

In the Matter of the Application of San Diego Gas & Electric Company (U 902 E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.

Application 10-07-009
(Filed July 6, 2010)

Application of San Diego Gas & Electric Company (U 902 E) for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design

Application 19-03-002
(Filed March 4, 2019)

Application: 10-07-009/A.19-03-002
Exhibit No.: _____

CHAPTER 4

PREPARED REBUTTAL TESTIMONY OF

KENNETH E. SCHIERMEYER

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 4, 2020



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1 **PREPARED REBUTTAL TESTIMONY OF**

2 **KENNETH E. SCHIERMEYER**

3 **(CHAPTER 4)**

4 **I. INTRODUCTION AND PURPOSE**

5 This rebuttal testimony chapter addresses the following testimony regarding the
6 electric sales forecast from other parties:

- 7 • The Utility Consumers’ Action Network (“UCAN”), as submitted by
8 Ms. Mary Neal, dated April 6, 2020.

9 In this rebuttal testimony, failure to address any individual issue does not imply
10 agreement by SDG&E with any proposal made by UCAN or other parties.

11 I presented a new SDG&E electric sales forecast as part of my direct testimony in
12 this 2019 General Rate Case (“GRC”) Phase 2 Application (“A.”) 19-03-002.¹ SDG&E also
13 seeks to update its 2022 electric sales forecast as outlined in my supplemental testimony
14 addressing the need for updating the electric sales forecast between GRC Phase 2
15 proceedings.² This 2022 forecast update and updates between GRC Phase 2 proceedings,
16 going forward, are necessary to reflect load departure from emerging Community Choice
17 Aggregators (“CCAs”) in SDG&E’s service territory.

18 UCAN comments on changing load patterns and the loss of load to CCAs also
19 warrant an update to the sales forecast. UCAN is also supportive of SDG&E’s proposal to
20 update its sales forecasts between GRC Phase 2 proceedings. SDG&E agrees with UCAN

¹ March 4, 2019, Direct Testimony of Kenneth E. Schiermeyer on Behalf of San Diego Gas & Electric Company’s Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design.

² July 2, 2019, Supplemental Testimony of Kenneth E. Schiermeyer on Behalf of San Diego Gas & Electric Company’s Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design.

1 that the sales forecast should be updated between GRC Phase 2 proceedings and provides
2 additional information in this rebuttal testimony chapter to update parties and the
3 Commission regarding important new developments that will affect SDG&E's sales forecast
4 in the near future. Specifically, SDG&E expects load departure to CCAs beginning in 2021
5 and continuing into 2022.

6 **A. UCAN**

7 UCAN issued its testimony on electric sales forecasts on April 6, 2020.³ The
8 following is a summary of UCAN's position(s):

- 9 • UCAN agrees with SDG&E's proposal to seek authorization to
10 establish an application process to update SDG&E's sales forecasts
11 between GRC Phase 2 proceedings, as stated in the Supplemental
12 Testimony of Kenneth E. Schiermeyer.⁴
- 13 • Changing load patterns and the loss of load to community choice
14 aggregators warrant an update to the load forecast.⁵

15 **II. REBUTTAL TO PARTIES' PROPOSALS**

16 **A. SDG&E agrees with UCAN that its sales forecast should be updated**
17 **between GRC Phase 2 Proceedings.**

18 It is critical that the Commission authorizes SDG&E to update its 2022 sales forecast
19 in March 2021 and allow for updates between GRC Phase 2 proceedings moving forward.
20 UCAN supports SDG&E's proposal to establish a regulatory process to update the sales
21 forecasts between GRC Phase 2 proceedings, as stated in the Supplemental Testimony of

³ April 6, 2020, Direct Testimony of Mary Neal on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's Application for Authority to Update Marginal Costs, Cost Allocation, and Electric Rate Design.

⁴ UCAN Direct Testimony (Neal), p. 27.

⁵ UCAN Direct Testimony (Neal), p. 28.

1 Kenneth E. Schiermeyer. Such a process would result in more accurate forecasts and better
2 account for SDG&E’s shifting usage landscape. SDG&E is expecting changes in its
3 bundled sales forecast due to Direct Access (“DA”) changes and the entrance of CCAs into
4 the market. These changes will prompt load departure that need to be reflected timely in
5 sales forecast updates.

6 **B. As UCAN notes, SDG&E expects loss of load to Community Choice**
7 **Aggregators and Direct Access in the near future.**

8 There is expected future migration of customers to both community choice
9 aggregation and direct access. UCAN states that SDG&E will experience changing load
10 patterns and the loss of load to CCAs, which warrants an update to the load forecast.

