

Application: A.23-01-008

Exhibit No.: SDG&E-

Witness: Evelyn Luna

**CHAPTER 8**  
**PREPARED REBUTTAL TESTIMONY OF**  
**EVELYN LUNA**  
**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

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



**FEBRUARY 7, 2024**

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**PREPARED REBUTTAL TESTIMONY OF  
EVELYN LUNA  
(CHAPTER 8)**

4 **I. INTRODUCTION AND PURPOSE**

5 The purpose of my rebuttal testimony is to respond to the prepared direct testimony  
6 submitted by intervening parties in San Diego Gas & Electric Company's (SDG&E) 2024  
7 General Rate Case (GRC) Phase 2 Application (A.) 23-01-008 related to SDG&E's Authority to  
8 Update Marginal Costs, Cost Allocation, and Electric Rate Design. My rebuttal testimony will  
9 reaffirm justifications to: (1) recover the EV-HP Rate and Interim Rate Waiver under-/over-  
10 collections from all customer classes; (2) maintain SDG&E's current tariff design; and (3)  
11 update the rate design of the Expanded (non-residential) CARE discount rate. Specifically, I will  
12 address issues presented by the following parties:

- 13 • The Public Advocates Office (Cal Advocates) of the California Public  
14 Utilities Commission (CPUC or Commission), submitted by Vanessa  
15 Martinez (Chapter 6) and Alejandro Maquez (Chapter 8), dated January 19,  
16 2024.
- 17 • Small Business Utility Advocates (SBUA), submitted by Maureen L. Reno,  
18 dated January 8, 2024.
- 19 • The City of San Diego (City), submitted by William A. Monsen, dated  
20 January 8, 2024.
- 21 • California Farm Bureau Federation (Farm Bureau), submitted by Lloyd  
22 Reed, dated January 8, 2024.

23 In this rebuttal testimony, failure to address any individual issue does not imply  
24 agreement by SDG&E with any proposals made by these or other parties.

1           **A.     Cal Advocates**

2           Cal Advocates served revised intervenor testimony on January 19, 2024.<sup>1</sup> The following  
3 is a summary of Cal Advocates’ positions:

- 4           •        Recommends that the Commission require SDG&E to recover the under-/over-  
5                   collections resulting from the EV-HP rate and the interim rate waiver from the  
6                   Medium/Large Commercial and Industrial (M/L C&I) customer class only.
- 7           •        Recommends that the Commission adopts SDG&E’s adjustments to the  
8                   Expanded CARE discount rate design.

9           **B.     SBUA**

10          SBUA submitted testimony on January 8, 2024.<sup>2</sup> The following is a summary of SBUA’s  
11 positions:

- 12          •        Supports SDG&E’s proposal to recover the under-/over-collections  
13                   resulting from the EV-HP rate and the interim rate waiver across all  
14                   customer classes.

15          **C.     City of San Diego**

16          The City submitted testimony on January 8, 2024.<sup>3</sup> The following is a summary of the  
17 City’s positions:

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<sup>1</sup> Errata Prepared Direct Testimony of Vanessa Martinez (Chapter 6) and Alejandro Marquez (Chapter 8) on Behalf of Public Advocates Office on San Diego Gas & Electric Company’s 2024 General Rate Case Phase 2 (January 19, 2024) (Cal Advocates Prepared Direct Testimony).

<sup>2</sup> Direct Testimony of Maureen L. Reno on behalf of the Small Business Utility Advocates Regarding San Diego Gas & Electric Company Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design in Application 23-01-008 (January 8, 2024) (SBUA Prepared Direct Testimony (Reno)).

<sup>3</sup> Direct Testimony of William A. Monsen on behalf of the City of San Diego Regarding Marginal Costs, Revenue Allocation, and Rate Design in Application 23-01-008 (January 8, 2024) (City of SD Prepared Direct Testimony (Monsen)).

- Recommends that SDG&E restructure its tariffs to combine SDG&E’s distribution tariffs with applicable commodity tariffs for simplicity and to be more comparable to the tariffs of the other large electric utilities.

**D. Farm Bureau**

Farm Bureau submitted testimony on January 8, 2024.<sup>4</sup> The following is a summary of Farm Bureau’s positions:

- Opposes SDG&E’s tariff design recommendation and instead supports that tariffs combine both distribution and commodity into a single tariff.

