

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



FILED

02/05/20
04:59 PM

Application of Pacific Gas and Electric
Company for Authority, Among Other Things,
to Increase Rates and Charges for Electric and
Gas Service Effective on January 1, 2020.
(U39M)

A.18-12-009
(Filed December 13, 2018)

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-M) ON
THE JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT**

ROSS R. FULTON
8330 Century Park Court, CP32D
San Diego, CA 92123
Telephone: (858) 654-1861
Facsimile: (619) 699-5027
E-mail: rfulton@sdge.com

Counsel for
SAN DIEGO GAS & ELECTRIC COMPANY

February 5, 2020

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

Application of Pacific Gas and Electric
Company for Authority, Among Other Things,
to Increase Rates and Charges for Electric and
Gas Service Effective on January 1, 2020.
(U39M)

A.18-12-009
(Filed December 13, 2018)

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-M) ON
THE JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT**

Pursuant to California Public Utilities Commission (CPUC or Commission) Rule of Practice and Procedure 12.2, and the December 2, 2019 Administrative Law Judges' email ruling modifying the schedule, San Diego Gas & Electric (SDG&E) respectfully submits this Reply to *Comments Of The Joint Community Choice Aggregators On The Joint Motion For Approval of Settlement Agreement* (Joint CCA Opening Comments) in this proceeding.¹ SDG&E is not a party to the Settlement Agreement and does not take a position on the Settlement Agreement itself.

SDG&E is instead filing reply comments because the Joint CCAs' position implicates statewide concerns relevant to all Investor-Owned Utilities and their customers. Specifically, the reply opposes the Joint CCAs'² Opening Comments regarding allocation/functionalization; namely, the Joint CCAs' argument that Section 2.5 of the Settlement Agreement should not be approved because it did not adopt the Joint CCAs' proposal to reallocate certain costs for PG&E's Community Wildfire Safety and Customer Care (customer-related services) programs from distribution to generation.³

¹ SDG&E obtained party status in this proceeding by filing a response to Pacific Gas and Electric Company's (PG&E) Application on January 17, 2019 (Rule 1.4(a)(2)(i)).

² The Joint CCAs are collectively East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy, Pioneer Community Energy, San José Clean Energy, and Sonoma Clean Power.

³ As the Joint CCAs acknowledge, the terms allocation and functionalization are often used interchangeably. *See* Opening Brief of the Joint Community Choice Aggregators (January 6, 2020)

As discussed in detail below, the Joint CCAs’ proposal to make potentially sweeping changes to how costs are allocated to customers for generally available utility programs is contrary to the public interest and long-standing Commission precedent. If adopted, the Joint CCAs’ newfound, unsupported arguments would set an inequitable precedent for the way that distribution costs are allocated among distribution customers, particularly regarding costs the Commission deems just, reasonable, and necessary for the provision of safe and reliable distribution service. The Commission should continue to apply its precedent that services or activities available to and benefitting all customers should be paid for by all customers – rejecting the Joint CCAs’ fiction that those services or activities are somehow generation-related.

I. UTILITY FUNCTIONS THAT ARE AVAILABLE AND USED BY ALL CUSTOMERS SHOULD BE FUNDED BY ALL CUSTOMERS

In their Opening Comments, the Joint CCAs belatedly argue that certain costs from PG&E’s Customer Care (which includes customer service activities such as call centers) and Community Wildfire Safety (such as microgrid resilience zones) programs should be reallocated from distribution to generation – based on the perhaps dubious contention that Joint CCA customers use those services less frequently.⁴ But even assuming *arguendo* that the use of these services by CCA customers is more infrequent, such an argument is beside the point.⁵

The Commission has long held that costs for a service should be borne “by those customers who cause the utility to incur the expense, not necessarily by those who benefit from

(Joint CCA Opening Br.) at 59. The Joint CCAs incorporated their opening brief by reference in their Opening Comments. *See id.* at n.70.

⁴ Joint CCA Opening Comments at 17 (“[W]hile Customer Care touches all customers, not all customers utilize these services equally.”)

⁵ PG&E contends that CCA customers use these services as much, if not more, than unbundled customers. *See* Pacific Gas and Electric Company’s Reply Brief on Unresolved Issues (January 27, 2020) (PG&E Reply Br.) at 27-32.

the expense.”⁶ When a program is “available to all customers [it] shall be paid for by all customers and therefore allocated to distribution rates.”⁷ There is no need to determine who is using the service and in what amounts.⁸

Here, the Joint CCAs seemingly do not dispute that PG&E’s Customer Care and Community Wildfire Safety programs are available for all customers. As the Joint CCAs have admitted, PG&E’s Customer Care costs – including PG&E’s customer engagement, contact centers (*i.e.*, call centers), and other customer-related services – “touch[] all customers”⁹ and are “equally available to both bundled and unbundled customers.”¹⁰ Similarly, the Joint CCAs do not appear to disagree that PG&E’s planned resilience zones would provide benefits to all customers; bundled and unbundled alike.¹¹

Such costs have long been shared by all benefitting customers – even though it is undoubtedly the case that all customers have never used a program such as a utility’s customer service-related functions in precisely equal amounts. As the Joint CCAs acknowledge,¹² to alter this longstanding precedent would require extensively tracking the detailed history of use by each customer – such as counting every call to a call center, the time spent by each service representative on every call, and the like – combined with the frequent and repeated reallocations

⁶ Decision (D) 14-12-024 at 48 (citing R.12-06-013).

