RTP") capabilities, such as: meter reprogramming, RTP rate portal, and billing system adjustments, to allow customers to take advantage of RTP rates.
- Permit third parties to offer more comprehensive energy management services to customers to maximize their success on RTP rates.

L. SDAP

SDAP submitted testimony on April 6, 2020.[13] The following is a summary of the SDAP's positions:

- SDAP argues that SDG&E should phase out all demand charges over the next two rate case cycles and recover costs solely through volumetric TOU energy rates for customers under 1 megawatt ("MW") of demand. For customers with demand greater than 1 MW, SDAP believes that non-coincident demand charges should be limited to marginal distribution demand costs, excluding the EPMC scalar.
- SDAP proposes that SDG&E's M/L C&I customer class should be split into two or three customer classes to accurately reflect cost of service.
- SDAP proposes that SDG&E should be required to submit marginal cost studies in its next GRC Phase 2 both with the current customer classes and with SDAP's proposed customer classes.

[13] April 6, 2020, Opening Testimony of San Diego Airport Parking Company ("SDAP") on Application 19-03-002 for Approval of SDG&E to Update Marginal Costs, Cost of Allocation, and Electric Rate Design, Consolidated with A.10-07-009.

- SDAP argues that the CPUC should extend the demand charge waiver it granted to eligible commercial customers in D.17-08-030, Ordering Paragraph ("OP") 37 for one additional year, on grounds that it would allow certain commercial customers with significant EV charging loads to stay on SDG&E's Schedule TOU-A, a rate schedule for Small Commercial customers that does not have demand charges. The waiver is set to expire on August 24, 2020.
- SDAP argues that the Commission should require SDG&E to "freeze" its Schedule TOU-M, a Small Commercial rate schedule for customers with demand up to 40 kW, and limit cost recovery to current prices, regardless whether the revenue requirement for the Small Commercial customer class increases or decreases.
- SDAP requests the Commission to examine the cost to serve for outdoor lighting, address the length of time of outage for repairs and establish a portal ticket protocol system for requesting repairs. SDAP believes that such a system would allow tracking of the repair and provide a record that is available to the customer.[14]

III. REBUTTAL POLICY ISSUES

Below, I respond to the following overarching policy themes found in intervenor testimony: A) Monthly Service Fees; B) Federal Energy Regulatory Commission ("FERC") Jurisdictional Transmission Rates; and C) Revenue Allocation Policy.

[14] SDAP Opening Testimony (Levin), p. 71.

A. Monthly Service Fees

SDG&E's proposal to move non-residential customers rates closer to cost basis by increasing the Monthly Service Fees ("MSF") are the subject of several parties' objections, which are discussed in detail in the testimony of SDG&E witness Gwendolyn R. Morien (Rebuttal Chapter 3). Categorical opposition to increases to MSFs are shortsighted, because they are designed to be revenue neutral. Thus, increases to MSFs would cause customers to see compensating decreases to volumetric $/kWh energy rates.

Increasing MSFs are important to helping meet California's ambitious greenhouse gas ("GHG") reduction and climate goals, as it will provide more rate stability and take pressure off volumetric energy rates. High volumetric energy rates can pose a barrier to customers choosing to convert or electrify, when comparing the cost of electricity to other more traditional combustion engine vehicles ("CEV") fuels. There must be a value proposition for customers who are thinking of adopting an EV or converting their business's fleet from CEV. Thus, to meet the state's ambitious GHG reduction and climate goals, it will be necessary to electrify a significant portion of the transportation sector.

It is important for the Commission to recognize that in the changing energy landscape, some of the RDPs may need to be viewed differently to enable the state to reach its lofty climate goals. SDG&E's volumetric rates today provide customers with price signals to encourage conservation. While RDPs around conservation are still important, at the very least rates should not penalize increased consumption resulting from electrification or decarbonization when increased consumption causes a net decrease to emissions. Pushing more costs into volumetric rates will result in rates that are punitive for customers with higher consumption and could disincentivize customers from making the decision to electrify.

B. FERC-Jurisdictional Transmission Rates

Cal Advocates,[15] SEIA,[16] and SDAP[17] recommend changes to SDG&E's transmission rates and encourage the CPUC to take a larger role in shaping these rates. Overall, these recommendations are inappropriate, as they are outside the Commission's jurisdiction and the scope of this proceeding and should be disregarded on legal grounds. SDG&E appreciates intervenors' attention to the issues surrounding transmission rates and rate design, but all of the parties' discussion of transmission rate design is FERC-jurisdictional and is not properly considered in a CPUC proceeding.