11 Since the filing of my direct testimony on March 4, 2019, there have been two
12 developments in the migration of customers away from SDG&E bundled service. First,
13 there was an increase in the cap of DA that the Commission adopted in Decision (“D.”)19-
14 05-043. This amounted to an increase of 380 GWh of load that is eligible to non-residential
15 customers to take service from Energy Service Providers starting on January 1, 2021.⁶
16 Second, there are two new CCAs, San Diego Community Power (“SDCP”) and Clean
17 Energy Alliance (“CEA”), that plan to start CCA service for eight cities in SDG&E’s service
18 territory.

19 Both Joint Powers Authority (“JPAs”) filed their implementation plans in December
20 of 2019 to start CCA service beginning in 2021.⁷ CEA’s implementation plan has all

⁶ June 3, 2019, D.19-05-043, Decision Regarding Increased Limits for Direct Access Transactions, p. 6.

⁷ December 19, 2019, Clean Energy Alliance Community Choice Aggregation Implementation Plan and Statement of Intent, p 1.

December 9, 2019, San Diego Community Power Community Choice Aggregation Implementation Plan and Statement of Intent, p 1.

1 customers starting service on May 1, 2021.⁸ (Solana Energy Alliance representing the City
2 of Solana Beach is an existing CCA that plans to join the Clean Energy Alliance.) SDCP’s
3 December 2019 Implementation Plan has a phased-in implementation schedule that starts
4 with municipal customers (defined as city government customers) on March 1, 2021 and
5 remaining non-residential customers on July 1, 2021, and all residential customers taking
6 service on November 1, 2021.⁹ On April 23, 2020, SDCP’s Board of Directors adopted a
7 revised implementation schedule to start service for municipal customers on March 1, 2021,
8 remaining medium/large commercial/industrial, agriculture and street lighting customers on
9 June 1, 2021, and residential and small commercial customers would begin SDCP service in
10 the following year on January 1, 2022.¹⁰ Since CCAs may make additional revisions to their
11 implementation schedules that will impact 2022, it is reasonable to adopt SDG&E’s
12 proposal to file a 2022 sales forecast update in March 2021 and file updates between GRC
13 Phase 2 proceedings going forward so the most up to date and accurate forecast can be
14 reflected.

15 Both changes to the increased cap of DA and the addition of both CCAs’ December
16 2019 implementation plans were captured by California Energy Commission (“CEC”) in the
17 most recent 2019 Integrated Energy Policy Report (“2019 IEPR”) on January 22, 2020¹¹ but
18 were not captured in my direct testimony filed March 4, 2019, which was based on the
19 CEC’s 2018 IEPR released on January 9, 2019.

⁸ December 19, 2019, Clean Energy Alliance Community Choice Aggregation Implementation Plan and Statement of Intent, p 18.

⁹ December 9, 2019, San Diego Community Power Community Choice Aggregation Implementation Plan and Statement of Intent, p. 17-18.

¹⁰ April 23, 2020, San Diego Community Power Staff report – Item 4, Report from Finance and Risk management Committee Meeting, p. 2.

¹¹ January 2020, California Energy Commission, *2019 Integrated Energy Policy Report*, p. 195.

1 Although the total retail sales (i.e., combined bundled, DA, and CCA sales) forecast
2 between the CEC's 2018 and 2019 IEPR forecast for 2021 have not changed substantially,
3 the timing of departing load impacts SDG&E's forecast of bundled sales and the forecast of
4 load associated with our bundled service customers. SDG&E expects bundled sales to
5 decline in 2021 when comparing the bundled sales forecast in the CEC's 2019 IEPR forecast
6 versus the bundled sales forecast provided in the workpapers associated with my direct
7 testimony. The changes in the bundled versus DA and CCA load forecasts could not have
8 been accurately incorporated when SDG&E filed the original application. SDG&E is
9 expecting a further decline in bundled sales in 2022 because of the departure of the
10 residential and small commercial within SDCP's retail service territory. The approval of a
11 process to update SDG&E's sales forecast on a more frequent basis, starting in March 2021
12 and between GRC Phase 2 proceedings moving forward, as stated in my supplemental
13 testimony, would mitigate these forecast variances and timely reflect load departure.

14 **III. CONCLUSION**

15 SDG&E agrees with UCAN that there should be a process to update the sales
16 forecast between GRC Phase 2 applications to address changes in usage patterns and load
17 migration. SDG&E has provided additional information in this rebuttal testimony chapter to
18 update parties and the Commission regarding important new developments that will affect
19 SDG&E's sales forecast in the near future. SDG&E requests that the Commission find the
20 proposal to update the electric sales forecast between GRC Phase 2 proceedings to be
21 reasonable and seeks approval of future updates. For reasons outlined herein, the
22 Commission should find it reasonable for SDG&E to update its 2022 electric sales forecast
23 in March 2021, so the most up-to-date and accurate forecast can be reflected in rates on a
24 timely basis.

1

This concludes my prepared rebuttal testimony.