

Company: San Diego Gas & Electric Company (U 902 E)
Proceeding: Rate Design – Residential Rate Structures
Rulemaking: R.12-06-013
Exhibit: _____

**PREPARED REBUTTAL TESTIMONY OF
ALEX KIM
CHAPTER 6
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

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

OCTOBER 17, 2014



TABLE OF CONTENTS

I. OVERVIEW AND PURPOSE..... 1

II. CUSTOMER CHOICES ARE NOT ONLY DRIVEN BY FEES 1

**III. STATEWIDE MARKETING, EDUCATION AND OUTREACH
AND FUNDING 3**

IV. TARGETED, LOCAL MARKETING, EDUCATION AND OUTREACH 5

IV. CONCLUSION AND SUMMARY 6

1 First, customers are confused about rates. The RROIR Customer Survey on page 21 states
2 that “About one in three believed that they currently have a monthly service fee for electricity (38%)
3 and natural gas (35%), while fewer (13%) believed they have a demand charge” when most surveyed
4 were not on a TOU rate or had a fixed fee. SDG&E has also conducted research with its customers
5 that confirm that they are unsure or confused about rates with more than half unsure of what rate
6 they are on and one in ten believing they are already on a TOU rate.⁵ Second, the RROIR Customer
7 Survey found customers are willing to select a rate with a service fee depending upon the rate. On
8 page 37 of the RROIR Customer Survey, it concludes “In sum, preference for a monthly service fee
9 with low price per kWh levels varies by rate structure.” Further, the RROIR Customer Survey
10 stated the most important driver for a rate plan choice is “saving money” followed by “stable,
11 simple, works for me, and predictable.” These views should be analyzed in the context of what
12 SDG&E’s fixed charge proposal would achieve. In that regard, a customer charge would achieve
13 two of these customer goals: (1) bill stability; and (2) it achieving a reduced kWh rate as discussed in
14 the rebuttal testimony of Cynthia Fang⁶. The RROIR Customer Survey further states on page 33,
15 “These simulations indicate that encouraging customers to opt-in to TOU rate plans requires an even
16 playing field in terms of the monthly service fee component. Retaining the status quo standard rate
17 plan without a monthly service fee while providing opt-in rate plans with monthly service fees will
18 likely contribute significantly to customer inertia.” Based upon these results, to the extent
19 SDG&E’s fixed charge proposal should be assessed on the basis of a customer survey, that
20 assessment must include an analysis of the ability of a customer charge to achieve the overall goals
21 of customers. Fixed charges will promote bill stability and reduce the kWh rate, consistent with the
22 objectives of the customers who have been surveyed.

⁵ SDG&E Customer Insight Panel, Residential Survey – Smart Pricing Incentives & Messages, January 2013.

⁶ RROIR October 17, 2014 Phase 1 Prepared Rebuttal testimony of Cynthia Fang, at p. CF-21, 27.

1 **III. STATEWIDE MARKETING, EDUCATION AND OUTREACH AND FUNDING**

2 SDG&E agrees with ORA that the Investor-Owned Utilities (“IOUs”) should coordinate rate
3 reform related Marketing, Education and Outreach (“ME&O”) activities with the statewide ME&O
4 campaign for the related elements of rate design awareness that are common statewide. In my direct
5 testimony (submitted on March 21, 2014), I pointed out that SDG&E’s plans to coordinate with the
6 Statewide Energy Upgrade California campaign are definitively stated.⁷ SDG&E is pleased that
7 ORA supports the holistic approach to ME&O that has been proposed. This holistic approach relies
8 on awareness being generated by the Statewide ME&O campaign under the scope and budget
9 identified in D.13-12-038 that “provides California residents and small business owners with
10 information about energy concepts, programs, services, rates and benefits of taking action”.⁸ While
11 SDG&E agrees with ORA to take a holistic approach, it respectfully disagrees with ORA’s proposal
12 to utilize unspent ME&O funds from California Alternate Rates for Energy (“CARE”) program
13 outreach, Energy Savings Assistance (“ESA”) Program outreach, and demand response ME&O.⁹ In
14 a Joint Administrative Law Judge’s Ruling, dated May 7, 2014, the Commission determined that it
15 will examine issues surrounding Assembly Bill (AB) 327 and CARE rates, including any marketing,
16 education and outreach concerns and messaging associated with potential rate changes, once the rate
17 design aspects are resolved, implementation will be addressed in the ESA and CARE Proceeding.¹⁰
18 Additionally, ME&O funding levels for demand response in 2015-2016 have already been approved
19 by the CPUC in Decision (D) 14-05-025.¹¹ SDG&E intends to leverage the campaigns implemented
20 with these programs to integrate messages about rate reform. Additionally, SDG&E will coordinate

