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**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 (Filed April 15, 2020)

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

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Pursuant to California Public Utilities Commission ("Commission") Rules of Practice and Procedure Rule 14 and Administrative Law Judge Wercinski's January 4, 2021 ruling, 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 comments on the Alternate Proposed Decision of Commissioner Guzman-Aceves, issued on December 28, 2020, Adopting San Diego Gas & Electric Company's ("SDG&E") 2021 Electric Procurement Revenue Requirement Forecasts and GHG Related Forecasts (the "Alternate Proposed Decision" or "APD").

I. INTRODUCTION.

Overall, the CCA Parties strongly support the Alternate Proposed Decision, which represents a common-sense resolution of SDG&E's forecast application. In this proceeding, SDG&E proposes a substantial and artificial *decrease* in its system average bundled rates for 2021.[2] As made clear in prior CCA Parties' comments, this projected commodity rate decrease is due to an inaccurate and misleading rate calculation.[3] SDG&E's proposed rate calculation uses an accurate sales forecast to determine its energy revenue requirements (the numerator in the rate calculation), but at the same time uses a completely inaccurate sales forecast from 2019 (the denominator) to derive forecasted bundled commodity rates.[4]

[1] Pursuant to Rule 1.8(d) of the Commission's Rules of Practice and Procedure, the California Community Choice Association has authorized counsel to SDCP and CEA to file these Opening Comments CalCCA's behalf.
[2] *See Joint Comments of California Community Choice Association, San Diego Community Power, and Clean Energy Alliance to SDG&E's November Update to Application*, p. 7 (November 18, 2020) ("CCA Parties' Comments on November Update") [citing to November Update at p. 7].
[3] *See, e.g.*, *id.* at 1-11.
[4] *Id.* at 5.

SDG&E acknowledges its use of mismatched forecasts, [5] which results in artificially low commodity rates that will have to be trued up in the future.

The APD properly rejects this approach, which fails to conform to basic ratemaking principles,[6] and instead directs SDG&E to implement rates that are based on known and accurate load projections. The APD would require SDG&E to apply this knowledge consistently, rather than selectively. Adoption of the APD is not only consistent with reality, but will also (1) avoid substantial Energy Resource Recovery Account ("ERRA") undercollections from bundled customers that would require subsequent true-ups, (2) expose bundled customers to rate volatility, and (3) allow unbundled customers to make generation service decisions in 2021 based upon accurate price signals. While inaccurate rates will eventually be trued up, the absurdly low rates resulting from SDG&E's approach would have immediate negative consequences on new CCA programs set to launch in 2021.

Though the CCA Parties support the APD as written, in recognition of some of the concerns raised by parties, CCA Parties propose that the APD is adopted with a clarifying direction that SDG&E use the system-average percent change ("SAPC") method when implementing rates, as described more thoroughly in Section III below and previously addressed in comments by both Cal Advocates and CCA Parties.[7] Application of the SAPC method effectively addresses SDG&E's timing and equity concerns, while also ensuring that SDG&E's rates are accurate, cost-competitive, and will not unduly create price volatility with repeated undercollections and trigger applications, as SDG&E's proposal (and the RPD) would.

By contrast, and as is shown in Section I below, adoption of the Revised Proposed Decision[8] ("RPD") would result in the Commission's approval of rates that (1) are artificially low and will create significant undercollections, (2) are derived from inconsistent application of a load forecast that even

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[5] *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.

[6] *See 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,* p. 6 (November 18, 2020) ("CCA Parties' Comments on the November Update) [discussing and citing 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").]

[7] *See Opening Comments of the Public Advocates Office on the Proposed Decision of Administrative Law Judge Wercinski*, p. 4 (December 8, 2020) ("Cal Advocates Opening Comments on PD") and *San Diego Community Power, Clean Energy Alliance and California Community Choice Association Reply Comments on Proposed Decision*, p. 5 (December 11, 2020) ("CCA Parties' Reply Comments on PD").

[8] ALJ Wercinski's Proposed Decision was subsequently and significantly revised on December 15, 2020, resulting in a "Revised Proposed Decision" or "RPD."

SDG&E recognizes is inaccurate, (3) will send customers an inaccurate price signal during a crucial time for customer choice, and (4) will create rate volatility and increased regulatory burden as SDG&E (and the Commission) will inevitably face multiple and overlapping trigger applications throughout 2021 stemming from the significant undercollections that will accrue from approval of artificially low commodity rates.

Figure 1 below compares the three possible outcomes of this proceeding, based on the record, along three dimensions: (1) the rates that would be in place in 2021, (2) the ERRA triggers that would result under the outcome, and (3) the load forecast that would underlie the applicable rates. The table demonstrates the complexity that would ensue from adoption of the RPD, with multiple rate changes throughout the year, whereas the APD—particularly if modified to apply the SAPC method— creates a common-sense and streamlined path forward that reflects rates based in reality.

