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

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

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I. INTRODUCTION

My rebuttal testimony on behalf of San Diego Gas & Electric (“SDG&E”) addresses the direct testimony of intervenors submitted on October 1, 2021, including the testimony of witnesses on behalf of the Public Advocates Office (“Cal Advocates”) and Small Business Utility Advocates (“SBUA”). Specifically, my rebuttal testimony addresses the following contentions made by the parties: (1) Cal Advocates’ recommendation that the Commission adopt its alternative proposed sales forecast; and (2) SBUA’s argument that SDG&E’s 2022 Electric Sales Forecast fails to reflect what SBUA argues are lasting shifts in end uses resulting from the COVID pandemic. Finally, this testimony will address specific alleged failures in SDG&E’s forecast data and methodology.

SDG&E’s failure to address any particular intervenor testimony or individual issue in this rebuttal testimony does not imply agreement by SDG&E with any argument, position, or proposal asserted by the intervenors.

II. SDG&E USED THE BEST DATA AVAILABLE TO DEVELOP ITS 2022 SALES FORECAST—MORE RECENT DATA IS NOT ALWAYS PREFERABLE

The 2022 Electric Sales Forecast is based on the California Energy Commission’s (“CEC”) 2020 California Energy Demand forecast (“Approved CEC Forecast”), which was adopted by the CEC on January 25, 2021.¹ Cal Advocates argues for the use of more recent historical data to capture the impacts of COVID-19. Similarly, SBUA argues that SDG&E’s forecast does not reflect what SBUA argues are lasting shifts in end uses resulting from the

¹ See generally Final 2020 Integrated Energy Policy Report Update Volume III, California Energy Demand Forecast Update, page 5.

1 COVID pandemic. The Approved CEC Forecast is the best data on which to base the 2022
2 Electric Sales Forecast for the reasons discussed below.

3 **A. Consistency Across Proceedings Is Important for Sound Rate Making**

4 Cal Advocates suggests using its alternative, proposed forecast rather than the Approved
5 CEC Forecast as the basis for the sales forecast to be adopted in this proceeding.² SDG&E
6 disagrees for numerous reasons that it will discuss herein, one of which is that the Approved
7 CEC Forecast is the result of a process that is then used across multiple CPUC regulatory
8 proceedings, such as the Energy Resource Recovery Account (“ERRA”) forecast proceeding and
9 the Resource Adequacy (“RA”) proceeding. It is the consistency between the data used as the
10 basis for these proceedings that contributes to consistent and sound rate making methodology.

11 **B. More Recent Forecasting Data Is Available, But Has Not Yet Been Vetted in**
12 **the IEPR Process**

13 Cal Advocates argues that SDG&E’s 2022 Electric Sales Forecast should be based on
14 SDG&E’s recent Integrated Energy Policy Report (“IEPR”) forecast submittal (“SDG&E’s
15 Unapproved Forecast”). Not only does SDG&E’s Unapproved Forecast *not include* the pandemic
16 related impacts Cal Advocates seeks to include here, but SDG&E maintains that a Commission
17 sales forecast should be based on data that has gone through the IEPR process and is included in
18 an approved forecast.

19 The CEC Approved Forecast is foundational to statewide energy planning, including
20 coordination with the CPUC and the California ISO.³ Every two years, in odd-numbered years

² *Prepared Testimony on SDG&E’s 2022 Sales Forecast Application, Witness Christopher Hogan* (October 1, 2021) (“Cal Advocates Opening Testimony”) at 1.

³ Final 2020 Integrated Energy Policy Report Update Volume III, California Energy Demand Forecast Update at 5 (“*The CEC’s ten-year forecast of end-use electricity demand informs the need for major infrastructure investments in California. It is used in various proceedings, including the CPUC’s Integrated Resource Plan (IRP) process and the California ISO’s Transmission Planning Process (TPP).*”).