On April 6, 2020 CPUC approved the Integrated Distributed Energy Resources ("IDER") rulemaking proceeding that adopts new policies and updates for implementation in the 2020 Avoided Cost Calculator ("ACC") in D.20-04-010. Based on this decision, SDG&E will need to develop a detailed transmission study, and the development of that study should take place within the scope of the IDER proceeding, rather than in this GRC Phase 2 proceeding.

C. Revenue Allocation Policy

SDG&E has proposed minimal revenue allocation changes for the purpose of rate stability, as discussed further in the testimony of Neetu Malik (Rebuttal Chapter 2). As stated in my direct testimony, SDG&E supports moving towards more cost-based rates, while recognizing the importance of balancing all of the objectives stated in the CPUC Rate

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[15] Cal Advocates Amended Prepared Testimony (Danforth) Chapter 7, p. 7-1.
[16] SEIA Prepared Direct Testimony (Beach), pp. 31-34.
[17] SDAP Opening Testimony (Levin), p. 11.

Design Principles ("RDP").[18] SDG&E's proposal for limited updates to revenue allocations is intended to provide customers with greater rate stability, consistent with RDP #6.

IV. REBUTTAL TO PARTY PROPOSALS

A. UCAN's Net Energy Metering Proposal Does Not Account for NEM Subsidies.

UCAN argues that "[c]ustomer-sited generation … provides benefits in the form of reduced costs to the utility"[19] and although UCAN is correct that customer-sited generation provides some benefits in the form of avoided costs to SDG&E, UCAN fails to acknowledge that NEM customers are not compensated at avoided costs and therefore cause an upward pressure on rates**.** NEM customers are compensated at SDG&E's retail rates, which are approximately ***four times*** the value of solar.[20]

UCAN is correct that when the CPUC adopted the NEM successor tariff ("NEM 2.0"), it did not provide specific guidance on how the costs and benefits of NEM to the utility should be allocated in a cost of service study.[21] SDG&E does not object to UCAN's recommendation for SDG&E to analyze in its next GRC Phase 2 or applicable proceeding, but objects to the assertion that its cost studies are somehow lacking in accuracy. SDG&E witnesses William G. Saxe (Chapter 5) and Benjamin A. Montoya (Chapter 6) address specific points made by intervenors regarding SDG&E's marginal cost studies.

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[18] *See* R.12-06-013, Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations (June 21, 2012).
[19] UCAN Direct Testimony (Neal), p. 9.
[20] Avoided costs calculated using the CPUC's 2019 Avoided Cost Calculator for SDG&E's service territory and a solar load profile from PVWatts.
[21] UCAN Direct Testimony (Neal), p. 10.

B. Schools-Only Customer Class

As presented in my Revised Prepared Direct Testimony, SDG&E developed a separate Schools-only customer class pursuant to the Commission's direction in SDG&E's 2016 GRC Phase 2 decision, D.17-08-030.[22] In OP 36 of that decision, the Commission ruled that:

> San Diego Gas & Electric must develop a schools-only rate based on considering the schools as a rate class separate from the Medium/Large Commercial and Industrial class. This analysis includes developing billing determinants for the schools, developing a marginal customer cost for schools, equal percentage of marginal cost allocations of distribution and generation revenue, and appropriate rate design for net energy metering and non-net-energy metering members of this class. San Diego Gas & Electric Company must also, in parallel, develop rates based on inclusion of schools in the Medium/Large Commercial and Industrial class, consistent with current practice. San Diego Gas & Electric Company must preview its proposed schools-only rate analysis with parties no later than 90 days prior to the filing date of its 2019 General Rate Case Phase 2 application.[23]

SDG&E's response to the Schools' and TURN's objections to SDG&E's proposed Schools-only rate is provided in the section below.

