Exhibit No.: SDGE-10-R
Proceeding No.: A. 23-01-008
Witness: William G. Saxe
Date: May 17, 2024

REVISED SUPPLEMENTAL TESTIMONY OF

RAY UTAMA (ADOPTED BY WILLIAM G. SAXE)

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

(RESIDENTIAL SEASONAL RATE DESIGN)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 17, 2024

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REVISED SUPPLEMENTAL TESTIMONY OF RAY UTAMA (ADOPTED BY WILLIAM G. SAXE) ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

I. INTRODUCTION

On January 17, 2023, San Diego Gas & Electric Company (SDG&E) filed its Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design (Application).[1] SDG&E is submitting this supplemental testimony pursuant to the June 5, 2023 Assigned Commissioner's Scoping Memo and Ruling, June 23, 2023 Administrative Law Judge's (ALJ) Ruling Requesting SDG&E to File Supplemental Testimony With Approved 2023 Sales Forecast, and August 2, 2023 e-mail ruling modifying the procedural schedule. Accordingly, SDG&E hereby submits this supplemental testimony.

SDG&E Witness William G. Saxe adopts this chapter of testimony on May 17, 2024. As the testimony of Mr. Utama is referenced by name in other chapters of testimony, SDG&E is retaining his name in the title to avoid confusion.

The purpose of this prepared supplemental testimony is to present SDG&E's proposal to: 1) moving the seasonal differential from the Total Rate Adjustment Component (TRAC) rate component to the commodity rate component for all residential tiered rate schedules,[2] and 2) adjust the distribution super off-peak (SOP) rate for Schedule EV-TOU-5 for recovery of marginal distribution costs. SDG&E did not address these two issues in its January 17, 2023 Prepared Direct Testimony because, at that time, SDG&E expected residential rate design issues to be scoped in Track A of the Demand Flexibility Order Instituting Rulemaking (DFOIR).[3]

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1 *See* A.23-01-008.

2 The seasonal differential adjustment was previously adopted by the California Public Utilities Commission (Commission) in Decisions (D.) 20-04-007, 20-06-006, and D.21-03-003.

3 Rulemaking (R.) 22-07-005, Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates (July 14, 2022).

However, on the same day direct testimony was served in this proceeding, a ruling was issued in the DFOIR that clarified the scope of that proceeding and excluded residential rate design issues like the two issues being presented here.[4] Accordingly, at the Prehearing Conference held on May 10, 2023, SDG&E moved, pursuant to Rule 11.1(c), for permission to file this supplemental testimony to revise its residential rate design.[5]

This testimony supports SDG&E's request for approval from the Commission to:

- Move the seasonality adjustment in residential tiered rate schedules from the Utility Distribution Charge (UDC) TRAC rate component to the commodity rate component.[6]
    - For residential tiered non-TOU rate schedules: SDG&E proposes to update the commodity rate design to a non-seasonal flat volumetric rate.
    - For residential tiered TOU rate schedules: SDG&E proposes to 1) allocate a portion of summer generation capacity costs to winter rates, 2) adjust the commodity revenue collected between summer and winter to be more proportional, and 3) set the summer SOP period commodity rate to marginal cost to better preserve the lower SOP total rates that are in effect today and lessen bill impacts for customers.
- Adjust the distribution SOP rate for Schedule EV-TOU-5 to ensure recovery of marginal distribution costs.

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[4] R.22-07-005, ALJ's Ruling Providing Guidance for Phase 1 Track A Proposals and Requesting Comments on a Consulting Services Proposal (January 17, 2023), that parties shall conform with the Staff's guidance memo for Phase 1 Track A.

[5] *See* Prehearing Conference Transcript Vol. 1 (May 10, 2023) at 18.

[6] SDG&E is not seeking any seasonality adjustments to the residential untiered TOU rates for reasons addressed in detail below.

This supplemental testimony presents proposed rate adjustments for the residential customer class only, and illustrative rates presented are compared to and are revenue neutral to rates effective January 1, 2023.[7]

This testimony is organized as follows:

- **Section II – Overview of SDG&E's Residential Electric Rate Components**
- **Section III – Background on SDG&E's Seasonality Proposal**
- **Section IV – Overview of SDG&E's Seasonality Proposal**
- **Section V – Overview of Schedule EV-TOU-5 Proposal**
- **Section VI – Conclusion**
- **Section VII – Witness Qualifications**

II. OVERVIEW OF SDG&E'S RESIDENTIAL ELECTRIC RATE COMPONENTS

SDG&E's residential electric rates consist of the following rate components:

- UDC: Charge for delivery of electricity to all SDG&E's customers. The total UDC rates include charges for: Transmission, Distribution, Public Purpose Programs (PPP), Nuclear Decommissioning (ND), Competition Transmission Charge (CTC), Local Generation Charge (LGC), Reliability Services (RS), TRAC, California Wildfire Fund Non-Bypassable Charge (WF-NBC) and Department of Water Resources Bond Charge (DWR-BC).
- Commodity: Charge for electricity provided to SDG&E's bundled customers, including costs associated with electric generation and procurement from both utility-owned generation and third-party Power Purchase Agreements (PPAs). Also known as Electric Energy Commodity Cost (EECC) rates.

[7] *See* Advice Letter (AL) 4129-E; references to current rates in this supplemental testimony reflect rates effective as of January 1, 2023.

