Subject:

Re: Application of San Diego Gas & Electric Company for Authority to Update Marginal costs, Cost Allocation, and Electric Rate Design.

Request:

As part of SDG&E’s GRC 2 application, Energy Division has some follow up questions on the revenue impact of demand charges. Please provide the following:

1. Identify and describe all inputs and assumptions and provide the work papers, in Excel format, that SDG&E used to calculate the 2015-2019 “under-collections” from the implementation of Schedule DG-R, as shown on slide/page 8 of SDG&E’s presentation during the August 27, 2019, Demand Charge workshop.

**SDG&E Response:**

**This response contains Confidential Pursuant to the Applicable Provisions of G.O. 66-C, D.17-09-023, and PUC Code Section 583 and Section 454.5 (g).**

1. To describe the impact to customers and to SDG&E (if any) of moving from a 65%:35% split between non-coincident and coincident peak demand charges (prior to D.17-08-030) to the 31%:69% split between non-coincident and coincident peak demand charges adopted in D.17-08-030, please provide the following:
2. Describe the magnitude (if any) on SDG&E’s annual revenue collections resulting from this change.
3. Identify the amount and percentage increase (if any), and effective date, of any rate change(s) resulting from this change.
4. Provide supporting work papers detailing SDG&E’s calculation of these impacts.

**SDG&E Response:**

1. Please see the attached file “ED\_ES3\_Q2.xlsx”. The file presents the sales determinants, rates, and revenues from distribution rates for SDG&E’s Medium/Large Commercial & Industrial Class for November 1, 2017, and December 1, 2017.

On December 1, 2017, SDG&E implemented the first phase of its 2016 GRC Phase 2, which included the change from 65%/35% non-coincident/coincident peak demand charges to 31%/69%, per D.17-08-030. Along with this change, SDG&E implemented adopted sales determinants and updated class revenue allocations, both of which changed from what was in effect prior to December 1, 2017. Therefore, the attached file reflects the change in noncoincident/coincident peak demand charge cost recovery split, as well as the revenue allocation changes and the updated sales determinants.

Additionally, because the cost recovery, and therefore price signals, between non-coincident and coincident peak demand charges changed, it is possible that customers also changed their behavior. Therefore, SDG&E is unable to determine the magnitude on actual annual revenue collections resulting from this change, but does present the revenue-neutral rate design and resulting revenues by component that was implemented on 12/1/2017.

1. Please see the attached file titled “ED\_ES3\_Q2.xlsx” for revenue-neutral impacts of changes that were implemented on 12/1/2017, including the change in cost recovery split between non-coincident and coincident peak demand charges.
2. See attached file “ED\_ES3\_Q2.xlsx”.