

SB 695 Report
To California Public Utility Commission (CPUC) *Energy Division*
San Diego Gas and Electric Company
2015

Part I: Section 748(a) CPUC Study and Report

San Diego Gas & Electric (SDG&E) appreciates the opportunity to provide input to the California Public Utilities Commission (CPUC or Commission) in response to Senate Bill (SB) 695 enacted changes to Public Utilities Code (PUC) Section 748. SDG&E's objective in developing this report is to provide useful information that the CPUC may consider as it prepares its annual report for the Governor and Legislature. This report addresses PUC Section 748(a) and provides data related to both gas and electric revenue requirements and rates. SDG&E's response addressing PUC Section 748(b) is to be provided separately. This report is structured as per the Energy Division's request:

- (1) Description of revenue requirements describing key categories of revenue requirements, trends for each category in the coming 12 months, and load/demand forecasts; and,
- (2) An outlook from May 1, 2015 to April 30, 2016 listing the pending and anticipated proceedings affecting revenue requirements.

1. Description of Revenue Requirement Components (Gas and Electric)

A. Key Revenue Requirement Categories

This section provides a summary outlining SDG&E's major revenue requirement categories for both electric and gas, including a description of key categories of revenue requirements, the associated revenue requirement amount and the percentage contribution to total revenue requirements as commonly monitored within SDG&E.

Electricity cost categories include:

- Commodity/Generation – This is the generation charge for electricity used and includes charges for the energy provided by SDG&E as well as the costs associated with purchased power contracts, utility-owned generation, and other costs associated with

generating and procuring the commodity. For 2014 & 2015, SDG&E's generation charge does not include a revenue requirement for the Department of Water Resources (DWR) since it is a net negative revenue requirement. The net negative revenue requirement is returned to customers as a volumetric credit which appears as a separate line item on a customer's bill. However, for reporting purposes, SDG&E will include the net negative revenue requirement in the commodity/generation category.

- Department of Water Resources Bond Charge (DWR-BC) – This charge pays for bonds issued by DWR to cover the costs of purchased power during the electricity crisis.
- Competition Transition Charge (CTC) – Through this charge, SDG&E recovers costs for power contracts approved by state regulators that have been made uneconomic by the shift to competition.
- Local Generation Charge (LGC) – This charge allows SDG&E to recover costs of generation facilities that are needed for local reliability purposes to be recovered from Direct Access (DA) and Community Choice Aggregation (CCA) customers in addition to bundled customers. These costs are net market energy services and are part of the SDG&E generation portfolio that would otherwise be recovered through commodity rates.
- Nuclear Decommissioning (ND) – This charge pays for the retirement of nuclear power plants.
- Transmission – The purpose of this charge is to deliver high-voltage electricity from power plants to distribution points near homes and businesses. It includes the cost of high-voltage power lines and towers as well as monitoring and control equipment.
- Reliability Service (RS) – The California Independent System Operator (CAISO) is required to ensure adequate generation to maintain electric system reliability. This means there are enough generation facilities available to meet the demand for electricity at all times.
- Distribution – This charge reflects the costs to distribute power to customers and includes power lines, poles, transformers, repair crews and emergency services. In addition, distribution rates recover program costs related to California Solar Initiative (CSI), Self-Generation Incentive Program (SGIP), and demand response.

- Public Purpose Programs (PPP) – This charge reflects the costs of certain state-mandated programs (such as low income and energy efficiency programs).
- Greenhouse Gas (GHG) Allowance Revenue Return – As part of California's efforts to fight climate change, SDG&E is allocated free GHG allowances on behalf of their customers and is required to sell these allowances at auctions. These GHG allowance revenues are then returned to qualifying customers as credits on their electric bill.
- Total Rate Adjustment Component (TRAC) – This charge reflects the cost shift that results from capped residential tiered rates previously legislated under Assembly Bill 1X and Senate Bill 695.

Relative ranges for each electric revenue requirement category as a percent of total authorized 2014 and 2015 revenue requirements for rates effective on January 1st of each year are provided and discussed below. Note that the focus is not on specific filings brought forth to the Commission, but rather categories of revenue requirements that could have a potential impact on future rates.

