Application: A.26-02-XXX
Exhibit No.: SDGE-01
Witness: Jeff DeTuri

PREPARED DIRECT TESTIMONY OF

JEFF DeTURI

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

CHAPTER 1 - POLICY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FEBRUARY 2, 2026

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I. OVERVIEW AND PURPOSE

The purpose of this prepared direct testimony is to provide an overview of the background and policy drivers behind San Diego Gas & Electric Company's (SDG&E) application, including the regulatory background, collaboration with Community Choice Aggregators (CCA) prior to filing this application (Application) and the policy objectives achieved by SDG&E's proposed rate design (Proposed DF Rates).

As an initial matter, SDG&E notes that while it is submitting this Application in compliance with CPUC requirements, it does not believe this proposal represents the most cost-effective or prudent use of Commission or SDG&E resources given the current affordability challenges facing electric ratepayers in our service area and across the State. And while there may be value in exploring a rate of this type in the future, several key considerations warrant caution at this time. First, SDG&E's export pilot has been available to customers for over a year, yet no customers have enrolled despite significant customer outreach. The export pilot cost SDG&E $2.4 million,[1] an investment in demand flexibility in addition to the $11.3 million of revenue requirement being requested in this Application. Second, regardless of SDG&E's rate design, the most significant price signal (and resulting rate benefits to the grid and customers) comes from the commodity component of the rate. The CCAs serving our territory have indicated that they will not offer DF commodity rates at this time due to design complexity, cost effectiveness, and lack of customer interest.[2] Given that approximately 80% of SDG&E's

[1] *See* SDG&E Advice Letter (AL) 4407-E (approved October 21, 2024, and effective April 13, 2024), at 1.
[2] *See infra,* Section V - CCA Engagement; *see also* D.23-11-006, Findings of Fact (FOF) 4 at 31.

customers receive commodity from a CCA, less than 20% of SDG&E's customers (those who are bundled) will have access to the full savings potential of a DF rate and its load shifting incentives.[3] Lastly, both PG&E and SCE have ongoing DF pilots that have yet to be fully evaluated, further underscoring the need for a measured approach before additional resources are committed.[4] Ultimately, because of its complexity, the Proposed DF Rates are likely to see only limited enrollment of relatively sophisticated, non-residential customers. While SDG&E appreciates the CPUC's pursuit of progressive rate design, it stresses a need to prioritize ratepayer affordability and rate simplification (focused on straightforward, high-impact offerings) in today's operating environment.

Nonetheless, and in compliance with the Guidance Decision, SDG&E sets forth Proposed DF Rates meant to encourage customer adoption and demand flexibility while balancing implementation costs, the California Public Utilities Commission's (Commission's or CPUC's) guidance, affordability, implementation feasibility, and customer protection. SDG&E seeks approval of proposed demand flexibility rates (Proposed DF Rates)[5] that will provide an additional option that may help certain customers use energy more efficiently, potentially resulting in lower bills. As the effectiveness of any DF rate is predicated on customers' ability to respond to the price signals, it is important to match the rate's complexity to the customers' energy sophistication. Unlike other situations where rate and billing simplicity are more important goals, such as default residential rate design, DF rates must eschew some simplicity to provide the more granular price signals needed for more accurate load flexibility.

[3] D.23-11-006, FOF 3 at 31.
[4] *See* D.24-01-032, COL 37 at 82.
[5] SDG&E notes that it is using the term "rates" vs. "rate" because SDG&E is proposing one rate design for all Residential, Small Commercial and Agricultural and another, distinct rate design for M&L Commercial and Industrial. The primary difference in rate design is the transmission component.

My testimony is organized as follows:

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II. REGULATORY BACKGROUND

SDG&E was first ordered to implement a dynamic pricing pilot in 2021 pursuant to the final decision in SDG&E's 2019 General Rate Case (GRC) Phase 2.[6] On December 13, 2021, SDG&E filed its Application for Approval of a Real Time Pricing (RTP) Pilot Rate,[7] which was subsequently consolidated with SDG&E's application for a commercial electric vehicle dynamic rate.[8] Although SDG&E and intervening parties created a full record on the RTP rate,[9] almost all

[6] Decision (D.) 21-07-010 at 89-90, Ordering Paragraph (OP) 6.
[7] A.21-12-006, *Application of San Diego Gas & Electric Company (U 902 E) for Approval of Real Time Pricing Pilot Rate* (December 13, 2021).
[8] A.21-12-006, *et al.*, *Assigned Commissioner's Scoping Memo and Ruling* (April 18, 2022) (Scoping Memo and Ruling) at 3, (consolidating A.21-12-006 with A.21-12-008).
[9] *See* A.21-12-006 *et al.,* Email Ruling on Motion to Receive Party Exhibits into the Record (May 12, 2023).

