Application of San Diego Gas & Electric Company (U-902-E) For Authority To Update Marginal Costs, Cost Allocation, And Electric Rate Design

Application: 23-01-XXX
Exhibit No.: _____

CHAPTER 2

PREPARED DIRECT TESTIMONY OF

RAY C. UTAMA

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

January 17, 2023

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PREPARED DIRECT TESTIMONY OF
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(CHAPTER 2)

I. OVERVIEW AND PURPOSE

The purpose of my testimony is to present San Diego Gas & Electric Company's (SDG&E) proposed methodology for revenue allocations reflecting (a) the current effective sales forecast;[1] and (b) updated customer class designations to accommodate SDG&E's proposed addition of a Medium Commercial customer class as presented in the prepared direct testimony of SDG&E witness Adam Pierce (Chapter 1).

II. REVENUE ALLOCATIONS

Revenue allocation is the assignment of authorized revenue requirements to customer classes. SDG&E currently has five customer classes for the determination of revenue allocations and is proposing to create a new customer class for Medium Commercial. The prepared direct testimony of SDG&E witness Hannah Campi (Chapter 3) discusses the rate design of the Medium Commercial customer class in more detail. The six proposed customer classes are as follows:

1. Residential;
2. Small Commercial;
3. Medium Commercial;
4. Large Commercial and Industrial (C&I);
5. Agricultural; and
6. Street Lighting.

As stated in the prepared direct testimony of SDG&E witness Pierce (Chapter 1), SDG&E is proposing to continue to use the System Average Percentage Change (SAPC) methodology for its

[1] Due to the proximity of this filing to the adoption of an updated sales forecast, any references to the "current" or "current effective" sales forecast, unless specified otherwise, reflect the sales forecast as of June 1, 2022, pursuant to Advice Letter (AL) 4004-E.

revenue allocations during the General Rate Case (GRC) cycle covered in this application to help support rate and bill stability for all customer classes. Additionally, SDG&E is proposing to establish Medium Commercial customer class revenue allocations when this GRC Phase 2 application is implemented, which will adjust the Large C&I and Small Commercial customer class revenue allocations one time.

As for the Public Purpose Program (PPP) rate component, SDG&E is proposing updated revenue allocations for the Energy Efficiency (EE) subcomponent only. For all other PPP components, SDG&E is proposing to continue the current methodologies adopted in Decision (D.) 21-07-010 in SDG&E's Test Year (TY) 2019 GRC Phase 2.[2] As most of the components are dependent upon the California Public Utilities Commission (Commission) adopted sales forecasts, when a new sales forecast is adopted, SDG&E will update the PPP rates via the implementation advice letter. By updating the electric PPP rates with the latest authorized sales forecast and latest PPP revenue requirements, the current methodology reflects the most up-to-date conditions and most equitable to minimize potential cost shift between the customer classes. Additionally, to accommodate the addition of the Medium Commercial customer class, SDG&E is presenting illustrative revenue allocations and rates for all other PPP components.

The proposed and illustrative revenue allocations for Distribution, Demand Response, Commodity, Competition Transition Charges (CTC), Local Generation Charge (LGC), and PPP are discussed in more detail below.

A. SAPC Rate Components

The proposed SAPC methodology would apply to revenue allocations for the Distribution, Demand Response, Commodity, CTC, and LGC rate components when SDG&E implements annual sales forecasts that are adopted in its Electric Procurement Revenue Requirement (ERRA) Forecast

[2] *See* D.21-07-010 pages 21-22.

Proceeding. Updates to the revenue allocations of SAPC rate components are to accommodate the proposed Medium Commercial customer class as discussed in the prepared direct testimony of SDG&E witnesses Pierce (Chapter 1) and Campi (Chapter 3). Because SDG&E is proposing to use the SAPC methodology for sales forecast implementations for the duration of this four-year GRC cycle, the revenue allocations for the proposed Medium Commercial class are developed based on the percentage of migrated sales from the current Small Commercial and Medium/Large (M/L) C&I customer classes.[3] This ensures that all customer classes will see the same percent increase from future sales forecast implementations.

