



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

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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
(Filed April 15, 2020)

**SAN DIEGO COMMUNITY POWER, CLEAN ENERGY ALLIANCE AND
CALIFORNIA COMMUNITY CHOICE ASSOCIATION REPLY COMMENTS ON
PROPOSED DECISION**

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Pursuant to California Public Utilities Commission (“Commission”) Rules of Practice and Procedure Rule 14.6(b), San Diego Community Power (“SDCP”) and the Clean Energy Alliance (“CEA”), together with the California Community Choice Association (“CalCCA”) (collectively, the “CCA Parties”),¹ submit these reply comments on the Proposed Decision of Administrative Law Judge Wercinski, issued on December 2, 2020, Adopting San Diego Gas & Electric Company’s (“SDG&E”) 2021 Electric Procurement Revenue Requirement Forecasts and GHG Related Forecasts (the “PD”).

SDG&E’s comments on the PD make one fleeting reference to its recognition “that the rates set in this proceeding should reflect the most accurate forecasts,” but otherwise *neglect entirely* to propose any kind of *solution* in furtherance of this end.² Instead, SDG&E holds to its position that the Commission should approve a commodity rate that, as SDG&E admits, is based on an *inaccurate* sales forecast that fails to account for customers departing utility service for SDCP and CEA service next year. The resulting rate distortion is compounded by SDG&E’s use of an unequal commodity rate equation whereby it uses the outdated sales forecast as the denominator but an updated load forecast when calculating the revenue to be collected (the numerator), resulting in an artificially low commodity rate that will mislead customers and lead to an undercollection in next year’s bundled rates.³ As the PD notes, the record is sufficient to show that if SDG&E updates its billing determinants as directed in the PD, the current system average bundled rate will decrease by 2.06% rather than the 12.35% projected using SDG&E’s inaccurate sales forecast.⁴

In its comments on the PD, SDG&E persists in its position that it is bound by the Commission from correcting this mismatch and using billing determinants other than those “authorized” in its 2019 sales forecast. But SDG&E still provides absolutely *no legal support* for this position, and ignores the fact that the Commission, via the PD, explicitly tells SDG&E that it

¹ Pursuant to Rule 1.8(d) of the Commission’s Rules of Practice and Procedure, CalCCA has authorized counsel to SDCP and CEA to file these Comments CalCCA’s behalf.

² *Opening Comments of SDG&E (U 902-E) on the Proposed Decision Adopting 2021 Electric Procurement Revenue Requirement Forecasts and Greenhouse Gas-Related Forecasts for SDG&E*, p. 3, filed on December 8, 2020 (“SDG&E Comments on PD”).

³ See *SDCP, CEA and CalCCA Comments on November Update*, pp. 5-8, filed on November 18, 2020 (“CCA Parties’ Opening Comments on November Update”).

⁴ *[Proposed] Decision Adopting Electric Procurement Revenue Requirement Forecasts and Greenhouse Gas-Related Forecasts for SDG&E*, pp. 23-25, filed on December 2, 2020 (“Proposed Decision”).

is not bound to use inaccurate billing determinants.⁵ What’s more, SDG&E misdirects from the issue at hand (namely, an absurd and wholly inaccurate proposed commodity rate) by claiming an alleged conflict with SDG&E’s General Rate Case (“GRC”) Phase 2 proceeding, despite the fact that neither the CCA Parties nor the PD suggest that SDG&E use the sales forecast at issue in that proceeding, particularly since it also fails to take into account the projected load departure (approximately 24% of SDG&E’s bundled sales forecast) when SDCP and CEA launch next year.⁶

Though SDG&E makes much of the purported time and complexity required to update its billing determinants, this is ultimately a problem of SDG&E’s making given that it proposed Commission approval of such obviously inaccurate rates. SDG&E should not be permitted to adopt what by all accounts is an inaccurate and misleading commodity rate simply because correcting for the underlying inaccuracy is cumbersome.

