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**NOTICE OF SAN DIEGO GAS & ELECTRIC COMPANY'S
REQUEST TO INCREASE ELECTRIC RATES FOR 2017
ERRA FORECAST
APPLICATION NO. A.16-04-018**

On April 15, 2016, San Diego Gas & Electric Company (SDG&E®) filed an application with the California Public Utilities Commission (CPUC) for approval to increase rates to purchase electricity for its customers in 2017. Additionally, this application addresses revenue requirement forecasts and greenhouse gas related forecasts. This is referred to as SDG&E's 2017 Energy Resource Recovery Account Forecast application (application). If approved, this application would result in an increase in overall revenue requirement and rates starting in 2017.

SDG&E is requesting \$1,293,667,785 for 2017. If the request is approved, SDG&E's 2017 revenue requirement will increase by \$1,471,590 compared to the current revenue requirement of \$1,292,196,195.

The total revenue requirement is comprised of five components: Energy Resource Recovery Account (ERRA); Competition Transition Charge (CTC); Local Generation (LG); and Greenhouse Gas (GHG) costs and allowance revenues. SDG&E is also seeking to recover costs associated with storing nuclear fuel that is no longer useful (also known as spent fuel) from San Onofre Nuclear Generating Station (SONGS) Unit 1. This cost was incurred through SDG&E's 20% ownership of SONGS Unit 1.

The ERRA primarily includes fuel costs needed to run generators to create electricity and contracts with third parties to purchase energy. The CTC allows SDG&E to recover costs for power plants and long-term power contracts approved by state regulators that have become unprofitable by the shift of consumers to competitors, due to the restructuring of the electric energy industry.

The LGC is a charge associated with entering into certain new contracts with power producers. These generation costs are needed to meet the electric system or local reliability needs. The LGC is a charge applicable to bundled, Direct Access (DA) and Community Choice Aggregation (CCA) customers¹.

Forecasted GHG costs, to comply with California's GHG emission reductions program, will be recovered through electric rates. Revenue from the sale of GHG allowances will be returned to some bundled and DA customers as credits on their bill. The GHG allowance revenue bill credits reduce the electric rate impacts of the GHG costs.

¹ SDG&E currently has no CCA customers

(Continued inside)

The costs are broken down as \$1,295,037,761 for the ERRA, \$22,662,099 for the CTC, \$60,255,215 for the LGC, \$1,035,459 for SONGS Unit 1 spent fuel storage, and (\$85,322,749) for GHG allowance revenues available to be returned to customers.

In addition, this application addresses the cost responsibility of DA customers and CCA customers that purchase electricity from another provider but transport it through SDG&E's electrical system.

The charts shown below illustrate the changes in rates that would result from CPUC approval of this application, compared to current rate levels.

This application is a forecast and is likely to change prior to including these costs in next year's electric rates. In addition, there is a balance of approximately \$5.7 M that is not included in the 2017 revenue requirement forecast above. This balance comes from a pending decision in the 2014 ERRA Compliance proceeding (A.15-06-002). The total 2017 revenue requirement forecast including this balance would be \$1,299,383,329. The

outcome of the 2014 ERRA Compliance proceeding may impact rates in this proceeding. SDG&E expects to file an update to this application in November 2016.

ILLUSTRATIVE IMPACT ON ELECTRIC RATES AND BILLS

If the CPUC approves SDG&E's application, a typical non-CARE residential customer living in the inland climate zone and using 500 kilowatt-hours per month could see a monthly winter bill increase of 0.8%, or \$0.86, from a typical current monthly bill of \$104.49 to \$105.35.

The first table below provides illustrative bill changes for bundled customers, while the second table presents illustrative bill changes for DA customers. For DA customers who do not pay commodity, the Utility Distribution Company (UDC) rate changes on a class average basis are presented below. The percentages shown do not necessarily reflect the changes that you may see on your bill. Changes in individual bills will also depend on how much electricity each customer uses.

SAN DIEGO GAS & ELECTRIC COMPANY'S ILLUSTRATIVE ELECTRIC BUNDLED RATE CHANGE (TOTAL RATES INCLUDE UDC¹ AND COMMODITY²)

Customer Class	Class Average Rates Effective 01/01/16 ³ (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Change Per Application (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change (%)
Residential	22.442	22.166	(0.276)	-1.23
Small Commercial	22.322	22.486	0.164	0.73
Medium and Large C&I ⁴	18.626	18.772	0.146	0.78
Agricultural	16.421	16.594	0.173	1.05
Lighting	18.682	18.828	0.146	0.78
System Total	20.366	20.359	(0.0007)	-0.03

¹ UDC rates include Department of Water Resources (DWR) Bond Charge.