1. The Schools' Proposal to Make the Schools-Only Rates Optional Should be Denied.

SDG&E's proposal to establish a Schools customer class in this Application complies with this directive to develop a schools-only rate class.[24] SDG&E maintains that the Schools would see a net benefit from establishing a Schools customer class and also ensures they are paying their actual cost of service. The cost-of-service analysis that these rates are based on rely on the assumption that all school accounts take service within the Schools-only customer class. If all schools do not take service on the rates in their

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[22] May 2019, Revised Prepared Direct Testimony of Jeff P. Stein on behalf of San Diego Gas & Electric Company (Chapter 1) ("Stein Revised"), pp. JS-6 through JS-9.
[23] D.17-08-030, OP 36, p. 93.
[24] Stein Revised, p. JS-6; *see also,* January 15, 2020, Second Revised Prepared Direct Testimony of Gwendolyn R. Morien on behalf of San Diego Gas & Electric (Chapter 3), p. GRM-22.

designated class, the rates and revenue allocation from the cost-of-service analysis will be moot and create an embedded discount structure within the M/L C&I class that other customers would have to pay for. This would not be transparent, contrary to the Commission's RDP #8, "Incentives should be explicit and transparent."[25]

On a total revenue basis, the Schools receive a decrease in allocation of costs if all Schools take service on a Schools-only rate within the proposed Schools customer class. In SDG&E's response to the Schools' data request #1, SDG&E provided a confidential account by account analysis of what the Schools would pay if they were to remain on their current M/L C&I rate versus what they would pay if they were placed on a School's only rate. In the aggregate, the Schools would pay approximately 11% less if they take service from SDG&E's proposed Schools-only rate.

SDG&E's proposed Schools-only rate, designed in accordance with D.17-08-030 and Assembly Bill ("AB") 2068, is intended to provide the Schools a rate that better reflects their cost of service, which results in a "discount" as a whole to the Schools relative to their current rate classes. SDG&E maintains that its proposal is both fair and accurately reflects the Schools' cost-of-service and should be adopted as proposed.

2. TURN's Assertion That SDG&E Should Aggregate Distribution Costs of The Schools and Residential Customers is Flawed.

While SDG&E proposes in this application a Schools-only rate class in accordance with the Schools' unique load profile, TURN argues that it would be more appropriate to group Schools with Residential customers for purposes of distribution revenue allocation. TURN states that the load profiles of the Schools and Residential customers are complementary, as school buildings are strategically located in residential areas and thus

[25] D.15-07-001, p.28.

share distribution equipment with residential households, and that Schools would not exist without residential neighborhoods.[26] Hence, benefits from the load profile of the Schools should be shared with the Residential class. Consequently, when calculating distribution allocation, SDG&E should aggregate both the Schools and Residential customers.[27]

TURN complicates a rather clear legislative directive, which is to develop a schools-only rate class based on the Schools' cost to serve. The directive is not to reconfigure distribution allocations of two separate customer types simply because they are located in proximity to each other, as TURN would argue.

C. Wildfire Mitigation Costs Are Part of the Cost to Serve Customers and Should not Be Collected as Part of the Public Purpose Programs Charge.

Cal Advocates proposes to separate $38.8 million of wildfire mitigation-related revenue requirement from the general distribution revenue requirement to be allocated based on an equal cents-per-kWh basis. Cal Advocates argues that this would reflect a societal benefit that wildfire mitigation costs provide while reducing service outages to all customer classes irrespective of demand.[28] Furthermore, Cal Advocates claims that their proposal is consistent with past Commission decisions approving equal cents-per-kWh allocation of SDG&E's costs that provide a societal benefit such as the California Alternative Rates for Energy ("CARE") surcharge and the extension of the Department of Water Resources ("DWR") Bond Fund[29] to collect the "Wildfire Fund Charge." TURN supports Cal Advocates' recommendation to remove wildfire costs from marginal cost and allocate it on a $/kWh basis.[30]

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[26] TURN Direct Testimony (McGovern), p. 36.
[27] TURN Direct Testimony (McGovern), p. 37.
[28] Cal Advocates Amended Prepared Testimony, p. 6 and (Hogan), Chapter 4, p. 4-11.
[29] Cal Advocates Amended Prepared Testimony (Hogan), Chapter 4, p. 4-11.
[30] TURN Direct Testimony (McGovern), p. 3.

SDG&E disagrees with Cal Advocates' argument that their proposal is similar to the CARE surcharge and the extension of the DWR Bond Fund. The "Wildfire Fund Charge" that will replace the DWR Bond charge is not part of SDG&E's revenue requirement and will not go to invest in infrastructure to *prevent* wildfires. Rather, the revenue collected will be remitted to a fund for potential future costs associated with wildfire events *after the fact*, if they occur in the state of California. SDG&E's wildfire mitigation-related revenue requirement costs are Commission-approved as just, reasonable, and necessary to maintain safe and reliable service to SDG&E's customers, rather than a legislative directive to benefit the public, as the CARE surcharge and Wildfire Fund Charge programs are.