Electric rates for SDG&E's bundled customers include the rate components listed above and departed load or unbundled customers are charged UDC rates for the electric delivery portion.[8] The commodity rate components for departed load (aka unbundled customers) are set separately by the customer's energy service provider.

III. BACKGROUND ON SDG&E'S SEASONALITY PROPOSAL

In A.19-09-014, SDG&E proposed the elimination of the seasonal differential between summer and winter rates in all of its residential rates, in order to reduce seasonal bill volatility. The Commission issued three decisions related to A.19-09-014, each discussed below, which resulted in an inconsistent approach to rate design between tiered rates and untiered rates. It is this inconsistency that SDG&E is seeking to remedy in this supplemental testimony.

In the first Decision, D.20-04-007, the Commission approved the partial removal of the seasonal differential for SDG&E's residential tiered *non-TOU* rate schedules. The seasonal differential was only partially removed, as a result of the decision, total bundled rates were the same year-round, but UDC rates still contained a seasonal differential that was adjusted as commodity rates changed seasonally.[9] In compliance with the decision, SDG&E removed the seasonal differential by adjusting the TRAC, a component of UDC rates, for tiered non-TOU residential rate schedules DR, DM, DS, DT, and DT-RV effective as of June 1, 2020.[10]

Subsequently, in D.20-06-006, the Commission adopted a modification to the seasonal differential for SDG&E's default residential tiered TOU rate schedule, Schedule TOU-DR1, "whereby summer prices are slightly reduced and winter prices are slightly raised by adjusting

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[8] Customers receiving commodity service from SDG&E are referred to as "bundled" customers, while customers receiving service from another energy service provider are "departed load" or "unbundled" customers.

[9] D.20-04-007, Ordering Paragraph (OP) 2.

[10] Per AL 3536-E.

the Total Rate Adjustment Component."[11] In compliance with the decision, SDG&E adjusted the TRAC rate component for schedule TOU-DR1, effective as of July 1, 2020.[12] This adjustment resulted in reduced seasonal rate differential and reduced total bill volatility between summer and winter for bundled customers on TOU-DR1 (on a total rate basis), but increased seasonal bill volatility for the electric delivery portion of the bill.

Finally, in D.21-03-003, the Commission adopted a modification to the seasonal differential for residential untiered TOU rate schedules, which reduces seasonal bill volatility by adjusting the commodity rate component to spread marginal generation costs from summer to winter months.[13] Accordingly, SDG&E adjusted the commodity rates for residential untiered TOU rate schedules DR-SES, EV-TOU, EV-TOU-2, and EV-TOU-5, effective as of June 1, 2021.[14] Additionally, pursuant to D.21-03-003, SDG&E also modified its opt-in residential tiered TOU rate schedules, Schedules TOU-DR, TOU-DR-P and TOU-DR2, to conform with the rate design approved in D.20-06-006[15] and adjusted the TRAC rate component for schedules TOU-DR, TOU-DR-P and TOU-DR2, effective as of June 1, 2021.[16]

These decisions approved seasonality adjustments increased winter rates and decreased summer rates for the purpose of establishing more consistent, less volatile, residential customer bills throughout the year.[17] However, different methodologies were approved to adjust the seasonal differential from SDG&E's residential rates depending on whether or not the rates had a baseline adjustment/credit.[18] At the time of the seasonality proceeding, SDG&E determined that

[11] D.20-06-006, OP 1.
[12] Per AL 3556-E.
[13] D.21-03-003, OP 7.
[14] Per AL 3756-E.
[15] D.21-03-003, OP 7.
[16] Per AL 3756-E.
[17] D.20-04-007, D.20-06-006, and D.21-03-003.
[18] D.20-04-007, D.20-06-006, and D.21-03-003.

TRAC was the simpler option to adjust seasonal differentials for *only* residential tiered rate schedules, which also retained the current seasonal commodity price signals. Table RU-1 below displays the rate component that is adjusted to remove or reduce seasonality from each SDG&E residential rate schedule.[19] As Table RU-1 shows, the methodology is not consistent across all SDG&E's residential rate schedules. This inconsistent methodology results in significant seasonal bill volatility for the electric delivery portion of the bill for residential customers taking service on tiered rate schedules, and does not reflect the cost causation of electric delivery costs shown in the prepared revised direct testimony of SDG&E witness William Saxe.

Table RU-1: Residential Seasonality Adjustment Rate Component by Rate Schedules

Rate Schedule	Tiered/Untiered	Seasonality Adjustment Rate Component
DR	Tiered	UDC/TRAC
DM/DS/DT/DT-RV (Master Metered schedules)	Tiered	UDC/TRAC
TOU-DR1	Tiered	UDC/TRAC
TOU-DR2	Tiered	UDC/TRAC
TOU-DR	Tiered	UDC/TRAC
DR-SES	Untiered	Commodity
EV-TOU	Untiered	Commodity
EV-TOU-2	Untiered	Commodity
EV-TOU-5	Untiered	Commodity
TOU-ELEC[20]	Untiered	Commodity

As stated in D.20-04-007 and D.20-06-006, the intent of the Commission in removing the seasonal differential in SDG&E's residential tiered rate schedules was to 1) reduce seasonal bill

[19] SDG&E notes that Table RU-1 provides the seasonality *adjustment* rate component. There is typically seasonality in tiered rate schedules in the commodity rate component by virtue of cost-based commodity pricing, but SDG&E is seeking to remove the seasonality adjustment for residential tiered rate schedules from the UDC/TRAC rate component and include it in the commodity rate component only, similar to the treatment of residential untiered TOU rate schedules.