Figure RU-1 displays the cost-based revenue allocations from SDG&E's distribution, commodity, and CTC cost studies, as discussed in the prepared direct testimony of SDG&E witnesses William G. Saxe (Chapter 4) and Jeff DeTuri (Chapter 5), as well as the cost-based revenue allocation for LGC, which is derived from SDG&E's current Transmission Owner (TO) proceeding.[4] Illustrative proposed revenue allocations presented in Figure RU-1 are developed based on current effective sales forecast[5] and actual revenue allocations will change annually using the proposed SAPC methodology and sales forecasts adopted in future ERRA forecast proceedings. Proposed allocations compared to allocations effective as of June 1, 2022, are presented in each rate component section below. As shown in each figures RU-2 to RU-6, SDG&E's proposal is intended to promote rate and bill stability for customers.

[3] Migrated system net sales to developed distribution, demand response and LGC rate components; migrated bundled sales for commodity rate component; and migrated delivered sales for CTC rate component.
[4] On July 29, 2021, SDG&E submitted to FERC filing, Docket Number ER21-2540-000.
[5] 2022 electric sales forecast approved in D.22-03-003, and effective as of June 1, 2022, pursuant to AL 4004-E.

Figure RU-1: Cost-Based and Illustrative Proposed Revenue Allocations

Customer Class	Distribution		Commodity		CTC		LGC	
	Cost-Based Allocation (%)	Illustrative Proposed Allocation (%)	Cost-Based Allocation (%)	Illustrative Proposed Allocation (%)	Cost-Based Allocation (%)	Illustrative Proposed Allocation (%)	Cost-Based Allocation (%)	Illustrative Proposed Allocation (%)
Residential	53.2%	42.5%	54.8%	49.9%	63.9%	38.7%	43.4%	39.9%
Small Commercial	12.4%	13.9%	10.5%	10.8%	11.9%	10.6%	10.8%	9.5%
Medium Commercial	13.1%	13.1%	12.1%	17.2%	12.2%	15.1%	N/A [1]	14.9%
Large C&I	19.9%	28.5%	21.3%	19.1%	10.4%	34.4%	44.4%	34.4%
Agricultural	1.4%	1.4%	0.9%	2.4%	1.5%	1.1%	1.0%	1.0%
Street Lighting	0.1%	0.7%	0.4%	0.5%	0.1%	0.0%	0.3%	0.4%
System	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Cost-based allocation derived from current effective TO proceeding, which does not include the Medium Commercial customer class proposed in this application.

1. Distribution

Illustrative distribution revenue allocation factors presented in Figure RU-2 are displayed based on current effective sales forecast.[6] Actual revenue allocations will be developed using the proposed SAPC methodology and sales forecasts adopted in future ERRA forecast proceedings.

Figure RU–2: Illustrative Distribution Revenue Allocation[7]

Customer Class	6/1/22 Effective (%)	Illustrative Proposed Allocation (%)	Percentage Change (%)
Residential	42.5%	42.5%	0.0%
Small Commercial	15.6%	13.9%	-11.1%
Medium Commercial	N/A	13.1%	N/A
Large C&I	39.8%	28.5%	-28.5%
Agricultural	1.4%	1.4%	0.0%
Street Lighting	0.7%	0.7%	0.0%
System	**100.0%**	**100.0%**	**0.0%**

2. Demand Response

Illustrative demand response revenue allocation factors presented in Figure RU-3 are developed based on current effective sales forecast.[8] Actual revenue allocations will be developed

[6] 2022 electric sales forecast approved in D.22-03-003, and effective as of June 1, 2022, pursuant to AL 4004-E.
[7] Excludes miscellaneous revenues recovered through distribution rates, including Vehicle-Grid Integration, Medium Duty/Heavy Duty, and DG-R undercollection costs. No rate design changes are being requested for these revenues.
[8] 2022 electric sales forecast approved in D.22-03-003, and effective as of June 1, 2022, pursuant to AL 4004-E.

using the proposed SAPC methodology and sales forecasts adopted in future ERRA forecast proceedings.

