**Question No. 1**

In Exhibit SDGE-22, the Prepared Supplemental Rebuttal Testimony of Jennifer Montanez, at page JM-13, lines 7 through 10, Ms. Montanez testifies:

“JARP acknowledges that the overall RA avoided costs results from the participants’ load reductions in SDG&E load forecast the following year, and in turn reduces SDG&E’s RA obligation in the second year. However, SDG&E’s system load is constantly changing from year to year. There is virtually no way to attribute system load reduction in a given year to specific customers.” [Footnotes omitted.]

1. To the extent that RTP customers modify their consumption of electricity such that the wholesale cost of the electricity SDG&E procures on their behalf decreases, do the wholesale energy savings automatically flow through to SDG&E customers as part of the Energy Resource Recovery Account process?
2. To the extent that RTP customers modify their consumption of electricity such that they lower their contribution to SDG&E's highest coincident peak, does the lower peak load reduce SDG&E's Resource Adequacy obligation in the future (by affecting the future load forecast)?
3. If so, do the capacity cost savings automatically flow through to SDG&E customers as part of the Energy Resource Recovery Account process?

**SDG&E Response:**

1. If RTP customers lower their consumption/energy usage and wholesale costs of electricity decreases, SDG&E’s load costs would decrease, which will be reflected in lower Energy Resource Recovery Account (ERRA) expenses. The RTM consists of many variables, such as: day-ahead market results, forecasts, transmission lines, bids, outages, etc., and all these variables affect the wholesale cost of electricity. Therefore, it cannot be assumed that if RTP customers shift or lower their energy usage the wholesale costs of electricity will always decrease. In addition, when the wholesale cost of electricity decreases, SDG&E will receive lower CAISO revenues, which will cause higher above-market costs to be reflected in an increase to the Portfolio Allocation Balancing Account (PABA).
2. Resource Adequacy (RA) requirements are based on forecasted load set by the California Energy Commission. To the extent RTP customers modify their energy usage/consumption, SDG&E’s overall load forecast and RA requirements will be impacted. As stated in Ms. Montanez testimony, “JARP acknowledges that the overall RA avoided costs results from the participants’ load reductions in SDG&E load forecast the following year, and in turn reduces SDG&E’s RA obligation in the second year.” Assuming SDG&E’s coincident peak is reduced, then SDG&E’s RA requirements would be reduced (1-2 years later), and SDG&E would procure less incremental resources/contracts to meet peak demand. However, load serving entities (including SDG&E) must procure resources to serve customer needs in all hours and not just during the coincident peak hours. Therefore, lowering SDG&E’s coincident peak might not eliminate SDG&E’s need to procure incremental resources/contracts. Furthermore, the load forecast and RA requirement will only be reduced to the extent the load is reduced depending on the amount of RTP customers and their energy usage/consumption.
3. SDG&E objects to this question as it is vague and ambiguous regarding the meaning of “capacity cost savings.” Subject to and without waiving this objection, SDG&E responds as follows: There is not a one-to-one dollar reduction in ERRA costs correlated with coincident peak reduction. If SDG&E’s overall load forecast and RA requirements are reduced, and SDG&E does not need to procure incremental RA resources/contracts, then additional costs will not be spent to procure and these additional costs will not be added to ERRA. However, lowering SDG&E’s load forecast and the correlating RA requirements would not reduce SDG&E’s long-term procurement/contract obligations. If the RA requirements are reduced beyond SDG&E’s long-term procurement/contracts, then these contracts would be available for portfolio optimization (i.e., “right-sizing” the portfolio and selling off contracts that are no longer needed).