FILED
11/18/20
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902E) for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG Related Forecasts	Application 20-04-014

JOINT COMMENTS OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION, SAN DIEGO COMMUNITY POWER AND CLEAN ENERGY ALLIANCE TO SAN DIEGO GAS & ELECTRIC COMPANY'S (U 902 E) NOVEMBER UPDATE TO APPLICATION

[PUBLIC VERSION]

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November 18, 2020

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Pursuant to the schedule set forth in the July 6, 2020 Scoping Memo and Ruling setting the schedule for this proceeding, San Diego Community Power ("SDCP") and Clean Energy Alliance ("CEA") hereby submit these Opening Comments, which are joined by the California Community Choice Association ("CalCCA"),[1] regarding the November 6, 2020 *Updated Application and Prepared Direct Testimony* ("November Update") to San Diego Gas and Electric Company's ("SDG&E") *Application for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG Related Forecasts* ("Application"), which was filed on April 15, 2020. For consistency and clarity, SDCP and CEA continue to follow format of the common briefing outline that was requested by assigned Administrative Law Judge Wercinski and agreed upon by all parties.

I. INTRODUCTION

SDCP and CEA appreciate that SDG&E has been forthright and collaborative in providing discovery responses and in its commitment to correct errors that SDCP and CEA have identified

[1] Pursuant to Rule 1.8(d), CalCCA has authorized SDCP/CEA to submit these comments on its behalf.

throughout this proceeding.[2] However, SDG&E's November Update raises significant concerns—far too late in the proceeding— that SDG&E is relying on inaccurate and outdated billing determinants (sales forecasts) to calculate its 2021 commodity rate forecast for bundled customers. By utilizing incorrect billing determinants, SDG&E proposes an artificially low bundled customer rate that will lead to significant undercollections from bundled customers in 2021. Specifically, the billing determinants that SDG&E uses to calculate its commodity rate fail to account for the substantial load departure—approximately 24% of SDG&E's 2021 bundled load sales forecast[3]— that will occur early in 2021 when SDCP and CEA launch. Compounding this error is the fact that SDG&E *does* properly account for anticipated load departure when calculating its expected commodity revenue, thereby creating a misaligned commodity rate calculation that distorts SDG&E's forecasted bundled customer rates and violates basic ratemaking principles.

As further explained below, SDG&E's use of misaligned data would result in a commodity rate proposal that would lead to a significant undercollection from bundled customers. Such undercollections will be trued up in the future, but the artificially low 2021 commodity rates will mislead customers by creating a false price signal that bundled rates are lower than they should be in 2021 when customers are deciding whether or not to opt out of newly established CCA service. Approving SDG&E's commodity rates would send a false price signal that may lead customers to

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[2] *See, e.g.*, A.20-04-014, *Reply Brief of San Diego Community Power and Clean Energy Alliance,* p. 7 (October 23, 2020) ("SDCP/CEA Reply Brief") (discussing SDG&E's commitment to correcting two errors regarding the PCIA calculation presented in the testimony of SDG&E witness Stacy Fuhrer.); A.20-04-014, *Reply Brief of San Diego Gas & Electric Company (U 902-E) in Support of its Application for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts,* p. 9 (October 23, 2020) ("SDG&E Reply Brief") (discussing same).
[3] Calculated as Vintage 2020 departed load sales divided by the Energy Requirements Forecast of bundled load provided in SDG&E witness Covic's Updated Testimony. (*See* A.20-04-014, *Updated Prepared Direct Testimony of Stefan* Covic at SC-3:14 (November 6, 2020) ("Covic Updated Testimony").)

make such decisions based on inaccurate rates, and could unfairly force CCAs to compete against SDG&E's artificially low generation rates.

Curiously, SDG&E recognizes that it has used mismatched data to derive rates.[4] Though SDG&E appears to defend its approach, at least in part, as procedurally necessary, its claim is unsupported and inconsistent with other aspects of the Application. There is simply no basis on which SDG&E should conclude that it is prohibited from relying on more accurate load forecasts, particularly when doing so leads to such obvious errors in setting the commodity rates. Moreover, both of the other two investor-owned utilities ("IOUs") use more current billing determinants in their own ERRA forecast proceedings. Accordingly, SDCP and CEA respectfully request that the Commission direct SDG&E to revise its commodity rates, as illustrated in Table 1 below and explained further in Section II.A herein. SDCP and CEA's proposed commodity rates, shown in Column B of Table 1 below, utilize the same billing determinants that SDG&E used to derive its Energy Requirements Forecast in this proceeding and which accurately forecast 2021 load departures. For ease of reference, SDCP and CEA prepared the below table comparing SDG&E's proposed commodity rate (column A) and the corrected commodity rate using the more accurate Energy Requirements Forecast (column B).

