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**SAN DIEGO GAS & ELECTRIC COMPANY
PROPOSED RATE CHANGE FOR GAS TRANSPORTATION
TRIENNIAL COST ALLOCATION PROCEEDING
APPLICATION NO. A.15-07-014**

On July 8, 2015, San Diego Gas & Electric Company (SDG&E®) filed its Phase 2 Triennial Cost Allocation Proceeding (TCAP) Application (A.15-07-014) with the California Public Utilities Commission (CPUC) to revise its rates for natural gas transportation service effective January 1, 2017.

TCAPs are regulatory proceedings in which SDG&E updates the allocation of its costs of providing gas service to customer classes and determines the transportation rates it charges customers. SDG&E also forecasts how much gas its customers may use (demand), its balancing accounts (which ensure only authorized costs are collected), and the gas prices used to calculate various rate components. All of these forecasts have an impact on customers' rates. This TCAP is being addressed in two phases. Phase 1 was filed on December 18, 2014, (A.14-12-017) and addressed the issue of updating the allocation of costs related to the underground storage of natural gas for the period 2016 through 2019¹. Phase 2 addresses updating the allocation of all other costs related to gas transportation service, as well as the demand, balancing account, and gas price forecasts, for the three-year period of 2017-2019. The CPUC will consider whether these particular proposals are just and reasonable when it establishes new rates for SDG&E.

EFFECT ON GAS RATES AND BILLS

For Phase 2, SDG&E proposes a decrease in overall transportation revenues of \$91.4 million, or 24.4% for 2017. This overall decrease would only apply to the transportation component of a total gas bill. This decrease is a result of a projected reduction in the balancing account and reallocation

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¹ Due to the expiration of a provision in the currently authorized TCAP, Phase 1 included an additional year, for a total of four years. The two Phases should then be aligned in subsequent TCAPs.

of costs among ratepayers. Due to the reallocation of costs, some customer classes may see rate increases while other customer classes may see rate decreases.

San Diego Gas & Electric Company
Illustrative Change in Class Average Rates
Due to Proposed TCAP Effective January 1, 2017

Customer Class	Present Rates (¢/therm)	Proposed Rates (¢/therm)	¢/therm Change (¢/therm)	% Change
Residential (Core)*	92.1	74.2	(17.8)	-19.4%
Commercial/Industrial (Core)*	34.9	16.5	(18.4)	-52.7%
Commercial/Industrial-Distribution Level (Noncore)**	5.4	1.7	(3.7)	-68.1%
Electric Generation-Distribution Level Tier 1 (Noncore)**	10.6	8.6	(2.0)	-19.0%
Electric Generation-Distribution Level Tier 2 (Noncore)**	3.6	4.5	0.9	25.6%
Transmission Level Service***	1.5	1.4	(0.1)	-8.6%
Backbone Transportation Service****	15.8	18.5	2.7	17.3%

* Core customers generally use smaller quantities of gas and the Utility purchases their gas.

** Noncore customers are generally large gas users who purchase their own natural gas supplies for SDG&E to transport.

*** Transmission Level Service is for noncore service on the Local Transmission System from the SoCal Citygate.

**** Backbone Transportation Service is rights that customers may purchase to transport gas over the backbone system to the SoCal Citygate. Core customers who purchase gas supplies from SDG&E have this charge included in the gas commodity rate.

For Phase 2, a typical monthly bill for a residential customer using 26 therms per month will decrease 11.5% from \$34.28 at present rates to \$30.34 in 2017. A monthly bill includes charges for transportation, Public Purpose Program Surcharges and natural gas commodity.

The impact on each customer and each customer class could vary depending on individual usage and the Commission's final decision.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Joseph Mock, Regulatory Case Manager, San Diego Gas & Electric Company, 555 W. Fifth St., GT14D6, Los Angeles, CA 90013-1011. SDG&E will provide a copy of this application including the public testimony, upon request. SDG&E's application and attachments may be inspected at the CPUC's Central Files Office, 505 Van Ness Ave., San Francisco, CA 94102. A copy of this application 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-B S. El Camino Real Carlsbad, CA 92008

440 Beech St. San Diego, CA 92101

The application is available electronically on SDG&E's website at www.sdge.com/proceedings.

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

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.

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As a party of record, the Office of Ratepayer Advocates (ORA) reviewed 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. Other parties of record will also participate in the CPUC's proceeding to consider this application. For more information about ORA, please call (415) 703-1584, email ora@cpuc.ca.gov or visit ORA's website at <http://ora.ca.gov/default.aspx>.

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Write: CPUC Public Advisor's Office, Room 2103
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



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