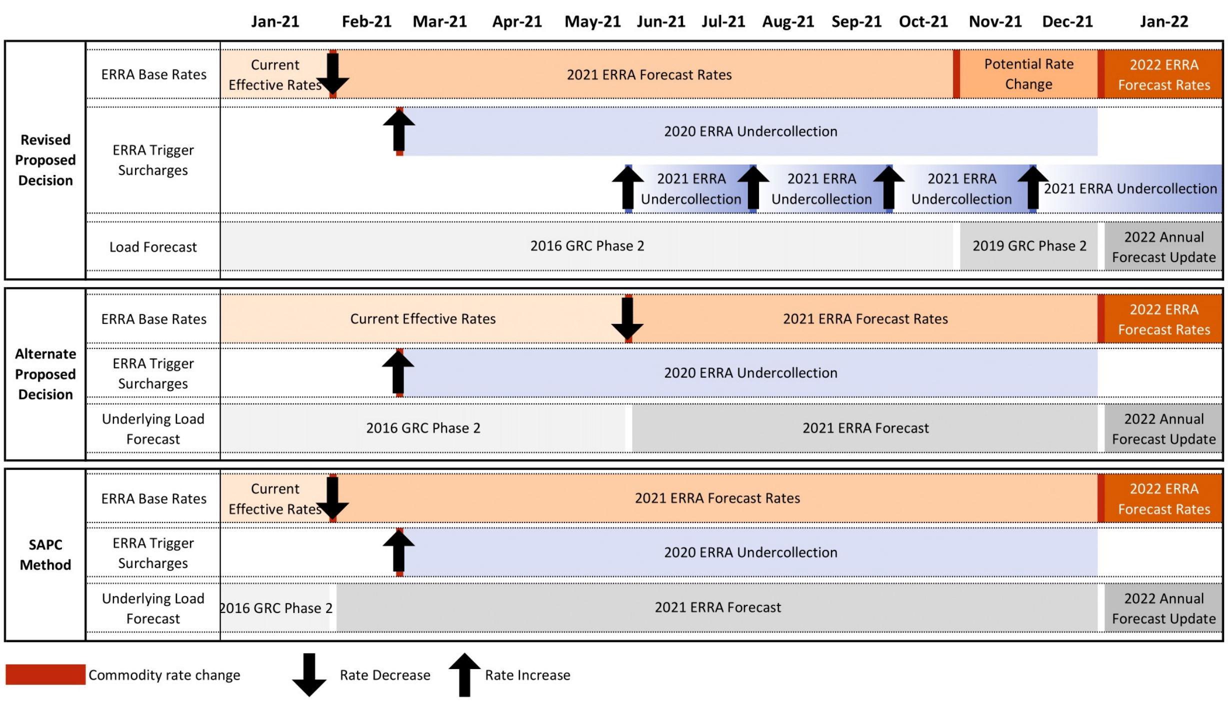

Figure 1: Illustrative ERRA Rate Adjustment Scenarios: Illustration of the anticipated timeline of changes to ERRA Base Rates, ERRA Trigger Surcharges, and the underlying load forecast that result from three scenarios. Anticipated rate increases/decreases to the system average commodity rate are shown by grey arrows.

Notes:

1. Revised Proposed Decision Scenario: In this scenario updated rates from the RPD are implemented February 1, as proposed by SDG&E in its November Update. ERRA Trigger Surcharges will result

both from an undercollected balance accrued in 2020 as well as from the undercollection resulting from the artificially low base commodity rates. As discussed further below, this undercollection is expected to breach the 4% trigger within 60 days of rate implementation. Subsequent trigger applications may be required to recover the full undercollected balance estimated to exceed $260 million.

2. Alternate Proposed Decision: In this scenario ERRA base rates are not updated until June 2021 owing to the time it would take SDG&E to calculate updated billing determinants from the energy forecast supplied in the 2021 ERRA Proceeding. The utilization of an accurate forecast in setting commodity rates mitigates the potential for a 2021 ERRA undercollection, all else being equal.
3. SAPC Method: In comparison to the APD scenario, in this scenario base ERRA rates are implemented quickly following the commission's decision as the SAPC approach does not require a complete recalculation of detailed billing determinants. Similar to the APD scenarios, the potential for a 2021 ERRA undercollection would be mitigated, all else being equal.

These complexities, along with the rate impacts and impacts on CCA launch schedules, point solidly in the direction of the APD. Accordingly, as explained more thoroughly below, CCA Parties recommend adoption of the APD, and support doing so with a clarifying modification that SDG&E apply the SAPC method to its rate calculations derived from an updated sales forecast.