Revenue Component	2014 ¹		2015 ¹	
	Revenue Requirement	Percent	Revenue Requirement	Percent
	\$000		\$000	
Commodity ²	1,383,807	38.68%	1,804,687	44.29%
DWR-BC ³	96,271	2.69%	94,812	2.33%
CTC	54,540	1.52%	18,544	0.46%
LGC ⁴	0	0.00%	5,223	0.13%
ND	9,239	0.26%	8,560	0.21%
Transmission	384,090	10.74%	466,055	11.44%
RS	5,410	0.15%	4,837	0.12%
Distribution	1,415,604	39.57%	1,492,974	36.64%
PPP	178,980	5.00%	251,086	6.16%
GHG Allowance Revenue Return ⁵	0	0.00%	(145,636)	-3.57%
TRAC	49,622	1.39%	74,002	1.82%
Total	3,577,563	100%	4,075,144	100%

¹ Reflects rates effective January 1st and include Franchise Fees & Uncollectibles (FF&U).

² Commodity Revenue Requirements include the DWR Net Negative Revenue Requirement.

³ DWR-BC represents estimated rate revenues based on authorized rates and sales.

⁴ LGC was implemented in rates on August 1, 2014.

⁵ GHG Allowance Revenue Returns were implemented in rates on April 1, 2014.

- 1) Commodity comprises 44.29% of the total revenue requirement in 2015. This is a 5.61% increase from 2014.
- 2) DWR-BC comprises 2.33% of the total revenue requirement in 2015. This is a -0.36% decrease from 2014.
- 3) CTC comprises 0.46% of the total revenue requirement in 2015. This is a -1.07%¹ decrease from 2014.
- 4) LGC comprises 0.13% of the total revenue requirement in 2015. This charge was implemented in rates on August 1, 2014.
- 5) ND comprises 0.21% of the total revenue requirement in 2015. This is a -0.05% decrease from 2014.
- 6) Transmission comprises 11.44% of the total revenue requirement in 2015. This is a 0.70% increase from 2014.
- 7) RS comprises 0.12% of the total revenue requirement in 2015. This is a -0.03% decrease from 2014.
- 8) Distribution comprises 36.64% of the total revenue requirement in 2015. This is a -2.93% decrease from 2014.
- 9) PPP comprises 6.16% of the total revenue requirement in 2015. This is a 1.16% increase from 2014.
- 10) GHG Allowance Revenue Returns comprise -3.57% of the total revenue requirement in 2015. This credit was implemented on April 1, 2014.
- 11) TRAC comprises 1.82% of the total revenue requirement in 2015. This is a 0.43% increase from 2014.

¹ Difference between amount shown and delta derived from the table above is due to rounding of table figures.

This section outlines major categories of gas revenue requirements as commonly monitored within SDG&E.

Gas revenue requirements are commonly grouped into the following three major categories: Energy Costs (i.e., cost of natural gas at citygate), Transportation, and Public Purpose Programs.

Revenue Component	2014		2015	
	Revenue Requirement \$000	Percentage	Revenue Requirement \$000	Percentage
Energy	\$191,460 ¹	35.1%	\$194,549 ²	32.2%
Transportation ³	\$316,282	57.9%	\$374,933	62.1%
PPP	\$38,254	7.0%	\$34,753	5.7%
Total	\$545,996	100%	\$604,235	100%

¹Actual recorded revenue.

²Represents estimates of the residential, core Commercial & Industrial (C&I), and Natural Gas Vehicle (NGV) energy revenue and was derived by multiplying the 2014 California Gas Report (CGR) throughput projection for 2015 by the gas price forecast for 2015.

³The transportation component includes Authorized Base Margin, amortization of regulatory accounts, other operating costs, System Integration, and Sempra-wide adjustments.

- 1) Energy revenue requirements represent approximately 32.2% of the total gas revenue requirement for 2015. The revenue requirements are expected to increase from 2014 to 2015 due to increased forecasted throughput offset by decreasing natural gas prices. The energy revenue requirement represented about 35.1% of the total authorized gas revenue requirements in 2014.
- 2) Transportation revenue requirements represent about 62.1% of the total gas revenue requirement in 2015. For 2014, the transportation revenue requirement was about 57.9% of the total authorized gas revenue requirement. The increase in relative costs is occurring primarily due to balancing accounts that are under-collected and the General Rate Case attrition adjustment for 2015.
- 3) PPP revenue requirements, including California Alternate Rates for Energy (CARE) Discount and Energy Efficiency, represent approximately 5.7% of the total gas revenue requirements in 2015. The revenue requirement is trending downward mainly due to decreases in regulatory account amortizations. For 2014, these programs contributed about 7.0% of the total authorized gas revenue requirements.