Table 1: Comparison of Proposed and Corrected System Average Commodity Rate

		SDG&E's Proposed Commodity Rate	**Corrected Commodity Rate**	**Difference**
	Line Number	(A)	(B)	(C) = 1 - (A) / (B)
Commodity Revenues	1	$1,023,583,000 (1)	$1,023,583,000 (1)	0%
Bundled Load Sales (kWh)	2	[redacted]		

[4] *See* Application, pp. 5-6 (discussing the need to update its 2021 sales forecast pending a decision in its 2019 General Rate Case ("GRC") Phase 2 proceeding, A.19-03-002); Exh. SDCP-51.

System Average Commodity Rate (¢/kWh)	3 = 1 / 2	7.021(1)	[redacted]

(1) Exhibit SDCP-48: Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx
(2) Exhibit SDCP-47: SDG&E response to SDCP DR 11 Q10b – CONFIDENTIAL – SDG&E Response – SDCP CEA DR11 Q10b.xlsx
(3) Exhibit SDCP-49: SDG&E response to SDCP DR 11 Q19a

The Commission should direct SDG&E to use its Energy Requirements Forecast to derive bundled customers' commodity rates for 2021 because it is the same forecast that SDG&E relies on to calculate its revenue forecasts and the only forecast that SDG&E has disseminated that accurately accounts for CCA load departure. Given that expected CCA load departure comprises approximately 24% of SDG&E's bundled load sales in early 2021, it is imperative that SDG&E accounts for this significant load decrease when calculating its commodity rates. For context, this forecasted load departure is roughly *ten-times* greater than that seen in any prior year in SDG&E's service territory since 2002, when community choice aggregation was first authorized.[5]

In addition, SDCP and CEA request that the Commission clarify and resolve certain issues relating to SDG&E's PCIA price cap and recovery of its CAPBA balance, as detailed in Section II.B herein.

Altogether, SDCP and CEA request that the Commission:

- Direct SDG&E to revise its bundled billing determinants using its latest load forecast (its energy requirement forecast) to accurately reflect anticipated CCA load departure;
- Clarify that the PCIA rate cap must be calculated from the rate implemented in an IOU's prior year's ERRA Forecast Proceeding to comply with D.18-10-019;

[5] *See* California Assembly Bill 117 (Midgen, 2002) (authorizing local governments to aggregate customer electric load and purchase electricity for customers.); R.03-10-003, *Decision Resolving Phase 2 Issues on Implementation of Community Choice Aggregation Program and Related Matters* (December 16, 2005) ("D.05-12-041") (Commission decision implementing Portions of AB 117 regarding Community Choice Aggregation).

- Approve SDG&E's proposed PCIA rates as filed in its November Update and clarify that SDG&E may not adjust its calculation of the PCIA rate cap based on the authorizations made, or which will be made, in the Commission's resolution of SDG&E's Trigger Application 20-07-009 ("Trigger Application");
- Direct SDG&E to exclude vintage 2020 from the CAPBA rate adder; and
- Direct SDG&E to allocate the CAPBA rate adder to be approved in the Trigger Application only to customers in vintage years 2009 through 2019, which are responsible for causing the undercollection.

II. COMMENTS

A. Scoping Issue No. 1 - Whether the Commission should approve SDG&E's total 2021 forecast revenue requirement of $1,161.437 million.[6]

SDG&E's 2021 forecasted revenue requirement is reasonably calculated to the extent that it relies on the utility's latest expectations of bundled customer Forecasted Energy Requirements and customer migration to newly formed or expanding CCAs. However, the bundled customer commodity rates derived from the forecasted revenue requirement are neither just nor reasonable, nor are they consistent with the Commission's rate design principles. At a high-level, this is because SDG&E uses a mismatched numerator (revenue requirement) and denominator (sales) when calculating its proposed commodity rates. Specifically, and as shown in Table 2 below, SDG&E calculated the total commodity-related revenue requirement (the numerator, revenue requirement) that properly reflects anticipated 2021 load departure, but its bundled customer billing determinants (the denominator, sales) improperly rely on an outdated 2019 sales forecast