Figure RU–3: Illustrative Demand Response Revenue Allocation

Customer Class	6/1/22 Effective (%)	Illustrative Proposed Allocation (%)	Percentage Change (%)
Residential	39.7%	39.7%	0.0%
Small Commercial	11.2%	10.0%	-11.1%
Medium Commercial	N/A	14.6%	N/A
Large C&I	46.8%	33.5%	-28.5%
Agricultural	1.7%	1.7%	0.0%
Street Lighting	0.6%	0.6%	0.0%
System	**100.0%**	**100.0%**	**0.0%**

3. Commodity

Illustrative commodity revenue allocation factors presented in Figure RU-4 are developed based on current effective sales forecast.[9] Actual revenue allocations will be developed using the proposed SAPC methodology and sales forecasts adopted in future ERRA forecast proceedings.

Figure RU-4: Illustrative Commodity Revenue Allocation[10]

Customer Class	6/1/22 Effective (%)	Illustrative Proposed Allocation (%)	Percentage Change (%)
Residential	49.9%	49.9%	0.0%
Small Commercial	11.8%	10.8%	-8.5%
Medium Commercial	N/A	17.2%	N/A
Large C&I	35.4%	19.1%	-45.9%
Agricultural	2.4%	2.4%	0.0%
Street Lighting	0.5%	0.5%	0.0%
System	**100.0%**	**100.0%**	**0.0%**

[9] 2022 electric sales forecast approved in D.22-03-003, and effective as of June 1, 2022, pursuant to AL 4004-E.

[10] Excludes miscellaneous revenues recovered through commodity rates, including Critical Peak Pricing, Dynamic Peak Pricing and DG-R under/overcollections which are allocated 100% to the respective class.

4. Ongoing Competition Transition Charges

Illustrative CTC revenue allocation factors presented in Figure RU-5 are developed based on current effective sales forecast.[11] Actual revenue allocations will be developed using the proposed SAPC methodology and sales forecasts adopted in future ERRA forecast proceedings.

Figure RU-5: Illustrative CTC Revenue Allocation

Customer Class	6/1/22 Effective (%)	Illustrative Proposed Allocation (%)	Percentage Change (%)
Residential	38.7%	38.7%	0.0%
Small Commercial	12.0%	10.6%	-11.0%
Medium Commercial	N/A	15.1%	N/A
Large C&I	48.2%	34.4%	-28.6%
Agricultural	1.1%	1.1%	0.0%
Street Lighting	0.0%	0.0%	0.0%
System	**100.0%**	**100.0%**	**0.0%**

5. Local Generation Charge

The Commission authorized SDG&E to establish an LGC to recover new generation costs on a non-bypassable basis from all customers, consistent with the requirements of the Cost Allocation Mechanism (CAM) set forth in Rulemaking 06-02-013 and D.06-07-029. Illustrative LGC revenue allocation factors presented in Figure RU-6 are developed based on current effective sales forecast.[12] Actual revenue allocations will be developed using the proposed SAPC methodology and sales forecasts adopted in future ERRA forecast proceedings.

[11] 2022 electric sales forecast approved in D.22-03-003, and effective as of June 1, 2022, pursuant to AL 4004-E.
[12] 2022 electric sales forecast approved in D.22-03-003, and effective as of June 1, 2022, pursuant to AL 4004-E.