II. REVISED PROPOSED DECISION IMPLICATIONS.

By allowing SDG&E to simultaneously rely on an outdated and inaccurate sales forecast that does not include anticipated CCA load departures, while using an updated revenue requirement forecast that *does* include such anticipated CCA load departures, the Revised Proposed Decision creates significant adverse consequences for both bundled and unbundled customers.[9] First, as demonstrated in Figure 1, adoption of the RPD will cause rate volatility throughout 2021, as multiple rate changes will be required to take effect. This is because adoption of the artificially deflated commodity rates that result from SDG&E's use of an outdated sales forecast will inevitably lead to a substantial undercollection in rates that is likely to exceed $260 million[10] and could require multiple trigger filings in 2021 (possibly as soon

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[9] *See* RPD, p. 43 (finding that SDG&E's calculation of commodity rates is outside the scope of the proceeding and declining to address the issue).

[10] The $260 million is calculated by taking the difference between the total system commodity revenue shown in witness Fuhrer's workpaper Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx (Exhibit

as March). These trigger filings will be layered on top of SDG&E's currently pending ERRA Trigger Application for undercollections during 2020, which does not correct for future undercollections.[11] Additionally, consistent with the RPD's deference to SDG&E's claim that its load forecast must be implemented through its General Rate Case ("GRC") Phase II proceeding,[12] yet another rate change could be made in November 2021 pursuant to SDG&E's proposed settlement agreement in that proceeding.[13] These frequent rate changes will not only cause rate volatility for customers, but will also create regulatory burdens for both the Commission and intervenors faced with the need to address consecutive trigger applications.

For CCA customers and prospective customers, adoption of the RPD will not only create a false price signal, but could also threaten the viability of CCA service itself. Under the RPD, CCAs would be unfairly forced to compete against artificially low commodity rates—and to do so right when they are launching and customers are making decisions regarding their generation service providers. Quite simply, adoption of the RPD would fly in the face of common-sense ratemaking principles, and anything gained through swift implementation of the RPD or deference to the GRC Phase II proceeding will quickly be outweighed by significant adverse consequences.

A. Rapid Implementation of the RPD Will Result in Absurdly Low Commodity Rates.

SDG&E contends that requiring it to develop accurate billing determinants, as directed in the APD, would necessitate roughly four months of work to apply changes at the customer class level.[14] Rather,

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SDCP-48) and the system total commodity revenue resulting from multiplying the proposed commodity rates in witness Fuhrer's workpaper Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx (*Id.*) by the Energy Requirement's Forecast from witness Covic (Exhibit SDCP-49 CONFIDENTIAL - SDG&E Response - SDCP CEA DR 11 Q19.pdf).

11 *See SDG&E Expedited ERRA Trigger Application*, A.20-12-007 (December 11, 2020).

12 CCA Parties disagree with the RPD's finding that updating SDG&E's sales forecast is out of scope of this ERRA Forecast proceeding. SDG&E's projected revenue requirement, which is clearly in scope of this proceeding (*see* Scoping Memo, p. 2, scoping issues 1 & 2), is directly related to and dependent on accurate sales and revenue forecasts. Indeed, SDG&E prepared and used an updated load forecast to calculate its ERRA revenue requirement in this proceeding. If it is within the scope for SDG&E to rely on this updated revenue forecast, certainly it must also be within the scope to require that SDG&E similarly update its sales forecast when setting rates.

13 *See* RPD at 43 (stating that "SDG&E's calculation of commodity rates is not within the scope of this proceeding. Rather, that calculation relates to rate design that is within the scope of SDG&E's current GRC proceeding, A.19-03-002. As a result, we decline the CCA November Commenters' request to revise SDG&E's calculation of commodity rates."); *SDG&E Request for Official Notice Under Rule 13.9*, at p. A-12 (December 8, 2020) ("SDG&E Request for Official Notice") ("The Settlement Agreement adopts SDG&E's updated 2021 sales forecast and recommends implementation no sooner than November 1, 2021.").

14 *Opening Comments of San Diego Gas & Electric Company (U 902-E) on the Proposed Decision*

SDG&E prefers the RPD approach (which removes the direction to update its billing determinants) in part because it can be implemented quickly.[15] However, SDG&E vastly overstates the benefit of quick implementation. This is because today's currently effective commodity rates are *more accurate* than the rates that would result under the RPD's approach. Rapid implementation has little value if it results in absurdly low rates that have to be corrected over and over again throughout the year.