[6] Though the Scoping Ruling references a revenue requirement of $920.317 million, as requested in SDG&E's Application, SDG&E's November Update reflects a requested revenue requirement of $1,161.437 million. (See San Diego Gas & Electric Company's (U 902-E) November Update to Application, p. 6, Table 1 (November 6, 2020) ("November Update").)

that does not account for anticipated CCA load departure (i.e., overstating the bundled sales over which the 2021 commodity costs would be collected).

Table 2: Comparison of Bundled Load Sales Utilized in November Update

Forecast Name	Bundled Sales (GWh)	How the value is utilized in the November Update
2019 Sales Forecast[(1)]	[redacted]	Utilized as the denominator in deriving the commodity rates.
2021 Energy Requirements Forecast [(2)]		Utilized to forecast "ISO Load Charges (Energy & A/S Costs)", (SDG&E response to DR 12 Q 4a) a significant component of the ERRA Revenue Requirement (numerator in the derivation of the commodity rate)

[(1)]Exhibit SDCP-47, SDG&E Response to DR 11.10(b)

[(2)] Covic Direct Testimony p. SC-3, Line 13

The Commission has established that rates must be calculated in accordance with certain Rate Design Principles ("RDP").[7] Key among these, is that rates should be "stable and understandable and provide customer choice," and that rates should encourage "economically efficient decision making."[8] The calculations used by SDG&E in its November Update to derive bundled customers' commodity rates are based on inaccurate and contradictory information, as shown in Table 2 above. If approved, SDG&E's proposal would result in bundled commodity rate calculations that violate the Commission's Rate Design Principles.

i. The Commission Should Direct SDG&E to Use an Accurate Load Forecast in Calculating its Bundled Commodity Rates To Comply with Basic Ratemaking Principles and to Avoid False and Anti-Competitive Price Signals.

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[7] *See* R.12-06-013, *Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates,* pp. 16, 28 (July 13, 2015) ("D.15-07-001").

[8] *Id.* at 28.

In using this mismatched numerator and denominator in its calculation, SDG&E's November Update includes forecasted commodity rates that are misleadingly low, in violation of the Commission's rate design principles. Because the forecasted commodity rates will undoubtedly lead to an undercollection of the ERRA revenue requirement in 2021 that must be trued-up at a later date, the proposed commodity rates violate the RDP of being "stable and understandable."[9] Further, because the proposed commodity rates are set artificially low, it will not promote customer choice and customers will be unable to make "economically efficient decisions" as required by the RDP. Accordingly, the Commission should direct SDG&E to correct its commodity rate by utilizing the correct billing determinants that SDG&E has used in calculating its Energy Requirements Forecast.

SDG&E's November Update proposes a total revenue requirement *decrease* of $334.173 million compared to the amount currently in rates.[10] SDG&E states that the revenue requirement changes would decrease current system average bundled rates by 2.964 cents per kWh, or 12.35% compared to currently effective rates.[11] SDG&E fails to explain that the average commodity rate, which is predominantly at issue in this application and is only one part of the system average bundled rate cited, would decrease *28.31%* if SDG&E's proposal is approved.[12] SDG&E provides no other explanation for such a substantial decrease in rates. Through discovery, SDCP and CEA learned that SDG&E's failure to properly update the bundled billing determinants (sales forecasts) results in these artificially low proposed bundled customer commodity rates in 2021.

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[9] D.15-07-001, p. 28.
[10] November Update at 7.
[11] Exhibit SDCP-48 (SDG&E Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx; Calculated as 1 – Proposed 2021 ERRA Nov Update System Average Commodity Rate / Present Effective System Average Commodity Rate).
[12] *Id.*

Despite calculating its 2021 ERRA revenue requirement using its latest load forecast for 2021, SDG&E calculates its proposed bundled customer commodity rates using the 2019 billing determinants.[13] As noted above, SDG&E admits that this 2019 sales forecast does not account for the significant load departure anticipated in early 2021.[14] Mr. Covic clearly explains in his testimony that SDG&E's bundled load for 2021 will be [redacted] GWh (Line 2 in Table 2).[15] However, in response to SDCP and CEA data request 11.10, SDG&E confirmed that it is using bundled customer sales of [redacted] (Line 1 in Table 2) as the billing determinants to calculate bundled commodity rates. As shown in Table 1, the bundled sales volumes that SDG&E uses as the denominator to derive the commodity rates are [redacted] higher than SDG&E's current expected bundled customer sales in 2021.

ii. There is No Legal Basis That Justifies SDG&E's Use of Inaccurate Billing Determinants.