**II. REBUTTAL TO PARTIES’ PROPOSALS**

**A. EV-HP Rate and Interim Rate Waiver Under-/Over-collections Cost Recovery**

**1. Cal Advocates’ Proposal to recover HPRBA-E and HPWBA-E from the Medium/Large C&I Class only should be denied.**

Cal Advocates argues that the High-Power Rate Balancing Account (HPRBA-E) and the High-Power Interim Rate Waiver Balancing Account (HPWBA-E) should not be recovered from all customer classes, as SDG&E has proposed, but instead be recovered from the M/L C&I class only, stating concerns of a cost shift to non-participating customers.<sup>5</sup> SDG&E disagrees.

As explained in my revised direct testimony, SDG&E proposed to recover HPRBA-E and the HPWBA-E from all customer classes.<sup>6</sup> As presented in SDG&E’s Tier 3 Advice Letter (AL) 4316-E, submitted on November 10, 2023, the Schedule EV-HP rate has a small negative

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<sup>4</sup> Direct Testimony of Lloyd C. Reed on behalf of the California Farm Bureau Federation Concerning San Diego Gas and Electric’s 2024 General Rate Case Phase 2 (January 8, 2024) (Farm Bureau Prepared Direct Testimony (Reed)).

<sup>5</sup> Cal Advocates Prepared Direct Testimony (Ch. 6, Martinez), p. 6-4.

<sup>6</sup> SDG&E Revised Prepared Direct Testimony of Evelyn Luna, Chapter 8 (September 29, 2023) (SDG&E Prepared Direct Testimony (Ch. 8, Luna)), pp. EL-5 through EL-7.

1 contribution to margin (CTM) of -1.3%. This negative CTM produced an under-collection of  
2 \$71,899 dollars which has been recorded in the HPRBA-E.<sup>7</sup> However, because the EV-HP CTM  
3 analysis included only 41 of the 83 customers enrolled in the EV-HP rate to limit the analysis to  
4 customers on the rate for a full year,<sup>8</sup> SDG&E anticipates that the small negative CTM will self-  
5 correct in 2025 as more EV-HP customers begin to have 12 full months of data, along with the  
6 gradual phase in of Equal Percentage of Marginal Costs (EPMC) distribution and commodity  
7 costs beginning on January 1, 2025. For these reasons, to the extent there is any under-/over-  
8 collection recorded in HPRBA-E, it would not pose a burden to the other customer classes.

9 Similarly, to the extent the interim rate waiver (HPWBA-E) creates a cost-shift, it is  
10 reasonable for all customers to pay because the EV-HP rate supports explicit state policy goals.  
11 The EV-HP rate waiver approved in Decision (D.) 20-04-009 was closed on June 1, 2022, and  
12 the revenue shortfall was recorded in the one-time balancing account HPWBA-E. The balance of  
13 HPWBA-E is \$5.4 million as of December 2023, which is ~0.1% of SDG&E's current system  
14 revenue requirement.<sup>9</sup> SBUA also argues that state policy, including Senate Bill (SB) 350 and  
15 Governor Gavin Newsom Executive Order (EO) N-79-20, which require reduction of carbon  
16 emissions via vehicle electrification for the benefit of all Californians, supports collection of EV-  
17 HP related over/under-collections from all ratepayers.<sup>10</sup> Accordingly, the Commission should

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<sup>7</sup> Per AL 4316-E at 3, the total amount billed to EV-HP customers was \$5,565,642, while the CTM costs to serve those same customers was \$5,637,541.

<sup>8</sup> *Id.*, (“Because the cost to serve electric customers vary significantly due to seasonal energy cost differences over the course of a year, data from a partial year skews the results. As such, in order to provide an accurate picture of the program, the CTM analysis needs to reflect the annual costs to serve a customer. Thus, the CTM analysis should only examine results of customers that have been enrolled on EV-HP rate for a full year.”).

<sup>9</sup> See AL 4344-E, Attachment B (December 2023 balance of \$5.4 million divided by current (January 2024) system revenue requirement of \$3,900 million).

<sup>10</sup> SBUA Prepared Direct Testimony (Reno) pp. 24-25.

1 reject Cal Advocates proposal to collect the balances in HPRBA-E and HPWBA-E from the M/L  
2 C&I Class only.