Furthermore, SDG&E continues to believe that wildfire mitigation costs should be collected though the distribution revenue requirement as part of the cost to serve customers and not on an equal cents-per-kWh basis. Several intervenors also disagree with Cal Advocates' recovery proposal. For example, CLECA argues that Cal Advocates proposes this allocation because it will impose a higher cost burden on larger, high-load factor customers. They state that it is just and reasonable that smaller customers pay for their marginal-cost-based share of the costs associated with operating and maintaining the distribution system and keeping it safe.[31] Furthermore, SDG&E agrees with FEA's argument that wildfire mitigation costs are incurred to modify or harden the distribution system to reduce the likelihood of ignition of fires.[32] These costs are necessary for safe operation of the distribution system and should therefore be recovered as distribution costs. SDG&E shares CLECA and FEA's concerns and recommends the Commission reject Cal Advocates' proposal.

[31] CLECA Direct Testimony (Yap), p. 5.
[32] FEA Direct Testimony (Brubaker), p. 14.

D. SDG&E Is Open to Rate Stability Proposals.

SDG&E's witness Neetu Malik (Rebuttal Chapter 2) responds to a number of parties' specific proposals regarding SDG&E's proposed revenue allocations and the impact to rate stability.[33] SDG&E is also committed to working with parties to mitigate potentially adverse impacts on any particular customer classes and to further promote rate stability in this GRC Phase 2 proceeding that is consistent with the Commission's RDPs while ensuring that all customers have equitable and appropriate rates. This would include discussion of Cal Advocates' proposal to cap moderate class average rate changes that is limited to plus or minus 3% over SARC for bundled customers and 6% for Direct Access/Community Choice Aggregation customers.[34]

E. SDAP's Proposal to Phase Out Most Demand Charges Would Create Unwarranted Subsidies.

SDAP urges the Commission to reduce distribution demand charges below levels established in D.17-08-030 and to set a course to phase out most demand charges over the next two rate case cycles. SDAP states that replacing the demand charges with strong TOU rates would: (1) better reflect cost causation, (2) eliminate the rate anomalies associated with the demand charges, (3) better align incentives for storage and other demand-reducing technologies with system needs, and (4) mitigate the high costs per kWh that demand charges impose on typically low load-factor customers.[35]

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[33] May 4, 2020, Prepared Rebuttal Testimony of Neetu Malik on behalf of San Diego Gas & Electric Company (Chapter 2), p. NM-3-NM-5 (responding to Cal Advocates, Farm Bureau, UCAN, and FEA).
[34] *See* Cal Advocates Amended Prepared Testimony, p. 4-1.
[35] SDAP Opening Testimony (Levin), p. 6.

SDAP recommends that the Commission phase out distribution demand charges for customers under 1 MW and transmission and generation/commodity demand charges for all customers over the next two rate case cycles. SDAP also recommends that SDG&E reduce the proportion of generation capacity costs recovered in peak-related demand charges from the current 50% to 30%.[36]

SDG&E disagrees with SDAP's proposal to phase out demand charges, because as it violates the Commission's RDPs that "[r]ates should be based on cost-causation principles" and should generally avoid cross-subsidies.[37] Replacing demand charges with all-volumetric rates is not cost-based and will inherently create cost-shifting from low load factors to high load factors customers. Also, demand charges can provide incentives for managed charging and development of new technology that will be integral to meeting the state's clean energy future and transportation electrification goals. Demand charges are part of cost-based rates and ensure that customers will pay for their use of the grid. It is important for customers to get a signal that their demand (in addition to energy consumption) creates costs. All-volumetric rates do not provide as strong of a demand price signal for customers to reduce their demand, which can result in increased infrastructure costs in the longer term. Managed charging will be an essential part of transportation electrification in order to reduce stress on the grid and by extension, manage the long-term infrastructure costs necessary to enable high electrification. Getting rid of or reducing demand charges at this point is shortsighted; customers will need these price signals even more in the future as more customers become zero-net energy and more medium- and

[36] SDAP Opening Testimony (Levin), pp. 13-14. SDAP also requested that 50% of transmission demand charges be converted to volumetric rates. As previously noted, all intervenor testimony proposing changes to FERC-jurisdictional rates should be disregarded here.
[37] D.15-07-001, p. 28, #3 and #8 RDP.