By using an updated 2021 revenue requirement as the numerator and then using the 2019 sales (billing determinant) number in the denominator, SDG&E's resulting commodity rates proposal is inherently inaccurate and fail to conform to basic ratemaking principles. Though SDG&E acknowledges the inaccuracy of using a 2019 sales forecast, SDG&E curiously argues that its hands are tied and that it must rely on this outdated forecast because a final decision on the 2021 sales forecast is still pending in SDG&E's General Rate Case ("GRC").[17] When prompted

[13] Note that, in its Application, SDG&E stated that it would need to update its 2021 sales forecast pending a decision in its 2019 General Rate Case ("GRC") Phase 2 proceeding (A. 19-03-002) ("GRC Phase 2"), though at this late point in the proceeding it is not clear that SDG&E will have an opportunity to do so (nor would it in 2021, until its compliance proceeding). (A.20-04-014, *Application of San Diego Gas & Electric Company (U 902-E) for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts,* pp. 5-6 (April 15, 2020) ("Application").)
[14] Exhibit SDCP-50, SDG&E Response to SDCP DR 10.7.
[15] Covic Updated Testimony (Confidential) at SC-3:13-16.
[16] *See* Table 1, Column C.
[17] Exhibit SDCP-50 (SDG&E Response to SDCP DR 10.7).

through discovery to provide a citation or explanation of on what basis SDG&E concludes that it is "without authority" to use its 2021 sales forecast in its ERRA Forecast proceeding, as is done by the other IOUs, SDG&E demurred, instead restating its belief that "it would be inappropriate for SDG&E to propose and litigate a sales forecast in two separate applications."[18]

SDG&E's position is without merit for several reasons. First, SDG&E revises all other inputs in its ERRA application to reflect its latest sales forecast, including updated assumptions regarding anticipated CCA departure. For example, SDG&E's November Update explains that the energy requirements sales forecast that is used to derive the projected cost to serve bundled customers in 2021 was updated to include new demographic and economic assumptions, the impacts of COVID-19, and the latest forecast of load departure to CCAs.[19] Additionally, SDG&E's proposed PCIA rates were set using vintaged billing determinants that reflect CCA load departure in 2021, even though it excludes such departures in calculating its bundled customers' commodity rates. Therefore, SDG&E's argument that it must have Commission approval before updating forecasts is unfounded and applied inconsistently. Cherry-picking which forecasts to update, especially when doing so creates such a significant misalignment in rate variables, artificially skewing rates, misleading customers, and raising significant anti-competitive concerns is not sound rate design.

Second, neither Pacific Gas & Electric ("PG&E") nor Southern California Edison ("SCE") take the same position as SDG&E in their ERRA Forecast proceedings.[20] Instead, both SCE and

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[18] Exhibit SDCP-51 (SDG&E Response to DR 13.02).
[19] Covic Updated Testimony at SC-3.
[20] *See* A. 20-07-002, *Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2021 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation. (U39E),* p. 16 ("PG&E 2021 ERRA Application"); A.20-07-004, *Application of Southern*

PG&E request that the Commission adopt their 2021 sales load forecast in their ERRA Forecast Proceeding.[21] Thus, SDG&E's contention that it "does not have authority" to rely on its projected 2021 sales forecast is inconsistent with the practice of other similarly situated IOUs.