parties supported dismissal of the rate proposal without prejudice to file in the future.[10] The Commission's finding included that the Commission was considering demand flexibility rate design in another proceeding (Rulemaking (R.) 22-07-005) and authorization of systems and processes to enable load serving entities to offer unbundled customers the option to take service on dynamic rates in that proceeding. SDG&E expected the CCAs in its service area, San Diego Community Power (SDCP) and Clean Energy Alliance (CEA), to serve approximately 80% of customer commodity needs in the near future, and that SDCP and CEA will not offer a dynamic rate to its customers until the Commission addresses the issue of data access for offering dynamic rates to CCA customers.[11] Based on these findings, the Commission concluded that it was reasonable to dismiss SDG&E's dynamic import rate proposal without prejudice and ordered SDG&E to file an application proposing dynamic pricing import rates after a decision in R.22-07-005 providing guidance.[12]

D. 23-11-006 did approve, however, the proposed Settlement Agreement for an SDG&E Dynamic Export Rate Pilot.[13] That pilot was implemented January 1, 2025. To date, the rate has no participating customers. For more information on SDG&E's export rate, see Section V – Export.

On August 28, 2025, the Commission issued D. 25-08-049 in Track B of the Order Instituting Rulemaking to Advance Demand Flexibility Through Electric Rates (Guidance Decision), which orders SDG&E to file a consolidated application to propose demand flexibility rates for all customer classes to comply with the California Energy Commission (CEC) Load

[10] D.23-11-006 at 8-10.
[11] *Id.*, Findings of Fact (FOF) 1-4 at 30-31.
[12] *Id.*, Conclusions of Law (COL) 1 at 31 and OP 1 at 33-34.
[13] *Id*. at OP 2 at 34.

Management Standard (LMS) requirements.[14,15] Additionally, the Track B Decision requires SDG&E to propose demand flexibility rates that comply with the following requirements:

1. Use of California Independent System Operator (CAISO) Day-Ahead (DA) energy market price at Default Load Aggregation Points (DLAPs) as the Marginal Energy Cost (MEC);[16]

2. Include a line loss factor in the MEC to recover the cost of replacement electricity using a methodology that reflects the time or load-dependent nature of line losses;[17]

3. Include a Marginal Generation Capacity Cost (MGCC) price that accounts for costs associated with both peak and flexible capacity needs during periods of grid stress;[18]

4. Updates MGCC price annually to reflect updated revenue requirement;[19]

5. Propose a functional relationship between the peak MGCC price and net load that best balances strong price signals with revenue stability considerations;[20]

6. Include a detailed evaluation demonstrating how the proposed MGCC price function (1) does not unreasonably impact annual revenue recovery stability; (2) performs across a range of system conditions and years; and (3) compares revenue recovery variability with alternative functional approaches;[21]

7. Include a MGCC component based on SDG&E's current allocation of marginal generation capacity costs to flexible capacity:

    a. For Investor-Owned-Utilities (IOUs) with existing flexible capacity allocations: If a non-zero percentage of MGCC has been allocated to flexible capacity in an IOU's most recent GRC Phase 2 proceeding (such as SCE, where 40% of the total MGCC is allocated to flexible capacity), then it is reasonable that each IOU's DF Rate Proposal should include a flexible MGCC price component that is calibrated to recover a similar proportion of the MGCC value being used for DF rate design purposes.

[14] Guidance Decision, OP 1 at 146.
[15] SDG&E was approved to create a new Medium Commercial customer class which was not included in this Application because it has not yet been implemented. *See* D.25-09-006, COL 37 at 91. SDG&E discusses below the need for supplemental and/or revised testimony to address the new Medium Commercial customer class.
[16] Guidance Decision, COL 2 at 138.
[17] *Id*, COL 3 and 4 at 138.
[18] *Id*., COL 5 at 138.
[19] *Id.*, COL 6 at 139.
[20] *Id.*, COL 7 at 139.
[21] *Id.*, COL 8 and 9 at 139.

