

Application: A.22-05-XXX

Exhibit No.: SDGE-6B

Witness: Kenneth C. Pitsko

PREPARED DIRECT TESTIMONY OF
KENNETH C. PITSKO – CHAPTER 6B
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 6B**

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 2024 through 2027 program years.¹ The specifics of SDG&E's DR program offerings are set forth in further detail in the testimony of E Bradford Mantz Chapter 1B.

II. PROPOSED DR PROGRAM BUDGET

Table A-1 below shows the proposed DR portfolio budget (as detailed in the testimony of E Bradford Mantz Chapter 1B, Ellen Kutzler Chapter 2B, April Bernhardt Chapter 3B, and Lizzette Garcia-Rodriguez Chapter 4B) for the 2024 through 2027 program years organized by the seven DR funding categories adopted in Decision (D.) 17-12-003. SDG&E is requesting a total amount of \$156,583,995 for the 2024-2027 program years.

¹ See Prepared Direct Testimony of Kenneth C. Pitsko Chapter 6A for my direct testimony supporting SDG&E's DR budget, cost recovery mechanism, and fund-shifting process for the bridge year 2023.

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	Budget Request for 2024	Budget Request for 2025	Budget Request for 2026	Budget Request for 2027	Total Budget Request for 2024-2027
1	Category 1 – Supply-Side Demand Response program						
2	AC Saver Day-Ahead	1	\$ -	\$ -	\$ -	\$ -	\$ -
3	AC Saver Day-Ahead - Incentives	1	-	-	-	-	-
4	AC Saver Day-Of	1	-	-	-	-	-
5	AC Saver Day-Of - Incentives	1	-	-	-	-	-
6	Base Interruptible Program (BIP)	1	-	-	-	-	-
7	BIP Incentive	1	-	-	-	-	-
8	Capacity Bidding Program (CBP)		374	385	395	406	1,559
9	CBP Incentive		1,300	1,350	1,350	1,370	5,370
10	Smart Energy Program (SEP)		608	626	867	894	2,996
11	Smart Energy Program - Incentives		1,786	1,961	2,141	2,229	8,117
12	Category 1 Total		4,068	4,322	4,753	4,899	18,042
13	Category 2 – Load Modifying Demand Response Program						
14	Category 2 Total	1	-	-	-	-	-
15	Category 3 – Demand Response Auction Mechanism (DRAM) and Direct Participation Electric Rule 32						
16	DRAM, Including IT	2	-	-	-	-	-
17	SDG&E Electric Rule 32, Including IT		1,557	1,586	1,615	1,648	6,406
18	Category 3 Total		1,557	1,586	1,615	1,648	6,406
19	Category 4 – Emerging and Enabling Technology programs						
20	DR Emerging Technology		1,250	1,250	1,250	1,250	5,000
21	Technology Deployment	1	-	-	-	-	-
22	Technology Incentives	1	-	-	-	-	-
23	Category 4 Total		1,250	1,250	1,250	1,250	5,000
24	Category 5 – Pilots						
25	Armed Forces Pilot (AFP)	1	-	-	-	-	-
26	Over Generation Pilot	1	-	-	-	-	-
27	Emergency Load Reduction Pilot (ELRP)		3,000	3,000	36,000	36,000	78,000
28	Direct Dispatch Pilot (Program in 2027)		1,948	1,415	1,433	2,703	7,499
29	Electric Vehicle Pilot		933	1,070	1,329	-	3,333
30	Battery Storage Pilot		1,499	1,526	1,525	-	4,550
31	Grid Isolation Controls Pilot (GICP)		1,030	1,034	1,037	-	3,101
32	Constrained Local Capacity Planning Areas and Disadvantaged Communities Pilot	1	-	-	-	-	-
33	CBP Residential Pilot	1	-	-	-	-	-
34	Category 5 Total		8,410	8,045	41,325	38,703	96,483
35	Category 6 – Marketing, Education, and Outreach (ME&O)						
36	Local Marketing, Education and Outreach		1,715	1,608	1,508	1,073	5,904
37	Category 6 Total		1,715	1,608	1,508	1,073	5,904
38	Category 7 – Portfolio Support (includes EM&V, Systems Support, and Notifications)						
39	Regulatory Policy & Program Support		551	617	634	652	2,454
40	IT Infrastructure & Systems Support		2,959	3,362	3,329	3,593	13,244
41	Evaluation, Measurement & Verification (EM&V)		2,137	2,349	1,961	1,804	8,252
42	Commission Directed Research		200	200	200	200	800
43	Category 7 Total		5,847	6,529	6,125	6,248	24,749
44	Total Portfolio Budget Request for 2024-2027		\$ 22,847	\$ 23,340	\$ 56,576	\$ 53,820	\$ 156,584

1 \$0 funding request in the 2024-2027 program years.

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)² 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.

² 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)³, 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.⁴ 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.⁵

³ AL 2972-E established the DRGBA.

⁴ AL 3277-E (filed September 25, 2018).

⁵ *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.⁶ 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”.

⁶ 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,⁷ 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.

⁷ Rulemaking 20-11-003.

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

2 In Chapter 6A of my direct testimony, SDG&E is requesting the Commission’s approval
3 to continue the fund-shifting process approved in D.20-05-009 for the program year 2023 and
4 beyond, by making this a permanent DR fund-shift rule. SDG&E’s proposal to continue to its
5 current fund shifting process is reasonable as it would benefit the DR portfolio as a whole if
6 SDG&E is allowed flexibility to steer the use of already approved funds towards areas where
7 additional funds may be required in future years.

8 **V. CONCLUSION**

9 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 Demand Response, Energy
5 Efficiency, and Customer Assistance programs for SDG&E. I have been employed by SDG&E
6 since 2017 and by Sempra since 2005. Over the past 16 years I have held various accounting
7 and 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.