Under the RPD, SDG&E would be allowed to use its stale forecast to set unrealistically low bundled rates. In contrast, the APD could require time to be implemented, but the delay would cause little, if any harm to customers. This is because the current rates are significantly more accurate than those that would result from the RPD's approach. Multiplying the currently effective system average rate[16] by the bundled load in ERRA Energy Requirements Forecast[17] results in revenue of approximately [redacted] million in revenue, within 3% of the forecasted commodity revenue requirement in the current proceeding.[18] By comparison, multiplying the rates resulting from the RPD by the bundled load in the ERRA Energy Requirements Forecast results in revenue of only [redacted] million, approximately 26% below the forecasted commodity revenue requirement.

Thus, quick implementation of SDG&E's faulty rate projections will only serve to deepen SDG&E's projected undercollections, create increased price volatility, and create confusion for customers at a time when they must make critical service decisions based on commodity rates presented by SDG&E and each CCA. In contrast, maintaining current rates, while not ideal, creates no real negative consequences such as creating an undercollection that would require amortization over a compressed timeframe. Accordingly, there is no reason to rush implementation of SDG&E's proposed inaccurate rates. Indeed, the Commission is right to take the time to fully consider whether the rates to be adopted are just and reasonable and merit adoption.[19] Moreover, as explained in Section III below, if the APD is

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Adopting 2021 Electric Procurement Revenue Requirement Forecasts and Greenhouse Gas-Related Forecasts for San Diego Gas & Electric Company, p. 8 (December 8, 2020) ("SDG&E Opening Comments on PD").

[15] *See Proposed Decision Rev. 1 Redline Comparison showing changes to December 2, 2020 Proposed Decision*, p. 53 (deleting Ordering Paragraph 8 in original PD). Available at: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M355/K113/355113243.PDF.

[16] Exhibit SDCP-48, Fuhrer public workpaper Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx.

[17] Exhibit SDCP-49, SDG&E Response to SDCP/CEA DR 11.19.

[18] Exhibit SDCP-48, Fuhrer public workpaper Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx

[19] *See* Cal. Pub. Util Code § 451 (requiring just and reasonable rates and providing that any unjust or unreasonable rate is unlawful); *id.* at sec. 454 (prohibiting rate changes except upon a showing before the Commission and a finding by the Commission that the new rate is justified).

modified to apply the SAPC method, SDG&E would be able implement considerably more accurate rates and without a four-month delay.

B. Adoption of the RPD Will Lead to a Significant Undercollection.

As described above and in CCA Parties' briefing, Commission approval of SDG&E's mismatched rate calculations via the RPD will result in a projected undercollection of more than $260 million.[20] This undercollection will likely cause trigger filings as soon as March or April of this year, in addition to the *existing* trigger filing for SDG&E's 2020 undercollection. (See Figure 1, *supra*, p. 4.)

As SDG&E itself has acknowledged through a statement from SDG&E spokeswoman Helen Gao, delayed resolution of projected undercollections only serves to harm customers.[21] "[I]f we delay addressing these types of under-collection issues now, balances could accumulate and result in bigger rate increases down the road. That's something we want to avoid."[22] CCA Parties wholeheartedly agree. The Commission should not put off correcting SDG&E's inaccurate load forecast in this proceeding, where its inaccurate use significantly distorts rates, simply because SDG&E has presented an alternative (but also inaccurate) load forecast for Commission approval in a separate proceeding, namely, SDG&E's GRC Phase II.[23]

It is critical to note that the load forecast that SDG&E presented for approval in its GRC Phase II proceeding through an unapproved settlement agreement is *also* inaccurate in that it fails to account for 2021 CCA load departure.[24] Even if SDG&E is permitted the benefit of the doubt and we assume that the proposed settlement agreement is approved by the Commission, then the load forecast at issue in the GRC

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[20] The $260 million is calculated by taking the difference between the total system commodity revenue shown in witness Fuhrer's workpaper [Exhibit SDCP-48] Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx and the system total commodity revenue resulting from multiplying the proposed commodity rates in witness Fuhrer's workpaper Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx *(id.)* by the Energy Requirement's Forecast from witness Covic (Exhibit SDCP-49, CONFIDENTIAL - SDG&E Response - SDCP CEA DR 11 Q19.pdf).

[21] Nikolewski, Rob, "SDG&E looking to increase rates 3.3% from March to December," San Diego Union Tribune (January 5, 2021) accessible at: https://www.sandiegouniontribune.com/business/story/2021-01-05/sdg-e-looking-to-increase-rates-3-3-from-march-to-december

[22] *Id.*

[23] *See* A.19-03-002, *Application of San Diego Gas & Electric Company for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design* (March 4, 2019).

[24] Exhibit SDCP-51, SDG&E Response to SDCP Data Request 13.02 (explaining that "SDG&E filed its 2019 GRC Phase 2 Application, and its resulting 2021 sales forecast, [in] March of 2019. CCA implementation plans were not submitted to SDG&E until January of 2020. As such, SDG&E's 2019 GRC Phase 2, and its resulting 2021 sales forecast, does not take into consideration load departure in 2021.").