This MGCC value may be either from the most recently adopted Avoided Cost Calculator (ACC) model, or the calculated MGCC value from an IOU's latest GRC Phase 2 proceeding testimony. IOU applications may use the flexible MGCC price design that is a function of the 3-hour system net load ramp as proposed by Energy Division and TeMix in the Working Group report.

b. For IOUs without existing flexible capacity allocations: If a percentage of MGCC has not been allocated to flexible capacity in an IOU's most recent GRC Phase 2 proceeding (such as Pacific Gas & Electric Company (PG&E) and SDG&E), then it is reasonable to require that such IOUs should propose a reasonable nonzero percentage to allocated to flexible capacity for DF rates in their DF Rate Proposals. The IOU's DF rate proposal should include a flexible MGCC price component that is calibrated to recover this proposed proportion of the MGCC value being used for DF rate design purposes. The IOUs should follow the guidance detailed regarding the design of the flexible MGCC price function (i.e., use of the flexible MGCC price design that is a function of the 3-hour system net load ramp as proposed by Energy Division and TeMix in the Working Group report). If an IOU does not propose a non-zero percentage of MGCC that should be allocated to flexibility capacity in DF rates in their DF Rate Proposals, then the IOU must provide analysis and a rationale that supports this determination, a method to address system ramping costs in DF Rate Proposals, and assess the impact on renewable curtailment.[22]

8. Propose an MGCC value consistent with rate design directives adopted by the Commission under the Net Billing Tariff.[23]

9. Incorporate the statewide MGCC value from the most recently adopted ACC model as of January 1, 2026;[24]

10. For proposed MGCC values, use either the proposed MGCC values from SDG&E's most recent GRC Phase 2 (i.e. non-settled MGCC values that were calculated, submitted in testimony, and supported by workpapers), or the settled MGCC values that were adopted by the Commission in their most recent GRC Phase 2, *and* the MGCC values that is an input to the ACC.[25]

11. Include a location-based MDCC that appropriately recovers the costs that vary with customer class and voltage level. [26]

[22] *Id.*, COL 10 at 139 and 140.
[23] *Id.*, COL 11 at 140.
[24] *Id.*, COL 12 at 140.
[25] *Id.*, COL 13 (emphasis in original) at 141.
[26] *Id.*, COL 14 at 141.

12. To the extent non-coincident demand charges are included in the proposal, they may recover demonstrably customer specific non-peak distribution costs only that are clearly caused by individual customer non-coincident demand rather than system or circuit peak loads.[27]

13. Any proposed non-coincident demand charge must also include quantitative analysis demonstrating the charge will not unreasonably reduce a customer's potential for load flexibility, including a comparison of the expected load-shifting incentives with and without the proposed non-coincident demand charges.[28]

14. Propose an hourly transmission capacity price component and describe a plan to incorporate it in SGD&E's proposed rates.[29]

15. Propose marginal prices scaled to recover the EPMC allocated portion of total revenue requirement.[30]

16. Propose a rate that recovers non-marginal costs using either (1) an Equal Percent Marginal Cost (EPMC) scalar applied to time-varying marginal prices, or (2) a time-differentiated Revenue Neutral Adder.[31]

17. Provide a detailed accounting of the elements comprising non-marginal generation costs, describe how revenues associated with those costs have evolved over time, and identify the long-term cost-drivers of non-marginal generation costs.[32]

18. Ensure that proposed rates are revenue neutral by recovering revenue categories that are not already recovered through the scaling of time-varying rate components (e.g., marginal customer access costs, non-peak marginal distribution capacity costs, other non-marginal costs) through alternate rate design elements.[33]

19. Propose customer protection options for each customer class that will provide bill and revenue stability to enable wider adoption of hourly DF rates without creating large structural bill impacts for both participants and non-participants.[34]

20. Proposed customer protection options must:

    a. ensure stability of revenue recovery and minimize structural rate impacts;

[27] *Id.* at 60 and COL 15 at 141.
[28] *Id.* at 61-62.
[29] *Id.* at COL 16-17 at 141.
[30] *Id.*, COL 18 at 141.
[31] *Id.*, COL 19 at 141-142.
[32] *Id.*, COL 20 at 142.
[33] *Id.*, COL 21 at 142.
[34] *Id.*, COL 25-26 at 143.

b. reduce the impact of non-coincident peak demand charges and flat volumetric charges on customer incentives to respond to dynamic prices; and

c. protect customers against extended periods of high dynamic prices which cannot be mitigated by load shift.[35]

