Proceeding No.: A.22-05-XXX
Exhibit No.:
Witness: Kenneth E. Schiermeyer

PREPARED DIRECT TESTIMONY OF

KENNETH E. SCHIERMEYER

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 31, 2022

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I. INTRODUCTION AND PURPOSE

The purpose of my prepared direct testimony is to present San Diego Gas & Electric Company's ("SDG&E") 2023 electric sales forecast ("2023 Electric Sales Forecast"). Pursuant to Ordering Paragraphs ("OP") 3 of decision (D.) 22-03-003 in SDG&E's Application (A.) for Approval of Its 2022 Electric Sales Forecast, SDG&E is hereby submitting its annual sales forecast for2023 in the 2023 ERRA Application.

My testimony is organized as follows:

- **Section II – Background**: describes the requirement of SDG&E to develop and propose an annual sales forecast, starting with the year 2023;
- **Section III – 2023 Electric Sales Forecast**: presents SDG&E's 2023 Electric Sales Forecast;
- **Section IV – Electric Sales Forecast Drivers**: describes the sources and development of the 2023 Electric Sales Forecast;
- **Section V – Sales Forecast Meet and Confer Efforts and Workshop**: describes SDG&E's efforts to comply with various meet and confer and workshop directives set forth in CPUC decisions;
- **Section VI - Load Departure:** describes the expected load departure impacting SDG&E's 2023 Electric Sales Forecast;
- **Section VII Monthly Rate Schedule Forecast**: describes the process of converting the CEC's annual sales forecast into a monthly level of granularity;
- **Section VIII – Summary and Conclusion**: provides a summary of recommendations; and
- **Section IX – Statement of Qualifications:** presents my qualifications.

II. BACKGROUND

In D.22-03-003, the Commission authorized SDG&E to file its subsequent annual Sales Forecasts in its annual Energy Resource Recovery Account Forecast applications, according to the

schedule set forth in Decision (D.) 22-01-023. Accordingly, SDG&E is filing its annual sales forecast update in this Application, for the year 2023.

III. 2023 ELECTRIC SALES FORECAST

SDG&E requests that the Commission approve SDG&E's 2023 Electric Sales Forecast as presented in this testimony. Table KS-1 below sets forth the forecast of energy sales for SDG&E's electric customers.

TABLE KS-1:
PROPOSED 2023 ANNUAL ELECTRIC NET SALES (GWH)

Sector	Proposed 2022
Residential	5,927
Small Commercial	1,972
Med & Large Com/Ind	8,772
Agricultural	323
Lighting	78
Total	**17,072**

Table KS-2, below, compares the current authorized electric sales forecast with the proposed 2023 Electric Sales Forecast.[1]

[1] *See* D.22-03-003, *Decision Adopting 2022 Electric Sales Forecast For San Diego Gas & Electric Company's* (issued March 17, 2022).

TABLE KS-2:
COMPARISON OF ANNUAL ELECTRIC NET SALES (GWh) – 2022 VERSUS 2023

Sector	Current Authorized 2022	Proposed 2023	Difference	% Difference
Residential	5,423	5,927	+504	+9.3%
Small Commercial	2,071	1,971	-100	-4.8%
Med & Large Com/Ind	9,135	8,773	-362	-3.9%
Agricultural	316	323	+7	+2.2%
Lighting	80	78	-2	-2.5%
Total	**17,025**	**17,072**	**+47**	**+0.3%**

IV. ELECTRIC SALES FORECAST DRIVERS

The 2023 Electric Sales Forecast presented in the tables above is based on the California Energy Commission's ("CEC") 2021 California Energy Demand forecast ("2021 CEC Forecast" or "CEC Forecast"), which was adopted by the CEC on January 26, 2022.[2] Additionally, an all-party workshop was held on March 7, 2022, as directed by ordering paragraph 4 of the Decision D.22-03-003 to work with the stakeholders and to consider any input they may propose prior to filing its annual sales forecast with the Commission for the upcoming year[3]. The 2021 CEC Forecast includes the impacts of the CEC's Private Supply, Additional Achievable Energy Efficiency ("AAEE") and Additional Achievable Fuel Substitution ("AAFS"). Forecasts of electric sales are derived from CEC data as follows:

[2] CEC, *Minutes of the January 26, 2022, Energy Commission Business Meeting* available at https://www.energy.ca.gov/filebrowser/download/3989

[3] As of the date of this filing, none of the participants in the workshop have offered any additional input or proposed modifications to the CEC Forecast or SDG&E's use of the CEC Forecast as the basis for SDG&E's 2023 Electric Sales Forecast.