Figure RU-6: Illustrative LGC Revenue Allocation

Customer Class	6/1/22 Effective (%)	Illustrative Proposed Allocation (%)	Percentage Change (%)
Residential	39.9%	39.9%	0.0%
Small Commercial	10.7%	9.5%	-11.1%
Medium Commercial	N/A	14.9%	N/A
Large C&I	48.1%	34.4%	-28.5%
Agricultural	1.0%	1.0%	0.0%
Street Lighting	0.4%	0.4%	0.0%
System	**100.0%**	**100.0%**	**0.0%**

B. Public Purpose Program

PPP consists of: (1) Low Income Programs, specifically California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), Food Bank Discount and Energy Savings Assistance Programs (ESAP); (2) EE, (3) Electric Program Investment Charge (EPIC), (4) Self-Generation Program (SGIP), (5) Tree Mortality Non-Bypassable Charge (TMNBC), (6) San Diego Unified Port District (SDUPD), (7) Residential Uncollectible Balancing Account (RUBA), (8) Flex Alert Balancing Account (FABA), (9) School Energy Efficiency Stimulus Program Balancing Account (SEESPBA), (10) Economic Development Rate Balancing Account (EDRBA), and (11) Wildfire and Natural Disaster Resiliency Rebuild (WNDRR).[13] As part of this application, SDG&E is proposing updates to revenue allocations for the EE component only, to reflect more current program spending. For all other PPP components, SDG&E is proposing to continue the current methodologies adopted in D.21-07-010.[14] When a new sales forecast has been adopted by the Commission, SDG&E will update the PPP rates via the implementation advice letter.

The proposed and illustrative revenue allocations for various PPP rate components are discussed in more detail below.

[13] SGIP and California Solar Initiative (CSI) were moved from the distribution rate component to the PPP rate component pursuant to D.17-08-030. CSI is excluded from PPP calculation as the funding is zero pursuant to D.15-01-027 and AL 2792, effective October 26, 2015.
[14] *See* D.21-07-010 pages 21-22.

1. Energy Efficiency

EE allocations are based on the forecasted EE program spending by customer class, as approved in D.05-09-043, with the current allocations based on 2019 forecast program spending per D.21-07-010. SDG&E proposes to update EE allocations to reflect 2022 forecasted EE program spending, consistent with the current allocation methodology for EE. At this time, SDG&E's most current forecasted EE program spending is associated with the 2022 program year.[15] Forecasted spending specifically associated with individual customer classes was allocated as such using the existing EE allocations as a reference. Unspecified "Commercial" spending split proportionately between the Small Commercial and Large C&I classes using the current EE allocations. EE allocation for the proposed Medium Commercial class is developed based on percentage of migrated system delivered sales from the Small Commercial and M/L C&I customer classes. All remaining spending, which currently is not assigned to a specific class, was allocated based on the subtotals for all customer classes. Figure RU-7 presents: 1) the proposed updated allocations based on this methodology, and 2) illustrative EE rates developed based on current effective sales forecast.[16] Actual EE rates will be developed using sales forecasts adopted in future ERRA forecast proceedings.

Figure RU-7: Proposed Energy Efficiency Revenue Allocation and Illustrative Rates

Customer Class	6/1/22 Effective (%)	Proposed Allocation (%)	Percentage Change (%)	6/1/22 Effective Rate ($/kWh)	Illustrative Proposed Rate ($/kWh)	Percentage Change (%)
Residential	25.8%	20.4%	-20.9%	0.00137	0.00109	-20.4%
Small Commercial	15.5%	14.6%	-5.5%	0.00249	0.00277	11.2%
Medium Commercial	N/A	19.1%	N/A	N/A	0.00233	N/A
Large C&I	56.8%	43.1%	-24.2%	0.00209	0.00229	9.7%
Agricultural	1.8%	2.8%	51.6%	0.00196	0.00296	51.0%
Street Lighting	0.0%	0.0%	-76.4%	0.00001	0.00000	-75.0%
System	**100.0%**	**100.0%**	**0.0%**	0.00187	0.00192	**2.5%**

[15] On February 15, 2022, the Commission gave notice that SDG&E's 2022-2023 Energy Efficiency funding filed in AL 3887-E-A/3035-G-A, was approved and effective January 1, 2022.
[16] 2022 electric sales forecast approved in D.22-03-003 and effective as of June 1, 2022, pursuant to AL 4004-E.