⁷ RROIR March 21, 2014 Phase 1 Prepared Direct Testimony of Alex Kim, at p. AK-8.

⁸ Statewide Marketing, Education, and Outreach Plans For 2014 and 2015, D.13-12-038, pages 62,81.

⁹ Opening Testimony of ORA On 2015 Rates and Beyond, page 8-7

¹⁰ Joint Administrative Law Judges’ Ruling, Dated May 7, 2014, in R. 12-06-013 at p. 2. and A. 11-05-017, et.al.

¹¹ Decision Approving Demand Response Program Improvements and 2015-2016 Bridge Funding Budget, May 15, 2014.

1 spending with SPP outreach and education dollars related to its new residential rate offerings,
2 thereby enhancing and enabling greater customer awareness.

3 Along with the ME&O SDG&E is already performing related to rate reform, SDG&E will be
4 requesting incremental funding to increase ME&O activities for rate reform to inform and help
5 customers with rate options in its upcoming General Rate Case (“GRC”) application. SDG&E
6 believes that these combined funds will be sufficient to implement the strategies and tactics outlined
7 in my previous testimony. However, due to the anticipated timing and uncertainty of the decisions
8 on SDG&E’s GRC and SDG&E’s SPP Petition for Modification, SDG&E has requested a
9 memorandum account to book these costs for recovery until such delays are overcome and can be
10 recovered through these mechanisms as described in my direct testimony.¹² These activities include
11 customer communication, education and outreach, and technology. Costs would be booked to this
12 account until requested funding in other venues are approved for cost recovery. Likewise, if the
13 requested funds for rate reform ME&O are not authorized through SDG&E’s GRC, this would also
14 result in a request for a memorandum account to book these activities for recovery. In the event that
15 rate reform related ME&O expenses exceed the funding authorized through SDG&E’s GRC and
16 available SPP funding, SDG&E will continue to book these costs and request recovery at a later
17 date. To address the suggested use of any unspent funds from the CARE and ESA programs and
18 funding levels, SDG&E believes this should be determined in the decision on the IOU’s 2015-2017
19 applications for the ESA and CARE programs and budgets. Similarly, while leveraging campaigns
20 through integrated messaging is appropriate and should be practiced; funding is already approved by

¹² Petition For Modification Of Decision No. 12-12-004 Of San Diego Gas & Electric Company (U 902e). Filed October 10, 2014. RROIR March 21, 2014, Phase 1 Additional Supplemental Testimony response to ACR question 32. RROIR March 21, 2014 Phase 1 Prepared Direct Testimony of Alex Kim, at p. AK-11

1 the CPUC for Statewide ME&O with the goal of creating general rate education awareness to
2 residential customers.¹³