[20] TOU-ELEC was implemented on February 1, 2023, per AL 4152-E and therefore was not part of the decisions resulting from A.19-09-014. However, commodity rates are adjusted to redistribute commodity generation capacity costs and moderate seasonal differences through the commodity rate component.

instability and promote stable rates for tiered non-TOU rate schedules[21] and 2) reduce seasonal bill volatility by increasing average winter bills to address high summer bills faced by tiered TOU rate schedules.[22] This was achieved by increasing the TRAC rate component in the winter and lowering it in the summer, offsetting the electric commodity rates which are higher in summer and lower in winter, to provide more stable bills throughout the year. Because the TRAC rates for residential tiered rate schedules contain the seasonal adjustment, the total UDC rates are higher in the winter season than in the summer, as seen below in Table RU-2.

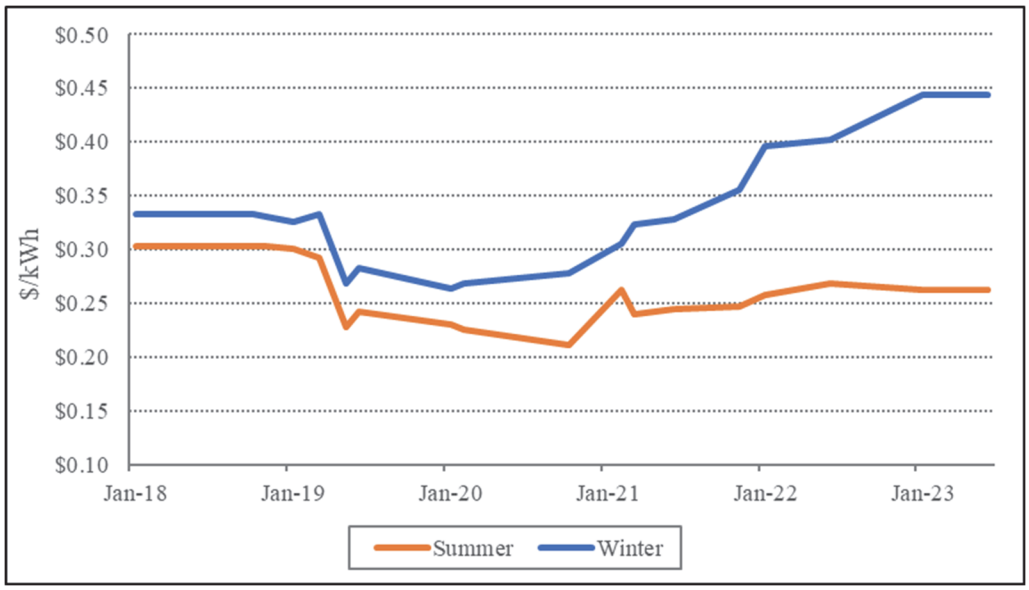
Table RU-2: Present Effective (1/1/23) UDC Rates: TOU-DR1

Schedule TOU-DR1 Effective 1/1/23	Trans-mission ($/kWh)	Distri-bution ($/kWh)	PPP ($/kWh)	ND ($/kWh)	CTC ($/kWh)	LGC ($/kWh)	RS ($/kWh)	TRAC ($/kWh)	WF-NBC ($/kWh)	DWR-BC ($/kWh)	TOTAL UDC ($/kWh)
Summer:											
On-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	(0.00748)	0.00530	0.00000	**0.26282**
Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	(0.00748)	0.00530	0.00000	**0.26282**
Super Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	(0.00748)	0.00530	0.00000	**0.26282**
Winter:											
On-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	0.17309	0.00530	0.00000	**0.44339**
Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	0.17309	0.00530	0.00000	**0.44339**
Super Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	0.17309	0.00530	0.00000	**0.44339**
Baseline Adj Credit	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	(0.11724)	0.00000	0.00000	**(0.11724)**

In addition, the difference between the UDC rates between winter and summer seasons for residential tiered rate schedules has gotten significantly wider since 2021 due to increasing electric commodity costs. As mentioned above, the TRAC sub-component of the total UDC rate offsets the seasonally differentiated electric commodity rates to achieve more stable bills throughout the year. So as the difference between summer and winter electric commodity rates increase, the seasonal difference in TRAC rate components will also inversely increase. Table RU-3 shows the growing difference between summer and winter UDC rates from 2018.

[21] D.20-04-007, Conclusions of Law 5 at 36.
[22] D.20-06-006 at 10.

Table RU-3: Historical Summer vs. Winter UDC Rates: TOU-DR1



Therefore, customers on tiered rate schedules see significantly higher UDC rates for the electric delivery portion of the bill in winter than in summer. For example, an average non-California Alternate Rates for Energy (CARE) residential customer using 400 kWh taking service on tiered Schedule TOU-DR1 would see an electric delivery portion of the bill of approximately $142/month in the winter, as compared to $68/month in the summer, which is 107% higher.[23]

Furthermore, a significant portion of SDG&E's customers are now receiving commodity service from Community Choice Aggregators (CCA). "Departed load" or "unbundled" customers receive the electric delivery portion of their bill from SDG&E and commodity charges from their applicable energy service provider for the energy that they consume. As shown above, their electric delivery portion of their bills are significantly different between summer and winter months. SDG&E's proposal to move the seasonal differential adjustment to the

[23] Average bill impacts calculated using present rates effective on January 1, 2023, with winter months being November to May and summer months being June to October. All illustrative average bill impacts shown in this testimony do not include the biannual California Climate Credit.

commodity rate component for tiered rate schedules will provide customers with more predictable electric delivery portion of the bill throughout the year.

