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SAN DIEGO GAS & ELECTRIC COMPANY

NOTIFICATION OF FILING FOR RESIDENTIAL RATE CHANGES AND POTENTIAL IMPACT ON ELECTRIC RATES

PHASE 1 OF RULEMAKING 12-06-013

On February 28, 2014, San Diego Gas & Electric Company (SDG&E®) filed a request with the California Public Utilities Commission (CPUC) for changes to residential rates starting January 1, 2015 and a roadmap for rates through December 31, 2018. SDG&E's request complies with a ruling from the CPUC inviting electric utilities to file proposals that will better align rates with the actual costs of providing electric service as indicated by Assembly Bill (AB) 327. As a result, some customers will see increases in their monthly bill and others will see decreases. This proposal will not change the amount of total revenues collected by SDG&E, which is determined in other proceedings.

SDG&E's filing proposes the following default rates for 2015-2018:

Rate Design Element	Current	2015	2016	2017	2018
Default Rate Structure	4-tiers	2-tiers	2-tiers	2-tiers	Non-tiered TOU with Baseline Credit ⁽¹⁾
Monthly Service Fee – Non-CARE	N/A	\$5.00	\$7.50	\$10.00	\$10.00 + CPI
Monthly Service Fee – CARE	N/A	\$2.50	\$3.75	\$5.00	\$5.00 + CPI
Residential CARE Discount ⁽²⁾	39%	38%	36%	34%	34%

(1) SDG&E proposes an optional tiered rate with a 20% difference between the upper and lower tier that customers can opt into as an alternative to the default TOU rate.

(2) CARE discount is provided only to those customers who meet the required CARE program qualifications. This filing is not proposing amendments to the qualifications of the CARE program.

(Continued inside)

NON-CARE RESIDENTIAL RATE PROPOSALS

SDG&E is proposing to transition from its current 4-tiered structure to a 2-tiered structure beginning in 2015. A 2-tiered system is simpler and better reflects costs. During the 2015 to 2018 period, SDG&E will be gradually bringing the rates for the 2-tiers closer together. In 2018, SDG&E is proposing to employ default time-of-use (TOU) pricing for residential customers, with the choice for customers to opt out to a 2-tiered rate. TOU is a rate that prices electricity based on the time of day and the season in which it is used. TOU rates charge lower rates during a utility's off-peak demand periods and higher rates during peak demand periods. Additionally, SDG&E is proposing optional non-tiered TOU offerings beginning in 2015.

Beginning in 2015, SDG&E will also be charging a monthly service fee to replace the minimum bill charge of \$0.17 per day that currently exists. The monthly service fee will gradually increase over time until it reaches \$10 per residential customer account per month. Once \$10 per month has been reached it will be adjusted by no more than the annual increase in the Consumer Price Index (CPI). The monthly service fee will recover costs that would otherwise have been collected through the charge per kWh which will be reducing the rate by an equivalent amount. Customers may not necessarily see their bills increase by the monthly service fee, but rather will see it as a separate line item on their bill. The monthly service fee will not increase the revenues collected by SDG&E; the utility still will recover only the approved amount of revenue. This changes *how* the revenue amount is collected.

LOW-INCOME PROGRAMS PROPOSALS

The California Alternate Rates for Energy (CARE) program provides a monthly discount on energy bills for income-qualified households. AB 327 specifies that the CARE discount should be between 30% and 35%. SDG&E's current discount is above 35%. To comply with the new law SDG&E proposes to gradually

reduce the CARE discount percentage by the schedule provided in the table above for residential CARE customers until the discount reaches 34%. SDG&E will show the CARE discount separately on customers' bills. SDG&E will also offer CARE customers a reduced monthly service fee further described below.

In addition to residential CARE, the CARE program provides a monthly discount on energy bills for qualified non-residential customers, such as non-profit group living facilities, migrant farm worker housing centers, and privately owned employee housing. Non-residential CARE is also referred to as Expanded CARE. SDG&E's discount for non-residential CARE is above 35%. To comply with the new law, and to reach a 35% discount level by 2018, SDG&E proposes to gradually reduce the CARE discount percentage as follows:

- 3% per year for small commercial CARE customers, and
- 4% per year for medium/large commercial and industrial CARE customers.

