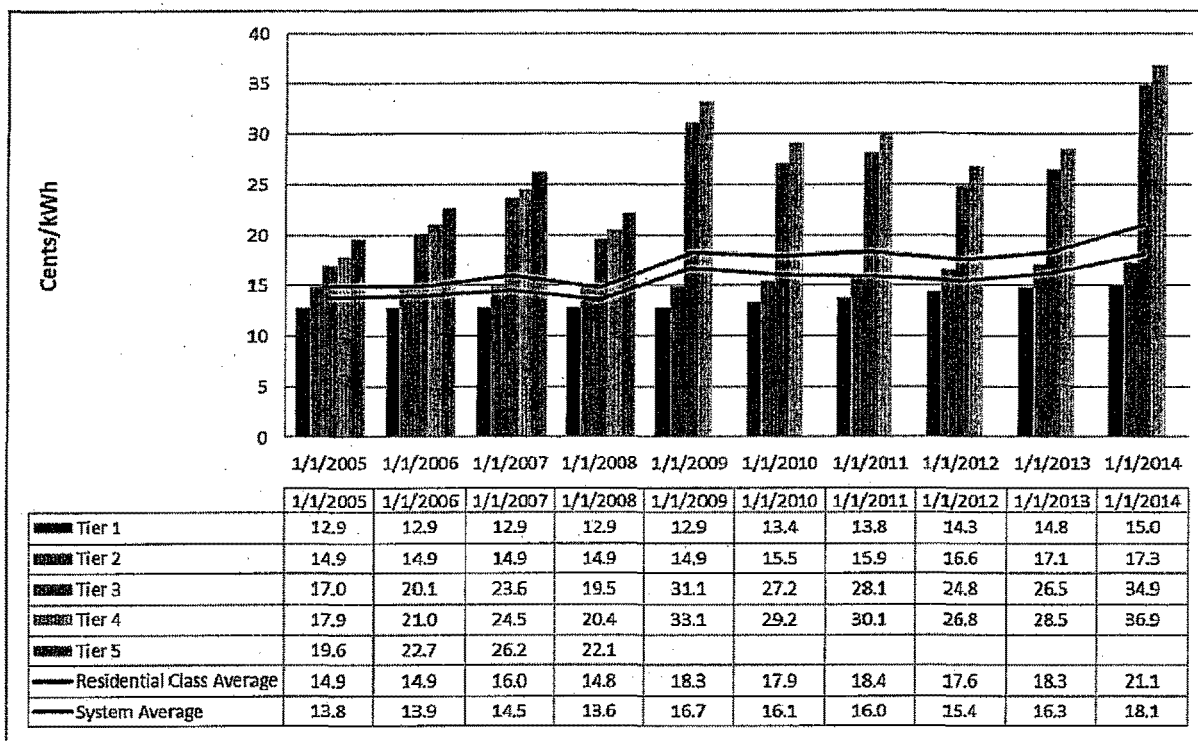


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Chart CF-1: Historic Tiered Rates Compared to Residential Class Average and System Average Rates



SDG&E's proposal in this proceeding represents an attempt to balance the interests of all ratepayers, working with the limited number of tools available to address residential rate design issues on an interim basis for summer implementation. In developing its interim rate design proposals, SDG&E considered the following rate design tools and options for reducing non-CARE upper tier rate pressure in the near term. Also included below are estimates of the impacts of each of these tools:

1. Increase Tier 1 rate:

- 1 cent/kWh increase to Tier 1 rate results in an approximately 1.5 cent/kWh decrease in Tier 4 rate.
- 2 cent/kWh increase to Tier 1 rate results in an approximately 3 cent/kWh decrease in Tier 4 rate.

1 **2. Increase in Tier 2 rate:**

- 2 • 1 cent/kWh increase to Tier 2 rate results in an approximately 0.2 cent/kWh
3 decrease in Tier 4 rates.
- 4 • 2 cent/kWh increase to Tier 2 rate results in an approximately 0.5 cent/kWh
5 decrease in Tier 4 rates.

6 **3. Reduce Tier 3 and Tier 4 rate differential (currently 2 cent/kWh):**

- 7 • Reducing the Tier 3 and Tier 4 differential to 1 cent/kWh results in an
8 approximately 0.4 cent/kWh decrease in Tier 4 rates.
- 9 • Reducing the Tier 3 and Tier 4 differential to 0.5 cent/kWh results in an
10 approximately 0.6 cent/kWh decrease in Tier 4 rates.

11 **4. Increase CARE rates:**

- 12 • An increase to CARE rates of 3% results in an approximately 0.02 cent/kWh
13 decrease in non-CARE Tier 4 rates.
- 14 • An increase to CARE rates of 5% results in an approximately 0.03 cent/kWh
15 decrease in non-CARE Tier 4 rates.
- 16 • An increase to CARE rates of 10% results in an approximately 0.07 cent/kWh
17 decrease in non-CARE Tier 4 rates.

18 Utilizing the tools above, SDG&E created its proposals, which achieves a reasonable balance
19 across all residential customers. SDG&E's near term rate design goals are attempting to take
20 that first step in rebalancing the distribution of costs across all residential customers and attain
21 upper tier rate relief to avoid rate shock, which SDG&E defines as a Tier 4 rate above 40
22 cents/kWh while minimizing the impact to lower usage customers. To accomplish these goals,
23 SDG&E proposes the following 2014 rate design:

- 24 • **Tier 1 and Tier 2 rates increase with and at the same level as SAR increases.**
25 SDG&E proposes that Tier 1 and Tier 2 rates would increase with SAR increases
26 effective from the date of this filing, January 28, 2014. With regard to revenue