

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

Application of Pacific Gas and Electric Company for Approval of its Residential Rate Design Window Proposals, including to Implement a Residential Default Time-Of-Use Rate along with a Menu of Residential Rate Options, followed by addition of a Fixed Charge Component to Residential Rates (U39E)

Application 17-12-011

And Related Matters.

Application 17-12-012  
Application 17-12-013

Exhibit No. SDG&E-\_\_\_\_

**PREPARED REBUTTAL TESTIMONY OF  
CYNTHIA FANG  
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

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

**June 7, 2018**



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1 **II. RESPONSE TO ORA’S DIRECT TESTIMONY**

2 **A. 3-period vs. 2-period Default Rate**

3 ORA recommends that SDG&E’s proposed 2-Period Opt-Out TOU rate become the  
4 default rate, and that the proposed 3-Period Default TOU rate be an optional rate for customers.<sup>1</sup>

5 ORA argues that the March/April mid-day super off-peak period, which they call a “spring  
6 season” is unlikely to drive customer behavior and that it adds to the complexity of the 3-Period  
7 Default TOU rate.<sup>2</sup> They contend that since the 3-Period Default TOU rate is more complex, it  
8 therefore is more difficult for customers to understand and will affect how they respond to TOU  
9 price signals.<sup>3</sup>

10 SDG&E does not believe that the 3-Period Default TOU rate is too complex for  
11 customers, nor does it agree that the higher level of complexity will negatively impact  
12 customers’ ability to understand and respond to price signals. On the contrary, SDG&E believes  
13 that the 3-Period Default TOU rate will provide customers with better and more opportunities to  
14 maximize their bill savings, due to the super off-peak period that does not exist in the 2-Period  
15 Opt-Out rate. This is further addressed in the Rebuttal Testimony of Leslie Willoughby.

16 ORA points to Figure 5.2-2 from the Nexant TOU Opt-In Pilot Final Report, stating that  
17 SDG&E’s 3-Period Opt-In Pilot rate saw a higher percentage of customer opt-outs than its 2-  
18 Period Opt-In Pilot rate.<sup>4</sup> While the number of opt-outs for the 2-Period Opt-In Pilot rate was  
19 slightly higher for the 3-Period Opt-In Pilot rate, it should be noted that the percentages of  
20 customers who chose to opt-out across both rates and all climate zones were under 4%. Nexant

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<sup>1</sup> ORA *Testimony on 2018 Residential Rate Design Window Phase 2A* (May 7, 2018) (“ORA Direct Testimony”), at 1-1.

<sup>2</sup> *Id.* at 1-4.

<sup>3</sup> *Id.* at 1-2.

<sup>4</sup> *Id.* at 1-6.

1 describes these opt-out rate percentages as “low” and “very low” for the hot/moderate and cool  
2 climate zones, respectively.<sup>5</sup> Additionally, while SDG&E agrees there is a small degree of  
3 correlation, there is no direct evidence that the 3-Period Opt-In Pilot rate being “too complex” is  
4 the driving cause of the differences between 3-Period and 2-Period Opt-In Pilot rates.

5         Moreover, the on-peak periods for both rates are the same (4PM – 9PM), meaning that  
6 customers will receive a higher price signal during that time, but will have additional  
7 opportunities to save on their bills during the super-off peak period with the proposed 3-Period  
8 Default TOU rate. SDG&E’s proposed 3-Period Default TOU rate offers customers 58 hours a  
9 week at the lowest, Super Off-Peak rate, a feature that the 2-Period rate does not have.<sup>6</sup> This  
10 Super-Off Peak period includes Midnight to 6:00am daily, and the additional hours of 6:00am to  
11 2:00pm on weekends and holidays. These additional weekend hours provide customers with  
12 many opportunities to shift usage out of the Peak and even Off-Peak hours in order to save. Of  
13 course, any customers who feel that the 2-Period rate is the better option for them will have the  
14 ability to select that rate, or the Tiered Opt-Out rate instead. In addition, as outlined in the Direct  
15 Testimony of SDG&E witness Horace Tantom IV, SDG&E will implement comprehensive  
16 ME&O efforts in order to prepare customers for the transition to TOU rates, and make sure they  
17 have the opportunity to select one of the opt-out rates if they decide that is best for their  
18 household.

19         **B.         Schedule TOU-D Applicability**

20         ORA also proposes that SDG&E should limit the eligibility of its proposed Schedule  
21 TOU-D to those customers who were previously eligible for Schedules DR-SES and EV-TOU-2

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<sup>5</sup> Nexant, *California Statewide Opt-In Time-of-Use Pricing Pilot – Final Report* (March 30, 2018) at 112 (available as Attachment A to the Rebuttal Testimony of L. Willoughby).