21. Proposed customer protection include the following analysis:

a. estimated customer bill impacts such as those generated by the Lawrence Berkely National Laboratory (LBNL) subscription design tool developed as part of the Working Group process;

b. rate and revenue impacts for both participants and non-participants;

c. potential for cost shifting from participants to non-participants; and

d. whether incentives to respond to dynamic prices will be impacted, for example when a customer reaches their bill limit within a billing period.[36]

22. Include a detailed description of plans to collaborate with CCAs on items such as development of CEC-compliant rate design, bill protection, and marketing and education of the customers on DF rates.[37]

On September 19, 2025, SDG&E filed a request for extension from December 1, 2025 to January 1, 2027 or alternatively June 1, 2026. SDG&E sought the requested extension to permit time to conduct and/or update distribution and transmission studies necessary for compliance with the D.25-08-049 as well as to permit time for SDG&E to implement its Medium Commercial Class on April 1, 2026. On September 26, 2025, SDG&E's extension request was partially granted, to February 1, 2026. Accordingly, SDG&E is timely filing this application in compliance with D.23-11-006 and D.25-08-049.

[35] *Id.* at COL 28 at 143.
[36] *Id.* at COL 30 at 144.
[37] *Id.* at COL 34 at 145 and 146.

III. OBJECTIVES AND DESIRED OUTCOMES OF SDG&E'S PROPOSED DF RATES

The three primary objectives of SDG&E's Proposed DF Rates are (1) customer control/choice, (2) decarbonization, (3) and grid reliability. Additionally, key to all of these objectives is customer participation and understanding. Customers must be able to understand and respond to the adopted DF rates in a meaningful way for any benefits of the rates to be realized. However, unlike other situations where customer understanding is gained by seeking simplicity in the rate design, DF rates are unique in that that the rate design must eschew simplicity to some extent to provide the requisite price signals needed for true load flexibility.

The Proposed DF Rates will provide both customer control and customer choice. As an opt-in rate, customers have the choice to participate in the rate and it provides another rate option that may be most beneficial to certain customers. The proposed hourly pricing also allows customers to assess and control, where possible, when to use energy based on its price. This has the potential to benefit the customer by lowering their electricity bill.

Customers shifting use to hours of lower costs will also have decarbonization benefits and grid reliability benefits. When demand is relatively low, generation tends to come from cleaner sources than times when demand is highest and use of less-clean (and more expensive) energy, such as peaker plants, is required to maintain grid reliability. Thus, if customers are able to successfully shift use to hours where demand on the grid is lower, it may result in a reduction in greenhouse gasses.[38] This shifting of demand to lower cost hours also helps to level out demand across the day, which improves overall grid reliability.

[38] Guidance Decision at 4 (stating that reduction of greenhouse gas emissions is a goal of the Demand Flexibility OIR).

Given the above objectives, SDG&E has to balance sending the appropriate pricing signals while trying to minimize implementation costs and maximize customer understanding. Customers will not be likely to opt in to an optional rate unless they have a clear understanding of what the benefits are. Since so much of the rate may vary based on load and market conditions, SDG&E attempted to provide some price stability where it could, such as implementing a CAISO price cap and using a top 150 hour approach for the marginal generation capacity costs. This also serves as a form of customer protection by limiting the high price exposure. Striking the right balance is important because without the appropriate price signals customers will have less incentive to shift load and reduce greenhouse gas emissions.

IV. SUMMARY OF THE PROPOSED RATE DESIGN

SDG&E's Proposed DF Rate design attempts to balance affordability, implementation feasibility, customer understanding, and strong price signals to incentivize load flexibility while adhering to the requirements in the Guidance Decision.

For commodity, these included:

- MEC at the CAISO Day Ahead price. The CAISO Day Ahead price will serve as the base price which will then be further adjusted for the Distribution Loss Factor as a function of load using SDG&E's existing Electric Energy Commodity Cost – Transitional Bundled Service (EECC-TBS) tariff. In addition, an EPMC factor will be applied to ensure collection of non-marginal revenues.
- MGCC calculated from the latest draft Integrated Resource Planning (IRP) high scenario. After accounting for adjustments this value comes out as $183.89/kw-year as opposed to the ACC MGCC value $161.14. SDG&E then applied the costs to a Top 150 hour approach which includes marginal and non-marginal costs to ensure full revenue collection. SDG&E values flexible MGCC as $0.
- Day-of Market and Transactional Pricing will not be included.

For distribution and transmission these included:

- Marginal Distribution Capacity Costs (MDCC) based on the top 200 hours of circuit load on a day ahead basis with the circuits clustered into 10 circuit groups.

