

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
Exhibit No: _____

PREPARED SUPPLEMENTAL TESTIMONY OF
KENNETH E. SCHIERMEYER
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

JULY 2, 2019



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**PREPARED SUPPLEMENTAL TESTIMONY OF
KENNETH E. SCHIERMEYER**

I. INTRODUCTION AND PURPOSE

The purpose of this prepared supplemental testimony is to seek authorization to establish an application process to update San Diego Gas and Electric’s (“SDG&E”) electric sales forecasts between General Rate Case Phase 2 (“GRC Phase 2”) proceedings. SDG&E believes such a process would result in more accurate forecasts and better account for SDG&E’s shifting energy usage landscape. SDG&E seeks approval of this request in this pending GRC Phase 2 application ((“A.”) 19-03-002).

By way of example, SDG&E envisions that this process would work as follows. In this currently pending GRC Phase 2 proceeding (A.19-03-002), SDG&E has proposed an electric sales forecast for 2021,¹ which SDG&E anticipates the California Public Utilities Commission (“CPUC” or “Commission”) will address in its decision on this Application sometime in 2020. After the resolution of this pending GRC Phase 2 proceeding, SDG&E would file a new application in the March 2021 timeframe² with a 2022 forecast and a request that the Commission approve the 2022 forecast by no later than the end of 2021. This process would be very similar to SDG&E’s 2019 electric sales forecast application (A.18-03-003), which the Commission approved in Decision (“D.”) 18-11-035.

This testimony is organized as follows:

- **Section II – Background:** Discuss the Commission’s current practice of approving SDG&E’s electric sales forecasts.

¹ See, e.g., the Prepared Direct Testimony of Kenneth E. Schiermeyer (Chapter 4) (March 2019) at KES-6:1.
² The foundation of SDG&E’s annual update application in March would be based on the California Energy Commission’s (“CEC”) annual forecast, which the CEC typically approves every January.

- 1 • **Section III – Need for Updated Sales Forecasts:** Discuss the need to update
- 2 SDG&E’s electric sales forecasts between GRC Phase 2 proceedings.
- 3 • **Section IV - Conclusion**

4 **II. BACKGROUND**

5 SDG&E typically seeks approval of its electric sales forecasts in SDG&E’s GRC Phase 2 or
6 Rate Design Window (“RDW”) applications. Currently, the Commission allows for approval of two
7 or three years of electric sales forecasts in SDG&E’s GRC Phase 2 proceedings. For example, in
8 SDG&E’s 2016 GRC Phase 2 application (A.15-04-012), SDG&E forecasted sales for 2016, 2017
9 and 2018, which the Commission approved in D.17-08-030.³ In A.18-03-003, however, SDG&E
10 sought approval via an application process of its 2019 electric sales forecast, which the Commission
11 approved in D.18-11-035. SDG&E’s 2019 electric sales forecast application was filed on March 1,
12 2018, approved by the Commission on November 29, 2018 and implemented by SDG&E on January
13 1, 2019.⁴

14 **III. NEED FOR UPDATING ELECTRIC SALES FORECASTS BETWEEN GRC PHASE**
15 **2 PROCEEDINGS**

16 SDG&E believes that updating its electric sales forecasts between GRC Phase 2 proceedings
17 would be beneficial by reducing the likelihood of variations between actual and forecasted sales and
18 providing more accurate assessments of expected changes that will affect SDG&E’s customers’
19 energy use. For example, in the past, variations were largely caused by differences in the forecast of
20 behind the meter photovoltaics. In the future, the sales forecast may vary by the continued adoption
21 of behind the meter photovoltaics and the increased adoption of electric vehicles. Both concepts

³ D.17-08-030 at Finding of Fact (“FOF”) 1 and Conclusion of Law 1.

⁴ The Commission approved SDG&E’s 2019 electric sales forecast at its November 29, 2018 meeting and issued its decision on December 7, 2018.

1 have large impacts on customer usage patterns and the forecasted variance would be impacted by
2 differences in how fast each concept is growing.

3 Additionally, SDG&E is expecting changes in its bundled sales forecast due to Direct Access
4 (“DA”) changes and the entrance of Community Choice Aggregation (“CCA”) into the market.

5 With respect to DA, SDG&E believes that there could be further increases in the future in the
6 increase to the DA cap that the Commission recently adopted as part of Rulemaking (“R.”) 19-03-
7 009).⁵ Although SDG&E cannot at this time quantify the additional increase of DA participation as
8 a result of Senate Bill (“SB”) 237, allowing for a more frequent sales forecast update would allow
9 SDG&E to better capture the effect of the DA market on SDG&E’s sales.

10 With respect to CCA, one city within SDG&E’s service territory (the City of Solana Beach)
11 already is operating as a CCA and a number of other cities – including the largest city in SDG&E’s
12 service territory (the City of San Diego) – have either announced their intent to form a CCA or are
13 actively exploring the CCA option. As such, SDG&E believes it will be important to have a
14 procedural vehicle in place to update its electric sales forecasts between GRC Phase 2 proceedings to
15 reflect these changes.

16 As shown in table KES-1 below, SDG&E has a large amount of bundled load that potentially
17 could transition to CCA and DA in the future.

⁵ The Commission issued R.19-03-009 to implement California Senate Bill (“SB”) 237 to increase the DA cap. In D.19-05-043, the Commission determined SDG&E’s share of the authorized DA cap increase to be ~380 GWh (final authorized cap of 3.94 billion MWh). *See* D.19-05-043 at 6, Table 1. This decision also provides for two waitlists to be used splitting the ~380 GWh cap increase evenly into two implementation periods. *Id.* at FOF 5. To accommodate Resource Adequacy (“RA”) planning requirements, the ~190 GWh of load that is enrolled pursuant to the 2019 waitlist cannot begin DA service until January 1, 2021, and the ~190 GWh of load enrolled pursuant to the 2020 waitlist cannot begin DA service until January 1, 2022.

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**Table KES-1
2018 Historical Sales by Retail Sector**

<u>Retail Sector</u>	<u>2018 Sales (GWh)</u>	<u>% of Total Sales</u>
Bundled	15,139	81%
CCA/Direct Access ⁶	3,628	19%
Total System	18,767	100%

Introducing a new process for updating electric sales forecasts also would provide a more appropriate set of billing determinants for determining rates. In addition, it would better synchronize sales forecasts used in rate proceedings with sales forecasts used in the Commission’s Annual Resource Adequacy (“RA”) and Energy Resource Recovery Account (“ERRA”) proceedings, which also require accurate forecasts of load migration.

IV. CONCLUSION

As explained above, SDG&E requests that the Commission approve SDG&E’s request to establish an application process to update SDG&E’s electric sales forecasts between GRC Phase 2 proceedings.

This concludes my prepared supplemental testimony.

⁶ The 2018 historical sales information in the table above does not reflect the expected 190 GWh increase in both 2021 and 2022 due to R.19-03-009 and D.19-05-043.