<sup>6</sup> 58 hours represents 34.5% of the hours in a week.

1 (i.e., customers with a solar energy system or an electric vehicle).<sup>7</sup> In Chapter 1 of my Direct  
2 Testimony, I discuss SDG&E’s proposal to open the eligibility of Schedule TOU-D to all  
3 residential customers.<sup>8</sup> ORA is concerned that opening this un-tiered TOU rate to all customers  
4 will result in a revenue shortfall,<sup>9</sup> and that an un-tiered TOU rate available to all residential  
5 customers would heavily favor high-usage customers, as they are able to avoid paying for the  
6 baseline credit embedded in the standard residential tiered rate.<sup>10</sup>

7 SDG&E is aware that there is the potential for high-usage customers to benefit from the  
8 move to an un-tiered TOU rate. However, despite the fact that D.15-07-001 approved the  
9 glidepath guidance to reach a Tier 1/Tier 2 differential of 25% by 2019, high tier differentials  
10 continue to be a problem for SDG&E’s residential customers who face a current Tier 1/Tier 2  
11 differential of 75% and 2018 differentials that are expected to increase.<sup>11</sup> Further, failure to re-  
12 consider (in this proceeding) the composite tier methodology for the implementation of fixed  
13 charges means that higher upper tiered rates are expected to continue to be an issue for  
14 residential customers on tiered rates.<sup>12</sup> Currently, residential un-tiered TOU rates are only  
15 available for residential customers that have adopted some form of technology, such as solar or  
16 electric vehicles,<sup>13</sup> resulting in a situation where only high-use customers with technology are

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<sup>7</sup> ORA Direct Testimony at 1-11.

<sup>8</sup> *Prepared Direct Testimony of Cynthia Fang on Behalf of San Diego Gas & Electric Company, Chapter 1* (December 20, 2017) (“Direct Testimony of C. Fang”), at CF-18.

<sup>9</sup> ORA Direct Testimony at 1-11.

<sup>10</sup> *Id.* at 1-12.

<sup>11</sup> Advice Letter (“AL”) 3183-E, currently pending.

<sup>12</sup> *Amended Scoping Memo and Ruling of Assigned Commissioner for Phases and II and III of the Proceeding and Joint Ruling with Administrative Law Judges* (“Amended Scoping Memo”), dated April 10, 2018, at 10 (ruling that the following was out of scope: “Whether the Commission should continue to require that revenues from fixed charges be used exclusively to reduce Tier 1 rates and, if so, what the composite ratio should be.”).

<sup>13</sup> Schedule DR-SES is currently applicable to individually metered residential customers with Solar Energy Systems. Available at [http://regarchive.sdge.com/tm2/pdf/ELEC\\_ELEC-SCHEDS\\_DR-SES.pdf](http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-SCHEDS_DR-SES.pdf).

1 able to avoid paying for the existing cost-shift associated with tiered rates by moving to a more  
2 cost-based rate. SDG&E does not believe that it is appropriate to limit these more cost-based  
3 options only to residential customers with technology.

#### 4 **C. Seasonal Differentials**

5 ORA notes that due to recent changes in SDG&E's seasonal differential, customers are  
6 seeing an increased differential between winter and summer rates.<sup>14</sup> As addressed in the  
7 Rebuttal Testimony of Jeffrey Shaughnessy, this is due to the change in SDG&E's seasonal  
8 definitions, which were modified in D.17-08-030 (as part of SDG&E's 2016 General Rate Case  
9 ["GRC"] Phase 2 proceeding [A.15-04-012]). This change is primarily driven by the change to  
10 SDG&E's summer season from a six-month to a five-month season. In its 2016 GRC Phase 2,  
11 SDG&E initially proposed no change to the seasonal definition. The change was a compromise  
12 position responding to ORA's proposal to shorten SDG&E's Summer season from six months to  
13 four months.<sup>15</sup> In the Rebuttal Testimony of Cynthia Fang within the 2016 GRC Phase 2,  
14 SDG&E stated it was amenable to a five-month summer rather than a four-month summer, and  
15 specifically noted that making this change would "increase rate differentials between summer  
16 and winter rates and between on-peak and off-peak rates in the summer..."<sup>16</sup> To artificially  
17 lower these differentials, which would be the result of ORA's proposal in this proceeding, would  
18 provide customers with inaccurate price signals.