Marginal distribution demand costs will be scaled by the EPMC to recover the appropriate non-marginal distribution costs.

- Marginal Transmission Capacity Costs (MTCC) based on time of use (TOU) energy prices for residential, small commercial, and agricultural customers and based on non-coincident and on-peak demand charges for M/L C&I customers.

For all other rate components:

- DF rates will continue to include all other rate components in the same fashion as the default rate schedules within each class. These include Public Purpose Program (PPP), CA Wildfire Fund Non-bypassable charge (WF-NBC), Department of Water Resources (DWR) Bond Charge, Nuclear Decommissioning Charge (ND), Ongoing Competition Transition Charges (CTC), Local Generation Charge (LG), Reliability Services (RS) and Total Rate Adjustment Component (TRAC).

- Export will not be included in the application since SDG&E has an ongoing Dynamic Export Rate Pilot (DERP).

- Customer Protection utilizing a price cap of $750/MWh and floor of $0/MWh on CAISO's DA price, which can then be further adjusted by the DLF and EPMC. The use of the Top 150 hour approach for the MGCC and the top 200 hour approach for MDCC also acts as a price cap to limit customer bills.

For more detail please see the Rate Design chapters for Commodity, Distribution and Transmission, and Customer Protection.[39]

V. CCA ENGAGEMENT

SDG&E held two meetings with SDCP and CEA (collectively, the CCAs) in compliance the requirement in COL 34. Both CCAs are considered large and fall under the CEC's LMS jurisdiction.

SDG&E first met with representatives from the CCAs on October 13, 2025. Although much of SDG&E's rate design was still in development, SDG&E provided its proposed position on the major aspects of its proposed RTP rates. The second meeting was held January 7, 2026,

[39] Exhibit (Ex.) SDGE-02, Rate Design – Commodity; Ex. SDGE-03, Rate Design - Distribution and Transmission; Ex. SDGE-04, Rate Design – Customer Protection.

when SDG&E had a more defined rate design. Notably, SDCP and CEA have stated in their CEC Compliance Plans that they do not intend to meet the LMS requirement to implement dynamic pricing rates in the near term. SDCP refiled their required compliance plan with the CEC LMS docket on August 29, 2025. In that plan SDCP states as follows:

> "Based on SDCP's evaluation, the conclusion is such that implementing complex new rate structures that change at least hourly by July 1, 2027 would not be cost effective nor result in material benefits to our customers or promote grid reliability at this time. The implementation of new and complex rate structures without review of pilot study results, sufficient testing, and refinement of the new rate designs would likely result in low customer adoption and/or confusion."[40]

CEA's refiled compliance plan with the CEC LMS docket on April 4, 2025 states:

> "CEA will continue to offer time-variant rates that customers are familiar with and develop and implement load flexibility programs. CEA will assess the results from delayed SDG&E dynamic rate pilots to determine whether to implement dynamic rates. In parallel, CEA is currently designing and will be implementing one or more demand flexibility program pilots to evaluate marginal cost-based programs. CEA will also re-evaluate the specified rate and program designs in the next update of the Compliance Plan, informed by future pilot study results."[41]

SDG&E will continue to meet and collaborate with the CCAs as appropriate if and when they develop DF rate programs.

VI. HOURLY DAY-AHEAD PRICING SIGNALS

While there are other real-time pricing markets used in CAISO, such as the 15-minute and 5-minute real-time market, SDG&E considers the hourly day-ahead price the most actionable, accurate, and economic price signal to customers. The hourly day-ahead price signal

[40] San Diego Community Power, *San Diego Community Power Revised Load Management Standards Compliance Plan* (August 29, 2025) at 5, *available at:* https://efiling.energy.ca.gov/GetDocument.aspx?tn=265832&DocumentContentId=102697.
[41] Clean Energy Alliance, *Clean Energy Alliance Load Management Standards Compliance Plan, Staff Report* (April 1, 2025) at 3 of 4, *available at:* https://efiling.energy.ca.gov/GetDocument.aspx?tn=262584#:~:text=LMS%20are%20designed%20to%20encourage,owned%20utilities%20and%20large%20CCAs.

provides participating customers time to plan their energy usage and act in the manner most beneficial for them. CAISO releases 15-minute prices and 5-minute prices less than an hour before the effective interval, meaning that customers would have to constantly monitor energy prices to effectively respond. Providing such a price signal to customers with such limited time to respond could be punitive rather than beneficial.