It is important to note, however, that even if SDG&E were to update its bundled billing determinants using the 2021 sales forecast it presented in its GRC, bundled rates would still be artificially low. Both PG&E and SCE adopt 2021 sales forecasts in their respective ERRA Forecast Proceedings filed in 2020. This approach allows for the IOUs to calculate bundled rates using billing determinants that more accurately reflect departing load. In contrast, SDG&E included its 2021 sales forecast in its GRC Phase 2 Application filed March 2019; nine months before SDCP and CEA filed their respective implementation plans.[22] SDG&E acknowledges that, as a result of this approach, the GRC sales forecast did not take load departure into consideration.[23] Though SDG&E anticipates remedying this flawed approach by implementing annual updated sales forecasts beginning in 2022,[24] this does little to resolve the present issue with SDG&E's currently proposed bundled rates for 2021. As such, the Commission must ensure that, just as SDG&E updated other ERRA forecast inputs to reflect load departures, SDG&E utilizes billing determinants that truly reflect anticipated load departures and not simply an outdated 2021 sales forecast.

Because SDG&E admits that its bundled customer billing determinants used to calculate the proposed 2021 commodity rates do not reflect the latest bundled sales forecast for 2021 or the significant anticipated CCA load departure. Therefore, it is clear that future bundled rates will

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*California Edison Company (U338E) For Approval of Its Forecast 2021 ERRA Proceeding Revenue Requiremen*t, p. 10 ("SCE 2021 ERRA Application").

[21] *See* PG&E 2021 ERRA Application at 16; SCE 2021 ERRA Application at 10.

[22] Exhibit SDCP-51 (SDG&E Response to SDCP DR 13.02).

[23] *Id*.

[24] *Id*.

necessarily increase once the billing determinants are updated. Indeed, if SDG&E's commodity rates are approved, bundled customers will see their rates increase to both reflect the billing determinant adjustment flowing from an updated load forecast and to recover the 2021 undercollection caused by the mismatch. To avoid this outcome, the Commission should direct SDG&E to use its latest load forecast as the billing determinants for its 2021 rates.

B. Scoping Issue No. 9 – Whether the Commission Should Approve SDG&E's Proposed Vintage Power Charge Indifference Adjustment ("PCIA") in Rates.

The PCIA rate is calculated in this proceeding based on two key components: (1) the total "Indifference Amount," i.e., the difference between the forecasted cost of SDG&E's generation portfolio in 2021 and the forecasted market value of SDG&E's generation portfolio in 2021; and (2) the 2020 year-end balance in the Portfolio Allocation Balancing Account (PABA), which essentially constitutes a rolling true-up between the forecasted costs and revenues used to set the PCIA for 2020 and the actual costs and revenues SDG&E is realizing this year. The Indifference Amount and the year-end PABA undercollection are added together to form the PABA revenue requirement.[25] The revenue requirement is then allocated among both bundled and unbundled customers based on their vintage, i.e., the year unbundled customers left SDG&E's service, and their rate class.[26]

In addition, and as more thoroughly discussed in SDCP and CEA briefing,[27] the Commission has adopted a cap (of 0.5¢/kWh) on the amount by which PCIA rates can increase each year to "provide a degree of stability and predictability" for departing load customers.[28] The

[25] *See* A.20-04-014, *Opening Brief of San Diego Community Power and Clean Energy Alliance,* pp. 4-6 (September 25, 2020) ("SDCP/CEA Opening Brief").
[26] *Id.* at 5.
[27] *See id.* at 3-6.
[28] R.17-06-026, *Decision Modifying the Power Charge Indifference Adjustment Methodology*, p. 72 (October 19, 2018) ("D.18-10-019").

Commission established a balancing account and trigger mechanism to account for accumulated undercollection due to the PCIA cap, and IOUs are directed to file a trigger application if the PCIA Under-collection Balancing Account ("CAPBA") balance exceeds the 7% threshold.[29]

SDG&E filed such a trigger application on July 10, 2020, in which it requested authorization to implement a rate increase to recover its estimated undercollection of $8.92 million in revenue from departing load customers, and to amortize such rate increase over a three-month period.[30] On November 12, 2020, assigned Administrative Law Judge Glegola issued a Proposed Decision ("Proposed Decision") in which it granted SDG&E's rate increase request of 1.9¢/kWh over a twelve-month period.

Here, SDG&E's Application and November Update, in addition to issues presented in SDG&E's Trigger Application,[31] leave open key issues to be resolved regarding SDG&E's calculation of PCIA rates and its recovery of the CAPBA balance.

i. The Commission Should Clarify that the Rate Used to Set an IOU's PCIA Rate Cap is the Rate Set in the Prior Year's ERRA Forecast Proceeding, consistent with D.18-10-019 and Standard IOU practice.

