BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.	Rulemaking 12-06-013 (Filed June 21, 2012)

REVISED TESTIMONY OF SAN DIEGO GAS & ELECTRIC COMPANY (U902M) IN SUPPORT OF PHASE 2 INTERIM RATE CHANGES

Thomas R. Brill
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Ct.
San Diego, CA 92123-1530
Telephone: (858) 654-1601
Facsimile: (858) 654-1586
E-mail: TBrill@semprautilities.com

Dated: January 28, 2014

#284897

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations.	Rulemaking 12-06-013 (Filed June 21, 2012)

REVISED TESTIMONY OF SAN DIEGO GAS & ELECTRIC COMPANY (U902M) IN SUPPORT OF PHASE 2 INTERIM RATE CHANGES

Pursuant to the Second Amended Scoping Memo and Ruling of Assigned Commissioner and Assigned Administrative Law Judge, issued January 24, 2014, ("Amended Scoping Memo"), San Diego Gas & Electric Company ("SDG&E") hereby submits revised testimony in support of Phase 2 Interim Rate Changes.[1]

I. OVERVIEW

Through the attached Revised Prepared Testimony of Cynthia Fang, SDG&E presents the following Interim Rate Changes in this proceeding:

- **Increase Tier 1 and Tier 2 rates with and at the same level as system average rate increases.** SDG&E proposes that Tier 1 and Tier 2 rates would move with system average rate changes effective from the date of this filing, January 28, 2014. With regard to revenue requirement decreases, SDG&E proposes that Tier 1 and Tier 2 rates not decrease until a 20% rate differential between upper and lower tiers has been reached. This would result in Tier 1 and Tier 2 rates that

[1] Consistent with Rule 13.8 of The Commission's Rules of Practice and procedure, the revised testimony referenced herein is being served on all parties but not filed with the Commission.

better reflect changes in cost of service, reduce the differential between upper and lower tiers, and reduce the cost shift between upper and lower tiers.

- **Increase California Alternate Rates for Energy ("CARE") rates with and at the same level as system average rate changes to better maintain current effective CARE discount levels and prevent moving further from the legislated range of 30-35%.** SDG&E proposes that CARE rates would move with system average rate changes effective from the date of this filing, January 28, 2014. This would prevent the CARE discount from continuing to move further away from the legislative range of 30-35% with changes in revenue requirement.
- **Increase Tier 1 non-CARE rates by an additional 1 cent/kWh.** SDG&E proposes to increase Tier 1 non-CARE rates by an additional 1 cent/kWh. The current Tier 1 non-CARE rate is 6.1 cents/kWh below the current residential class average rate of 21.1 cents/kWh, or 29% below the residential average cost of service. Increasing Tier 1 non-CARE rates by an additional 1 cent/kWh will reduce the cost shift between upper and lower tiers and provide the largest relief to upper tier rates while limiting the customer impact to Tier 1 customers.
- **Reduce differential between Tier 3 and Tier 4 non-CARE rates from 2 cents/kWh to 1 cent/kWh.** SDG&E proposes to reduce the rate differential between Tier 3 and Tier 4 non-CARE rates from 2 cents/kWh to 1 cents/kWh. Reducing the Tier 3 and Tier 4 rate differential from 2 cents/kWh to 1 cent/kWh will provide some relief to the highest tier while resulting in minimal bill impacts to customers.

SDG&E's interim rate change proposal results in modest increases to low usage customers relative to overall revenue requirement increases while providing necessary upper tier relief to avoid rate shock for summer 2014. SDG&E's proposal would reduce the differential between the lowest and highest tier from 21.5 cents/kWh on February 1, 2014 to 18.6 cents/kWh. In addition, SDG&E's proposal would move Tier 1 recovery from 27% below class average cost of service to 22% and move Tier 4 from 75% above class average cost of service to 66%.

SDG&E's interim rate design proposal does not result in structural changes to CARE, Family Electric Rate Assistance ("FERA") or medical baseline programs and avoids rate shock and volatility for those customers. Furthermore, the recommended rate design changes do not impact other rates and maintain revenue neutrality. Based on the schedule memorialized in the Amended Scoping Memo, SDG&E requests authorization to implement these mid-2014 rate change proposals on July 1, 2014.

SDG&E is concerned that if summer relief is not provided in a timely manner, there will be upper tier rate shock. There are currently two Energy Resource Recovery Account ("ERRA") proceedings pending before the Commission, which would have a significant impact on rates in the near term. Each are briefly described below:

- SDG&E's ERRA Forecast Application, ("A.")13-09-017: On September 27, 2013, SDG&E filed its annual ERRA Forecast application for approval of its forecasted electric procurement revenue requirements for 2014. This Application is anticipated to result in a system average rate increase of approximately 7% from current rates.
- SDG&E's ERRA Trigger Application (A.13-04-017): On April 30, 2013 SDG&E filed an Expedited Trigger Application ("Trigger Application")

requesting recovery of an undercollection in SDG&E's ERRA balancing account. On December 2, 2013, SDG&E filed Response to the November 21, 2013 *Assigned Commissioner and Administrative Law Judge Ruling Requesting Response to Selected Inquiries* in that proceeding identifying and updating the estimated ERRA year-end balance to $213.3 million undercollected. Implementation of this balance would result in an increase to system average rates of approximately 7%. However, beginning January, 1, 2014, SDG&E will be incurring the higher cost of service as presented in its 2014 ERRA Forecast, discussed above while collecting in rates costs associated with its 2013 ERRA Forecast. This will result in a growing under-collection of approximately $20 million a month. In the event that SDG&E were to receive approval of the ERRA Trigger Application for an implementation in April or May, the under-collection could potentially increase by $60-80 million.

SDG&E's two pending ERRA proceedings could result in a system average rate increase of over 17%, depending on the timing of implementation of these ERRA proceedings. If no summer relief is granted in this proceeding, under the current rates structure these costs will be allocated exclusively to non-CARE Tier 3 and 4 residential customers this summer resulting in a potential increase to Tier 3 and Tier 4 rates of over 25%, respectively with a potential Tier 4 summer rate of 46.6 cents/kWh. If there is no change to the current rate structure, this would equate to an approximate summer bill increase of more than 20% for customers using over 1,000 kWh per month and 0% for customers using less than 300 kWh per month. For instance, an inland customer who uses 1,500 kWh would see a summer bill increase of approximately $103 per month.

Interim rate design relief is necessary for summer 2014 and SDG&E's revised proposal equitably weighs the needs of all residential customers. SDG&E's proposal provides for a more equitable treatment across all residential because residential rates currently do not equitably reflect the cost of service for each tier at the present time, reforms are needed. SDG&E's proposal is a step in this direction, while complying with the parameters set forth in the Amended Scoping Memo for this filing.

II. CONCLUSION

SDG&E requests that the Commission adopt the Revised Interim Rate Design proposals set forth herein to provide timely rate relief for customers in advance of the summer of 2014.

DATED at San Diego, California, on this 28th day of January, 2014.

Respectfully submitted,

By: /s/ Thomas R. Brill

Thomas R. Brill
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Ct.
San Diego, CA 92123-1530
Telephone: (858) 654-1601
Facsimile: (858) 654-1586
E-mail: TBrill@semprautilities.com