Phase II proceeding would only take effect for two months before being reevaluated in January 2022.[25] Specifically the motion for adoption of the proposed settlement agreement explains:

> The Settlement Agreement adopts SDG&E's updated 2021 sales forecast and recommends implementation no sooner than November 1, 2021…The Settlement Agreement further requires SDG&E to file a standalone application to update its sales forecast for 2022, with a request for implementation to be made effective January 1, 2022.[26]

Accordingly, it makes little sense to defer correction in this proceeding—where it will impact rates taking effect as soon as next month—simply because an alternative, though equally inaccurate, load forecast *might* take effect in November 2021.[27]

C. Adoption of the RPD Will Mislead Customers at a Crucial Time for Customer Choice

Adoption of the RPD would significantly impair the anticipated launch of CCAs (if not prevent them altogether) by sending a false price signal to customers that SDG&E's rates are lower than the true price needed for SDG&E to recover its generation costs. And while SDG&E's customers are likely to see subsequent rate increases applied by rate adders throughout 2021 that result from SDG&E's trigger applications, such rate adders are unlikely to be implemented until *after* CCAs have launched and customers have made their decision regarding whether or not to opt out of CCA service.[28] Because of regulatory notice requirements and other limitations on switching back and forth between providers, a customer's initial choice regarding their preferred generation service provider cannot be quickly

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25 *See* SDG&E Request for Official Notice, pp. A-12 – A-13 (explaining that, pursuant to the Settlement Agreement, parties agree that the 2021 sales forecast should be implemented no sooner than November 1, 2021, and also that the settlement agreement "requires SDG&E to file a standalone application to update its sales forecast for 2022, with a request for implementation to be made effective January 1, 2022.")

26 *Id*.

27 As explained in CCA Parties' Reply Comments on the PD, the Commission must undertake an independent review of the proposed settlement agreement to ensure it is reasonable, consistent with the public interest, and should be adopted. (See Commission Rule 12.4.)

28 CCA load departures are scheduled to occur prior to July 1, 2021 when Vintage Year 2020 closes (Vintage years open July 1 and close the following June 30.) While the exact timing of when a trigger will occur is unknown, straightforward estimates can be made assuming the undercollection accrues consistently throughout the year. By dividing the estimated undercollection amount by monthly bundled sales we can estimate that it may take as little as 62 days after rates go into effect to accrue an undercollected balance that exceeds the 4% trigger point. [The 4% trigger point for 2021 is calculated as 4% of the previous year's generation revenue (witness Fuhrer public workpaper Class Avg Rates_2021 ERRA Forecast Nov Update_PUBLIC.xlsx), approximately $45 million. We can derive the number of days will take to accrue an undercollected ERRA balance of $45 million by dividing the estimated 2021undercollection of $266 million by 365. This calculation results in an estimate of 62 days.]

changed.[29] The prospect of SDG&E's artificially low commodity rates has already slowed and added complexities to CCAs' planned launches and has made resource planning and contracting extremely difficult.

Customer choice must be informed by accurate price signals that will convey the true costs of service. Though SDG&E and the Commission have indicated their support for customer choice, adoption of the RPD would significantly impede this goal.

D. RPD Rate Class Impacts

Figure 2 below shows the immediate approximate rate impacts if SDG&E's proposed commodity rates (the green column) are adopted as proposed in the RPD. As shown, SDG&E's rate proposal reflects a *substantial decrease* in its currently effective commodity rates across all customer classes. Because SDG&E has underestimated the number of customers departing service, under the RPD, SDG&E will have to contend with revenues at lower rates and recovered over a smaller number of customers, resulting in the above-discussed undercollections and needed corrections. In contrast, and as more fully described below, adoption of the APD as modified by using the SAPC will hold rates fairly constant with those currently in effect, avoiding both rate shock and rate volatility for customers.