1 (such as 2021), the CEC develops and adopts ten-year forecasts of end-user electricity demand
2 for each investor-owned utility (“IOU”) as part of the IEPR process. In even numbered years—
3 the next will be 2022—the CEC provides an update to the CEC Approved Forecast in order to
4 align CPUC processes with California ISO planning schedules. The update includes revising
5 economic and demographic drivers used in the CEC Approved Forecast with current projections.
6 Thus, pursuant to this process, there is an Approved CEC Forecast produced each year.

7 SDG&E, along with the other California IOUs, participates in the CEC’s annual IEPR
8 process. In the odd numbered years, SDG&E is required to submit a forecast to the CEC.
9 SDG&E’s forecast submission into the CEC’s 2021 IEPR process (SDG&E’s Unapproved
10 Forecast) provided information to assist the CEC in the development of the CEC’s California
11 Energy Demand forecast specific to SDG&E’s service territory for the current year. SDG&E’s
12 Unapproved Forecast, although containing recent data, is only one data point considered by the
13 CEC is developing what will become the Approved CEC Forecast.

14 Cal Advocates suggests in its testimony that the CEC will adopt SDG&E’s Unapproved
15 Forecast as submitted to the CEC.⁴ This is incorrect. Again, the forecast submitted by SDG&E
16 serves as a point of comparison for the CEC as it develops its SDG&E territory specific forecast.
17 Subsequent to SDG&E’s submission, CEC-sponsored workshops are held for analysis and
18 discussion of such comparisons. Only after these additional steps, the final Approved CEC
19 Forecast is issued and adopted by the CEC Commissioners.

IRPs are long-term plans outlining how load-serving entities (including investor- and publicly owned utilities, community choice aggregators, and private electricity suppliers) will meet demand reliably and cost-effectively while achieving state policy goals and mandates. The TPP is a roadmap for short- and long-term transmission infrastructure needs in the California ISO service territory. In addition, the CEC provides annual year-ahead peak demand forecasts for the resource adequacy process in coordination with the California ISO and the CPUC.”)

⁴ Cal Advocates Opening Testimony at 4.

1 The CEC process is particularly important because it takes into consideration a
2 comprehensive update of electricity forecasts and the multiple drivers that impact the forecast.
3 The IEPR process provides IOUs and load serving entities a venue to provide specific
4 information which is incorporated in the final CEC forecast. For instance, the proposal by
5 SBUA to update the forecast for pandemic-related behavioral shifts is alone problematic because
6 it fails to consider other relevant shifts in load between residential and commercial customers,
7 such as shifts in rooftop solar adoption and electric vehicle usage patterns that will also likely
8 contribute to obtaining the best possible sales forecast.

9 **C. Use of SDG&E's Unapproved CEC Forecast Will Not Necessarily Address**
10 **Intervenors Concerns Regarding Lack of Pandemic-Related Impacts**

11 As an initial matter, the Approved CEC forecast does include impacts from the pandemic.
12 The Approved CEC Forecast adds one more year of historical electricity consumption, peak
13 demand, and self-generation technology adoption data, all of which are used to recalibrate the
14 forecast to the most recent historical year.⁵ Additionally, CEC staff updated electricity rate
15 projections, as well as forecasts of behind-the-meter photovoltaic (PV) system adoption and
16 electric vehicle adoption.⁶

17 Cal Advocates states that reliance on more recent data is necessary for capturing the
18 impact of COVID-19 on the 2022 sales forecast.⁷ SDG&E disagrees. SDG&E admits that
19 more recent data is used in its forecast submittal in the ongoing, annual CEC IEPR proceeding,
20 but SDG&E disagrees that use of that data necessarily accounts for the impacts of the pandemic.

⁵ Final 2020 Integrated Energy Policy Report Update Volume III, California Energy Demand Forecast Update at 5-6.

⁶ *Id.*

⁷ Cal Advocates Opening Testimony at 4-5.