heavy-duty vehicles ("MD/HD EV") electrify. Each of these vehicles places a significant amount of stress on the grid. In the absence of a rate structure that provides a demand-based price signal, any number of customers could place a significant amount of demand and stress on the grid to the point where infrastructure upgrades are needed, which increases rates for all customers. Finally, shifting cost recovery from demand charges to volumetric rates would have the unintended consequence of imposing higher volumetric $/kWh energy prices that could provide disincentives for the adoption of electric vehicles and negatively impact the state's climate goals. SDG&E is committed to working with parties to enable transportation electrification. SDG&E has two dynamic rates (VGI and GIR) that provide more granular price signals as discussed in Witness Morien's rebuttal testimony, and SDG&E has filed A.19-07-006 to provide a high-power EV charging rate to larger EV customers that does not have demand charges.

F. Proposals that would Allocate More Costs Away from Non-Coincident Demand to On-Peak Demand Should Be Rejected.

SEIA recommends that the distribution costs be split based on selected more recent data available in this proceeding. SEIA proposes updating the percentage of SDG&E's distribution costs that should be collected in time-dependent charges versus non-coincident demand charges by using the information on the time of day when essential elements of SDG&E's distribution system reach their peak from SDG&E's study and Cal Advocates' recommended marginal distribution demand costs ("MDDC").[38] The City of San Diego recommends the Commission deny SDG&E's proposal and direct SDG&E to file an application that uses the demand study for the basis of its rate proposal, as SDG&E made the

[38] SEIA Prepare Direct Testimony (Beach), pp. 22-23. Note that SEIA's proposal is not based on the completed study results that SDG&E submitted per D.17-08-030.

policy determination to maintain the current non-coincident-to-peak demand charge allocation.[39] SBUA recommends shifting demand-related costs from demand charges to TOU energy rates, as they believe this would send a better energy price signal.[40]

SDG&E opposes all of the above-proposed changes that would allocate more costs away from non-coincident demand to on-peak demand. SEIA's proposal is not based on SDG&E's final distribution demand charge study, which showed that 95% of distribution-demand costs should be recovered in a noncoincident demand charge. As indicated in my Revised Direct Testimony, maintaining the current method of cost recovery for distribution demand will create more certainty for customers who made technological investments in the past and would help them recover from those investments. Additionally, pushing more costs to peak demand charges or on-peak volumetric charges makes these rates less cost-based, easier to avoid for customers who are able to adopt technology, and does not ensure cost recovery from customers who impose significant demand on the grid. For M/L C&I rates, SDG&E proposes to maintain the recovery of distribution costs of 61% through peak-related charges and 39% through non-coincident maximum demand charges, as adopted in SDG&E's 2016 GRC Phase 2.[41]

G. TOU Periods Should Remain Unchanged.

SDG&E's current standard TOU periods were approved in SDG&E's 2016 GRC Phase 2 proceeding (D. 17-08-030) and were implemented on December 1, 2017. As part of Residential Rate Reform, SDG&E began transitioning its residential customers to TOU rates

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[39] City of San Diego Direct Testimony (Monsen), pp. 17-19.
[40] SBUA Direct Testimony (Chernick), p. 9.
[41] *See* D. 17-08-030, p. 45.

in March 2019. By the end of May of 2020, SDG&E will have approximately 940,000 of its residential customers on a TOU plan at the end of the Mass Default TOU rollout.

1. Changing On-Peak TOU Periods At This Time Is Unwarranted.

SBUA takes issue with the current On-Peak TOU period, as it believes it is at least 4 years out of date.[42] SBUA points out that SDG&E's Deadband Tolerance Analysis shows that the peak loads have shifted to later in the day.[43]

SDG&E disagrees with SBUA reasoning for changing the standard TOU periods. The Commission authorized SDG&E to implement its new standard TOU periods on December 1, 2017,[44] which would make any changes now premature. Furthermore, D. 17-01-006 set out specific guidance for utilities to propose new TOU periods, and states that SDG&E should propose new TOU periods ever five years, unless its Deadband Tolerance threshold has been exceeded.[45] The results of SDG&E's Deadband Tolerance analysis fall within an acceptable range, and therefore SDG&E should not propose to change its standard TOU periods at this time. Since then and throughout the default transition to TOU beginning in 2019, customers awareness of TOU, understanding of plan details and bill impacts continue to increase. Changing the standard TOU periods would require extensive customer marketing, education, and outreach ("ME&O") prior to implementation. Most residential customers have been on TOU rates for less than one year. Maintaining the current TOU periods until the next GRC Phase 2 will allow customers who are getting familiar with the TOU periods to continue to adjust without increasing customer confusion or jeopardizing the customer experience. Therefore, SDG&E recommends the Commission