This approach also complies with the recently updated Rate Design Principles (RDP) #3 where "rates should be based on cost causation" and #7 where "customers should be able to understand their rates."[24] As shown in the prepared revised direct testimony of SDG&E witness William Saxe, the majority of distribution costs are not driven by seasonal differences.[25] Except for a very small portion of distribution summer on-peak demand-related cost,[26] there is no basis for SDG&E's UDC rates to be seasonally differentiated, let alone significantly higher rates in the winter. Additionally, consistent UDC rates will create less customer confusion due to a more consistent electric delivery portion of their bills throughout the year.

This proposed approach for all residential tiered rate schedules is consistent with the commodity rate design currently effective for SDG&E's residential untiered TOU rate schedules,[27] and restores the TRAC rate component function to its original purpose, which is to provide a baseline adjustment for SDG&E's residential tiered rate schedules based on a set tier differential,[28] not to adjust the seasonality component.

A. The Purpose of TRAC

SDG&E has two types of residential rate schedules: tiered and untiered; they are further categorized as TOU or non-TOU rates. SDG&E's former residential default rate (Schedule DR) and its current residential default rate (Schedule TOU-DR1) are tiered rates, with the latter also being a TOU rate. Residential tiered rate schedules have a daily baseline allowance of

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[24] *See* D.23-04-040, OP 1(c) and (g).
[25] Prepared Revised Direct Testimony of William G. Saxe on Behalf of SDG&E, Chapter 4 (September 29, 2023), Attachment B.3.
[26] *Id.*
[27] D.21-03-003 at 28-29.
[28] D.15-07-001.

discounted "Tier 1" energy, which is based on the customer's service type (basic or all-electric), the climate zone where they live, and the season (summer or winter). The discounted Tier 1 energy is shown as either a lower baseline volumetric rate or in the form of a "Baseline Adjustment Credit" that offsets the energy charges. TRAC is the rate component designed to discount the Tier 1 baseline energy rate using a set differential and recover the cost of subsidized Tier 1 energy through the upper tier rates to ensure compliance with tier differential requirements, all while keeping the rates revenue neutral.

B. Current Untiered Seasonal Residential Rate Design

SDG&E has five residential untiered TOU rate schedules: DR-SES, EV-TOU, EV-TOU-2, EV-TOU-5, and TOU-ELEC. Untiered rates do not have tiers, and therefore, do not contain a TRAC rate component and the seasonality adjustments contained therein. Pursuant to D.21-03-003, to reduce summer bill volatility by lowering summer rates and raising winter rates, SDG&E adjusted the commodity rate component, also known as the EECC rate component, for its residential untiered TOU rate schedules.[29] SDG&E is now proposing to utilize this method for residential tiered rate schedules as a better and more consistent way to close the gap between summer and winter bills and reduce seasonal bill volatility.

In D.21-03-003, the Commission adopted a settlement that was consistent with SDG&E's originally proposed rate design modifications and rate and bill impacts, intended to reduce summer bill volatility such that "average summer bills would decrease 4-5 percent and average winter bills would increase 4-5 percent."[30] Pursuant to the terms of the settlement, SDG&E adjusted the recovery of the summer on-peak generation demand cost and the summer generation capacity cost by shifting a portion of those costs to be recovered in the winter months.

[29] D.21-03-003 at 28-29.
[30] *Id.* at 30-32.

Pursuant to D.21-03-003, the recovery of the summer generation capacity costs for residential untiered TOU rate schedules is split between summer and winter using the ratios shown in Table RU-4 below. By allocating a portion of summer generation capacity costs to winter rates, average monthly summer bills for customers on the residential untiered TOU rate schedules were lowered by approximately four percent, offset by an increase of the average monthly winter bills by approximately the same percentage.[31]

Table RU-4: Current Residential Untiered TOU Rate Schedules
Generation Capacity Cost Recovery

Generation Capacity Cost Recovery Ratios For Untiered TOU Rate Schedules	Summer (%)	Winter (%)
Summer On-Peak Generation Capacity Cost	90	10
Summer Off-Peak Generation Capacity Cost	60	40

IV. OVERVIEW OF SDG&E'S SEASONALITY PROPOSAL

As discussed above, SDG&E proposes to eliminate the seasonal differential in residential tiered rate schedules by moving the seasonal differential adjustment from the UDC TRAC rate component to the commodity rate component, which is consistent with the treatment of residential untiered TOU rate schedules. The proposals presented in this application are designed to reduce seasonal volatility on the electric delivery portion of customer bills, promote rate design consistency, minimize impacts to customers, and meet the intent of the Commission's prior decisions to reduce seasonal bill volatility for residential customers throughout the year. Each of SDG&E's proposals are described in more detail below.