B. Trends in Rate Components

The revenue requirements discussed in the previous section directly align with rate components. At the highest level, gas and electricity rates can be described as revenue requirements divided by sales, so both revenue requirement changes and demand variations impact the actual rates for gas and electric service. Forecasted increases in the revenue requirement over the next twelve months will impose upward pressure on rates; forecasted decreases in the revenue requirement will impose downward pressure on rates. The rate pressures created by revenue requirement are modulated by differences in actual sales versus prior estimates (used to set rates). Adjustments in the allocation of revenue requirement across customer classes and tiers also impact the rates experienced by individual customers.

Customer sales volatility across time directly impact the rates charged to natural gas and electricity customers. If revenues collected from customers are impacted (higher or lower) due to volatility in sales, future rates will be adjusted (decreased or increased) in order to ensure revenues collected are at authorized levels. SDG&E reviews load forecasts for its service territory on a regular basis. The following section discusses the general trends for gas and electricity loads through 2019.

C. Load and Demand Forecasts

This section outlines major categories of electric and gas actual and forecasted sales through 2016.

SDG&E is a combined gas and electric distribution utility company serving approximately 3.5 million people in San Diego and the southern portion of Orange County, California. In 2014, SDG&E delivered 20.1 billion kWh of electricity to 1.4 million customers. Approximately 82% of sales were delivered to bundled service customers (commodity, transmission and distribution), and 18% to direct access customers (transmission and distribution only). On September 16, 2014, SDG&E's recorded peak demand was 4,890 megawatts.

The electric sales forecast for the next two years is as follows:

SDG&E Forecast of Electric Sales (GWh)

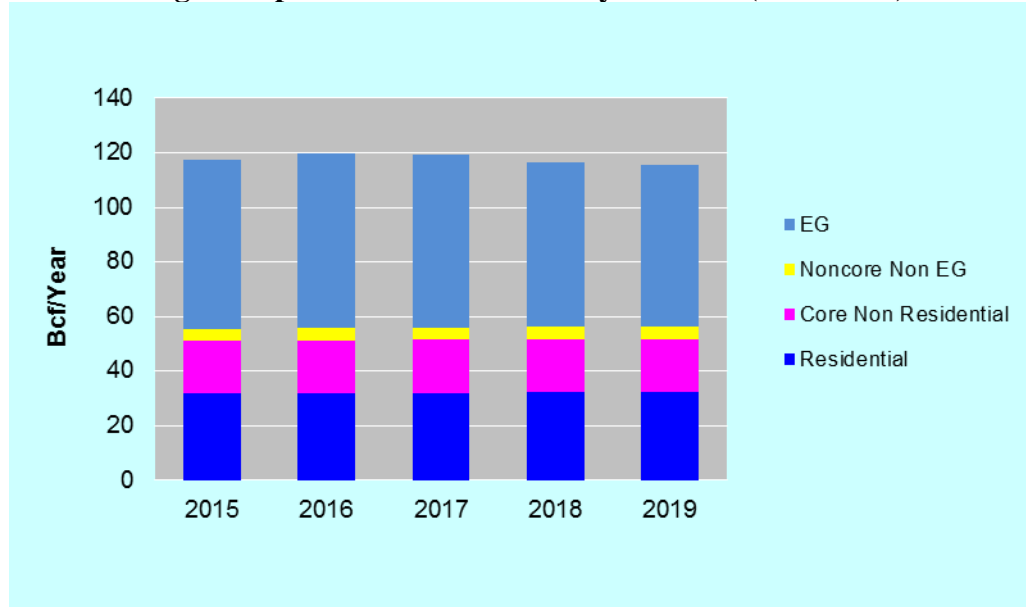
Sales in GWh	2015	2016
Residential	7,692	7,681
Small Commercial	1,934	1,926
Med & Large Com/Ind	10,026	9,998
Agricultural	316	317
Lighting	92	91
Total GWh Sales	20,060	20,013

Source: SDG&E 2016 General Rate Case Application
(A.14-11-003, November 14, 2014).