[42] SBUA Direct Testimony (Chernick), p. 15.
[43] *Id.*, p. 16.
[44]D.17-08-030, OP 1, pp. 86-87.
[45] D.17-01-006, p. 7.

reject SBUA's proposal to change the standard TOU periods, as making a change to the current TOU periods would be premature and is not warranted at this time.

2. SDAP's Proposal to Consider Transitioning SDG&E's Super-Off-Peak Period to Align With the Hours of Lowest GHG Emissions Should Not Be Adopted.

SDAP states that according to the California Air Resources Board ("CARB") document, the lowest Carbon Intensity ("CI") hours projected for 2020 are generally the hours from 9:00 am through 2:00 pm. Except for weekends (in all months), and weekdays in March and April only. Current SDG&E's super-off-peak ("SOP") period for weekdays other than March and April, are for the hours (midnight to 6:00 am). These hours have generally have higher Carbon Intensities than the mid-day 9:00 am to 2:00 pm hours.[46] SDAP recommends that the Commission investigate whether to transition SDG&E's SOP TOU period to daytime (mid-day) hours to better align with GHG[47] minimization as this will allow reducing GHG emissions by 40% by 2030 as required by Senate Bill (SB) 350.[48]

The Commission should not adopt SDAP's proposal. The Commission established the guidelines for setting TOU periods in D.17-01-006, and indicated that "marginal generation costs, consisting of marginal energy costs and marginal generation capacity costs, constitute the primary basis for setting TOU periods, but… all utility marginal cost elements [such as CAISO transmission cost, and distribution and substation cost] based on hourly patterns, [are also] relevant in assessing TOU periods."[49] Given that the current TOU periods have only recently been approved and implemented, SDG&E believes it is premature to make a change at this time.

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[46] SDAP Opening Testimony (Levin), p. 53.
[47] *Id.*
[48] SB 350 Stats. 2015-2016, Ch. 547 (Cal. 2015).
[49] D.17-08-030, p. 23.

H. SEIA's Proposal to Open Schedule DG-R Would Create an Undercollection.

SEIA recommends that SDG&E make available a C&I rate similar to Southern California Edison Company's ("SCE") Option E, a rate that the Commission found may benefit certain customers groups that would not respond to peak demand charge-heavy rate design.[50] SEIA argues that SDG&E can do this simply by opening its existing Schedule DG-R rate to a broader range of customers, thus removing the current restriction that limits eligibility for DG-R just to customers who install a DG solar system.[51] SEIA acknowledges that there could be an undercollection if the DG-R rate is opened to all C&I customers. On this point, SEIA argues that the undercollection would be due to customers moving from a rate where they pay above cost-of-service to a more appropriate rate that better approximates their cost of service. To help address the undercollection, SEIA recommends a limit of 100 MW per year on the transfers of existing AL-TOU or A6-TOU customers to DG-R over this three-year rate case period, and further clarifies that this limit should not apply to customers who transfer to DG-R after installing a solar or storage system that can serve at least 10% of the customer's peak demand.

SDG&E disagrees with SEIA's proposal, because it would create a significant undercollection. Even though Schedule DG-R is restricted to customers with distributed generation, SDG&E has a significant distribution undercollection associated with Schedule DG-R that keeps growing. In 2019, the undercollection attributed to schedule DG-R was $10 million dollars and in 2018 it was $7.8 million.[52] The growing annual undercollection

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[50] D. 18-11-027, p. 35-36.
[51] SEIA Direct Testimony (Beach), p. 25.
[52] Advice Letter 3487-E, approved December 30, 2019 and effective January 1, 2020; *see also,* Advice Letter 3326-E, approved May 3, 2019 and effective January 1, 2019.

for Schedule DG-R creates cross subsidies to those customers on DG-R from other customers in the M/L C&I class who are not on the rate. The fact that SDG&E has a growing undercollection highlights the fact that DG-R customers are not paying for their full cost of service, as SEIA claims. Opening DG-R to all M/L C&I customers with demands up to 100 MW, as SEIA proposes, would only exacerbate the undercollection, and leave fewer customers within the M/L C&I customer class to pay for the subsidy. Therefore, SDG&E believes that SEIA's proposal is not appropriate and should be rejected by the Commission.