Additionally, day-ahead price signals may be more accurate than real-time market prices. Day-ahead market prices are settled and available one day prior and therefore less likely to be revised than CAISO real-time market prices from the 15-minute and 5-minute real-time markets, which are more likely to be subject to price corrections.[42] Any after-the-fact price changes could lead to customer confusion and customer dissatisfaction in instances where customers took efforts to adjust their usage based on a cited, but later-changed, rate. Use of the real-time markets would also require SDG&E to implement an ex-post-settlement procedure into the tariff, which would be administratively burdensome due to having to create a process to monitor price changes and then make the necessary price corrections.

Finally, the day-ahead price is designed to send an economic price signal. The day-ahead market is used to plan electric generation to match the forecasted load, as opposed to the 15-minute and 5-minute real-time markets, which are used to match the actual load. In other words, the day-ahead market is designed to influence load, while the 15-minute and 5-minute real-time markets are responding to the short-term needs of the grid by using pricing to influence generator and storage options. Accordingly, SDG&E believes that hourly, day-ahead pricing better serves the Application objectives.

[42] CAISO, Business Practice Manual for Market Operations Version 103 (Revised November 24, 2025) at 436, *available at:* https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Market+Operations ("Although the CAISO will make every effort to validate market clearing processes and results prior to publication of results, this will not always be the case, particularly for Real-Time markets.").

VII. EXPORT

The Decision declines to provide guidance on whether an export compensation rate should be included in the rate proposal.[43] SDG&E will not include an export compensation rate in this application since SDG&E already has an approved export compensation rate.[44] SDG&E's export compensation rate was authorized in D.23-11-006.[45]

As noted above, as of the writing of this testimony no customers have enrolled in the pilot. Due to low participation SDG&E does not believe it is in the best interest of its customers to offer an export compensation rate as part of this application. In the decision authorizing SDG&E to create an export compensation rate there are provisions for continuing, modifying or discontinuing the rate which can be explored at the appropriate time in the future.[46] SDG&E will continue to evaluate the export compensation rate pilot as it progresses.

VIII. EQUITY AND ACCESS / ESJ ACTION PLAN

Pursuant the Guidance Decision, SDG&E is required to "leverage the evaluations embedded within the current PG&E and SCE Expanded Pilots (which include evaluations of ESJ communities) to study of equity and access of low-income and DAC customers to DF rates."[47] At the time of filing this application, PG&E and Southern California Edison Company's (SCE) evaluation of their Expanded Dynamic Flexibility Pilots is not yet complete or filed. Midterm reports are not expected until August 2026 and final reports are due March 2028.[48] Accordingly, the midterm and the final study results are not available for consideration for purposes of this Application, SDG&E will review these reports and the 2025 Low Income Needs Assessment

[43] Guidance Decision at 95.
[44] AL 4407-E and AL 4407-E-A.
[45] D.23-11-006 at OP 2 at 34.
[46] D.23-11-006 at OP 4 at 34.
[47] Guidance Decision at 130.
[48] *See* D.24-01-032, COL 37 at 82.

(LINA) study when available and consider them in its future efforts to improve dynamic pricing programs for low income and Disadvantaged Communities (DAC) customers.

For purposes of this Application, SDG&E has a targeted, flexible, and phased approach to marketing its Proposed DF Rates. SDG&E will seek to incorporate the insights from the other IOU pilot results, the 2025 LINA study, and SDG&E's own DF rates to inform expansion of ME&O activities in the future that may specifically target equity and access customers.[49]

IX. RATE DESIGN & DEMAND FLEXIBILITY DESIGN PRINCIPLES

SDG&E's Proposed DF Rates conform to the updated Rate Design Principles and Demand Flexibility Design Principles adopted in D.23-04-040. Each principle and its application to the Proposed DF Rates is addressed below.

A. Rate Design Principles

Electric Rate Design Principle 1: All residential customers (including low-income customers and those who receive a medical baseline or discount) should have access to enough electricity to ensure that their essential needs are met at an affordable cost.

SDG&E explanation: The Proposed DF Rates do not limit access to electricity and may offer customers who are eligible to participate a way of managing their usage to lower their bill.

Electric Rate Design Principle 2: The proposed DF rates are based on marginal cost.

SDG&E explanation: The Proposed DF Rates are based on marginal cost such as the use of CAISO hourly prices and DLFs based on load for the MEC, and basing the generation and distribution capacity charges off of the latest marginal cost studies.

Electric Rate Design Principle 3: Rates should be based on cost causation.