SDG&E has suggested that the half-cent cap on PCIA rate increases should be calculated from any "final as implemented PCIA rate," including one implemented through a decision in an IOU's trigger application.[32] As thoroughly discussed in SDCP/CEA's briefing, SDG&E's position, if adopted, could create a significant PCIA rate increase that would be contrary to the

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[29] *Id.* at 86-87, Ordering Paragraph 10.
[30] A.20-07-009, *Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism* (July 10, 2020) ("SDG&E Trigger Application").
[31] *Id*.
[32] Exhibit SDCP-7 (San Diego Gas & Electric Company Response to SDCP Data Request 3.26) and *see* A.20-04-014, *Prepared Direct Testimony of Stacy* Fuhrer at SF-15 (April 15, 2020) ("Fuhrer Direct Testimony").

very intent of the rate cap itself, *i.e.*, to provide rate stability and avoid rate shock for unbundled customers.[33]

In its reply brief, SDG&E denied that its approach was inconsistent with D.18-10-019, explaining that "SDG&E interprets the phrase 'the prior year's PCIA' to mean the PCIA rates that are in effect as of the time that SDG&E submits its November Update."[34] SDG&E's position implies that, *if* the Commission had issued a final decision in SDG&E's pending Trigger Application and authorized a rate increase in time for SDG&E's filing of the November Update, then the 2020 ERRA Forecast approved PCIA rate, *plus* the CAPBA Trigger rate adder, should set the base for calculating the price cap. SDG&E's argument is wrong and should be rejected, as it is contrary to D.18-10-019 and contrary to existing IOU practice.

In its reply brief, SDG&E claimed that the issue is ultimately "premature," "not ripe for adjudication in this year's ERRA Application," and "moot" because SDG&E did "not expect the Commission to enter a *final* decision approving the new PCIA rates until the end of the year," and, as such, SDG&E would not be able to implement any new PCIA rate increase resulting from the CAPBA trigger until January 1, 2021.[35]

SDG&E's position in reply briefs is curious given its initially stated position on this matter. In its November Update, it provided redline changes to the supporting testimony of witness Stacy Fuhrer, which show that SDG&E has modified its testimony to support its incongruous—though "moot"— position:

> As part of the ERRA Forecast proceeding, and pursuant to D.18-10-019, SDG&E must now evaluate whether the $0.005/kWh PCIA cap has been reached based on the system average PCIA rate by customer vintage, using a comparison between the prior year's

[33] See SDCP Opening Brief at 12-16.
[34] SDG&E/CEA Reply Brief at 15 (emphasis in original).
[35] SDG&E Reply Brief at 16 (emphasis added).

> DA/CCA PCIA rates and the PCIA rates proposed in the current year's ERRA Forecast proceeding.[36]

SDG&E's redlined language completely reverses its original statement on this issue. In its original testimony, SDG&E took the position that the cap should be set based on "the final as implemented PCIA rates from *the prior year's ERRA forecast proceeding*." (Emphasis added.). SDG&E's original position aligns with the position of SDCP/CEA (and also of other IOUs, as discussed below). SDG&E's redlined changes in the November Update are an obvious and inappropriate attempt to present a new proposal.[37] SDG&E should adhere to its own stated purpose regarding the November Update: "The November Update has traditionally served to update testimony regarding CTC Market Price Benchmark ("MPB") and the PCIA benchmarks."[38] SDG&E does not contemplate that the November update should be an opportunity for it to change its position on substantive policy issues such as setting the PCIA cap.

SDCP and CEA respectfully urge the Commission to make clear that the proper baseline for setting the PCIA cap is the rate approved in the prior year's ERRA Forecast proceeding, as originally stated by SDG&E, and not as adjusted by any trigger application. Indeed, this is the approach that is already followed by the other IOUs, PG&E and SCE, and the Commission should make clear that the practice should be uniformly followed both for consistent ratemaking and for consistency with D.18-10-019.[39]

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[36] A.20-04-014, *Updated Prepared Direct Testimony of Stacy Fuhrer* at SF-17:14-18:1(November 6, 2020) ("Fuhrer Updated Testimony").
[37] Fuhrer Updated Testimony at SF 17:14-18:3.
[38] November Update at 2.
[39] *See* SDCP/CEA Exh. 52, (SCE, Nov. Update pp. 107-109 and Table XI-49; PG&E Nov. Update, pp. 21-26 and Tables 19-4 and 19-5.)