I. SDAP's Proposal to Freeze the TOU-M Rate Schedule Would Create Unwarranted Subsidies.

SDAP requests that the Commission consider freezing the TOU-M rate in this proceeding, until such time as a permanent commercial EV charging rate is available.[53] Additionally, SDAP states that SDG&E filed its Electric Vehicle High Power Charging Rate Application (A.19-07-006) to seek approval of an optional rate for eligible M/L C&I customers to replace its AL-TOU demand charges with a "subscription fee" in a new proposed "EV-HP" rate. SDAP argues that the EV-HP proceeding has characterized subscription fees as a variety of demand charges and alleged that subscription fees are subject to many of the same defects as demand charges. SDAP urges the Commission to take official note of the overlap of the proceedings and would like a ruling to clarify that rate design and marginal cost issues raised in the EV proceeding can become within scope of the GRC Phase 2.[54] The Administrative Law Judges for the two proceedings have already

[53] SDAP Opening Testimony (Levin), p.13.
[54] SDAP Opening Testimony (Levin), p. 16.

issued a ruling denying parties' motion to consolidate the two proceedings,[55] and SDAP's request should be denied.

SDAP's proposed change to freeze the Schedule TOU-M rate levels at a given point in time for separately metered DCFC and MD/HD EV customers should be rejected. As an existing electric rate, SDG&E's TOU-M rate will continue to regularly change due to decisions adopted in separate ratemaking proceedings. If SDG&E were to "freeze" the rate levels for Schedule TOU-M, this would create an inherent subsidy. The other Small Commercial customer class rates would have to increase to compensate for maintaining TOU-M at current price levels. Likewise, if rates were to decrease, then keeping TOU-M prices unchanged would mean that the customers taking service on that rate schedule would pay disproportionately more than they otherwise would have.

Finally, SDAP asks that the Commission extend the small business demand waiver granted by D.17-08-030 until the EV-HP rate is available to both separately metered EV charging and to Level 2 charging when the infrastructure is not separately metered.[56] However, SDG&E has already gone to considerable lengths and made considerable accommodations for MD/HD EVs that result in an undercollection from applicable customers.

In D. 20-04-009, the Commission approved an interim rate waiver in advance of the Commission's decision on a longer-term EV-HP rate for SDG&E customers with separate meters for charging DCFC and MD/HD electric vehicles with clear limits for the period of customer enrollment. The interim rate waiver would allow eligible customers to take

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[55] November 15, 2019, Joint Administrative Law Judges' Ruling Denying Motion to Consolidate Application 10-07-009 and Application 19-03-002 (consolidated) with Application 19-07-006.
[56] SDAP Opening Testimony (Levin), p. 78.

service on the existing TOU-M rate, a rate with very low demand charges, and SDG&E will waive the maximum demand limit in the TOU-M rate for these participants, who would otherwise by default take service on Schedule AL-TOU. This rate will only be available for separately metered DCFC and MD/HD electric vehicle customers, with the goal of enabling transportation electrification. SDAP was a party to this proceeding and participated fully. Asking for an extension of the small business waiver from D.17-08-030 is duplicative and not an efficient use of resources or time.

SDAP's proposal should be rejected.

J. SDG&E's EV-TOU-5 Rate Design Should Remain Unchanged.

SDG&E offers an optional whole-house rate, Schedule EV-TOU-5, to residential customers with an EV. This rate recovers distribution costs through a $16 monthly fixed charge and volumetric ($/kWh) rates that are TOU-differentiated. For reasons discussed in more detail in the Rebuttal Testimony of SDG&E witness Morien (Chapter 3), SDG&E does not wish to alter the rate design of this optional rate. Additionally, SEIA proposes a modified version of this rate so that it is a storage-friendly rate for residential customers.[57] SDG&E disagrees that it should modify the eligibility for this rate.

In D.20-03-003, SDG&E was directed to file a separate application (along with a marketing and outreach plan) for an optional residential untiered TOU rate with a fixed charge that will be open to customers charging and electric vehicle, utilizing energy storage, or utilizing electric heat pumps for water heating or climate control. The Commission did not order SDG&E to include this future rate as part of this GRC Phase 2 proceeding. SDG&E is also required to hold a workshop on this rate design prior to filing an application.