3 **IV. TARGETED, LOCAL MARKETING, EDUCATION AND OUTREACH**

4 SDG&E agrees with ORA and EDF that targeted marketing should be included in IOU ME&O
5 plans. Additionally, SDG&E agrees with EDF that segmenting the market in order to implement
6 tailored approaches for particular customer groups is a best practice that should be followed. As
7 stated in my direct testimony (submitted on March 21, 2014), SDG&E has taken this approach of
8 categorizing sub-segments of customers based on their unique and specific needs to conduct ME&O
9 for its Smart Pricing Program and has implemented tailored messaging for other outreach efforts
10 including rate education. However, SDG&E disagrees with ORA's and EDF's recommendations to
11 use distribution planning as a primary factor¹⁴. Targeting ME&O on the basis of locations that have
12 the greatest ability to benefit the grid and shaping ME&O tactics around distribution planning
13 boundaries as opposed to customer needs and interests will not lead to a successful transition to new
14 rate structures and will not achieve the objectives of an effective ME&O campaign. To achieve the
15 primary ME&O goal of smoothly transitioning customers to new rate structures, the tactics must be
16 driven by the knowledge of the customer's unique needs and interests. For example, all of
17 SDG&E's elderly and vulnerable customers such as medical baseline and CARE customers may not
18 reside within distribution boundaries that would most benefit the grid. Focusing the tactics on
19 distribution boundaries alone would remove the focus on customers who may be most impacted.
20 Similarly, customers in hot, inland areas may also not reside within these areas. While distribution
21 impacts should be a factor to be considered, it should not be a primary factor for ME&O tactics. As
22 stated in SDG&E's Phase 1 Supplemental Testimony (submitted on March 21, 2014), SDG&E is

¹³ Statewide Marketing, Education, and Outreach Plans For 2014 and 2015, D.13-12-038, page 81.

¹⁴ Opening Testimony of ORA On 2015 Rates and Beyond, page 8-1 and Phase I Testimony of Environmental Defense Fund, page 19

1 committed to communicating with its entire diverse customer base, but the tactics must be customer-
2 need driven.¹⁵ The opt-in and default TOU pilots that SDG&E has proposed in the rebuttal
3 testimony of Leslie Willoughby will lead to evidence regarding the kinds of customer
4 communication and outreach activities that most effectively ensure the absence of hardship to
5 customers located in hot inland areas, as well as residential customers living in areas with hot
6 summer weather as a result of seasonal bill volatility.¹⁶ On the basis of this evidence, future
7 decisions on TOU rate design can be made in ways that more effectively avoid hardship to
8 customers who may be unlikely to change their summertime usage or usage during peak periods. As
9 a result, SDG&E can more effectively avoid unreasonable hardship for senior citizens or
10 economically vulnerable customers in hot climate zones, consistent with the intent of SB1090.
11 SDG&E will use its extensive knowledge and experience of its customers while working together
12 with its well-established community partner network that represents its diverse population.
13 Furthermore, SDG&E believes it is vital to work with its community groups to ensure that the
14 marketing and communications information are in terms that its customers understand and trust.
15 SDG&E is best positioned to develop tactics that will be most effective with its customers to help
16 them transition to TOU rates and new rate structures.

17 **IV. CONCLUSION AND SUMMARY**

18 Customer adoption of new rate structure is primarily driven by the ability to save money and other
19 factors important to them. Customers are generally confused about rates but support greater bill
20 stability and a reduced kWh rate, both of which would be achieved through a customer fixed charge.
21 Significant education and outreach efforts are necessary to help customers understand rate options to
22 help them make an informed choice and to achieve the goal of transitioning customers to new rate

¹⁵ RROIR March 21, 2014, Phase 1 Additional Supplemental Testimony response to ACR question 7.

¹⁶ RROIR October 17, 2014 Phase 1 Prepared Rebuttal testimony of Leslie Willoughby, Section IV, page LW-4.

1 structures. This goal can be achieved by effective statewide ME&O efforts to create general
2 awareness for rate reform efforts combined with local ME&O tactics conducted by the IOUs.
3 SDG&E is well-positioned to use its brand recognition and vast community partnerships to achieve
4 this goal.

5 This concludes my prepared rebuttal testimony.