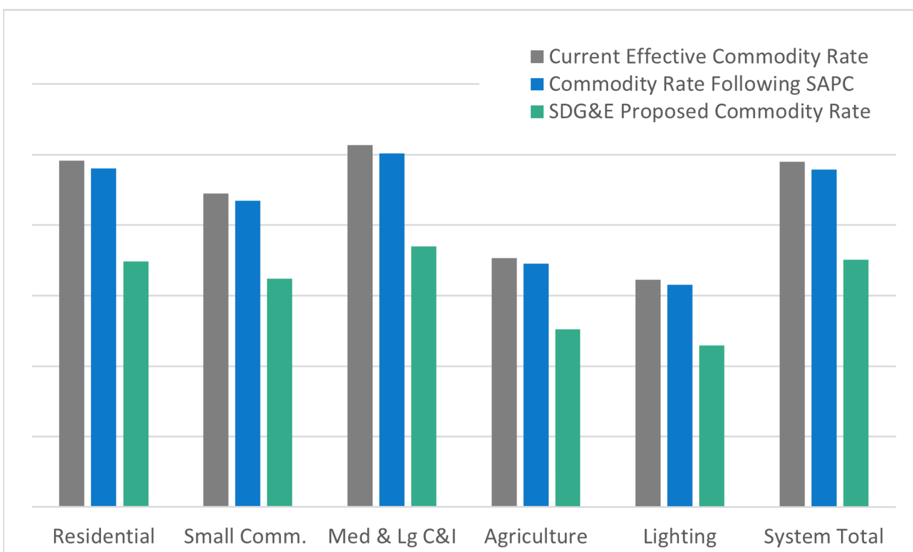

Figure 2: Average Commodity Rates by Customer Class

The Commission should not adopt artificially deflated rates that will confuse customers and result in regulatory complexity over the course of 2021.

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[29] *See* SDG&E Rule 27 (establishing rules and procedures relating to CCA service, including CCA enrollment and resumption of utility service), *accessible at*: https://www.sdge.com/sites/default/files/elec_elec-rules_erule27_0.pdf

III. ALTERNATE PROPOSED DECISION IMPLICATIONS.

In contrast to the RPD, the APD directs SDG&E to course-correct and to implement rates that use an accurate load forecast, and to ensure that such rates are consistently applied across both the numerator (SDG&E's revenue requirement) and the denominator (SDG&E's projected sales).[30] As demonstrated in Figure 1, the APD reduces rate volatility and leads to more stable commodity rates throughout 2021, even if SDG&E's claim that implementation will be delayed is correct. CCA Parties support the APD, though also support its adoption with a modifying direction that SDG&E apply the system average percent change method to its rate calculation, as discussed in Section IV below.

A. It is Worthwhile to Take the Time Necessary to Set Accurate Rates Rather than to Quickly Implement Rates that Will Require Subsequent Correction(s).

SDG&E claims that updating its billing determinants and applying such updates on a class-level basis will require four months of work by SDG&E before implementation.[31] Even if SDG&E were given the benefit of the doubt in assuming that rate implementation under the APD would take this long, it would clearly be worth waiting the amount of time necessary to get the rates right than to continue on a path of inaccuracies only to have to course-correct multiple times throughout the year via multiple trigger filings. As shown in Figures 1 and 2, adopting the APD avoids these frequent triggers. Moreover, and as explained above, SDG&E's currently effective rates are a closer approximation to SDG&E's true costs and recovery needs for 2021 than those resulting from adoption of the RPD.

Thus, even a delay in implementing accurate rates that may occur under the APD would better serve bundled customers than rushing to implement inaccurate and deficient rates. Adopting the APD would avoid significant undercollections from bundled customers and the resulting rate volatility that will ensue under SDG&E's proposed ERRA rates. Avoiding frequent triggers also preserves valuable Commission and party resources by avoiding unnecessary trigger dockets.

B. Adoption of the APD will Avoid the Drastic Undercollections that Would Occur Under the RPD.

The APD substantially reduces the risk of undercollection by directing SDG&E to reconcile its rate calculation with known load departure calculations, and by directing SDG&E to consistently apply such knowledge across its revenue requirement forecast and its sales forecast. As explained in Section I

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[30] [*Alternate Proposed] Decision Adopting 2021 Electric Procurement Revenue Requirement Forecasts and Greenhouse Gas-Related Forecasts for San Diego Gas & Electric Company,* Ordering Paragraph 8 ("December 28, 2020) ("APD").

[31] SDG&E Opening Comments on PD, p. 8.

above, if rates are implemented pursuant to the RPD, SDG&E is likely to experience over $260 million in ERRA undercollections over the course of 2021. Notably, this undercollection does not contemplate possible aggravating factors such as the continuing COVID-19 pandemic, repeated summer heat waves, or other unknowns that may further inflate SDG&E's projected undercollection under the RPD.