A. Removal of the Seasonal Differential From TRAC

SDG&E proposes to remove the seasonal differential adjustment in the TRAC rate component for all residential tiered (TOU and non-TOU) rate schedules. As stated above, the

[31] D.21-03-003 at 30.

original purpose of TRAC was to design tier differentials and ensure revenue neutrality by subsidizing Tier 1 baseline volumetric energy rates and recovering the costs through the upper tier rates--not to adjust the seasonality component of residential rates.[32]

SDG&E's proposed design will result in a more predictable and cost-based electric delivery portion of customer bills throughout the year. Table RU-5 below shows current and illustrative proposed rates for SDG&E's default residential tiered TOU rate schedule, Schedule TOU-DR1. Additionally, Tables RU-6 and RU-7 break out the current and illustrative proposed UDC rates by each individual rate component. As seen below, under SDG&E's proposal, total UDC rates for TOU-DR1 will be the same in both winter and summer months. Under these illustrative rates, a typical residential customer would see a monthly electric delivery portion of the bill of approximately $107 year-round,[33] providing improved bill stability and predictability.

Table RU-5: Present and Illustrative Proposed Total UDC Rates: TOU-DR1[34]

Schedule TOU-DR1 Total UDC Rate	Present Effective 1/1/23 ($/kWh)	Illustrative Proposed ($/kWh)
Summer:		
On-Peak	0.26282	0.35407
Off-Peak	0.26282	0.35407
Super Off-Peak	0.26282	0.35407
Winter:		
On-Peak	0.44339	0.35407
Off-Peak	0.44339	0.35407
Super Off-Peak	0.44339	0.35407
Baseline Adjustment Credit	(0.11724)	(0.11283)

[32] Per D.05-12-003 at 13 and pursuant to AL-1756-E-A (February 1, 2006), although TRAC was initially renamed by the Commission as the "2006 Rate Design Settlement Component."

[33] Average bill impacts do not include the biannual California Climate Credit.

[34] All UDC rates presented in this testimony include the Wildfire Fund Nonbypassable Charge (WF-NBC) and Department of Water Resources Bond Charge credit (DWR-BC).

Table RU-6: Present Effective (1/1/23) UDC Rates: TOU-DR1

Schedule TOU-DR1 Effective 1/1/23	Trans-mission ($/kWh)	Distri-bution ($/kWh)	PPP ($/kWh)	ND ($/kWh)	CTC ($/kWh)	LGC ($/kWh)	RS ($/kWh)	TRAC ($/kWh)	WF-NBC ($/kWh)	DWR-BC ($/kWh)	TOTAL UDC ($/kWh)
Summer:											
On-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	(0.00748)	0.00530	0.00000	**0.26282**
Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	(0.00748)	0.00530	0.00000	**0.26282**
Super Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	(0.00748)	0.00530	0.00000	**0.26282**
Winter:											
On-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	0.17309	0.00530	0.00000	**0.44339**
Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	0.17309	0.00530	0.00000	**0.44339**
Super Off-Peak	0.07340	0.15068	0.02546	0.00007	0.00153	0.01383	0.00003	0.17309	0.00530	0.00000	**0.44339**
Baseline Adj Credit	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	(0.11724)	0.00000	0.00000	**(0.11724)**

Table RU-7: Illustrative Proposed UDC Rates: TOU-DR1

Schedule TOU-DR1 Illustrative	Trans-mission ($/kWh)	Distri-bution ($/kWh)	PPP ($/kWh)	ND ($/kWh)	CTC ($/kWh)	LGC ($/kWh)	RS ($/kWh)	TRAC ($/kWh)	WF-NBC ($/kWh)	DWR-BC ($/kWh)	TOTAL UDC ($/kWh)
Summer:											
On-Peak	0.07340	0.15050	0.02445	0.00007	0.00153	0.01383	0.00003	0.08496	0.00530	0.00000	**0.35407**
Off-Peak	0.07340	0.15050	0.02445	0.00007	0.00153	0.01383	0.00003	0.08496	0.00530	0.00000	**0.35407**
Super Off-Peak	0.07340	0.15050	0.02445	0.00007	0.00153	0.01383	0.00003	0.08496	0.00530	0.00000	**0.35407**
Winter:											
On-Peak	0.07340	0.15050	0.02445	0.00007	0.00153	0.01383	0.00003	0.08496	0.00530	0.00000	**0.35407**
Off-Peak	0.07340	0.15050	0.02445	0.00007	0.00153	0.01383	0.00003	0.08496	0.00530	0.00000	**0.35407**
Super Off-Peak	0.07340	0.15050	0.02445	0.00007	0.00153	0.01383	0.00003	0.08496	0.00530	0.00000	**0.35407**
Baseline Adj Credit	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	(0.11283)	0.00000	0.00000	**(0.11283)**

B. Commodity Rate Proposal

Currently, SDG&E's commodity rates, also known as EECC rates, are based on SDG&E's marginal commodity study from SDG&E's 2019 GRC Phase 2.[35] Consistent with the prepared revised direct testimony of SDG&E witness Samantha Pate, SDG&E is not proposing to update its commodity rates with the 2024 marginal commodity cost study cost-based rates presented in the prepared revised direct testimony of SDG&E witness Jeff DeTuri.[36] Concurrent with removing seasonality from TRAC, SDG&E is proposing the following revisions to bundled

[35] A.10-07-009/A.19-03-002, Second Revised Prepared Direct Testimony of Benjamin Montoya on Behalf of SDG&E, Chapter 6 (January 15, 2020), updated for the final customer class division adopted in D.21-07-010.