Composition of SDG&E Gas Requirements (Bcf) Average Temperature and Normal Hydro Year (2015-2019)

Bcf	2015	2016	2017	2018	2019
Residential	32	32	32	32	32
Core Non Residential	19	19	19	19	19
Noncore Non EG	4	4	4	4	5
EG	62	64	63	60	59
TOTAL	117	120	119	116	115

**Composition of SDG&E's Gas Requirements (Bcf)
Average Temperature and Normal Hydro Year (2015-2019)**



The table above shows the projected average year gas demand² over the five-year period to 2019. Gas demand in 2015 is expected to be 117 Bcf. By 2019, gas demand is expected to decline to 115 Bcf. Based on the 2014 *California Gas Report (CGR)*, average year gas demand is expected to decline modestly in the future due to modest economic growth, CPUC-mandated energy efficiency goals and renewable electricity goals, declines in commercial and industrial demand and savings linked to advanced metering modules.

SDG&E's forecast of electric and gas demand is largely determined by the long-term economic outlook for its San Diego County service area. The county's economic trends are expected to generally parallel those of the larger Southern California Gas area, reflecting a gradual recovery from the current multi-year economic slowdown.

2. May 1, 2015 to April 1, 2016 CPUC Filing Outlook

A. Outlook from May 1, 2015 to April 30, 2016 – Pending Proceedings

² The demand for gas would be higher under cold weather and dry hydro conditions. As stated in the 2014 CGR, SDG&E plans and designs its system to provide continuous service to their core customers under an extreme peak day event. The extreme peak day design criteria is defined as a 1-in-35 likelihood event for each utility's service area. This criteria correlates to a system average temperature of 42.6 degrees Fahrenheit for SDG&E's service area.

The following provides a list of pending proceedings that are likely to affect rates. Each section includes a short summary of the requested amount of the revenue requirement change and the reasons for it.

Electric Proceedings

(R.12-06-013) - Residential Rate Order Instituting Rulemaking

In October 2013, Assembly Bill 327 was signed into law. AB 327 made significant changes to residential rate structures that are permitted by removing the constraints to rate design previously legislated by AB 1X and Senate Bill (SB) 695 while continuing to contain some limits intended to protect certain classes of vulnerable customers. Additionally, AB 327 addressed CARE and Net Energy Metering reform. On October 25, 2013, Commissioner Peevey issued an Assigned Commissioner's Ruling (ACR) inviting the Investor-Owned Utilities (IOUs) to file applications for interim rate relief in Rulemaking (R.) 12-06-013, 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 (RROIR), defined as Phase 2 of this proceeding. Prior to the ACR, the RROIR to date had already established principles for the evaluation of residential rate design in a Ruling issued on November 11, 2012. On January 28, 2014, SDG&E filed its proposal for residential rate reform permitted under AB 327 to be implemented 2014. On February 28, 2014, SDG&E filed its proposal for residential rate reform beginning 2015 and the roadmap to 2018. In conjunction with the RROIR, SDG&E's August 2014 Rate Change incorporated adjustments to CARE and Tiers 1 & 2 Non-CARE customers. On October 17, 2014, Rebuttal Testimony was filed in response to interveners. Evidentiary hearings were conducted thereafter with briefs and reply briefs filed in January 2015. A proposed decision is expected in the second quarter of 2015.

(R.12-11-005) – Policies, Procedures and Rules for the California Solar Initiative (CSI), the Self-Generation Incentive Program (SGIP) and Other Distributed Generation Issues

On November 8, 2012, the CPUC initiated this rulemaking to continue the work from R.10-05-004 for the purpose of development and refinement of policies, rules and programs for

the CSI and the SGIP and to continue consideration of policies for the development of cost-effective, clean and reliable distributed generation. On January 29, 2015, the Commission issued D.15-01-027 which allows the utilities to collect funding upon expenditure or reservation of the total amount authorized for funding the existing Multifamily Affordable Solar Housing Program and Single Family Affordable Solar Homes programs.³ No additional revenue requirement has been added, however, depending on existing funding levels, there is a potential increase in 2016 that is unknown at this time.

(A.14-01-027) - 2015 Rate Design Window

On January 31, 2014, SDG&E filed its Rate Design Window application with the CPUC asking for approval to change certain rate designs. This change may lead to rate increases for certain electric customers and decreases for certain other electric customers. The RDW Application requests no changes to gas rates and no changes to total electric and gas revenues. SDG&E requested changes to rate designs take effect January 1, 2015. The rate design changes include the following: (1) reduce the residential baseline allowance; and, (2) change the Time-of-Use (TOU) periods for its time-variant rates and include the implementation of mandatory TOU rates for all non-residential customers. Revised & Supplemental Testimony was submitted on February 24, 2014 and June 16, 2014, respectively. On December 12, 2014, Rebuttal Testimony was submitted in response to intervenors. Upon the Commission's decision, SDG&E plans on implementing these changes beginning November 2015.