- Electric Consumption
- Less: AAEE (Future Impacts of Energy Efficiency Programs)
- Equals: Managed Consumption
- Less: Private Supply (Self-Generation, *e.g*. solar)
- Plus: AAFS (Future Impacts of Fuel Switching)
- Equals: Electric Sales

A summary of the electric sales derivation for this proposed 2023 Electric Sales Forecast is detailed in Table KS-3.

TABLE KS-3:
PROPOSED 2022 ELECTRIC SALES FORECAST DERIVATION,
RESIDENTIAL, NON-RESIDENTIAL AND TOTAL SYSTEM (GWh)

	Residential	**Non-Residential**	**Total System**
Consumption	8,469	12,809	21,278
Less: AAEE	96	109-	205-
Equals: Managed Consumption	8,373	12,700	20,973
Less: Private Supply	2,466-	1,556-	4,022-
Plus: AAFS	20	2	22
Equals: Sales	**5,927**	**11,145**	**17,072**

V. SALES FORECAST MEET AND CONFER EFFORTS AND WORKSHOP

A. Departing Load Meet and Confer Efforts

D.19-06-026 adopted a meet-and-confer requirement whereby: (a) A meeting between load-serving LSEs that anticipate load migration shall occur reasonably in advance of the filing deadline for initial year ahead forecasts; and (b) In each LSE's initial year ahead forecast filing, each LSE shall describe the dates of meetings with other LSEs to discuss load migration, any agreements, and any continued areas of disagreement.[4]

[4] *Decision Adopting Local Capacity Obligations for 2020-2022, Adopting Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy Program at OP 14* (filed in Rulemaking (R.) 17-09-020).

Additionally, In OP 1 of its Proposed Decision Considering Working Group Proposals on Departing Load Forecast and Presentation of Power Charge Indifference Adjustment Rate on Bills and Tariffs (filed February 25, 2020), the Commission ordered SDG&E to report in each regulatory filing its meet-and-confer activities and information exchange with Community Choice Aggregators in SDG&E's service territory, if the regulatory filing involves a departing load forecast. [5]

SDG&E held a meet-and-confer meeting regarding load forecasting on March 24, 2022. SDG&E invited numerous entities to participate in the March 24th meet-and-confer meeting.[6] Attendees to the meeting included representatives for San Diego Community Power and Clean Energy Alliance. The items addressed at the meet-and-confer meeting included: (1) an overview of SDG&E's load forecast process for departing load; (2) an overview of the meet-and-confer requirement; (3) an overview of regulatory proceedings and schedules; and (4) an overview of load data to support regulatory filings. The parties continue to exchange information regarding load forecasting through a collaborative effort. The parties have reached agreement on the process by which the non-IOU LSEs are to provide forecast data to SDG&E as well as the templates to be used to submit their data. There have not been any specific areas of disagreement at this point. Information provided by the non-IOU LSEs to SDG&E include monthly energy sales, peak demand and customer forecast data.

B. Sales Forecast Workshop

D. 22-03-033 directed SDG&E to hold an all-party workshop no later than March 31 of each year to work with stakeholders and to consider any input they may propose prior to filing its annual sales forecast with the Commission for the upcoming year.[7] In preparation for filing its ERRA

[5] Filed in R.17-06-026.

[6] SDG&E sent an invite to recipients on the R.17-09-020 and R.19-11-009 distribution lists.

[7] D.22-03-003 at OP 4.

forecast application (which now includes the annual sales forecast), SDG&E held an all-party workshop on March 7, 2022. Participants to the workshop included the Public Advocates Office, San Diego Community Power and Clean Energy Aliance (the CCA Parties), the Small Business Utility Advocates, and the Utility Consumers' Action Network. Workshop materials were provided to the parties ahead of time and the agenda included a review of the CEC forecasting process, SDG&E proposed 2023 sales forecast (based on the CEC forecast), expected modifications to the CEC forecast, and a description of how the CEC sales forecast is used to establish the rate schedule level forecast.