2. Other PPP Components

To accommodate SDG&E's proposed Medium Commercial customer class, SDG&E is presenting illustrative revenue allocations and rates for all other PPP components. The illustrative allocations and rates are developed based on current PPP revenue requirements and updated with the current effective 2022 sales forecast to reflect the proposed Medium Commercial customer class.[17] Actual revenue allocations will be developed whenever a new sales forecast is adopted by the Commission.

Figure RU-8 below shows the illustrative revenue allocation of the various PPP components. Figure RU-9 below provides illustrative rates for the components of PPP that reflect the proposed and illustrative updates to the PPP allocations.

Figure RU-8: Illustrative Revenue Allocations for Other PPP Components

	Illustrative Allocation										
Customer Class	**CARE/ Food Bank (%)**	**ESAP (%)**	**EPIC (%)**	**SGIP[1] (%)**	**TMNB (%)**	**SDUPD (%)**	**RUBA (%)**	**FABA[2] (%)**	**SEESPBA[2] (%)**	**EDRBA (%)**	**WNDRR[3] (%)**
Residential	31.0%	36.0%	35.9%	27.6%	46.1%	35.9%	31.0%	20.4%	20.4%	35.9%	100.0%
Small Comm.	11.0%	10.2%	10.1%	3.8%	9.6%	10.1%	11.0%	14.6%	14.6%	10.1%	0.0%
Medium Comm.	17.0%	15.8%	15.7%	7.6%	15.0%	15.7%	17.0%	19.1%	19.1%	15.7%	0.0%
Large C&I	39.1%	36.2%	36.1%	58.4%	28.2%	36.1%	39.1%	43.1%	43.1%	36.1%	0.0%
Agricultural	1.9%	1.8%	1.8%	2.5%	1.0%	1.8%	1.9%	2.8%	2.8%	1.8%	0.0%
Street Lighting	0.0%	0.0%	0.4%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.4%	0.0%
System	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Per Resolution E-4926, SGIP's allocation to reflect actual benefits resulting from disbursement of program incentives over the previous 3 years
[2] Pursuant to AL 3741-E and AL 3679-E, allocations based on EE
[3] Pursuant to D.21-11-002, WNDRR is recovered from residential customer class only

[17] Reflects the PPP revenue requirement effective January 1, 2022, pursuant to AL 3849-E; and electric sales forecast approved in D.22-03-003, and effective June 1, 2022, pursuant to AL 4004-E.