² Commodity rates include DWR Power Charge credit.

³ Rates effective 1/1/16 per Advice Letter (AL) 2840-E.

⁴ C&I stands for Commercial and Industrial.

SAN DIEGO GAS & ELECTRIC COMPANY'S ILLUSTRATIVE ELECTRIC UDC¹ RATE CHANGE

Customer Class	Class Average Rates Effective 01/01/16 ² (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Change Per Application (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change (%)
Residential	12.624	12.433	(0.191)	-1.51
Small Commercial	13.405	13.646	0.241	1.80
Medium and Large C&I ³	9.086	9.313	0.227	2.50
Agricultural	8.398	8.640	0.242	2.88
Lighting	12.208	12.410	0.202	1.65
System Total	10.825	10.900	0.075	0.69

¹ UDC rates include DWR Bond Charge.

² Rates effective 1/1/16 per AL 2840-E.

³ C&I stands for Commercial and Industrial.

If the CPUC approves the pending balance in the 2014 ERRA Compliance proceeding, it would represent an additional \$5.7 million (approximately). The following two tables show bill changes for the combined total revenue requirement forecasted in this application, compared to current rates. The first table displays bill changes for bundled customers, while the second table

demonstrates bill changes for DA customers. For DA customers who do not pay commodity, the UDC rate changes on a class average basis are presented below. The percentages shown do not necessarily reflect the changes that you may see on your bill. Changes in individual bills will also depend on how much electricity each customer uses.

**SAN DIEGO GAS & ELECTRIC COMPANY'S
ILLUSTRATIVE ELECTRIC BUNDLED RATE CHANGE
(TOTAL RATES INCLUDE UDC¹ AND COMMODITY²)**

Customer Class	Class Average Rates Effective 01/01/16 ³ (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Change Per Application Including SDG&E's 2014 ERRA Compliance Proceeding		
		2014 ERRA Compliance Proceeding (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change (%)
Residential	22.442	22.197	(0.245)	-1.09
Small Commercial	22.322	22.518	0.196	0.88
Medium and Large C&I ⁴	18.626	18.797	0.171	0.92
Agricultural	16.421	16.621	0.200	1.22
Lighting	18.682	18.850	0.168	0.90
System Total	20.366	20.388	0.022	0.11

**SAN DIEGO GAS & ELECTRIC COMPANY'S
ILLUSTRATIVE ELECTRIC UDC¹ RATE CHANGE**

Customer Class	Class Average Rates Effective 01/01/16 ² (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Change Per Application Including SDG&E's 2014 ERRA Compliance Proceeding		
		2014 ERRA Compliance Proceeding (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change (%)
Residential	12.624	12.462	(0.162)	-1.28
Small Commercial	13.405	13.676	0.271	2.02
Medium and Large C&I ³	9.086	9.337	0.251	2.76
Agricultural	8.398	8.666	0.268	3.19
Lighting	12.208	12.431	0.223	1.83
System Total	10.825	10.927	0.102	0.94

¹ UDC rates include Department of Water Resources (DWR) Bond Charge.

² Commodity rates include DWR Power Charge credit.

³ Rates effective 1/1/16 per Advice Letter (AL) 2840-E.

⁴ C&I stands for Commercial and Industrial.

¹ UDC rates include DWR Bond Charge.

² Rates effective 1/1/16 per AL 2840-E.

³ C&I stands for Commercial and Industrial.

For further information on these proposals you may contact SDG&E's Customer Service line at 1-800-411-SDGE (7343).

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Kellen Gill, San Diego Gas & Electric Company, 8330 Century Park Court, San Diego, CA 92123. SDG&E will provide a copy of this application upon request. SDG&E's application and attachments may be reviewed at the CPUC's Central Files Office by appointment. For more information, please contact them at alcentralfilesid@cpuc.ca.gov or (415) 703-2045. A copy of this application may be reviewed 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 and related exhibits are also available electronically on SDG&E's website at www.sdge.com/regulatory/cpuc.shtml.

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

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 may be held where parties of record will present their testimony and may be subject to cross-examination by other parties. These evidentiary hearings 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.

As a party of record, the Office of Ratepayer Advocates (ORA) will 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.

STAY INFORMED

If you would like to follow this proceeding, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at: <http://subscribecpuc.cpuc.ca.gov/>.

If you would like to learn how you can participate in the proceeding, have informal comments about the application, or if you have questions about the CPUC processes, you may access the CPUC's Public Advisor's Office (PAO) webpage at <http://www.cpuc.ca.gov/pao/>. You may also contact the PAO as follows:

Email: public.advisor@cpuc.ca.gov

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

Call: 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 2017 ERRA Forecast Application No. A.16-04-018 in any communications you have with the CPUC 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.



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