(A.14-04-014) - Vehicle Grid Integration Pilot Program (VGI)

On April 11, 2014, SDG&E filed an application with the CPUC for approval of its VGI Pilot Program. The goal of vehicle-grid integration is to accelerate the growth of electric transportation by ensuring the safe, reliable and efficient integration of electric vehicle loads with the electricity grid. SDG&E's proposed rate option will vary hour by hour and incorporate the most current pricing information available on a day-ahead basis. These hourly prices will include a premium added to top peak hours both on a system and local level. The new hourly rate is intended to provide a pricing structure that will support the increased amount of electric vehicles in the region, as well as support electric vehicle charging at workplaces and multi-family

³ D.15-01-027, Ordering Paragraph 10.

communities. The projected Revenue Requirement is \$727 thousand for 2015 and \$3,761 thousand for 2016, including Franchise Fees & Uncollectibles (FF&U).

(A.14-04-015) - 2015 Energy Resource Recovery Account (ERRA) Forecast Application

On April 15, 2014, SDG&E filed an application with the CPUC for approval of its 2015 electric procurement cost revenue requirement forecast, which includes revenue requirements for SDG&E's ERRA, Competition Transition Charge (CTC), and Local Generation Charge (LGC). On November 6, 2014, SDG&E filed an updated application (Update). On January 15, 2015, Decision (D.) 15-01-004 was approved and adopted the total 2015 forecast revenue requirement of \$1,246.4 million, consisting of: 1) \$1,224.2 million for ERRA; 2) \$14.65 million for CTC; and 3) \$7.55 million for LGC. To provide rate stability, SDG&E requested, and was authorized, a slightly lower revenue requirement in rates for a total of \$1,229.535 million, consisting of: 1) \$1,206.603 million for ERRA; 2) \$15.983 million for CTC; and 3) \$6.949 million for LGC. When compared to 2014 authorized amounts, the total revenue requirement decreased by (\$1.112 million) which includes: 1) a decrease in ERRA of (\$3.462 million); 2) an increase in CTC of \$0.624 million; and 3) an increase in LGC of \$1.726 million. Due to the timing of the decision, these authorized revenue requirements were not included in the January 1, 2015 rate change and were subsequently implemented on February 1, 2015.

(A.14-04-018) - 2015 Greenhouse Gas (GHG) Forecast Revenue and Reconciliation

On April 15, 2014, SDG&E filed an application with the CPUC for approval of its GHG forecasted costs and allowance revenue returns for 2015 and reconciliation of its allowance revenue returns for 2013. Subsequently, on January 16, 2015, SDG&E filed Revised Updated Testimony which revised the amounts included in the April 15, 2014 filing. In addition, the filing included a reconciliation of its allowance revenue returns for 2014. SDG&E is seeking approval of the following amounts: net forecasted amount of GHG allowance revenue returns available for return to ratepayers in 2015 of \$98.4 million⁴; total GHG costs in 2015 of \$104.3 million⁵. When compared to 2014 authorized amounts, this results in a decrease of (\$48.8 million) for the allowance revenue available for return and a decrease of (\$3.6 million) for GHG costs. This

⁴ Amount includes prior year's reconciliation and is adjusted for interest and franchise fees and uncollectibles (FF&U).

⁵ Amount includes FF&U.

results in a net revenue requirement increase of \$45.2 million. This results in a net revenue requirement increase of \$45.2 million. SDG&E expects a proposed decision later this year with the associated rate change to occur shortly thereafter.

(R.14-07-002) – Net Energy Metering (NEM) Successor Tariff Order Instituting Rulemaking

In October 2013, Assembly Bill 327 was signed into law. AB 327 addressed a range of significant issues including Net Energy Metering (NEM) reform. A new rulemaking was initiated on July 10, 2014 in order to examine potential modifications to NEM, often referred to as the NEM successor tariff or NEM 2.0. NEM 2.0 may result in modifications to the rate structure of those who elect to receive service under the NEM tariff.