3 **2. SDG&E’s HPRBA-E and HPWBA–E Cost Recovery Proposal is**  
4 **Just and Reasonable and Would Reduce Complexity to its Model.**

5 SDG&E’s proposal to recover HPRBA-E and HPWBA-E from all customer classes is  
6 just and reasonable and promotes the Commission’s Rate Design Principles (RDPs) adopted in  
7 D.23-04-040, Ordering Paragraph (OP) 1. SDG&E’s EV-HP rate promotes the reduction of  
8 greenhouse gas emissions and electrification, consistent with RDP (d).<sup>11</sup> In this GRC  
9 proceeding, SDG&E has put forward several proposals to improve its rate design model and  
10 create efficiencies. Allowing cost recovery from SDG&E’s M/L C&I class only, as opposed to  
11 from all customers classes, would lead to additional administrative work and more complexity to  
12 SDG&E’s rate design models, with little added value. SDG&E would need to create at least four  
13 additional tabs in its model to be able to develop this specific cost recovery, leading to additional  
14 time for quality assurance and review for each rate change to ensure one-off rate designs, such as  
15 this, are accurate. SDG&E does not oppose the general principle of having separate cost  
16 recovery for specific items; however, given that the HPRBA-E has a minor under-collection that  
17 SDG&E expects will self-correct in 2025, and the fact that HPWBA-E is a one-time balancing  
18 account with a balance equal to only 0.1% of total revenues, SDG&E recommends that these  
19 balancing accounts follow the regulatory account true-up mechanism in SDG&E’s Tier 2 electric  
20 consolidated advice letter filing process. The Commission should adopt SDG&E’s position for  
21 collection from all customer classes as reasonable.

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<sup>11</sup> D.23-04-040, OP 1 (d) (“Rates should encourage economically efficient (i) use of energy, (ii) reduction of greenhouse gas emissions, and (iii) electrification.”).

1           **B.     Tariff Simplification**

2                   **1.     Combining Distribution and Commodity Tariffs Is Mere**  
3                   **Consolidation, Not Simplification**

4           In my revised direct testimony, in compliance with the 2019 GRC Phase 2 Settlement  
5 Agreement (Settlement Agreement) approved in D.21-07-010, SDG&E provided illustrative  
6 tariff examples for each rate class showing a tariff structure that combines both distribution and  
7 commodity rate components in one tariff. This exercise led to significantly increasing the  
8 number of tables and pages in each tariff, which SDG&E does not believe supports the  
9 simplification of tariffs.<sup>12</sup> Therefore, SDG&E offered an alternate proposal to include a note in  
10 SDG&E’s residential, small commercial, M/L C&I, and agricultural tariff schedules that will  
11 link customers to SDG&E’s Total Electric Rates website. Several parties take issue with  
12 SDG&E’s proposal.<sup>13</sup>

13           The City argues that SDG&E unilaterally decided that it would present the illustrative  
14 tariffs and would resist consolidation of commodity and Utility Distribution Company (UDC)  
15 tariffs.<sup>14</sup> SDG&E did not avoid efforts to simplify its tariffs resulting from the Settlement  
16 Agreement, nor did it put forth misleading arguments as the testimony contends. SDG&E  
17 committed to provide illustrative tariffs and to explore simplification of the tariffs by combining  
18 distribution and commodity rate components.<sup>15</sup> However, as presented in Attachment B of my

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<sup>12</sup> SDG&E Prepared Direct Testimony (Ch. 8, Luna), pp. EL-3 through– EL-4.

<sup>13</sup> *Id.*, p. EL-4.

<sup>14</sup> City of SD Prepare Direct Testimony (Monsen), p.13.

<sup>15</sup> *See* D.21-07-010, Settlement Agreement, Appendix B, Section 2.2.18.2 of 2019 GRC Phase 2 Settlement Agreement (“SDG&E agrees to provide an illustrative tariff example for each rate class as part of its next GRC Phase 2 Application or Rate Design Window (“RDW”) proceeding, whichever comes first, showing how a new simplified tariff structure would look as proposed by the City of San Diego in A.19-03-002. This simplified structure would show both the distribution and commodity portion of the rate together in the tariff. Once a Commission decision is issued in



1 revised direct testimony, the result of this approach is merely a consolidation of SDG&E's  
2 current tariffs and does not provide the simplification that the City and Farm Bureau seek.<sup>16</sup>