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Schedule EV-TOU-2 is currently applicable to customers who require service for charging of a currently registered Motor Vehicle. Available at [http://regarchive.sdge.com/tm2/pdf/ELEC\\_ELEC-SCHEDS\\_EV-TOU-2.pdf](http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-SCHEDS_EV-TOU-2.pdf).

<sup>14</sup> ORA Direct Testimony at 1-8.

<sup>15</sup> A.15-04-012, ORA *Testimony on San Diego Gas and Electric's 2016 General Rate Case Phase 2* (June 3, 2016), at 6-1.

<sup>16</sup> A.15-04.012, SDG&E *Prepared Rebuttal Testimony of Cynthia Fang on Behalf of San Diego Gas & Electric Company in Support of Second Amended Application, Chapter 1* (August 30, 2016), at CF-26.

1           **D.     CARE Discount**

2           ORA expresses its support for SCE’s and PG&E’s proposals to implement CARE  
3 discounts that are a line-item on customer bills.<sup>17</sup> As correctly noted by ORA, these proposals  
4 allow for a discount structure that is transparent and straightforward, and can be consistently  
5 applied to both tiered and TOU rate structures.<sup>18</sup> SDG&E has already implemented such a  
6 format for its CARE discount, and also supports the proposals of SCE and PG&E to do the same.

7           **III.    RESPONSE TO CALSSA’S DIRECT TESTIMONY**

8           In its direct testimony, CALSSA requests that SDG&E be ordered to offer an additional  
9 optional TOU rate that is more sophisticated than SDG&E’s proposed 3-Period Default TOU  
10 rate in order to incentivize distributed energy resources (“DER”) adoption.<sup>19</sup> CALSSA suggests  
11 using a TOU framework suggested by the California Independent System Operator (“CAISO”)  
12 as a model for this additional rate,<sup>20</sup> which includes four TOU periods and three seasons on  
13 weekdays, but only two seasons on weekends/holidays. SDG&E believes CALSSA’s proposal  
14 for a rate design focused on further incenting DER adoption to be beyond the scope of Phase 2A  
15 of this proceeding. Indeed per the Amended Scoping Memo, rates that incentivize distributed  
16 energy resources are out of scope within this proceeding.<sup>21</sup> The focus of this proceeding is to  
17 look at options to support Default TOU - a “menu of options” for *all* residential customers.<sup>22</sup>  
18 SDG&E’s proposed menu of options includes a 3-period option, which already includes a mid-  
19 day super-off peak period in March and April, a simpler 2-period option with reduced

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<sup>17</sup> ORA Direct Testimony at 4-1.

<sup>18</sup> *Ibid.*

<sup>19</sup> CALSSA *Prepared Direct Testimony of Brad Heavner on Behalf of The California Solar & Storage Association* (May 7, 2018) (“CALSSA Direct Testimony”), at 4.

<sup>20</sup> *Id.*

<sup>21</sup> Amended Scoping Memo, at 10.

<sup>22</sup> Res. E-4769 (March 17, 2016) at 20.



1 differentials, as well as the current tiered option. ORA already raises concerns that SDG&E’s 3-  
2 period option is too complex. As such, CALSSA’s proposal for an *even* more complex rate does  
3 not seem appropriate at this time. Moreover, issues related to SDG&E’s TOU periods and  
4 seasonal definitions were recently addressed in SDG&E’s 2016 GRC Phase 2, and implemented  
5 on December 1, 2017.<sup>23</sup> In that decision, the Commission noted that five years is “the effective  
6 period for TOU rates as described in Assembly Bill 327.”<sup>24</sup>

7 In sum, the only rate design items within scope for Phase 2A of this proceeding are those  
8 listed in the Amended Scoping Memo, including the reasonableness of SDG&E’s proposed 3-  
9 Period Default TOU rate, 2-Period Opt-Out TOU rate, Opt-Out Tiered rate and proposal to create  
10 Schedule TOU-D.

#### 11 **IV. RESPONSE TO CFORAT’S DIRECT TESTIMONY**

12 In its direct testimony, CforAT expresses concern that SDG&E has not specifically  
13 identified how its rate design proposals incorporate the Rate Design Principle of affordability.<sup>25</sup>  
14 However, all of the existing programs and provisions applicable to low-income, medical  
15 baseline, or other vulnerable customers will remain in place. For example, SDG&E’s proposed  
16 3-Period Default TOU and 2-Period Opt-Out TOU rates include baseline credits which provide  
17 each customer with up to 130% of their baseline allowance at lower-tiered rate values.

18 Additionally, SDG&E’s existing tiered, non-TOU rate schedule (Schedule DR) will remain  
19 available to customers who wish to opt-out of TOU rates.