Nevertheless, in the interest of compromise and expediency, if a middle ground is sought, CCA Parties do not oppose the “mitigation measures” put forward by Public Advocates Office (“Cal Advocates”) to use the System Average Percentage Change (“SAPC”) method to scale the current rate for each class by the same percentage. Adopting this solutions-oriented approach would dispose of SDG&E’s alleged concerns regarding equity and complexity.⁷

I. SDG&E PROVIDES NO LEGAL SUPPORT FOR ITS CONCLUSION THAT IT MUST RELY ON ITS OUTDATED 2019 SALES FORECAST.

SDG&E makes several unsupported statements claiming that it is somehow prohibited from using a sales forecast that is more current than its 2019 sales forecast when calculating its bundled commodity rates. For example, SDG&E states: “[a] sales forecast, and their corresponding billing determinants, must first be reviewed by affected parties and approved by the Commission before they are used to establish rates,” but SDG&E provides no citation to support this claim.⁸ Indeed, though purporting to respond to the PD’s observation that “*no statute, Commission decision, or other legal authority requires the use of outdated billing determinants in setting*

⁵ See Proposed Decision, p. 42 (“...SDG&E fails to cite any Commission decision that would prevent use of an updated and more accurate sales forecast in an ERRR forecast proceeding.”) (emphasis added).

⁶ SDG&E Comments on PD, pp. 5-8; see also CCA Parties’ Opening Comments on November Update, p. 2.

⁷ See *Opening Comments of the Public Advocates Office on the Proposed Decision of Administrative Law Judge Wercinski*, p. 4, filed on December 8, 2020 (“Cal Advocates Comments on PD”).

⁸ SDG&E Comments on PD, p. 1; see also *id.* at 4 wherein SDG&E claims, without citation, that “[o]nly after the sales forecast has been approved can SDG&E use the updated sales forecast to set electric rates.” (emphasis omitted).

rates,” SDG&E’s comments only rehash arguments already made and offer no legal support, let alone a possible solution for the clearly absurd result that would occur if SDG&E’s *legally unsupported* position were adopted. Notably, and as discussed in SDCP/CEA briefing, neither PG&E nor SCE take the same position as SDG&E in their ERRA Forecast proceedings, and instead each includes updated sales forecasts in their ERRA Forecast applications.⁹

Moreover, as discussed below, SDG&E’s focus on the GRC Phase 2 proceeding is misplaced given that neither CCA Parties nor the PD recommend that the sales forecast at issue in that proceeding be applied in this case. In fact, as SDG&E admits, the 2021 sales forecast that it therein proposes for adoption *also fails* to “take into consideration anticipated CCA load departure,” and thus would not correct for the concerns and gross inaccuracies in setting bundled commodity rates identified in this proceeding.¹⁰

II. SDG&E’S FOCUS ON THE GRC PHASE 2 IS MISPLACED.

SDG&E’s focus on an alleged conflict with its GRC Phase 2 is misplaced for several reasons. First, as SDG&E notes, the 2021 sales forecast at issue in that proceeding *still does not account for anticipated 2021 load departure*,¹¹ and therefore reliance on it would still lead to absurdly low bundled commodity rates.

Second, the inaccurate 2021 sales forecast at issue in the GRC is not even recommended to take effect until November 1, 2021 under the terms of the proposed settlement agreement.¹² Of note, the settlement agreement also proposes that SDG&E “file a standalone application to update its sales forecast for 2022, with a request for implementation to be made effective January 1, 2022.”¹³ This means that the 2021 sales forecast, which SDG&E insists is in grave conflict with the PD, would be in effect for all of *two months*. If the Commission were forced to choose between two months of supposed conflict versus an entire year of inaccurate and misleading rates that will inevitably lead to undercollections and may mislead customers during a critical time for CCA launch, then directing SDG&E to update its sales forecast is the more equitable and reasonable outcome.

⁹ See CCA Parties’ Opening Comments on November Update, p. 9.

¹⁰ *Id.*, pp. 4-5.

¹¹ *Id.*, p. 5 (“...the billing determinants in the 2021 sales forecast do not take into consideration anticipated CCA load departure.”)

¹² *Id.*, p. 6.