Similar to the non-CARE proposals, SDG&E will be charging a monthly service fee for residential CARE customers, but at a discounted rate. The service charge for CARE customers will be \$2.50 per month and increase in 2017 to \$5 per residential customer account per month as shown in the chart above. Thereafter, the monthly service fee will be adjusted by the annual percentage increase in CPI.

SDG&E's proposed changes to non-CARE and CARE rates will affect the medical baseline and Family Electric Rate Assistance (FERA) programs. These programs will be affected since they are tied to the current tiered structure. To lessen the impacts on medical baseline customers, SDG&E proposes a transition path for the reduction in rate subsidies for non-CARE medical baseline customers so they will pay equivalent non-CARE rates by 2018. Non-CARE medical baseline customers will continue to receive additional baseline.

ILLUSTRATIVE IMPACT ON ELECTRIC RATES AND BILLS

If the CPUC approves SDG&E’s request, a typical non-CARE residential customer living in the inland climate zone and using 500 kilowatt-hours per month could see a monthly summer bill increase of 9.1%, or \$8.39, from a current monthly bill of \$91.93 to \$100.32.

As seen in the table below, a typical CARE residential customer living in the inland climate zone and using 500 kilowatt-hours per month could see a monthly summer bill increase of 7.3%, or \$4.21, from a current monthly bill of \$57.92 to \$62.13.

The table below illustrates SDG&E’s current and 2015 proposed rates for non-CARE residential customers. As shown in the table, SDG&E is proposing in 2015 to move the Tier 1 rate up to Tier 2 levels (Tier 1 rate is the same as the Tier 2 rate) and to consolidate Tiers 3 and 4 (Tier 3 rate is the same as the Tier 4 rate).

Usage	Current Rate	Proposed	Change	% Change
Monthly Fee (\$/month)		\$5.00		
Tier 1 rate (¢/kWh): Up to 100% of Baseline	15.396	17.778	2.382	15.5%
Tier 2 rate (¢/kWh): 101%–130% of Baseline	17.778	17.778	0.000	0.0%
Tier 3 rate (¢/kWh): 131%–200% of Baseline	34.881	27.550	(7.331)	–21.0%
Tier 4 rate (¢/kWh): Above 200% of Baseline	36.881	27.550	(9.001)	–24.4%

Note: Summer rates presented

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the filing and related exhibits by writing to: Jamie York, San Diego Gas & Electric Company, 8330 Century Park Court, CP32D, San Diego, CA 92123. SDG&E's filing and related exhibits may also be inspected at the CPUC office located at 505 Van Ness Ave., San Francisco, CA 94102. Additionally, a copy of the filing and related exhibits may be inspected at the following SDG&E business offices:

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 S. El Camino Real Carlsbad, CA 92008
440 Beech St. San Diego, CA 92101		

The filing and related exhibits are also available electronically on SDG&E's website at <http://www.sdge.com/proceedings>.

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

CPUC PROCESS

This filing has been assigned to two Administrative Law Judges (judges) 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 all evidence presented during the formal hearing process, the assigned judges will issue a proposed decision determining whether to adopt all or part of SDG&E's request, modify it, or deny it. The CPUC Commissioners may sponsor an alternate decision and the issue will be decided at a scheduled Commission Voting Meeting.

STAY INFORMED

The CPUC offers a free Subscription Service which is available on the CPUC website at www.cpuc.ca.gov which allows you to follow this proceeding. If you would like to learn how you can participate in the proceeding, or if you have informal comments or questions about the CPUC process, you may contact the CPUC's Public Advisor's Office (PAO) at the address noted below. When writing, please reference proceeding Phase 2 of R.12-06-013. All written correspondence and emails are provided to the Commissioners and the assigned judge for this proceeding to review.

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

Email: public.advisor@cpuc.ca.gov
Phone: 866-849-8390 or 415-703-2074
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