1 Indeed, SDG&E uses a binary variable in the model estimation process that captures the
2 historical impact of COVID-19 on customer class sales during the peak of the pandemic (April
3 2020 through February 2021) and specifically excludes those impacts from its forecast.
4 SDG&E is using the binary variable because it does not have evidence that the impacts
5 experienced in the peak of the pandemic will be persistent in the future. In fact, SBUA notes in
6 its testimony, when evaluating the sales forecast submitted by SDG&E into the IEPR process,
7 that inclusion of the binary variable assumes that impacts that occurred during the peak of the
8 pandemic in 2020 would not persist into the forecast.⁸ Accordingly, SDG&E’s Unapproved
9 Forecast does not account for COVID-19 in the manner suggested by Cal Advocates. For this
10 reason and for other reasons stated in this testimony, SDG&E’s use of the most recent approved
11 CEC forecast is the best available data on which to base its 2022 Electric Sales Forecast.

12 **D. Whether Pandemic Related Impacts Will Persist Is Speculative**

13 Additionally, SBUA argues that changes in usage patterns associated with the COVID-19
14 pandemic, although most extreme in 2020, will persist in the future.⁹ Mr. Wilson goes on to
15 testify that that these behaviors will continue to persist because people and companies have
16 grown more comfortable working from home.¹⁰ SBUA made general comments about how the
17 choices of individuals and businesses have changed as a result of the pandemic which will result
18 in changes in their energy usage. SDG&E does disagree that this *may* be the case, but SBUA has
19 not cited any evidence or sources to support its testimony. SDG&E agrees that there were
20 behavioral impacts during the COVID-19 pandemic, such as increased residential sales and

⁸ *Direct Testimony of James F. Wilson on Behalf of Small Business Utility Advocates* (October 1, 2021) (“SBUA Opening Testimony”) at 12.

⁹ *Id.* at 5-9.

¹⁰ *Id.* at 5.

1 reduced commercial sales as people were forced to work at home. However, SDG&E considers
2 the persistence of these behaviors and their effect on energy use to be speculative at this time.

3 For instance, the available research regarding the future of remote working is based on
4 survey data, as referenced by Cal Advocates in its testimony.¹¹ SDG&E concluded that the
5 survey data does not provide the level of detail needed to derive new model inputs. Specifically,
6 the future of remote working becomes increasingly speculative when considering the deployment
7 of individual company policies, including the number of allowable days to work remotely, and
8 employee preferences across sectors. SDG&E believes more research is required to develop a
9 model input that represents work-from-home behavior pre-, during-, and post-pandemic in order
10 to determine statistical significance of such data, and ultimately incorporate it into its forecasting
11 methodology. SDG&E also believes it would be imprudent to include COVID-19 impacts on
12 class sales without also studying the impact of COVID-19 on load modifier assumptions, such as
13 private supply, electric vehicle usage patterns, and energy efficiency programs.

14 SDG&E is not opposed to considering behavioral shifts that affect the sales forecast for
15 any particular customer class but believes analysis of these impacts should occur in the CEC's
16 annual IEPR process—not in each individual utility's annual sales forecast application. Use of
17 an approved CEC forecast is a best practice that has been used in past sales forecast applications
18 and should be used in this annual proceeding going forward.

¹¹ Cal Advocates Opening Testimony at 3.

1 | SDG&E’s forecast. Two, any difference in forecasted sales on class level will be averaged out
2 | using the System Average Percent Change (SAPC) methodology.¹⁴ Thus, to the extent any
3 | particular customer class appears to have a material change in forecast as between the two
4 | forecasts, that difference will be averaged out and any class average rate impact will be similar
5 | for each customer class as discussed in detail in Ms. Campi’s rebuttal testimony. Three, as
6 | discussed above, the basis for Cal Advocates' proposed forecast is SDG&E’s 2021 IEPR sales
7 | forecast. This forecast, unlike the forecast used by SDG&E for its proposed sales forecast, is not
8 | yet vetted or approved by the CEC. SDG&E details numerous reasons why this is problematic
9 | above.