¹³ *Id.*

Third, though SDG&E makes much of the proposed settlement agreement, it is just that—a proposal—and is still subject to Commission review and approval. The Commission must undertake an independent review of the settlement agreement to ensure it is reasonable and consistent with the public interest.¹⁴ This review requires consideration of each settlement component, and individual terms may require revision or renegotiation for approval.¹⁵ Thus, contrary to SDG&E’s argument that “the Settlement Agreement is indivisible,” each term of the settlement agreement is subject to Commission review and revision under Rule 12.4.¹⁶

Further, contrary to SDG&E’s claims that this issue is new or likely to prejudice parties, it has been clear since SDG&E’s filing of its Application that there is significant interplay between these two dockets given that SDG&E’s Application states that the 2021 ERRA “forecast could be impacted by. . . the *disconnect* between SDG&E’s General Rate Case authorized sales forecast (which presently does not reflect CCA load departure in 2021) and SDG&E’s revenue forecast (which does reflect departed load).”¹⁷

Accordingly, SDG&E’s arguments that the PD’s direction to update its bundled sales forecast is in conflict with a proposed settlement in another proceeding is not persuasive and should not affect the Commission’s direction that SDG&E update its billing determinants used in its sales forecast for rates stemming from this proceeding.

III. SDG&E’S CONTENTION THAT DERIVING RATES FROM UPDATED BILLING DETERMINANTS IS TOO COMPLEX OR IMPRACTICAL IS NOT PERSUASIVE.

SDG&E argues that, though it has begun the process of updating its rates consistent with the PD, completion of this task is too complex and burdensome to timely implement rates.¹⁸ But this alleged difficulty is not a sufficient justification to proceed with implementing rates that are

¹⁴ Commission Rules of Practice and Procedure, Rule 12.1(d).

¹⁵ A.15-09-001, *Decision Authorizing Pacific Gas and Electric Company’s General Rate Case Revenue Requirement for 2017-2019*, pp. 219-220, issued May 18, 2017 (“D.17-05-013”) (explaining that “the Commission does not reject an entire settlement in the event that it finds that specific components of that settlement fail to meet the standard required by Rule 12.1(d). Rather, as provided for in Rule 12.4, the Commission exercises the options available to it, to either hold hearings on the underlying issues, allow parties time to renegotiate the settlement, or propose alternative terms to the parties which are acceptable to the Commission.”)

¹⁶ SDG&E Comments on PD, p. 8.

¹⁷ *Application of SDG&E for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts*, p. 6, filed on April 15, 2019 (“SDG&E 2021 ERRA Application”). (Emphasis added.)

¹⁸ SDG&E Comments on PD, pp. 8-11.

inaccurate, likely to mislead customers, and will require correction and a future true-up. Moreover, SDG&E was aware of the disconnect between its sales forecast (which does not reflect CCA load departure in 2021) and its revenue forecast (which does reflect departed load), when it filed its Application,¹⁹ and should not be excused for its apparent unwillingness to reconcile—or even attempt to reconcile—this clear incongruity, let alone mitigate against the absurd outcome that results, *i.e.*, artificially low and inaccurate commodity rates that will most likely require a substantial mid-year adjustment for bundled customers under the ERRA trigger process and would threaten the ability of CCA programs to set comparable rates, assemble a resource portfolio and launch. And even if some additional time were needed for SDG&E to implement the billing determinants update as directed in the PD, it would clearly be worthwhile to avoid the absurd outcome of approving knowingly inaccurate and misleading rates.

However, notwithstanding SDG&E’s responsibility in putting forward this inaccurate proposal, CCA Parties agree that, should the Commission seek modification of the PD to address the alleged complexities and inequities identified by SDG&E and Cal Advocates, then CCA Parties urge the Commission to adopt the PD as modified by the mitigating measures identified in Cal Advocates’ comments.²⁰ Specifically, CCA Parties believe that a direction from the Commission that SDG&E implement any resulting class average rate changes using the SAPC method, which SDG&E states has been subject to party review, negotiation, and agreement, in the Phase 2 GRC (and is thus supported by SDG&E), will eliminate, or at least significantly streamline, SDG&E’s process for updating rates in this proceeding, and will also “smooth out” any “volatility in class average rate changes”²¹ that might otherwise result from the update.

IV. CONCLUSION

For the foregoing reasons, CCA Parties respectfully urge the Commission to adopt, without modification, the PD’s direction that SDG&E use its 2021 bundled energy requirements forecast used to derive the ERRA revenue requirement to set the applicable rates to be implemented pursuant to this decision. To the extent that the Commission finds that this direction should be modified, CCA Parties urge the Commission to adopt the middle-ground approach offered by Cal Advocates and discussed in Section III above.

¹⁹ See SDG&E 2021 ERRA Application, p. 6.

²⁰ See Cal Advocates Comments on PD, p. 4.

²¹ See *id.*

Respectfully submitted,



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