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<sup>23</sup> A.15-04-012, decided in D.17-08-030.

<sup>24</sup> D.17-08-030 at 29. Assembly Bill (“AB”) 327 modifies Section 745(c)(3) to read “The commission shall strive for time-of-use rate schedules that utilize time periods that are appropriate for at least the following five years.”

<sup>25</sup> CforAT *Testimony of Melissa W. Kasnitz in Support of The Center For Accessible Technology Regarding Consolidated RDW Applications – Track IIA (SDG&E)* (May 7, 2018) (“CforAT Direct Testimony”), at 2.

1           Moreover, SDG&E’s CARE, Family Electric Rate Assistance (“FERA”), and Medical  
2 Baseline programs will continue to be available to existing and new customers. SDG&E’s  
3 CARE discount is currently administered in the form of a line-item discount, which ensures that  
4 the discount value is consistent between tiered and TOU rate schedules. CforAT stated that it  
5 does not oppose SCE and PG&E’s proposals to implement a similar line-item CARE discount  
6 structure at this time.<sup>26</sup> This will ensure that SCE and PG&E’s CARE discounts are also applied  
7 consistently to participating customers, regardless of whether they are on a TOU or tiered rate  
8 schedule.

9           In addition to the above tiered TOU rate design which applies to all residential customers,  
10 and the program-based protections available for low-income and vulnerable customers, there are  
11 groups of customers who will not be included in the 2019 Mass TOU Default, and therefore will  
12 see no impact resulting from the mass transition to TOU rates. Specifically, pursuant to the  
13 California Public Utilities (“P.U.”) Code Section 745(c)(1), SDG&E, SCE, and PG&E  
14 (collectively, the “IOUs”), are required to exempt certain customers from Mass TOU Default. In  
15 addition, in D.17-09-036, the Commission directed SDG&E to exclude customers participating  
16 in or eligible for the CARE and FERA programs from its Default TOU Pilot.<sup>27</sup> As shown in the  
17 Direct Testimony of SDG&E witness Christopher Bender, the customers that SDG&E intends to  
18 exclude from its residential Mass TOU Default implementation include, but are not limited to,  
19 customers enrolled in the Medical Baseline program, customers requiring an in-person visit or  
20 third party notification prior to disconnection, and CARE/FERA-eligible customers in SDG&E’s  
21 Mountain and Desert climate zones (Hot Zones).<sup>28</sup> The Rebuttal Testimony of Horace Tatum

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<sup>26</sup> *Id.* at 15.

<sup>27</sup> D.17-09-036, Ordering Paragraph 3 at 55.

<sup>28</sup> SDG&E *Prepared Direct Testimony of Christopher Bender on Behalf of San Diego Gas & Electric* (December 20, 2017) (“Direct Testimony of C. Bender”), Attachment A at 13.

1 discusses how SDG&E plans to identify its CARE/FERA-eligible customers, consistent with  
2 methods used for prior TOU pilots.

3 **V. RESPONSE TO EDF’S DIRECT TESTIMONY**

4 EDF seeks clarification regarding how SDG&E’s proposed Schedule TOU-D would  
5 differ from the other three TOU rates.<sup>29</sup> SDG&E understands “the other three TOU rates” to  
6 mean the other rates that SDG&E proposes in the instant proceeding. Schedule TOU-D will be  
7 an un-tiered, 3-period TOU rate (with the same structure as the current schedules DR-SES and  
8 EV-TOU-2 which SDG&E proposes to eliminate and re-name, respectively). Both the 3-Period  
9 Default TOU and the 2-Period Opt-Out TOU rate that SDG&E proposes for implementation in  
10 2019 will be tiered TOU rates, meaning that they include a baseline credit for usage that falls  
11 within 130% of a customer’s baseline allowance.<sup>30</sup> Additionally, SDG&E proposes a “Higher  
12 Fixed Charge” optional rate which will be addressed in Phase 3 of this proceeding.<sup>31</sup> This rate  
13 will be un-tiered like Schedule TOU-D, but will include a cost-based monthly service fee.

14 This concludes my Rebuttal Testimony.

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<sup>29</sup> EDF *Opening Phase IIA Testimony of Steven Moss on Behalf of Environmental Defense Fund* (May 7, 2018) (“EDF Direct Testimony”), at 5-6.

<sup>30</sup> SDG&E *Prepared Direct Testimony of Jeffrey Shaughnessy On Behalf of San Diego Gas & Electric Company* (December 20, 2017) (“Direct Testimony of J. Shaughnessy”), at JS-8.

<sup>31</sup> *Id.* at JS-13.