Figure RU-9: Illustrative PPP Rates Based on Change in Allocations

Customer Class	Unit	Illustrative Rate													
		CARE	Food Bank	ESAP	EE	EPIC	SGIP	TMNB	SDUPD	RUBA	FABA	SEESPBA	EDRBA	WNDRR	Total PPP
Residential	$/kWh	0.01086	0.00000	0.00023	0.00109	0.00047	0.00084	0.00164	0.00008	0.00019	0.00007	0.00194	0.00003	0.00090	**0.01835**
Sm. Comm.	$/kWh	0.01086	0.00000	0.00023	0.00277	0.00047	0.00041	0.00121	0.00008	0.00019	0.00019	0.00493	0.00003	0.00000	**0.02138**
Med. Comm.	$/kWh	0.01086	0.00000	0.00023	0.00233	0.00047	0.00053	0.00122	0.00008	0.00019	0.00016	0.00414	0.00003	0.00000	**0.02023**
Large C&I															
Energy [1]	$/kWh	0.01086	0.00000	0.00023	0.00229	0.00047	0.00184	0.00100	0.00008	0.00019	0.00016	0.00407	0.00003	0.00000	**0.02121**
NCD [2]	$/kW						0.73								**0.73**
Energy [2]	$/kWh	0.01086	0.00000	0.00023	0.00229	0.00047	0.00000	0.00100	0.00008	0.00019	0.00016	0.00407	0.00003	0.00000	**0.01938**
Agricultural	$/kWh	0.01086	0.00000	0.00023	0.00296	0.00047	0.00152	0.00073	0.00008	0.00019	0.00020	0.00526	0.00003	0.00000	**0.02253**
Street Lighting	$/kWh	0.00000	0.00000	0.00000	0.00000	0.00047	0.00004	0.00004	0.00008	0.00000	0.00000	0.00000	0.00003	0.00000	**0.00067**
System		**0.01086**	**0.00000**	**0.00023**	**0.00192**	**0.00047**	**0.00109**	**0.00127**	**0.00008**	**0.00019**	**0.00013**	**0.00341**	**0.00003**	**0.00032**	**0.02001**

[1] Applicable to schedules AL-TOU, AL-TOU2 Secondary and Primary only; Schedules DG-R, VGI all voltage levels
[2] Applicable to schedules AL-TOU, AL-TOU2 Substation and Transmission only; Schedule A6-TOU all voltage levels

Figure RU-10 and Figure RU-11 below summarize the 6/1/22 effective, proposed, and illustrative revenue allocation treatments of the different rate components.

Figure RU-10: Summary of SAPC Rate Component Treatment

Rate Components	6/1/22 Effective	Proposal
Distribution	System Average Percentage Change (SAPC)	Continue the SAPC methodology with updates to accommodate the proposed Medium Commercial customer class
Demand Response		
Commodity		
CTC		
LGC		

Figure RU-11: Summary of PPP Rate Component Treatment

PPP Rate Components	6/1/22 Effective	Proposal	Illustrative Rev. Allocation[1]
EE, FABA, SEESPBA	2019 forecast program spending	2022 forecast program spending	Updated with 2022 forecast program spending and to reflect new Medium Commercial class
Low Income Programs (CARE/FERA/Food Bank/ ESAP/RUBA)	Equal cent per kWh based on sales with appropriate exemptions, and the revenue allocations will be updated whenever the Commission adopts new sales	No change	Updated with 2022 sales and to reflect new Medium Commercial class
EPIC, SDUPD, EDRBA	Equal cent per kWh based on sales, and the revenue allocations will be updated whenever the Commission adopts new sales	No change	Updated with 2022 sales and to reflect new Medium Commercial class
SGIP	Updated on a rolling basis annually to reflect the actual benefits resulting from disbursement of program incentives over the previous three years	No change	Updated to reflect new Medium Commercial class
TMNB	12-month coincident peak (12-CP) demand used for Cost Allocation Methodology (CAM), updated annually to reflect changes in the 12-CP	No change	Updated to reflect new Medium Commercial class
WNDRR	Recovered from residential customer class only, pursuant to D.21-11-002	No change	No change

[1] Illustrative revenue allocation to accommodate the proposed Medium Commercial customer class

This concludes my prepared direct testimony.

III. WITNESS QUALIFICATIONS

My name is Ray Utama and I am a Rate Strategy Project Manager II in the Customer Pricing department for SDG&E. My business address is 8330 Century Park Court, San Diego, California 92123. I have held this position for approximately one and a half years and have held various positions with increasing levels of responsibility within the Sempra Energy family of companies for approximately ten years. In my current position, my primary responsibilities include various aspects of electric rate design.

I received a Bachelor of Science degree in Accountancy, with a minor in Economics, from the San Diego State University in 2010. I am a Certified Public Accountant, licensed in the state of California. I have previously submitted testimony before the California Public Utilities Commission and the Federal Energy Regulatory Commission.