[36] Prepared Revised Direct Testimony of Samantha Pate, Chapter 1 (September 29, 2023), Section III. B.

customer commodity rates for all of its residential tiered rate schedules to maintain reduced customer bill volatility and achieve consistent rate design between tiered and untiered rates:

- For SDG&E's residential tiered non-TOU rate schedules, in order to remove seasonality from TRAC but maintain a non-seasonal total rate year-round as intended in D.20-04-007,[37] SDG&E is proposing a non-seasonal volumetric commodity rate.
- For SDG&E's residential tiered TOU rate schedules, in order to minimize impacts to customers, SDG&E is proposing three adjustments to commodity rates. First, SDG&E is proposing to move a portion of the generation capacity costs from the summer to the winter, similar to SDG&E's approved commodity rate design for untiered TOU rate schedules. Second, SDG&E is proposing to adjust the amount of commodity revenue collected in summer and winter to be more evenly distributed. Third, in order to minimize bill impacts for customers, provide as much consistency as possible, and maintain larger TOU differentials, SDG&E proposes to set the summer SOP period commodity rate to marginal cost. These proposals are described in more detail below.

1. Tiered Non-TOU Rate Schedules: Consistent Summer and Winter Commodity Rates

Currently, in order to achieve total tiered rates that are the same between summer and winter, SDG&E adjusted the UDC TRAC rate to offset the seasonally differentiated EECC rates. In this testimony, SDG&E proposes to remove the UDC TRAC seasonality adjustment and design a flat, non-seasonal volumetric EECC rate for SDG&E's tiered non-TOU rate schedules (Schedules DR, DM, DS, DT and DT-RV). As shown in Tables RU-8 and RU-9 below, with the seasonality adjustment removed from TRAC and a flat non-seasonal volumetric EECC rate,

[37] D.20-04-007, OP 2.

SDG&E's tiered non-TOU rate schedules will result in total rates that are constant, by tier, throughout the year.

Table RU-8: Present Effective 1/1/23 DR Rates

Effective 1/1/23 Schedule DR	Total UDC ($/kWh)	EECC ($/kWh)	Total Rate ($/kWh)
Summer:			
Up to 130% of Baseline Energy	0.14558	0.30687	0.45245
Above 130% of Baseline Energy	0.26282	0.30687	0.56969
Winter:			
Up to 130% of Baseline Energy	0.32615	0.12630	0.45245
Above 130% of Baseline Energy	0.44339	0.12630	0.56969

Table RU-9: Illustrative Proposed DR Rates

Illustrative Proposed Schedule DR	Total UDC ($/kWh)	EECC ($/kWh)	Total Rate ($/kWh)
Summer:			
Up to 130% of Baseline Energy	0.24124	0.19418	0.43542
Above 130% of Baseline Energy	0.35407	0.19418	0.54825
Winter:			
Up to 130% of Baseline Energy	0.24124	0.19418	0.43542
Above 130% of Baseline Energy	0.35407	0.19418	0.54825

2. Tiered TOU Rates: Summer Generation Capacity Cost Recovery Adjustment

For residential tiered TOU rate schedules (Schedules TOU-DR, TOU-DR1, and TOU-DR2), SDG&E is proposing three adjustments, the first of which is to modify the EECC rate components by first adjusting the recovery of generation capacity costs. SDG&E proposes to adjust the recovery of generation capacity costs for its residential tiered TOU rate schedules to be consistent with the methodology adopted and currently effective in SDG&E's residential untiered TOU rate schedules.[38] Currently, SDG&E collects commodity generation capacity

[38] Pursuant to D.21-03-003, for optional untiered TOU residential rates, SDG&E to adjust commodity rate component by spreading the generation capacity costs from summer to winter.

costs for its residential tiered TOU rate schedules over the summer months in both the On-Peak and Off-Peak periods, consistent with its 2019 GRC Phase 2 marginal commodity cost study.[39] SDG&E's proposed tiered TOU ratios in this testimony are consistent with the ratios adopted in D.21-03-003 for SDG&E's untiered TOU residential rate schedules, as shown in Table RU-4. Table RU-10 below shows SDG&E's current and proposed generation capacity cost recovery ratios by season and TOU period for tiered TOU rates. This methodology of generation capacity cost recovery will achieve consistency in EECC rate design among residential tiered and untiered TOU rate schedules. SDG&E is not proposing any changes to the commodity rate design for untiered TOU rate schedules.

Table RU-10: Current and Proposed Residential Tiered TOU Rate Schedules Generation Capacity Cost Recovery[40]

Generation Capacity Cost Recovery Ratios	Current		Proposed	
	Summer (%)	Winter (%)	Summer (%)	Winter (%)
Summer On-Peak Generation Capacity Cost	100	0	90	10
Summer Off-Peak Generation Capacity Cost	100	0	60	40

3. Tiered TOU Rates: Seasonal Revenue Adjustment

The second proposed adjustment to tiered TOU rates, is a seasonal revenue adjustment. After making the above-described adjustment to generation capacity costs, SDG&E compared illustrative typical seasonal bills for its residential customers on tiered TOU rates and found that additional adjustments were needed to further moderate the differential between seasons. Therefore, in order to reduce seasonality differentials further and remain more aligned with the

[39] A.10-07-009/A.19-03-002, Second Revised Prepared Direct Testimony of Benjamin Montoya on Behalf of SDG&E, Chapter 6 (January 15, 2020), updated for the final customer class division adopted in D.21-07-010.