VI. LOAD DEPARTURE

SDG&E's proposed 2023 Electric Sales Forecast reveals a decline in bundled electric sales across all customer sectors when compared to the authorized 2022 sales forecast. Bundled sales refer to electric sales to customers for whom SDG&E provides both distribution and commodity (electric) service. These customers are referred to as bundled customers. In contrast, Community Choice Aggregator ("CCA") or Direct Access ("DA") customers receive distribution service from SDG&E but purchase their electricity from another provider. CCA and DA customers are called unbundled customers.

The primary reason behind the expected decline in bundled electric sales is load departure. SDG&E expects continued customer migration (aka "load departure") to CCA programs in 2023. There are three CCAs, San Diego Community Power ("SDCP"), Clean Energy Alliance ("CEA") and Orange County Power Authority ("OCPA"), that plan to start or expand CCA service for a total of thirteen cities in SDG&E's service territory. On March 24, 2022, SDG&E held a meet and confer to coordinate and adjust departing load forecasts.[8] That meeting was used to develop the

[8] SDG&E held a meet-and-confer meeting on March 24, 2022. Attendees to the meeting included representatives from CEA, OCPA and SDCP.

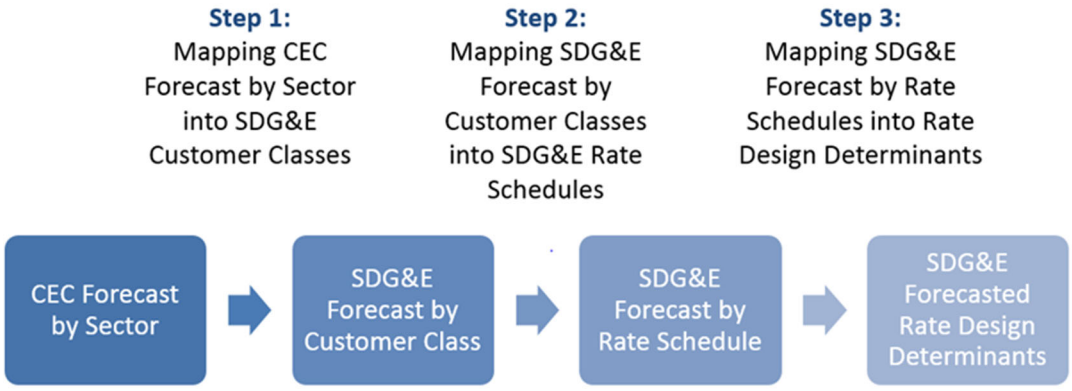
departing load in the proposed 2023 Electric Sales Forecast. The total sales forecast for bundled customers is determined by subtracting departing load from total sales.

VII. MONTHLY RATE SCHEDULE FORECAST

This section describes the process to turn the 2021CEC Forecast into SDG&E's rate schedule forecast. This process was previously presented in a joint workshop during SDG&E's Application for Approval of its 2019 Electric Sales Forecast.[9] It also sets forth SDG&E's plan on how to address the delays of implementing modifications to its sales forecast as directed in D.22-03-003, OP 2.

A. SDG&E's Rate Schedule Process

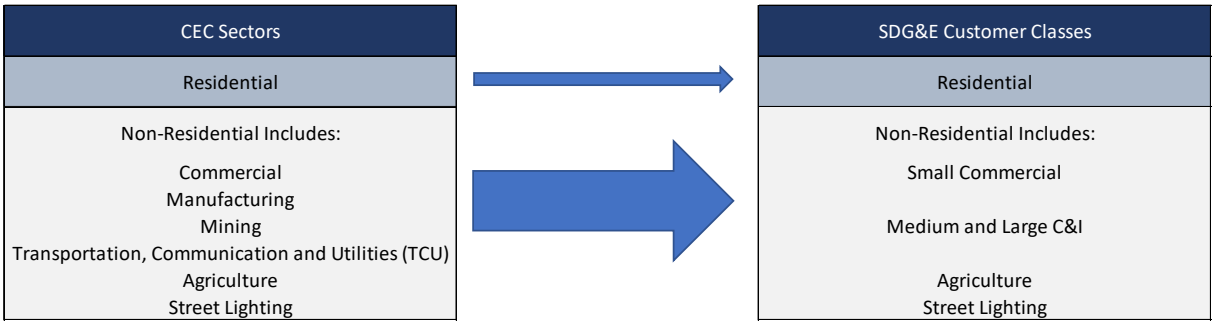
SDG&E's process for the development of forecasted rate design determinants from the 2021 CEC Forecast involves three steps:



The first step involves the mapping of the CEC Forecast by sector to SDG&E's customer classes. The sales forecast developed at the CEC includes a forecast by sectors that differs from SDG&E's customer classes as presented in Figure 1 below.

[9] *See* D.18-11-035.

Figure 1
Mapping CEC Forecast by Sector in SDG&E Customer Classes



While the Residential sector from the CEC Forecast maps directly into SDG&E's Residential customer class, the Non-Residential sectors (Small Commercial, Medium and Large Commercial and Industrial ("M/L C&I"), Agricultural, and Street Lighting) do not map directly into SDG&E Non-Residential customer classes. To assign the CEC Non-Residential sector sales to SDG&E's Non-Residential customer classes, SDG&E uses an adjustment factor based on the most recent SDG&E 2021 historic sales and the 2021 CEC forecast to re-bench the Agriculture and Street Lighting sectors as a method to map the CEC Forecast for the Agricultural and Street Lighting sectors with SDG&E's Agricultural and Street Lighting customer classes. Next, SDG&E uses a historical ratio of Small Commercial to Total Commercial to split out the Small Commercial and Medium and Large Commercial and Industrial classes. SDG&E's monthly historical billing-cycle data are then used to further break out the customer class sales forecast into rate schedule seasonal sales for use in the rate design process.

SDG&E creates monthly rate schedule billing determinants on a net and delivered basis by adding back excess generation on a monthly and hourly basis, respectively. A comparison of the forecasted sales concepts are shown in Table KS-4.

TABLE KS-4:
COMPARISON OF NET AND DELIVERED SALES (GWh)

Forecast Basis	TY 2023
Net Sales	**17,072**
…..Hourly Delivered Sales Adjustment	*+1,582*
Delivered Sales	**18,655**

B. SDG&E's Proposals to Address Delays in Implementing Modifications to the Electric Sales Forecast

D.22-03-003 states:

> 2. San Diego Gas & Electric Company (SDG&E) is directed to, after coordination with the stakeholders, propose a detailed plan on how to address the delays of implementing modifications to its sales forecasts in its consolidated 2023 Sales Forecast and Energy Resource Recovery Account Forecast application. The plan shall aim to provide solutions, such as modifications to its existing methodology or a new process or rate model for implementing its sales forecast, such that there is sufficient time for the Commission to consider alternative sales forecast proposals and for SDG&E to implement any alternative proposal in a timely manner, such as by January 1 of the forecasted year, including with respect to SDG&E's 2023 Sales Forecast. Because SDG&E needs to file its 2023 Energy Resource Recovery Account Forecast Application by May 15, 2023, SDG&E shall begin the coordination process with the parties immediately upon the effective date of this decision, or April 15, 2023 the latest.[10]

In light of this directive, SDG&E sought input from the parties to 2023 ERRA and Electric Sales Forecast applications, via e-mail dated April 15, 2022, for suggestions as to how it might improve the process for reviewing the sales forecast to allow the Commission to consider alternative sales forecast proposals, while at the same time ensuring accuracy.

As explained above, the very first step in developing the application is determining or finalizing the system net sales forecast (the starting point). SDG&E has historically used CEC's most recently adopted California Energy Demand forecast as the system net sales forecast for every

[10] D.22-03-003, OP 2.

sales forecast application. Once the system net sales forecast is determined, SDG&E requires approximately 3-4 months to establish the detailed information necessary to create and implement electric rates. This includes creation of the detailed billing determinants and then the subsequent development of actual rates on which the customer is billed for each and every rate schedule. SDG&E is currently exploring new technologies as well as possibly retaining vendor support that may assist in reducing this time frame. SDG&E also notes that now that the Commission has authorized SDG&E to develop and present the sales forecast on an annual basis, this procedural change will likely result in efficiencies in the process that SDG&E expects may reduce the amount of time it takes to develop and create the rate schedule.

