

Application: A.22-05-XXX

Exhibit No.: SDGE-6A

Witness: Kenneth C. Pitsko

**PREPARED DIRECT TESTIMONY OF**  
**KENNETH C. PITSKO – CHAPTER 6A**  
**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

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



**MAY 2, 2022**

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**PREPARED DIRECT TESTIMONY OF  
KENNETH C. PITSKO  
CHAPTER 6A**

**I. INTRODUCTION**

The purpose of my direct testimony is to summarize San Diego Gas and Electric Company's (SDG&E) Demand Response (DR) budgets and cost recovery mechanism that are subject of this application and to request approval of SDG&E's current fund-shifting process for the 2023 program year and beyond.<sup>1</sup> The specifics of SDG&E's DR program offerings are set forth in further detail in the testimony of E Bradford Mantz Chapter 1A.

**II. PROPOSED DEMAND RESPONSE PROGRAM BUDGET**

Table A-1 below shows the proposed bridge year budget for the 2023 DR portfolio (as detailed in the testimony of E Bradford Mantz Chapter 1A, Ellen Kutzler Chapter 2A, April Bernhardt Chapter 3A, and Lizzette Garcia-Rodriguez Chapter 4A) organized by the seven demand response funding categories adopted in Decision (D.) 17-12-003. SDG&E is requesting a total amount of \$15,797,596 in 2023.

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<sup>1</sup> See Prepared Direct Testimony of Kenneth C. Pitsko Chapter 6B for my direct testimony supporting SDG&E's DR budgets, cost recovery mechanism, and fund-shifting process for the 2024-2027 program years.

**KCP Table A-1**  
**SDG&E's Demand Response Program Budget Request by Current Program Categories**  
**(Dollars in Thousands)**

Line	SDG&E Demand Response (DR) Programs by Category	Footnote	Bridge Year 2023 Budget Request
1	<b>Category 1 – Supply-Side Demand Response program</b>		
2	AC Saver Day-Ahead		\$ 165
3	AC Saver Day-Ahead - Incentives		539
4	AC Saver Day-Of		573
5	AC Saver Day-Of - Incentives		1,118
6	Base Interruptible Program (BIP)		96
7	BIP Incentive		836
8	Capacity Bidding Program (CBP)		134
9	CBP Incentive		1,990
10	Smart Energy Program (SEP)	1	-
11	Smart Energy Program - Incentives	1	-
12	<b>Category 1 Total</b>		<b>5,452</b>
13	<b>Category 2 – Load Modifying Demand Response Program</b>		
14	<b>Category 2 Total</b>	<b>1</b>	<b>-</b>
15	<b>Category 3 – Demand Response Auction Mechanism (DRAM) and Direct Participation Electric Rule 32</b>		
16	DRAM, Including IT	2	-
17	SDG&E Electric Rule 32, Including IT		1,439
18	<b>Category 3 Total</b>		<b>1,439</b>
19	<b>Category 4 – Emerging and Enabling Technology programs</b>		
20	DR Emerging Technology		739
21	Technology Deployment		767
22	Technology Incentives		578
23	<b>Category 4 Total</b>		<b>2,084</b>
24	<b>Category 5 – Pilots</b>		
25	Armed Forces Pilot (AFP)	1	-
26	Over Generation Pilot	1	-
27	Emergency Load Reduction Pilot (ELRP)	1	-
28	Constrained Local Capacity Planning Areas and Disadvantaged Communities Pilot	1	-
29	CBP Residential Pilot		708
30	<b>Category 5 Total</b>		<b>708</b>
31	<b>Category 6 – Marketing, Education, and Outreach (ME&amp;O)</b>		
32	Local Marketing, Education and Outreach		611
33	<b>Category 6 Total</b>		<b>611</b>
34	<b>Category 7 – Portfolio Support (includes EM&amp;V, Systems Support, and Notifications)</b>		
35	Regulatory Policy & Program Support		869
36	IT Infrastructure & Systems Support		3,358
37	Evaluation, Measurement & Verification (EM&V)		1,077
38	Commission Directed Research		200
39	<b>Category 7 Total</b>		<b>5,505</b>
40	<b>Total Portfolio Budget Request for 2023</b>		<b>\$ 15,798</b>

1 \$0 budget request for the 2023 program year.