10 | And finally, *if* the Commission adopts SDG&E’s Unapproved Forecast, as Cal Advocates
11 | urges, it will take SDG&E approximately 4 months of work to establish the detailed information
12 | necessary to create and implement rates. During this time, SDG&E would create the detailed
13 | billing determinants (from the above shown class and system level forecast) and then develop the
14 | actual rates on which the customer is billed for each and every rate schedule. The sequential
15 | nature of tasks will require an additional 3-4 months once the 2022 sales forecast application is
16 | approved. SDG&E does not believe this timeline is reasonable, especially in light of all the other
17 | reasons in support of using an approved CEC forecast as the basis for SDG&E’s annual sales
18 | forecast application.

¹⁴ See Application (“A.”) 19-03-002, Joint Motion for Admission of Addendum to the Settlement Agreement of San Diego Gas & Electric Company (U 902 E), the Public Advocates Office, Utility Consumers’ Action Network, Federal Executive Agencies, California Farm Bureau Federation, San Diego Airport Parking Company, Small Business Utility Advocates, Solar Energy Industries Association, Energy Producers and Users Coalition, California Large Energy Consumers Association, California City County Street Light Association, The Utility Reform Network, and The City of San Diego (February 26, 2021) (“GRC Phase 2 Settlement Addendum”), Appendix, Section 2.2.1.1 at 2.

1 **III. ADDITIONAL FORECAST ISSUES RAISED BY SBUA**

2 SDG&E responds to four additional issues touched on briefly by SBUA regarding
3 SDG&E’s forecasting methodologies. Each SBUA concern is quoted below and addressed by
4 SDG&E. SDG&E notes that SBUA did not include detailed examination or explanation of any
5 of these identified “concerns.”¹⁵

- 6 • “The process by which the Company mapped the CEDU 2020 sectors into
7 SDG&E’s sectors. Especially with the shifts in end use due to the pandemic, this
8 methodology may need to be reconsidered.”¹⁶ SDG&E responds by providing
9 that this process is consistent with the methodology developed in SDG&E’s 2019
10 Electric Sales Forecast proceeding and subsequently used in SDG&E’s 2019 GRC
11 Phase 2 proceeding.¹⁷
- 12 • “The sources for private supply, and the manner in which it is combined with the
13 forecast.”¹⁸ In my direct testimony, I explain that the source of private supply in
14 SDG&E’s 2022 Electric Sales Forecast is consistent with the CEC’s assumption
15 of mid-demand private supply in the Approved CEC Forecast.¹⁹
- 16 • “The particular drivers used in the residential, commercial, and agricultural sector
17 models, and whether they are adequate in light of the changed conditions due to

¹⁵ SBUA Opening Testimony at 17.

¹⁶ *Id.*

¹⁷ *See generally* A.19.03.002 and A.18.03.003.

¹⁸ SBUA Opening Testimony at 17.

¹⁹ Prepared Direct Testimony of Kenneth E. Schiermeyer on Behalf of San Diego Gas & Electric Company (August 13, 2021) at 5.

1 the pandemic and its impacts on usage.”²⁰ SDG&E analyzes the significance of
2 forecast drivers used in the sector models during each forecast update. As stated
3 above, SDG&E requires additional research in order to develop drivers that
4 incorporate newly emerging customer behavior, but it intends to participate in
5 industry working-group discussion during the CEC’s IEPR process.

- 6 • “The estimates used for departing customers and the associated usage.” For the
7 past two years, SDG&E held a meet and confer process to develop load forecasts
8 for customers departing for Community Choice Aggregator (CCA) service. Both
9 CCAs operating in SDG&E’s service territory participated in the meet and confer
10 and provided input that is used in this application.

11 **IV. CONCLUSION**

12 SDG&E’s 2022 Electric Sales Forecast, as put forth in this application, is based on the
13 most recent, adopted CEC forecast and is consistent with, among other applications, SDG&E’s
14 2022 ERRRA application. For reasons outlined herein, the Commission should find it reasonable
15 for SDG&E to update its rates based on SDG&E’s proposed 2022 Electric Sales Forecast.

16 This concludes my rebuttal testimony.

²⁰ SBUA Opening Testimony at 17.