3 SDG&E disagrees with the general premise that consolidating commodity rates into an  
4 existing UDC rate schedule provides simplification or a more user-friendly tariff. SDG&E's  
5 opening testimony discusses the increased tariff length that will result, but there are other  
6 considerations for many of SDG&E's customers that the City is not taking into consideration.<sup>17</sup>  
7 Notably, a vast majority of SDG&E's customers do not take service on a combined commodity  
8 and UDC rate. At the time the 2019 GRC Phase 2 Settlement Agreement was signed in October  
9 2020, only 1% of SDG&E's customers had departed. In 2024, approximately 80% of SDG&E's  
10 customers will be unbundled—*i.e.*, have transitioned to receiving commodity service from a  
11 different energy service provider such as a Community Choice Aggregator (CCA).<sup>18</sup> These  
12 customers only receive the UDC portion of their bill from SDG&E. Any value that may have  
13 resulted from consolidating commodity and distribution tariffs in the past, has greatly diminished  
14 in the present reality of commodity service in SDG&E's territory.

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the next GRC Phase 2 or RDW, SDG&E will make the necessary adopted changes to all relevant tariffs and effectuate them through the advice letter process.”).

<sup>16</sup> Farm Bureau seconds the City's argument and states that there is value in having all pertinent rate information contained in the tariff sheets even if this approach does increase the length of the rate tariff sheets. Farm Bureau Prepared Direct Testimony (Reed), p. 7.

<sup>17</sup> SDG&E also notes that its illustrative tariff does not include special conditions or applicability. If the consolidation the City seeks includes these conditions, the number of tariff pages will significantly increase. SDG&E further notes that any upcoming commodity rate additions, such as real-time-pricing rates or changes to the PCIA, as requested by the CCAs, would also increase the complexity and number of variations in a single tariff, thereby also significantly increasing the tariff pages numbers.

<sup>18</sup> By the end of 2024, SDG&E expects to have 1.2 million meters of the approximately 1.5 million total meters served by CCAs.

1           Additionally, it is important to note that in the last SDG&E GRC Phase 2, in addition to  
2 agreeing to put forth consolidated illustrative tariffs in the GRC Phase 2, SDG&E also agreed to  
3 create a web-based Total Electric Rates link for all M/L C&I and agricultural customers.  
4 SDG&E complied with this provision as illustrated here (*see* [https://www.sdge.com/total-  
6 electric-rates](https://www.sdge.com/total-<br/>5 <u>electric-rates</u>) ).<sup>19</sup> SDG&E’s analytics show that in the last six months, this webpage received  
7 45,479 pageviews, as compared to 19,164 pageviews to SDG&E’s main tariff webpage. These  
8 numbers would suggest that the parties’ efforts in the last GRC Phase 2 to provide customer  
9 understandability via the Total Electric Rates Webpage was successful and that the tariff landing  
10 page is simply not the preferred method for viewing rates.

11           If the Commission determines that tariff simplification is a priority in this GRC Phase 2,  
12 SDG&E proposes an all-party workshop for all Medium and Large Commercial and Industrial  
13 customers and all agricultural customers, with the potential for customer participation.<sup>20</sup>  
14 SDG&E has numerous non-City customers that should weigh in on whether consolidated tariffs  
15 are useful or whether there are other changes that could effectuate the goal of simplification.  
16 Customers have been operating under the current tariff system for some time and many may  
17 consider a change without substance to be more confusing than it is worth.

18           The workshop could also consider the length of time necessary to execute any changes.  
The City’s current proposal of 60 days<sup>21</sup> for execution of such a significant change to tariffs is

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<sup>19</sup> See D.21-07-010, Settlement Agreement, Appendix B, Section 2.2.18.1.

<sup>20</sup> SDG&E is excluding residential customers from this proposed workshop for a number of reasons. For one, SDG&E already has consolidated residential tariffs and it would be confusing to add them given this fact. Further, residential tariffs will likely see significant redesign in the coming years due to residential rate reform in Demand Flexibility OIR Rulemaking 22-07-005. Thus, any further redesign of residential tariffs at this time is premature.

<sup>21</sup> City of SD Prepared Direct Testimony (Monsen) p. 16.

1 insufficient if SDG&E is to perform the requested changes. Tariff sheets are created by  
2 manually linking to SDG&E's rates model which is currently not structured in the same format  
3 as tariff sheets. This is a large undertaking given that SDG&E's Tariff Management system has  
4 very specific requirements given the breadth and complexity of the tariffs it maintains. For this  
5 reason, SDG&E would need at least eight months to consolidate the tariffs as requested in an  
6 efficient and accurate manner.