[57] SEIA Direct Testimony (Beach), p. 27-28.

SEIA would be able to participate in that workshop and the proceeding, once SDG&E files its application. SDG&E believes that this new rate, which will be available to customers with one or more of three technologies, should have a different rate design than that of EV-TOU-5, as it is intended to serve a different (but potentially overlapping) set of customers. SDG&E welcomes SEIA's feedback on potential rate designs in the upcoming proceeding.

K. SDG&E Supports Dynamic Rate Progress and Workshops.

Several intervenors such Advanced Rate Parties, SDAP and the City of San Diego have put forward recommendations on dynamic rates and real time pricing.[58] SDG&E supports dynamic pricing and recognizes the importance of dynamic pricing in helping to shift the demand from peak to off-peak periods. If dynamic rates are designed correctly, dynamic pricing can help reduce peak load during certain times of the day or certain days of the year. Currently, SDG&E has several dynamic rate schedules available to its customers such as Critical Peak Pricing "CPP" rates and Schedules GIR and VGI. These rate schedules send more granular price signals that can help reduce peak demand. These rate schedules have "events" that incentivize customers to move or reduce their consumption during those critical hours or days. SDG&E is supportive of continued workshops on dynamic pricing and the potential development of a pilot. RTP tariffs should not be opened to all customers at this time, as the impacts to customers who do not take service on the rate, as well as the customers who do, are unknown. A pilot would allow parties to assess whether RTP is cost effective and can provide a net benefit to consumers. Making RTP tariffs available to all customers at this time would be extremely expensive to implement

[58] Joint Advance Rate Parties Prepared Testimony (Belenky) Chapter 4; SDAP Opening Testimony (Levin) Chapter IX, pp. 60-70; and City of San Diego Direct Testimony (Monsen) Chapter IV, pp. 15-17.

and is likely to benefit only a handful of customers at this time. For these reasons, any RTP or dynamic pricing rates and tariffs should be developed within a pilot to ensure that all ratepayers will benefit from its implementation.

L. SDG&E Supports Workshops to Consider a Subdivision of the M/L C&I Customer Class.

Currently, SDG&E's M/L C&I customer class consists of all customers with Monthly Maximum Demands of 20 kW and up (and is optionally available to customers with Monthly Maximum Demands less than 20 kW). The City of San Diego and SDAP both propose that SDG&E split the M/L C&I customer class into two or possibly three classes for better revenue allocation and rate design purposes. SDG&E appreciates the City of San Diego and SDAP's recommendations and believes that it would be beneficial to further explore this in SDG&E's next GRC Phase 2. SDG&E needs to carefully consider and analyze if and where a split could potentially occur for the M /L C&I customer class. SDG&E is open to conducting a workshop to gather parties' input regarding a potential split and examine whether dividing it into medium and large customers is appropriate.

M. The City of San Diego's Proposal to Consolidate Rates on One Tariff Would Cause Customer Confusion.

The City of San Diego argues that under SDG&E's current tariff structure, departing load customers will have to refer to at least four separate tariffs to be able to understand their bills: (1) the Utility Distribution Company (UDC) tariff, (2) the Commodity tariff, (3) the Exit Fee tariff, and (4) the DWR Bond Charge tariff. The City states that both SCE and PG&E present all the typical charges for each account in a single tariff. The City of San Diego recommends that SDG&E should restructure its tariffs to consolidate all charges for a single rate option into a single tariff. The City argues that tariffs are complicated, and that customers should be able to find their rates in a single tariff (excluding special conditions such as NEM) in order to understand the charges on their bills. If the Commission adopts this recommendation, the City of San Diego suggests that SDG&E be required to implement this change.[59]

SDG&E disagrees with the City of San Diego for the following reasons. First, SDG&E has separate commodity tariffs because SDG&E has CPP rates and grandfathered TOU rates. Despite the City of San Diego's claim that condensing the tariffs would make them more understandable to customers, but it would in fact result in the opposite effect. Combining the tariffs would require SDG&E to create multiple iterations of the same rate schedules, which in turn could be even more confusing for customers. The Commission should therefore reject the City of San Diego's proposal.

V. CONCLUSION

This concludes my prepared rebuttal testimony.

[59] City of San Diego Direct Testimony (Monsen), pp. 7-9.