AB 327 directs the CPUC to develop a successor tariff no later than December 31, 2015. The ultimate impacts of this proceeding are currently unknown due to the relative nascence of this proceeding.

(A.14-12-007) - Joint Application for 2014 San Onofre Nuclear Generating Station (SONGS) Decommissioning Cost Estimate (DCE)

On December 10, 2014, Southern California Edison Company and SDG&E filed a Joint Application regarding the 2014 DCE for SONGS Unit Numbers 2 & 3. SDG&E is requesting approval for its revised Nuclear Decommissioning revenue requirement request of \$1.07 million⁶. This amount reflects SDG&E's request to reduce its annual contributions to the SONGS 2 & 3 Nuclear Decommissioning Trusts from \$8.2 million to \$0.00 (zero) starting January 1, 2016, as well as SDG&E's already Commission-approved \$1.06 million nuclear decommissioning rate component for Unit 1 spent fuel costs⁷.

Gas Proceedings

(A.13-12-013) - North-South Gas Transmission Pipeline Project

On December 20, 2013, Southern California Gas Company (SoCalGas) and SDG&E filed a joint application with the CPUC seeking authority to recover the revenue requirement

⁶ Amount includes FF&U.

⁷ D.13-05-010 (SDG&E TY2012 General Rate Case).

associated with the North-South Gas Transmission Pipeline Project and related cost allocation and rate design proposals. The project will support Southern System reliability and ensure the utilities' ability to fulfill their mission to provide safe and reliable gas service to their customers. The estimated \$856 million project of two components: (1) constructing a 36-inch gas transmission pipeline between the Adelanto and Moreno compressor stations; and (2) upgrading the Adelanto compressor station. The proposed project has a projected in-service date of fourth quarter 2019. A Commission decision is not expected until 2016.

(R.14-03-003) - Greenhouse Gas (GHG) Rulemaking for Natural Gas Utilities Cap-and-Trade Program Cost Recovery – Phase 2

On March 19, 2014, the Commission issued a new Rulemaking proceeding to address issues related to GHG costs and revenues of natural gas utilities resulting from the implementation of the California Air Resources Board's (ARB) GHG cap-and-trade program. Beginning on January 1, 2015, the Cap-and-Trade Program expanded to include emissions from all SDG&E customers. SDG&E is required to purchase carbon allowances or offsets on behalf of our end-use customers for the emissions generated from the full combustion of the natural gas we deliver. Large end-use customers who emit at least 25,000 metric tons of CO₂ equivalent per year have a direct obligation to the ARB for their own emissions; therefore, SDG&E's obligation does not include these customers. The GHG rulemaking will determine how the costs related to compliance with the Cap-and-Trade program will be included in end-use customers' rates. The rulemaking will also address how revenues generated from the sale of directly allocated allowances will be returned to ratepayers. SDG&E expects the rulemaking to be resolved later in 2015. For 2015, SDG&E has forecasted compliance costs to be about \$13 million and consignment revenues to be about \$10 million.

(A.14-12-016) - Pipeline Safety and Reliability Memorandum Account

On December 17, 2014, SoCalGas and SDG&E filed a joint application (A.14-12-016) requesting recovery of costs recorded in their respective Pipeline Safety and Reliability Memorandum Accounts (PSRMAs). In D.14-06-007, SoCalGas and SDG&E were authorized to file this Application to justify and recover O&M costs recorded in the PSRMAs through June 12, 2014, the effective date of the decision and capital-related costs associated with projects

completed prior to the June 12, 2014. The application requests that the Commission find reasonable the costs incurred, as well as the associated revenue requirement recorded in the PSRMAs, which is \$46.2 million for SoCalGas and \$0.08 million for SDG&E, to be recoverable in rates.

(A.14-12-017) - Triennial Cost Allocation Proceeding (TCAP) Phase 1

On December 18, 2014, SoCalGas and SDG&E filed a joint application with the CPUC to update the allocation of the costs of providing gas service to customer classes and determine the transportation rates it charges to customers. These costs have been previously authorized by the CPUC for recovery in rates. This Phase 1 Application includes updating the allocation of costs related to the underground storage of natural gas for the period 2016 through 2019. A final CPUC decision on Phase 1 that will impact rates is expected in 2015. The Phase 1 Application would impact SDG&E transportation rates by \$2 million. The Phase 2 Application is detailed in Section 2(B) of this report, New Proceedings Likely to be filed between now and April 30, 2016.