To that end, SDG&E believes that the sales forecast meet-and-confer effort which took place on March 7 of this year (*see* Section V above), is a critical step in meeting the Commission's directive. Presenting SDG&E's net sales forecast basis or starting point for review by stakeholders at such an early stage serves to encourage initial feedback to resolve any obvious issues.

In addition, SDG&E would like to propose an additional milestone in future ERRA/Sales Forecast proceeding requiring participants to submit any alternative system net sales forecasts prior to the submittal of the ERRA/Sales Forecast proceeding to allow sufficient time for SDG&E to consider adjustments to the CED forecast and potentially include them in its ERRA Forecast application from the start.[11] To the extent, an alternative system net forecast is proposed after SDG&E's application is filed, SDG&E would consider the alternative in potential settlement discussions. For their part, Cal Advocates, SDCP and CEA, suggested that SDG&E look to PG&E and SCE for examples of ways in which SDG&E might be able to update the sales forecast in

[11] In the meet-and-confer process, SDG&E proposed March 31 as the date by which parties would submit alternative system net sales forecast to allow sufficient time for SDG&E to consider adjustments and potentially include them in the initial ERRA forecast application. However, representatives of the California Public Advocates Office ("Cal Advocates"), San Diego Community Power ("SDCP"), and Clean Energy Alliance ("CEA"), objected to this proposal.

response to parties' critiques in the normal course of the ERRA forecast proceeding. SDG&E reached out to the other utilities, however, it appears that some of the main reasons that PG&E and SCE may be able to update their sales forecast in less time is due to the availability of additional resources as well as the fact that their respective electric sales forecast has been integrated into their annual ERRA forecast process for several years now, resulting in certain efficiencies. Even so, my understanding is that the other IOUs still view this as a significant undertaking that requires considerable time and effort.[12]

Overall, SDG&E believes that the process improvement efforts described above will make meaningful and realistic progress in allowing the Commission sufficient time to consider alternative sales forecast proposals (if necessary). However, SDG&E notes that given the significant number of available rates and complexity of rates, the sales forecast process is inherently time-consuming. While SDG&E is committed to improving the process with the hopes of shortening the time period between deciding on a system net sales forecast and implementing the associated rates, it is important to note that any efficiencies gained by SDG&E's efforts to shorten its process may be blunted by the adoption of new, and increasingly complex rates. For instance, SDG&E currently has outstanding applications for a Real Time Pricing rate (A.21-12-006), and an untiered time-of-use rate (A.21-09-001), among other applications that would require additional development of detailed billing determinants to develop these rates. Thus, the addition of new rates will necessarily add time to the process. For this reason, SDG&E believes it is particularly important for the parties participating in the ERRA proceeding to provide early and active input on the CED forecast so that SDG&E has the opportunity to consider and potentially incorporate reasonable changes to the system net sales forecast.

[12] Indeed, on April 21, 2022, PG&E submitted a Request for Extension of time to file its 2023 ERRA forecast application in which it cited to the need to "re-calculate its 2023 load forecast" to correct a material error. The CPUC granted this request.

VIII. SUMMARY AND CONCLUSION

SDG&E requests that the Commission find SDG&E's 2023 Electric Sales Forecast, as presented in this testimony, to be reasonable.

This concludes my prepared direct testimony.

IX. STATEMENT OF QUALIFICATIONS

My name is Kenneth E. Schiermeyer. My business address is 8306 Century Park Court, San Diego, California, 92123. I am employed by SDG&E as the Electric Forecasting Manager in the Customer Care Department. My primary responsibilities include developing and coordinating forecasts of customer growth and electric energy usage.

I have held my current position since December 2013. Since 1999, I have been employed by SDG&E in various forecasting and analysis positions of increasing responsibility. From 1996 to 1999, I worked as a Computer Programmer and Project Manager for Directions in Research, Inc.

I received a Bachelor of Science degree in Economics from Truman State University in 1994 and obtained a Master of Arts degree in Economics from Western Illinois University in 1996.

I have previously testified before this Commission.