2 DRAM will not be included in this Application.

1 **III. COST RECOVERY MECHANISM**

2 Consistent with D.09-08-027, which discusses the regulatory accounting and cost  
3 recovery treatment, SDG&E currently records all program costs associated with its existing DR  
4 programs, including Demand Response Auction Mechanism (DRAM), in its Advanced Metering  
5 and Demand Response Memorandum Account (AMDRMA). These include all authorized DR  
6 program costs related to Operation and Maintenance (O&M) and Administrative and General  
7 (A&G) expenses, capital related costs (*i.e.*, depreciation, return on investment, and taxes),  
8 customer capacity incentive payments, and all other costs, excluding ELRP, not recovered  
9 through SDG&E’s General Rate Case (GRC). The AMDRMA has five subaccounts:

- 10 • AMDRMA – Distribution
- 11 • AMDRMA – Generation
- 12 • AMDRMA – Load Shift Working Group (LSWG)
- 13 • AMDRMA – Incremental Electric Reliability
- 14 • AMDRMA – Targeted Electric Reliability Phase 2

15 **A. AMDRMA – Distribution Subaccount**

16 Advice Letter (AL) 2972-E (filed September 28, 2016)<sup>2</sup> authorized recovery of costs for  
17 programs that are available to all customers classes, except for those specifically excluded by the  
18 Commission, are recorded in the “AMDRMA – Distribution” subaccount and any balances shall  
19 be transferred to SDG&E’s Rewards and Penalties Balancing Account (RPBA) to be recovered  
20 through electric distribution rates over 12 months, effective on January 1st of the following year.

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<sup>2</sup> Approved by letter dated November 2, 2016, from Edward Randolph, Director of the Energy Division, to be effective October 28, 2016.

1           **B.       AMDRMA – Generation Subaccount**

2           Costs required to administer, specifically for Peak Time Rebate (PTR) and marketing,  
3 education & outreach costs for Critical Peak Pricing – Default (CPP-D) and Time-of-Use Plus,  
4 demand response programs available only to electric bundled customers are separately recorded  
5 in the “AMDRMA – Generation” subaccount. The year-end balance in the “AMDRMA –  
6 Generation” subaccount is transferred to the Demand Response Generation Balancing Account  
7 (DRGBA)<sup>3</sup>, to be recovered from bundled customers through electric commodity rates, effective  
8 January 1st of the following year. Pursuant to D.08-02-034, DR customer incentive payments  
9 (energy component) in accordance with the PTR program are recorded in SDG&E’s Energy  
10 Resource Recovery Account (ERRA).

11           **C.       AMDRMA – Load Shift Working Group (LSWG) Subaccount**

12           D.17-10-017, Ordering Paragraph (OP) 13, authorizes SDG&E to hire a working group  
13 technical facilitator, in consultation with the Commission’s Energy Division, to organize and  
14 facilitate the LSWG and further authorizes SDG&E to record its share of the cost of hiring a  
15 technical facilitator. The LSWG subaccount pursuant to D.17-10-017 was authorized through  
16 Advice Letter (“AL”) 3277-E.<sup>4</sup> The costs associated with this DR program applies to all  
17 customer classes, except those specifically excluded by the Commission, and recovery of any  
18 costs incurred associated with the LSWG subaccount will be as authorized by the Commission.<sup>5</sup>

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<sup>3</sup> AL 2972-E established the DRGBA.

<sup>4</sup> AL 3277-E (filed September 25, 2018).

<sup>5</sup> *Id.*

1           **D.     AMDRMA – Incremental Electric Reliability Subaccount**

2           D.21-03-056, OP 19, authorizes SDG&E to track incremental costs incurred to begin  
3 working on the proposals in the Electric Reliability Rulemaking 20-11-003 in AMDRMA.  
4 Additionally, D.21-03-056, OP 9 states that any excess costs above SDG&E’s annual  
5 administration cap related to the Emergency Load Reduction Pilot (ELRP) may be tracked in its  
6 respective memorandum account authorized in this decision (reference to OP 19). Furthermore,  
7 regarding modifications to its existing DR programs (excluding ELRP), D.21-03-056 states any  
8 changes that require new incremental funding (above its existing 2018-2022 DR Program  
9 Budgets) must be tracked in the memorandum account authorized in this decision (reference to  
10 OP 19), and requests for cost recovery will undergo reasonableness review.<sup>6</sup> All authorized costs  
11 are charged the same as any other DR program. Only incremental costs that have not yet been  
12 authorized but are available to all customers are recorded in the “AMDRMA – Incremental  
13 Electric Reliability” subaccount. Recovery of these incremental costs require an application and  
14 CPUC approval before being transferred to SDG&E’s Rewards and Penalties Balancing Account  
15 (RPBA) to be recovered through electric distribution rates over 12 months, effective on January  
16 1st of the following year.