Further, SDG&E's primary argument against using an updated sales forecast is based on its faulty interpretation that D.18-11-035 mandates SDG&E rely on a static sales forecast approved in 2018 to determine commodity rates stemming from future ERRA applications. As explained in the APD, this interpretation is not borne out by the language in D.18-11-035. Indeed, the APD soundly refutes SDG&E's claim that its hands are tied:

> D.18-11-035 did not purport to prohibit or limit the use of updated sales forecasts outside of GRC proceedings, and SDG&E fails to cite any Commission decision that would prevent use of an updated and more accurate sales forecast in an ERRA forecast proceeding. *We reject SDG&E's view that an outdated sales forecast from another proceeding must be blindly followed, particularly given the existence of SDG&E's own updated forecast that properly takes account of anticipated load departures that were not known at the time the outdated sales forecast was created.*[32]

The APD's analysis is supported by the cited decision, and it reflects a practical resolution of the issue. In other words, the Commission is not required to blindly condone SDG&E's use of such an obviously inaccurate rate component, *particularly* where SDG&E calculated its updated revenue requirement based on a more current load forecast that properly reflects anticipated load departure. And even if D.18-11-035 directed SDG&E to use inaccurate sales forecasts in every rate proceeding from adoption of its 2019 billing determinants to adoption of its 2021 billing determinants, the Commission is not bound by its prior orders.[33] On the other hand, the Commission is required to ensure that rates are just and reasonable and that that rates do not result in anti-competitive outcomes.[34]

C. Adoption of the APD Will Ensure Informed Customer Choice.

As has been clearly explained by CCA Parties in briefing, approval of SDG&E's artificially low commodity rates would mislead customers looking to compare SDG&E's generation service rates against those proposed by CCAs. SDG&E's projected significant decrease in commodity rates (on a system-average basis) under the RPD is not an accurate reflection of SDG&E's true costs, nor of what SDG&E will ultimately collect from its customers. In fact, as explained above, it is very likely that SDG&E would

32 APD, p. 42.
33 Cal. Pub. Util. Code, § 1708.
34 *See* Cal. Pub. Util. Code §§ 451 & 454; CCA Opening Comments on November Update, pp. 6-10.

need to implement additional rate increases as soon as June 2021 if the RPD were adopted, with subsequent rate increases continuing throughout the year as SDG&E's undercollection grows and triggers are hit. Though this means that SDG&E can be made whole for its faulty 2021 rate estimation, the resulting rate changes will come after anticipated CCA launch and customer decisions comparing CCA generation service rates against those of SDG&E.

D. Rate Increases Under the APD Would Reflect True Costs

Consistent with cost-causation ratemaking principles, implementation of rates under the APD would reflect the true costs of service.[35] By directing SDG&E to correct its mismatched rate calculation and its use of an outdated sales forecast would enable customers to make decisions based on true costs of service, rather than seeing a depressed rate that would require true-ups (and rate adders) throughout the year.

IV. IMPLICATIONS OF APPLYING THE SAPC METHOD UNDER THE APD.

Although CCA Parties support the APD, CCA Parties are also cognizant of the concerns raised regarding disparate customer class rate impacts and timely implementation of rates. Accordingly, and in the spirit of accommodating a middle-ground but *still grounded-in-reality* approach, CCA Parties propose that the APD be modified to direct SDG&E to apply the SAPC method suggested by Cal Advocates[36] when implementing its 2021 ERRA Forecast rates.[37] Application of the SAPC methodology under the APD would resolve the timing, complexity, notice, and rate impact issues claimed by SDG&E in its opposition to utilizing an updated sales forecast.

A. Application of the SAPC Method Will Not Delay SDG&E's Implementation of Rates.

SDG&E claims that implementing rates for each customer class consistent with the APD direction to use an updated sales forecast would require significant work and approximately four months of time.[38]

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35 CCA Opening Comments on November Update, pp. 6-7 (explaining that directing SDG&E to use an updated sales forecast in its rate calculation is consistent with the Commission's rate design principles).

36 Cal Advocates Opening Comments on the PD, p. 4 (December 8, 2020).

37 Pursuant to Rule 14.1(d), such modification would not necessitate a new alternate proposed decision because both CCA Parties and Cal Advocates have previously proposed use of the SAPC method in comments. (See Rule 14.1(d), defining an "alternate proposed decision" as one that makes a "substantive revision," and further explaining that "A substantive revision to a proposed decision or draft resolution is not an 'alternate proposed decision'…*if the revision does no more than make changes suggested in prior comments on the proposed decision*…") (emphasis added).

38 SDG&E Opening Comments on PD, p. 8. The CCA Parties recognize that certain adjustments to the bundled customer Energy Requirements, such as adjusting for line losses, would be required under the SAPC method, but expect such adjustments could be made in a timely fashion.

This concern can be easily mitigated by directing SDG&E to utilize the SAPC method, as recommended by Cal Advocates.[39] Under this approach, SDG&E would only need to calculate the average rate change required to collect its projected commodity revenue to be applied across each customer class on an equal percentage basis, rather than developing brand new billing determinants. As explained by Cal Advocates, "[f]or each rate component, the SAPC method scales the current rate for each class (based on the current sales forecast) by the same percentage, such that the resulting scaled rates and new sales forecast recover the revenue requirement."[40]

Reliance on this SAPC method would thus streamline SDG&E's application of the APD's direction to use an updated sales forecast when implementing rates, and this calculation should not prolong SDG&E's rate implementation.