⁷ D.14-12-024 at 48 (allocating the costs from a demand response program to all customers – both bundled and unbundled – because the program was available to all customers).

⁸ *Id.*

⁹ Joint CCA Opening Comments at 17.

¹⁰ Joint CCA Opening Br. at 66.

¹¹ *See* PG&E Reply Br. at 7, 12.

¹² *See, e.g.*, Joint CCAs’ Opening Br. at 75-76.

of those costs; given the presumably ever-changing calculation of the “relative utilization” of those services between different customer groups.

Nor are PG&E’s Customer Care or Community Wildfire Safety programs a commodity that could reasonably be characterized as “generation” costs. In other words, even if were true that unbundled customers use “less” of these Customer Care services, that result would not make those costs generation costs. Costs functionalized as “Generation” should be costs for the procurement or generation of retail generation commodities. The costs at issue here are not related to that “Generation” function. Because CCA customers continue to be distribution customers and use PG&E’s Customer Care functions and benefit from PG&E’s resilience zones, it would be entirely fictitious to term these programs “generation” costs.

Doing so would set a troubling precedent, particularly given the cost implications to customers regarding public safety issues. If certain customers can opt out of costs that the Commission deems just and reasonable and critical to keeping utility employees, customers, and the public safe, it could result in a significant cost-shift that is unfair to remaining customers and inconsistent with the furtherance of public safety. Utilities are incurring ever-increasing risk mitigation and safety-related costs. It would be problematic if utilities must spend increasing amounts in furtherance of public safety and reliability, while those costs are simultaneously being borne by an increasingly smaller subset of customers.

And to the extent that the Joint CCAs want to alter the Commission’s longstanding precedent such that “utilization of services is an appropriate way to allocate costs,”¹³ they provide no reason why the line should be drawn between bundled and unbundled customers, with unbundled customers paying one rate and bundled customers a separate one. Instead, the Joint

¹³ *Id.* at 74.

CCAs' logic indicates that allocation based on use should take place at the individual level (or at the very minimum, the CCA-specific level), with a different cost assigned to each customer based upon the amount of the service that the individual customer uses. Under the Joint CCAs' proposal, by contrast, it would be particularly burdensome for a bundled customer who did not use PG&E's Customer Care programs to pay even more for those services because unbundled customers paid less – despite those unbundled customers having the same access to the program or service.

But the Commission has never treated costs this way. Customer service represents a cost that is available and benefits every utility customer. All customers will avail themselves of those programs in different amounts at different times, for different reasons – including for matters implicating employee, customer, and public safety concerns. It is just and equitable for all customers to share those costs equally, avoiding significant bill swings depending on the amount that a customer has used each service.¹⁴

II. THIS UTILITY-SPECIFIC GENERAL RATE CASE SETTLEMENT AGREEMENT IS NOT THE APPROPRIATE FORUM TO EVALUATE CHANGING LONG-STANDING PRECEDENT ON ALLOCATION

The Joint CCAs' argument that the Commission should “revise[] functional allocation factors” for certain Customer Care costs should thus be rejected,¹⁵ particularly because the Joint CCAs raise this issue in response to a utility-specific settlement agreement that does not address allocation of these costs. If the Commission does seek to address its longstanding precedent on cost-sharing, it should do so in a broad rulemaking with all appropriate stakeholders, just as it did with the revised Power Charge Indifference Adjustment (PCIA) methodology that ameliorated

¹⁴ See D.14-12-024 at 48.

¹⁵ Joint CCA Opening Comments at 2.

improper cost-shifting from departing load customers to remaining bundled service customers.¹⁶

Important and far-reaching customer cost-allocation issues such as the ones proposed by the Joint CCAs should be carefully and judiciously examined with all relevant stakeholders in the discussion – not in an individual utility’s general rate case.

III. CONCLUSION

The Commission should reject the Joint CCAs’ proposal that the Commission reject or modify the Settlement Agreement based on issues of cost allocation that were appropriately not addressed in the Settlement Agreement.

Respectfully submitted,

/s/ Ross R. Fulton

Ross R. Fulton

ROSS R. FULTON
8330 Century Park Court
San Diego, California 92123
Telephone: (858) 654-1861
Facsimile: (619) 699-5027
Email: rfulton@sdge.com

Counsel for
SAN DIEGO GAS & ELECTRIC COMPANY

February 5, 2020

¹⁶ See generally, D.18.10-019; see also D.20-01-030 (Decision Denying Rehearing of D.18-10-019).