[40] Proposed generation capacity cost recovery ratios are consistent with ratios adopted in D.21-03-003, for optional untiered TOU residential rates.

current differential between typical summer and winter residential bills, SDG&E proposes to allocate revenues to summer and winter based on the number of months in each season. SDG&E has five summer months and seven winter months; therefore SDG&E is proposing to recover 42% of commodity revenue in the summer months and 58% in the winter months.[41] This second, seasonal revenue adjustment will slightly reduce summer rates and increase winter rates, which will further reduce seasonal bill volatility.

4. Tiered TOU Rates: Summer Super Off-Peak Set to EECC Marginal Cost

The third proposed adjustment to tiered TOU rates, is to set the summer SOP to EECC marginal costs for SDG&E's residential default rate, Schedule TOU-DR1. SDG&E is not proposing any changes to the set commodity TOU differentials for Schedules TOU-DR and TOU-DR-P.[42] This adjustment will provide additional rate stability and help preserve the wider existing summer TOU differentials for Schedule TOU-DR-1. After making the first two tiered TOU adjustments, described above, SDG&E compared illustrative typical residential rates on Schedule TOU-DR-1, and found that the summer SOP rate was higher than it currently is, which resulted in a lower ratio between Summer On-Peak to SOP, see Table RU-11. Accordingly, because SDG&E believes that maintaining a strong SOP differential is important for purposes of incentivizing load shifting outside the peak period, it proposes this additional adjustment. Therefore, to maintain consistency with the strong price signals in current rates, SDG&E proposes to set the summer SOP EECC rate for Schedule TOU-DR1 to marginal cost.

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[41] The 42% summer ratio is calculated by dividing the five summer months over twelve months; and 58% winter ratio is calculated by dividing the seven winter months over twelve months.

[42] Per D.14-01-002, the Commission adopted a settlement agreement that the residential Dynamic Pricing Schedules (TOU-DR and TOU-DR-P) to have a set On-Peak to Off-Peak (later renamed to SOP) ratio of 2.00 for the optional Time of Day (Schedule TOU-DR) and 2.41 for the optional PeakShift at Home (Schedule TOU-DR-P). To provide bill stability to customers taking service on TOU-DR and TOU-DR-P, SDG&E is not proposing a SOP adjustment for these rates.

Currently, SDG&E's Schedule TOU-DR1 summer SOP EECC rate is set at full Equal Percentage Marginal Cost (EPMC) consistent with its 2019 GRC Phase 2 marginal commodity cost study.[43] However, as stated above, moderating seasonal differentials through the TRAC UDC rate allows for artificially low super off-peak total rates. In order to better preserve the existing TOU differentials, while keeping the average bill stable throughout the year, SDG&E proposes to set the summer SOP EECC rate for Schedule TOU-DR1 to the marginal cost rate based on its 2019 GRC Phase 2 marginal commodity cost study. As shown in Table RU-11, by setting the summer SOP EECC rate to the lower marginal cost, compared to the current EPMC, a wider TOU differential can be maintained.

Table RU-11: Present and Illustrative Proposed TOU-DR1 Rates

Present and Proposed Total Rates and On-Peak to Super Off-Peak Ratios	Present 1/1/2023 ($/kWh)	Illustrative Keep Summer SOP at EPMC ($/kWh)	Illustrative Proposed Summer SOP Set at Marginal Cost ($/kWh)
Summer:			
On-Peak	0.83325	0.71633	0.73709
Off-Peak	0.51979	0.48764	0.49534
Super Off-Peak	0.35515	0.41716	0.38971
Winter:			
On-Peak	0.63646	0.65027	0.65120
Off-Peak	0.55194	0.56229	0.56297
Super Off-Peak	0.52741	0.46457	0.46498
Summer On-Peak: Super Off-Peak Ratio	**2.35**	**1.72**	**1.89**
Winter On-Peak: Super Off-Peak Ratio	**1.21**	**1.40**	**1.40**

Tables RU-12 and RU-13 below show the present and illustrative proposed total rate for SDG&E's default residential rate schedule (TOU-DR1) with seasonality adjustment removed from TRAC UDC rate component and seasonal differential adjustments designed in the commodity (EECC) rate component only.

[43] A.10-07-009/A.19-03-002, Second Revised Prepared Direct Testimony of Benjamin Montoya on Behalf of SDG&E, Chapter 6 (January 15, 2020), updated for the final customer class division adopted in D.21-07-010.

Table RU-12: Present Effective 1/1/23 TOU-DR1 Rates

Effective 1/1/23 Schedule TOU-DR1	Total UDC ($/kWh)	EECC ($/kWh)	Total Rate ($/kWh)
Summer:			
On-Peak	0.26282	0.57043	0.83325
Off-Peak	0.26282	0.25697	0.51979
Super Off-Peak	0.26282	0.09233	0.35515
Winter:			
On-Peak	0.44339	0.19307	0.63646
Off-Peak	0.44339	0.10855	0.55194
Super Off-Peak	0.44339	0.08402	0.52741
Baseline Adj Credit	(0.10182)	0.00000	(0.10182)

Table RU-13: Illustrative Proposed TOU-DR1 Rates

Illustrative Proposed Schedule TOU-DR1	Total UDC ($/kWh)	EECC ($/kWh)	Total Rate ($/kWh)
Summer:			
On-Peak	0.35407	0.38302	0.73709
Off-Peak	0.35407	0.14127	0.49534
Super Off-Peak	0.35407	0.03564	0.38971
Winter:			
On-Peak	0.35407	0.29713	0.65120
Off-Peak	0.35407	0.20890	0.56297
Super Off-Peak	0.35407	0.11091	0.46498
Baseline Adj Credit	(0.11283)	0.00000	(0.11283)

C. Average Bill Impacts

Table RU-14 below presents average residential customer bill impacts (for both bundled and unbundled customers) under its current effective and proposed rate design. Average monthly bills presented in Table RU-14 are for a non-CARE, residential customer living in the inland and coastal climate zones using 400 kWh per month, and do not include the bi-annual California Climate Credit.