[49] Ex. SDGE-06, *Direct Testimony of Donna Singer, Ch 6* - Marketing, Education and Outreach, Section IV (Ex. SDGE-XX, ME&O) at 4-5.

SDG&E explanation: The Proposed DF Rates are based on cost causation because they more closely align the utilities' costs at the time they're being incurred with the rate being charged to customers.

Electric Rate Design Principle 4: Rates should encourage economically efficient (i) use of energy, (ii) reduction of GHG emissions, and (iii) electrification.

SDG&E explanation: The Proposed DF Rates promote load flexibility with price signals reflecting demand on the system to incentivize customers to shift load from high priced (high demand) hours to low priced (low demand) hours. Assuming customers respond to those prices and shift load, these customers will be using energy in a more economically efficient manner, and in a manner that reduces GHG emissions. By shifting load from high demand (high cost) hours, which tend to have more GHG emissions due to the need for the grid to use less efficient methods of generation, to low demand (low-cost) hours when more renewables are likely to be generating energy on the grid, emissions may be reduced. Additionally, if customers are able to shift load and achieve cost savings they will be more likely to adopt electric vehicles and building modifications that promote electrification.

Electric Rate Design Principle 5: Rates should encourage customer behaviors that improve electric system reliability in an economically efficient manner.

SDG&E explanation: The Proposed DF Rates promote load flexibility which should shift usage from high priced hours where the grid is stressed by having more resources generating to low priced hours when the grid is likely less stressed.

Electric Rate Design Principle 6: Rates should encourage customer behaviors that optimize the use of existing grid infrastructure to reduce long-term electric system costs.

SDG&E explanation: The Proposed DF Rates will signal high costs when circuit congestion is at its highest. This will incentivize customers to reduce their usage at those times, therefore improving circuit congestion, which may delay or avoid the need to add more circuits to relieve the congestion.

Electric Rate Design Principle 7: Customers should be able to understand their rates and rate incentives and should have options to manage their bills.

SDG&E explanation: The Proposed DF Rates will require more customer engagement than other rates due to the hourly pricing structure, but they do provide a new rate option that may be beneficial for bill management for certain customers. Further, SDG&E's Proposed DF Rates have been designed with understandability in mind and hourly prices will be posted the night before allowing customers to manage their usage accordingly.

Electric Rate Design Principle 8: Rates should avoid cross-subsidies that do not transparently and appropriately support explicit state policy goals.

SDG&E explanation: The Proposed DF Rates are equitable and avoid cross-subsidizes. Equitable rates are those that have minimal cross-subsidization between participants and non-participants in the program. The Proposed DF Rates have been designed to be revenue neutral and should impose minimal costs, if any, on non-participants.

Electric Rate Design Principle 9: Rate design should not be technology-specific and should avoid creating unintended cost-shifts.

SDG&E explanation: The Proposed DF Rates are not technology-specific and should not create any cost-shifts. Although customers with storage may find it easier to participate in DF rates, any customer that can shift load may also benefit.

Electric Rate Design Principle 10: Transitions to new rate structures should (i) include customer education and outreach that enhances customer understanding and acceptance of new rates, and (ii) minimize or appropriately consider the bill impacts associated with such transitions.

SDG&E explanation: The Proposed DF Rates have a proposed marketing, education and outreach plan.[50] Additionally, SDG&E has proposed customer protection to help minimize the potential for significant bill impacts.[51]

B. Demand Flexibility Design Principles

Demand Flexibility Design Principle 1: Demand flexibility tariffs should be designed in accordance with all of the Commission's Electric Rate Design Principles.

SDG&E explanation: See above.

Demand Flexibility Design Principle 2: Demand flexibility tariffs should provide a dynamic price signal in a standardized format that can be integrated into third-party DER and demand management solutions.

SDG&E explanation: As stated in the SDG&E's implementation testimony at Chapter 5,[52] SDG&E's Proposed DF Rates will be uploaded into MIDAS, which will make them available for third-party Distributed Energy Resources and demand management solutions.

Demand Flexibility Design Principle 3: Dynamic prices should, to the extent feasible, accurately incorporate the marginal costs of energy, generation capacity, distribution capacity, and transmission capacity based on grid conditions.

[50] *See generally* Ex. SDGE-06, Marketing, Education and Outreach.
[51] *See generally* Ex. SDGE-04, Rate Design – Customer Protection.
[52] Ex. SDGE-05, Implementation, Section II.E. at 5.