17           **E.     AMDRMA – Targeted Electric Reliability Phase 2 Subaccount**

18           D.21-12-015, OP 8 and 9 authorizes SDG&E to track costs that are specifically  
19 authorized to be incurred within the decision in its existing AMDRMA. Therefore, SDG&E will  
20 track the new costs related to creating an enhanced Capacity Bidding Program (*see* OP 20) and  
21 the development of the Targeted Electric Reliability Smart Communicating Thermostat (SCT)  
22 program (*see* OP 42) in AMDRMA in a new subaccount, “Targeted Electric Reliability Phase 2”.

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<sup>6</sup> D.21-03-056, p. 30.

1 Pursuant to OP 19 of D.21-03-056, SDG&E may seek recovery of the costs up to the  
2 budget cap recorded in the Targeted Electric Reliability Phase 2 Subaccount via its RPBA. The  
3 balance in the “AMDRMA – Targeted Electric Reliability Phase 2” subaccount, up to the  
4 authorized caps, shall be transferred to the RPBA to be recovered from all customer classes,  
5 effective January 1st of the following year. Any amounts over the authorized cap amounts, if  
6 incurred, will be recorded to the “AMDRMA – Incremental Electric Reliability” subaccount and  
7 an application filed for recovery.

8 **F. DPDRMA – Electric Rule 32**

9 All Electric Rule 32 costs are tracked separately and are recorded to the Direct  
10 Participation Demand Response Memorandum Account (DPDRMA) and the year-end balance  
11 transferred to the RPBA for recovery from all customers classes through electric distribution  
12 rates, effective on January 1st of the following year.

13 **G. ELRBA - Emergency Load Reduction Balancing Account**

14 From the Electric Reliability Rulemaking proceeding<sup>7</sup>, D.21-03-056, OP 9 and modified  
15 by D.21-12-015, OP 21 authorized the creation of the Emergency Load Reduction Balancing  
16 Account (ELRBA). The purpose of the ELRBA is to record the electric revenues and  
17 incremental costs up to SDG&E’s annual administration cap that are specifically authorized to be  
18 incurred in D.21-03-056 and D.21-12-015, including those regarding the development,  
19 implementation, and operation of the ELRP, along with incentives paid under the pilot.

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<sup>7</sup> Rulemaking 20-11-003.



1 **IV. FUND-SHIFTING PROCESS AND PROGRAM BUDGET FLEXIBILITY**

2 In D.20-05-009, the Commission granted SDG&E’s petition for modification of D.17-12-  
3 003, thereby allowing requests for fund-shifting between DR program budget categories to be  
4 approved by submitting a Tier 3 Advice Letter during the 2018-2022 DR program cycle.

5 SDG&E is requesting the Commission’s approval to continue the fund-shifting process  
6 approved in D. 20-05-009 for the program year 2023 and beyond, by making this a permanent  
7 DR fund-shift rule. To continue to provide the Commission with the information necessary to  
8 conduct a thorough review of fund-shifting requests, SDG&E proposes that advice letters  
9 seeking fund-shifting between budget categories would contain the same information described  
10 in D. 20-05-009. SDG&E’s proposal to continue to allow requests for fund shifting to be  
11 submitted through the AL process is reasonable as it would benefit the DR portfolio as a whole if  
12 SDG&E is allowed flexibility, while providing for transparency, to steer the use of already  
13 approved funds towards areas where additional funds may be required in future years.

14 **V. CONCLUSION**

15 This concludes my prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Kenneth C. Pitsko, and my business address is 8335 Century Park Court, San  
3 Diego, CA 92126. I am the Business Analysis Manager for SDG&E's Customer Programs. My  
4 responsibilities primarily include the financial reporting for SDG&E's Demand Response,  
5 Energy Efficiency, and Customer Assistance programs. I have been employed by SDG&E since  
6 2017 and by Sempra since 2005. Over the past 16 years I have held various accounting and  
7 financial planning positions within the Sempra family of companies.

8 I hold a Bachelor of Science degree in Business Administration from Bloomsburg  
9 University of Pennsylvania. I also earned my Master's degree in Business Administration from  
10 San Diego State University.

11 I have not previously testified before the Commission.