Moreover, while SDG&E appears to understand that, even if its position on the PCIA rate cap were adopted, the time has passed for SDG&E to change the base PCIA-rate in this proceeding since, even with the November 13 Proposed Decision, the CAPBA rate increase will not take effect until January 1, 2021.[40] Indeed, SDG&E's calculation of the 2021 rate cap in its November Update uses as a baseline the current PCIA rates that were approved as a result of the 2020 ERRA Forecast proceeding.[41] SDCP and CEA request that the Commission confirm this point and approve the PCIA rates proposed in the November Update so that SDG&E may not make an eleventh hour proposal to change its PCIA rates. More importantly, still, SDCP and CEA request that the Commission clarify the Commission policy that the PCIA rate cap must be calculated from, as originally stated by SDG&E: "the final as-implemented PCIA rates from the prior year's ERRA Forecast proceeding."

ii. The Commission Should Address How the 2020 CAPBA Balance Will be Recovered.

The recently issued Proposed Decision adopts SDG&E's requested rate increase but it does not approve SDG&E's proposal to amortize the increase over the three-month period and instead orders implementation of a twelve-month amortization period to avoid rate shock for unbundled customers.[42] The Proposed Decision does not, however, specify which vintages will be responsible for paying the CAPBA adder and instead leaves that decision to this docket.[43] SDCP and CEA request that the approved CAPBA adder be equitably apportioned amongst vintages that

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[40] See A.20-07-009, *[Proposed] Decision Regarding Power Charge Indifference Adjustment Trigger Application of San Diego Gas & Electric Company*, Ordering Paragraph 1 (November 13, 2020) ("Trigger PD"); SDG&E Reply Brief at 16.
[41] A.19-04-010, *Decision Adopting San Diego Gas & Electric Company's 2020 Electric Procurement Cost Revenue Requirement Forecast and 2020 Forecast of Greenhouse Gas Related Costs*, January 16, 2020 ("D.20-01-005"). (Rates effective February 1, 2020 per AL 3500-E.)
[42] Trigger PD at 8, Ordering Paragraph 1.
[43] *Id. at* 9.

caused the PCIA undercollection; that is, among departing load customers in vintages 2019 and prior.

SDCP and CEA are concerned that if SDG&E applies the CAPBA adder to vintage 2020, customers that did not contribute to the PCIA undercollection but later depart bundled service would be unfairly charged the CAPBA rate adder, contrary to the Commission's rate design principles of cost-causation. Customers that received bundled service in 2020 and then depart prior to July 1, 2021, will pay Vintage 2020 PCIA rates. If Vintage 2020 customers are also charged a CAPBA rate adder, these newly departed customers would be charged for the CAPBA even though they had nothing to do with the PCIA undercollections that accrued during 2020 before they departed.

SDG&E's PCIA rates effective beginning in February 2020 were capped for departing load customers in vintages 2009 through 2019, while commodity rates for bundled customers included the indifference amount assigned to vintage 2020. Therefore, customers receiving bundled service during 2020 did not contribute to any CAPBA undercollections, which are only incurred due to unbundled customers paying capped PCIA rates. Vintage 2020 departing load customers are not responsible for any of the 2020 CAPBA balance and should not be charged a CAPBA surcharge in 2021.

SDG&E presented its proposed CAPBA Trigger surcharge rates in the testimony of Stacy Fuhrer in A.20-07-009. Attachment B to Ms. Fuhrer's testimony presented SDG&E's proposed rates with 3-month amortization using an equal cents per kWh cost recovery method. Page SF-B-2 clearly shows that SDG&E anticipates a CAPBA surcharge rate for vintage 2020. Consistent with SDG&E's proposal, if the rates approved by the Proposed Decision also apply to vintage 2020, customers departing between January and June 2021 would be subject to a $0.019/kWh

CAPBA surcharge even though they did not cause the CAPBA balance in 2020. Based on the anticipated sales to these customers during 2021, SDG&E would overcollect the CAPBA balance by approximately [redacted] million if SDG&E were to apply the CAPBA adder to the current forecast of vintage 2020 sales.[44] Accordingly, SDG&E should not to apply the CAPBA trigger surcharge rate to vintage 2020 customers.