SDG&E explanation: The Proposed DF Rates use the CAISO price modified by the hourly DLF based on load providing an accurate hourly price signal based on grid conditions. The Proposed DF Rates also capture and incorporate into the hourly price signal marginal costs for distribution and generation capacity and a TOU based transmission capacity.

Demand Flexibility Design Principle 4: The systems and processes for calculating dynamic price signals should be able to include bundled and unbundled rate components so that any load serving entity can elect to participate.

SDG&E explanation: The Proposed DF Rates are designed with both distribution and transmission-related price signals and commodity price signals. Accordingly, both bundled and unbundled customers can participate.

Demand Flexibility Design Principle 5: Customers (including low-income customers and those who receive a medical baseline or discount) should have access to tools and mechanisms that enable them to plan and schedule their energy use while managing the monthly variability of their bills.

SDG&E explanation: SDG&E's proposal is for hourly prices for the Proposed DF Rates to be posted daily on the pricing website at 6 p.m. for the next day and will be uploaded daily to MIDAS. These pricing tools will allow all participating customers, including low-income customers, advance access to hourly pricing for the next day so they can manage their usage accordingly.

Demand Flexibility Design Principle 6: Demand flexibility tariffs should provide marginal cost-based compensation for exports to enable economically efficient grid integration of customer-sited electrification technologies and distributed energy resources.

SDG&E explanation: SDG&E has recently implemented a dynamic export rate pilot[53] and is not proposing an additional such rate in this Application.

X. IMPLEMENTATION COSTS

SDG&E's Proposed DF Rate design considered numerous factors in its design including compliance with regulatory requirements, technical feasibility, customer understanding and cost of implementation. The total estimated cost to implement the Proposed DF Rates is approximately $9.5M in direct costs (or $11.3M in revenue requirement). These costs include approximately $5.4M for billing system requirements and development of a dedicated pricing webpage, approximately $2.5M for marketing, education and outreach, a particularly important budgetary item for this rate since it will likely require more customer engagement with pricing than other rates, and approximately $1.6M for measurement and evaluation activities. These costs and associated activities are described in more detail in Chapters 5, 6 and 7 of testimony.

SDG&E proposes for implementation costs approved by the Commission to be included in the Public Purpose Program (PPP) rate component for all customer classes. Allocating costs to all customers is reasonable because DF rates are designed to encourage load shifting during periods of high demand and any resulting load shift supports decarbonization and grid reliability which benefit all customers regardless of their participation in the rate.

XI. TIMING CONSIDERATIONS & SUPPLEMENTAL/REVISED TESTIMONY

Because the Guidance Decision requires a DF rate for each customer class, except streetlighting,[54] this Application includes Proposed DF Rates for each relevant customer class at the time of filing. However, SDG&E is creating a new Medium Commercial customer class on

[53] AL 4407-E.
[54] Guidance Decision, OP 1 at 146.

April 1, 2026.[55] SDG&E plans to provide supplemental and/or revised testimony to include a DF rate proposal for the newly created Medium Commercial customer class after it is implemented on April 1, 2026.[56] SDG&E is seeking until June 1 to provide this supplemental testimony as it typically requires approximately 6 weeks to create the billing determinants and conduct the associated analysis. Additionally, SDG&E notes that it may have to revise other aspects of its testimony as a result. When breaking the Medium Commercial customer class out of what is now the Medium and Large Commercial & Industrial (M/L C&I) customer class, the analysis for the M/L C&I class will necessarily change and certain customers may also move out of the Small Commercial customer class, leading to changes in that analysis as well.

XII. CONCLUSION AND SUMMARY

This concludes my prepared direct testimony.

[55] D.25-09-006, COL 14 at 86.

[56] SDG&E cannot create a full rate proposal including illustrative rates and bill impacts, before the implementation of the customer class because it will not know the rate in effect for that class until implementation.

XIII. WITNESS QUALIFICATIONS

My name is Jeff DeTuri. My business address is 8315 Century Park Court, San Diego, CA 92123. I am employed by SDG&E and my current title is Senior Supervisor - Rates in the Customer Pricing Department. My responsibilities include oversight of development of real-time pricing strategies and analysis needed for the development of electric rates. I joined SDG&E in August 2003 and have held various positions with increasing levels of responsibility within San Diego Gas & Electric. Prior to joining SDG&E, I worked as an accounting professional for various companies throughout San Diego County. I received a Bachelor of Accountancy degree and a Master of Business Administration from the University of San Diego.

I have previously testified before the California Public Utilities Commission.