7 **2. The Tariffs and the Total Electric Rates Website in their Current**  
8 **Structure Provide Valuable Information for Customers to**  
9 **Understand their Bills.**

10 The City argues that SDG&E should restructure its tariffs to consolidate all UDC and  
11 commodity charges into a single tariff to make them more comparable to the tariffs of the other  
12 large electric utilities.<sup>22</sup> It is true that SDG&E's tariffs do not look exactly like Pacific Gas &  
13 Electric Company or Southern California Edison Company tariffs. But there is no requirement  
14 that the electric investor-owned utilities' tariffs be exactly the same. SDG&E's tariffs  
15 purposefully provide a disaggregated view of the various components of a given rate and given  
16 that most of SDG&E's customers (unbundled customers) need a disaggregated view, it is  
17 SDG&E's position that its tariff structure is appropriate for its service territory.

18 Farm Bureau further proposes that SDG&E provide the combined UDC and commodity  
19 rate components in two different locations (the tariff sheets and on the Total Electric Rates  
20 website) to provide greater transparency and opportunity for customers to understand their  
21 rates.<sup>23</sup> SDG&E disagrees with this proposal because it believes that tariff sheets and Total  
22 Electric Rates website provide two different avenues for customers to understand their bills.

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<sup>22</sup> *Id.*

<sup>23</sup> Farm Bureau Prepared Direct Testimony (Reed), p. 7.

1 SDG&E provides its customers with comprehensive tariff sheets that provide the details and  
2 discussion behind their rates. SDG&E supplements this with a simple to navigate website that  
3 combines everything into a total rate, including any discounts such as CARE or Medical  
4 Baseline. The Total Electric Rates website provides value to those customers seeking to  
5 understand their applicable rate in aggregate. It is unnecessary to include all tariff language in  
6 the Total Electric Rates website and to include all commodity + distribution language in  
7 individual tariffs. The two methods for understanding rates are meant to be complementary and  
8 different, not to provide all information in two different places.

9 SDG&E's Total Electric Rates website complies with the requirements of the 2019 GRC  
10 Phase 2 Settlement Agreement<sup>24</sup> and provides customers a simplified snapshot to determine their  
11 total rate. Further, the online presentation is not bound by the borders of a tariff sheet on a 9 x 11  
12 sheet of paper. The Total Electric Rates website coupled with the SDG&E tariffs as currently  
13 designed represents a unique approach to engage the customer and provide them a place to find  
14 both the details behind their rates, and a high-level landing page to give them a quick snapshot of  
15 their total rate.

### 16 **C. Expanded (Non-Residential) CARE Rate Design Update**

17 SDG&E proposed to increase the line-item discount provided to non-residential CARE  
18 (Expanded CARE or E-LI) customers from 20% to 35%, remove the embedded discount in  
19 commodity rates, and move customers to their applicable TOU commodity tariffs. No parties  
20 expressed opposition to this proposal and it was expressly supported by Cal Advocates.<sup>25</sup> As  
21 shown in Cal Advocates' prepared testimony, the bill impacts analysis presented in Table 8-2

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<sup>24</sup> See D.21-07-010, Settlement Agreement, Appendix B, Section 2.2.18.1.

<sup>25</sup> Cal Advocates Prepared Testimony (Ch. 8, Marquez), p. 8-12.

1 show that the majority of CARE small commercial customers would benefit from SDG&E's  
2 proposal.<sup>26</sup> Furthermore, Cal Advocates' Table 8-3 shows that most non-CARE small  
3 commercial customers would not be negatively impacted by this change in rate design  
4 methodology.<sup>27</sup> Accordingly, the Commission should adopt SDG&E's proposal.

### 5 **III. CONCLUSION**

6 To summarize, SDG&E requests that the Commission adopt its rate recovery proposals to  
7 recover the EV-HP Rate and Interim Rate Waiver under-/over-collections from all customer  
8 classes, as it is just and reasonable. The Commission should reject the City and Farm Bureau's  
9 proposals to modify SDG&E's tariff structure, as they would result in tariffs that do not benefit  
10 customers' understanding of their bills and would be burdensome and impractical to implement.  
11 Finally, the CPUC should adopt SDG&E's proposal to update the current rate design for non-  
12 residential CARE, as it is designed to reduce complexity of SDG&E's models and it will benefit  
13 non-residential CARE customers.

14 This concludes my prepared rebuttal testimony.

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<sup>26</sup> *Id.*, Table 8-2 at p. 8-10.

<sup>27</sup> *Id.*, Table 8-3 at p. 8-11.