iii. The Commission Must Clarify how the 2020 CAPBA Refund will be Administered to Departing Customers

The Proposed Decision in SDG&E's Trigger Application declines to address the issue of CAPBA refunds, finds that the issue is out of scope, and provides that the issue should instead be addressed in this proceeding.[45] Accordingly, this proceeding is the only venue for this important issue to be resolved. The question is how 2020 CAPBA refunds should be administered to bundled customers who depart in the middle of 2021 for CCA Service. In its Reply Brief in the PCIA Trigger Application proceeding, SDG&E stated that it would support a twelve-month amortization period of the entire CAPBA balance for all customers if the Commission either (1) agreed that the benefit of a 12-month amortization period justified a requirement that bundled customers forgo their share of the CAPBA refund, or (2) adopted SDG&E's proposal for a one-time transfer of the CAPBA overcollection due to bundled customers into the 2020 vintage of PABA.[46]

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[44] Calculated by multiplying the vintage 2020 departed load sales from Fuhrer "CONFIDENTIAL - PCIA Model_2021 ERRA Forecast Nov Update.xlsx" by the proposed 2020 CAPBA adder from Exhibit SDCP-17: CONFIDENTIAL - PCIA Model_2020 CAPBA Trigger 3 Mo._Equal Cents Alloc_Fuhrer.xlsx.

[45] Trigger PD at 9 ("In this decision we do not rule on SDG&E's argument, made in its reply briefs, that the Commission should require departing customers leaving SDG&E in the middle of 2021 to forgo a refund, as we do not find that is in the scope of this proceeding, but instead better suited for SDG&E ERRA forecast proceeding. For similar reasons, we also do not adopt SDG&E's proposal for a one-time transfer of the CAPBA overcollection due to bundled customers into the 2020 vintage of PABA."

[46] A.20-07-009, *Reply Brief of San Diego Gas and Electric Company in Support of its Application Under the Power Charge Indifference Adjustment Account Trigger Mechanism*, p. 24 (October 30, 2020). *See also* Trigger PD at 9.

The CAPBA refund issue is properly within the scope of this ERRA Forecast proceeding since SDG&E's proposal would entail modification of the 2020/2021 vintage of PABA. In the PCIA Trigger Application proceeding, after SDCP and CEA challenged the unjust and unreasonable nature of SDG&E's forfeiture proposal and recommended alternative approaches, SDG&E proposed a one-time transfer of the CAPBA overcollection into the PABA.[47] SDG&E's proposal entails including the CAPBA refund as a "rate adder" for bundled customers into the 2020 and/or 2021 PCIA vintage using vintage system sales to capture customers who depart after July 1, 2021.[48] These reductions to the PCIA would necessarily require a modification to the 2020 and 2021 vintage being litigated in the current proceeding. Thus, it is reasonable and within the scope of this proceeding to require SDG&E to adjust its ERRA Application to reflect the proposed transfer of the CAPBA refund to the 2020/2021 vintage of PABA in the manner proposed in SDG&E's Reply Brief in the PCIA Trigger Application proceeding. SDCP and CEA urge the Commission to adopt this approach to avoid forfeiture of customer refunds.

III. CONCLUSION

For the foregoing reasons, SDCP and CEA strongly urge the Commission to make the following determinations and directions as to SDG&E's Application and November Update:

- Direct SDG&E to revise its bundled billing determinants using its latest load forecast (its energy requirement forecast) to accurately reflect anticipated CCA load departure;
- Clarify that the PCIA rate cap must be calculated from the rate implemented in an IOU's prior year's ERRA Forecast Proceeding to comply with D.18-10-019;

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[47] *Id.* at 20.
[48] *Id.* at 21.

- Approve SDG&E's proposed PCIA rates as filed in its November Update and clarify that SDG&E may not adjust its calculation of the PCIA rate cap based on the authorizations made, or which will be made, in the Commission's resolution of SDG&E's Trigger Application 20-07-009 ("Trigger Application");
- Direct SDG&E to exclude vintage 2020 from the CAPBA rate adder; and
- Direct SDG&E to allocate the CAPBA rate adder to be approved in the Trigger Application only to customers in vintage years 2009 through 2019, which are responsible for causing the undercollection.

Respectfully submitted,

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November 18, 2020

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