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**NOTIFICATION OF SAN DIEGO GAS & ELECTRIC'S
REQUEST TO INCREASE RATES FOR THE PIPELINE
SAFETY ENHANCEMENT PLAN IMPLEMENTATION
APPLICATION NO. A.16-09-005**

On September 2, 2016, San Diego Gas & Electric Company (SDG&E®) and Southern California Gas Company (SoCalGas®) jointly filed with the California Public Utilities Commission (CPUC), their application requesting the CPUC approve a rate increase for the implementation of the Pipeline Safety Enhancement Plan (PSEP). This application will cover the reasonableness in implementing the PSEP, and recovery of related costs recorded in the Pipeline Safety and Reliability Memorandum Account (PSRMA), Safety Enhancement Expense Balancing Account (SEEBA) and Safety Enhancement Capital Cost Balancing Account (SECCBA). SDG&E is requesting an increase of \$2.63 million, starting 2017, to cover these costs. If approved, the increase would be charged to customers over a 12-month period, or until the costs are recovered.

The CPUC opened Rulemaking R.11-02-019 to adopt new safety and reliability regulations for natural gas transmission and distribution pipelines, and to orderly and cost effectively replace or pressure test all natural gas transmission pipelines, for which reliable records were not available. SDG&E and SoCalGas initiated its PSEP work and began recording costs in their PSRMAs, as directed by the CPUC in Decision D.12-04-021. The expenses related to the PSEP in the SEEBA and SECCBA were directed by the CPUC in D.14-06-007. The CPUC determined in D.14-06-007 what costs should not be charged to customers and those costs have been excluded from this application. That same decision, ordered SDG&E and SoCalGas to file an application to justify charging customers for the expenses by demonstrating the reasonableness of costs incurred. This application complies with that direction.

The SDG&E revenue increase requested in this application applies to gas distribution and transmission service, using a methodology which was previously approved by the CPUC. This application requests recovery of Phase 1 safety plan costs, which include the testing and replacing of natural gas pipelines; valve and technology enhancements; and other project management costs supporting SDG&E's safety enhancement plan. Recovery of costs incurred for additional safety related work will be requested in future applications.

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ESTIMATED IMPACT OF THIS REQUEST ON GAS RATES

SDG&E has estimated the impact of the requested \$2.63 million increase in gas revenues under the proposed rates as shown in the tables below.¹ The actual distribution of the increase to each customer class depends on how the CPUC ultimately decides all issues in the application.

ILLUSTRATIVE PROPOSED CLASS AVERAGE RATE INCREASE PER CUSTOMER CLASS

Customer Class	Annual ¢/Therm	% increase
Residential	0.5 ¢/Therm	0.5%
Commercial	0.2 ¢/Therm	0.4%
Natural Gas Vehicles	0.1 ¢/Therm	0.5%
Large Industrial (distribution level service)	0.1 ¢/Therm	1.2%
Large Industrial (transmission level service)	0.1 ¢/Therm	3.6%
System Total	0.2 ¢/Therm	0.6%

If the CPUC approves SDG&E's request for a gas rate increase and the proposed rate allocation method, the bill for a typical bundled residential customer using 26 therms per month would increase **\$0.16**, or **0.5 percent**, from **\$32.54** to **\$32.70**. Individual customer bills may differ. SDG&E is requesting **rates become effective in 2017**.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Brian Hoff, San Diego Gas & Electric, 555 W. Fifth St., GT14D6, Los Angeles, CA 90013-1011. SDG&E's application and attachments may also be inspected at the SDG&E business offices listed below:

436 H St. Chula Vista, CA 91910	104 N. Johnson Ave. El Cajon, CA 92020	644 W. Mission Ave. Escondido, CA 92025
2405 E. Plaza Blvd. National City, CA 91950	336 Euclid Ave. San Diego, CA 92114	2604-B S. El Camino Real Carlsbad, CA 92008
440 Beech St. San Diego, CA 92101		

¹ Pursuant to D.16-08-003, SoCalGas and SDG&E have been authorized partial (50%) interim rate recovery of PSEP costs, subject to refund, and have previously incorporated costs associated with this application into rates (see Advice Letter 2506-G-A). As a result, the "Illustrative Proposed Class Average Rate Increase Per Customer Class" table illustrates the rate impact of the remaining PSEP costs addressed in this application.

Copies of this application are available on the SDG&E website at <http://www.sdge.com/proceedings>.

Copies of this insert will be available for viewing and printing on the SDG&E website at www.sdge.com/regulatory-notice.

A copy of the application can also be viewed at the CPUC's Central Files in San Francisco by appointment. For more information, please contact them at aljcentralfilesid@cpuc.ca.gov or (415) 703-2045.

CPUC PROCESS

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents, necessary for the CPUC to establish a record upon which to base its decision. Evidentiary Hearings (EHs) may be held where parties of record will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties of record can participate.

After considering all proposals and evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision which may adopt SDG&E's proposal, modify it or deny it. Any CPUC Commissioner may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled CPUC Voting Meeting.

The Office of Ratepayer Advocates (ORA) may review this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. For more information about ORA, please call (415) 703-1584, email ora@cpuc.ca.gov or visit ORA's website at www.ora.ca.gov.

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Mail: CPUC
Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Email: public.advisor@cpuc.ca.gov

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074
TTY: 1-866-836-7825 (toll-free) or 1-415-703-5282

Please reference SDG&E's Application No. A.16-09-005 in any communications you have with the Commission regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review for the assigned Judge, the Commissioners, and appropriate CPUC staff.