B. Projected Undercollection Would be the Same Under SAPC Method as Under the APD.

As shown in Figure 1 on p. 3, SDG&E is equally unlikely to face an additional undercollection stemming from 2021 rates if the APD is implemented pursuant to the SAPC method. Therefore, application of this rate methodology will not impact one of the key benefits of adopting the APD: avoiding significant and recurring undercollections.

C. Application of the SAPC Method Will Not Significantly Affect Price Signals.

While the SAPC method will cause some rate distortion of true costs between customer classes, it would still avoid the significant rate distortion that would result from implementing artificially deflated commodity rates under the RPD approach. Thus, rates imposed under the SAPC method would still avoid the outcome of sending inaccurate price signals to customers at a time when they will have to choose between service providers. In fact, as shown in Figure 2, estimated rates under the SAPC method would result in a slight (more realistic) decrease from those currently in place.

D. Application of the SAPC Method Would Avoid Unforeseen and Unintended Rate Class Impacts.

Additionally, use of the SAPC method would equitably resolve concerns raised regarding unknown rate impacts across customer classes and would also be consistent with the settlement agreement proposed in SDG&E's GRC Phase II proceeding.[41] For example, SDG&E makes a preliminary estimate

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[39] *See* Cal Advocates Opening Comments on the PD, p. 4 (December 8, 2020).

[40] Cal Advocates Opening Comments on the PD, p. 4, n.10.

[41] *See* SDG&E Motion for Official Notice at A-13 (December 8, 2020). Moreover, because several

that medium and large commercial and industrial class customers could see a rate increase of approximately 40% under the APD, but any such disparate rate impact would be mitigated through use of the SAPC method.[42] As stated by Cal Advocates, applying the SAPC method "would ensure that every class would experience the same class average rate change," thus smoothing out any drastic rate increases across a broader class of customers.[43] This sentiment is reiterated in the proposed GRC settlement agreement, which states that the SAPC method "will smooth out volatility in class average rate changes due to changes in sales caused by the economic and other impacts of the COVID-19 pandemic."[44]

V. CONCLUSION

The CCA Parties reiterate their strong support for the Alternate Proposed Decision. Application of the SAPC method to the APD's findings and directions would, however, resolve any concerns as to SDG&E's ability to quickly implement rates and as to equitable application of unknown rate impacts, all without compromising rate accuracy, rate volatility, or customer choice. For this reason and those explained above, CCA Parties recommend adoption of the APD with a modified direction that SDG&E apply the SAPC method when implementing rates. CCA Parties have attached hereto as Appendix A proposed changes to the APD consistent with this direction.

Respectfully submitted,

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interested parties—including SDG&E and others present in this proceeding— have already agreed to the proposed use of the SAPC method in SDG&E's 2021 rates through their proposed adoption of the GRC Phase II settlement agreement, use of the SAPC method would also mitigate SDG&E's stated concerns regarding possible conflict if the settlement agreement were adopted.

42 SDG&E Opening Comments on PD, p. 2.

43 Cal Advocates Opening Comments on PD, p. 4.

44 *See* SDG&E Motion for Official Notice at A-13.

ATTACHMENT A

Pursuant to Rule 14.3(b) of the Commission's Rules of Practice and Procedure, the CCA Parties offer the following index of recommended changes to the *[ALTERNATE PROPOSED] DECISION ADOPTING 2021 ELECTRIC PROCUREMENT REVENUE REQUIREMENT FORECASTS AND GREENHOUSE GAS-RELATED FORECASTS FOR SAN DIEGO GAS & ELECTRIC COMPANY*. The CCA Parties proposed revisions appear in underline and strike-through.

Findings of Fact

22. SDG&E can timely set the applicable rates to be implemented pursuant to this decision through the use of its 2021 bundled energy requirements forecast used to derive the ERRA revenue requirement adopted in this proceeding, and by applying the System Average Percent Change ("SAPC") method in its rate calculation.

Conclusions of Law

20. The Commission should order SDG&E to use its 2021 bundled energy requirements forecast used to derive the ERRA revenue requirement adopted in this proceeding to set the applicable rates to be implemented pursuant to this decision and to apply the SAPC method to its 2021 rate update.

Ordering Paragraphs

8. San Diego Gas & Electric Company shall use its 2021 bundled energy requirements forecast used to derive the Energy Resource Recovery Account revenue requirement adopted in this proceeding, and shall apply the SAPC method, to set the applicable rates to be implemented pursuant to this decision.