Illustrative bill impacts for the residential customer class are provided separately with SDG&E's other customer class bill impacts.

Table RU-14: Average Residential Customer Bill Impact

Average Monthly Bill for Residential Customers on Schedule TOU-DR1	Unbundled		Bundled	
	Current 1/1/2023 ($/Month)	Illustrative Proposed ($/Month)	Current 1/1/2023 ($/Month)	Illustrative Proposed ($/Month)
Typical Bill – Summer	$68.49	$106.65	$180.33	$167.55
Typical Bill – Winter	$141.78	$107.66	$184.60	$178.98
Typical Bill - Annual	$111.24	$107.24	$182.82	$174.22

V. OVERVIEW OF SCHEDULE EV-TOU-5 PROPOSAL

SDG&E offers an optional whole-house rate, Schedule EV-TOU-5, to qualifying residential customers with an electric vehicle (EV). Additionally, residential Net Billing Tariff (NBT) customers are required to take service on EV-TOU-5, and do not have to have an EV to enroll in the rate.[44] This rate recovers distribution costs through a $16 monthly fixed service charge and seasonal untiered volumetric ($/kWh) TOU rates. EV-TOU-5 was adopted in SDG&E's 2016 GRC Phase 2 decision, and the distribution SOP rate was set to $0.00000/kWh in order to incentivize transportation electrification.[45] In SDG&E's 2019 GRC Phase 2, the Commission adopted a settlement that increased the distribution SOP rate for Schedule EV-TOU-5 by $0.00748/kWh per year, for two years.[46] Currently, SDG&E's EV-TOU-5 SOP distribution rate is set at $0.01496/kWh and does not change when SDG&E's other distribution rates change. Customers who enroll in this rate are receiving a subsidy because the current distribution SOP rate is below marginal cost.

While SDG&E believes that EV-TOU-5 (and all rates) should be designed in a way that continues to incentivize transportation electrification, SDG&E is proposing to phase out a portion of this subsidy beginning with the implementation of this GRC Phase 2. Because NBT

[44] D.22-12-056.
[45] D.17-08-030.
[46] D.21-07-010.

customers are also required to take service on this rate and do not have to meet the EV eligibility criteria, it is important that this distribution SOP rate be increased to marginal cost.

As stated in the updated RDP #2: "Rates should be based on marginal cost.[47] To comply with RDP #2, SDG&E proposes to adjust EV-TOU-5's SOP distribution rate to recover marginal distribution costs. Even with this proposed change, the EV-TOU-5 SOP distribution rate remains lower than other distribution rates and maintains an incentive for transportation electrification. Table RU-15 below displays SDG&E's proposal to adjust the SOP distribution rate for EV-TOU-5, which will be implemented with SDG&E's annual consolidated rate change. SDG&E is proposing a three-year transition and a SOP rate annual increase of approximately 1.1 ¢/kWh. This gradual transition will allow for moderate bill increases over the transition period for customers already enrolled in EV-TOU-5. For example, a bundled non-CARE EV-TOU-5 customer using an average of 800 kWh per month,[48] would see an average monthly bill increase of approximately $2 to $3 for every transition year proposed here.

Table RU-15: Illustrative Proposed EV-TOU-5 Distribution SOP Rates

Schedule EV-TOU-5 Present and Proposed SOP Distribution Rate	Present Effective 1/1/2023 ($/kWh)	Illustrative Proposed		
		Year 1 ($/kWh)	Year 2 ($/kWh)	Year 3 ($/kWh)
Energy Charge: Super Off-Peak	0.01496	0.02601	0.03707	0.04812

VI. CONCLUSION

SDG&E believes its proposals to move the removal of seasonality from its TRAC rate component to the commodity rate component for tiered rates meets the intent of the Commission's prior decisions on residential seasonality.[49] Additionally, SDG&E's proposal to transition EV-TOU-5's SOP distribution rate to recover marginal distribution costs complies

[47] Adopted in D.23-04-040, OP 1(b).
[48] Average usage based on historical usage of EV-TOU-5 customers.
[49] D.20-04-007, D.20-06-006, and D.21-03-003.

with the Commission's adopted RDPs and will provide a rate that is better aligned with the cost to serve customers.

This concludes my prepared supplemental testimony.

VII. WITNESS QUALIFICATIONS

My name is William G. Saxe. My business address is 8330 Century Park Court, San Diego, California 92123. I am employed at SDG&E as the Rates & Cost Studies Project Manager in the Customer Pricing Department. I have worked for SDG&E since February 2001. Prior to joining SDG&E, I was employed by Sempra Energy, the parent company of SDG&E, from April 1999 through January 2001. In addition, I was employed by the Illinois Commerce Commission (ICC) from September 1990 through April 1999.

I received a Bachelor of Science degree in Economics from the University of Wisconsin-Madison in 1985. I received a Master of Business Administration degree, with a concentration in Finance, from the University of Wisconsin-Madison in 1990.

I have previously testified before the CPUC on rate design, marginal cost and other issues. In addition, I have previously submitted testimony before the FERC and the ICC.