Combined Electric & Gas Proceedings

(A.14-11-003) – General Rate Case (GRC), Phase 1

On November 14, 2014, SDG&E filed its application with the CPUC for authority to update its gas and electric revenue requirements to adjust base rates for Test Year 2016, and implement a post-test year ratemaking mechanism for the subsequent attrition years (2017-2018)⁸. Through this application, SDG&E seeks to recover the reasonable costs that will be incurred in 2016 to own and operate the facilities that generate and distribute electricity to its customers, distribute gas, and to fulfill SDG&E's customer service functions. SDG&E is requesting approval of a combined \$1.911 billion revenue requirement (\$326 million gas and \$1.585 billion electric), to be effective January 1, 2016. If approved, this revenue requirement would be an increase of \$133 million over the estimated 2015 revenue requirement, or a 7% increase.

⁸ This GRC Application addresses Phase 1 cost of service proposals. SDG&E separately files a GRC Application for Phase 2, which addresses electric marginal costs, revenue allocation, and rate design.

(A.14-11-009) - Low-Income Assistance Programs and Budgets for Program Years (PY) 2015-2017

On November 18, 2014, SDG&E filed an application with the CPUC and presented proposals to improve upon its Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) programs. These proposals included strategies, plans, measures, policies, and budgets designed to increase the programs' enrollment and overall delivery, as well as help customers reduce their energy bills, promote energy conservation, and assist customers in order to avoid service disconnections. SDG&E is not requesting funding for PY 2015 since the Commission authorized funding in D.14-08-030 at the authorized 2014 budget level, for a 12-month period from January 1, 2015 to December 31, 2015. The requested electric revenue requirements for CARE administrative costs are \$5.3 million and \$5.5 million for PY 2016 and 2017, respectively. For PY 2016, this represents an increase of \$0.9 million over authorized 2015 funding and an increase of an additional \$0.2 million for PY 2017. The requested electric revenue requirements for ESA program costs are \$12.4 million for both PY 2016 and 2017, which is the current authorized funding level. The requested gas revenue requirements for CARE administrative costs are \$1.3 million and \$1.4 million for PY 2016 and 2017, respectively. For PY 2016, this represents an increase of \$0.2 million over authorized 2015 funding and an increase of an additional \$0.04 million for PY 2017. The requested gas revenue requirements for ESA program costs are \$15.5 million and \$16.0 million for PY 2016 and 2017, respectively. For 2016, this represents an increase of \$4.1 million over 2015 authorized funding and an increase of an additional \$0.5 million for PY 2017.

B. Outlook from May 1, 2015 to April 30, 2016 – Potential Proceedings

The following provides a list of potential proceedings that are likely to affect rates, including a short summary of the requested amount of the revenue requirement change and the reasons for it.

Electric Proceedings

2016 ERRA/GHG Forecast

SDG&E will file its annual application with the CPUC for approval of its 2016 forecasted electric procurement revenue requirement on April 15, 2015. Pursuant to D.14-10-033, beginning in 2015 with forecasts for 2016, each utility is required to include the GHG cost and allowance revenue return forecast as part of its ERRA forecast application.

Wildfire Expense Memorandum Account Application

SDG&E will file an application to recover costs incurred related to the 2007 wildfires in San Diego County, which are in excess of amounts covered by insurance and recoveries from other responsible third parties. SDG&E anticipates filing in the second half of 2015. The requested recovery amount is still to be determined. The annual revenue requirement impact will be amortized over a period of years, yet to be determined.

Gas Proceedings

Triennial Cost Allocation Proceeding (TCAP) Phase 2

SoCalGas and SDG&E plan to file their Phase 2 TCAP application in summer 2015 to update the allocation of the non-storage related costs of providing gas service to customer classes and determine the transportation rates it charges to customers. These costs have been previously authorized by the CPUC for recovery in rates. Storage-related costs are being addressed in the TCAP Phase 1 Application detailed in Section 2(A) of this report, Listing of Pending Proceedings. This Phase 2 Application will include updating the allocation of all other costs related to gas transportation service, as well as the demand forecasts used to set rates, for a three-year period of 2017-2019. A final CPUC decision on Phase 2 that will impact rates would be expected in late-2016. The rate impacts of the Phase 2 TCAP Application are unknown at this time.

Pipeline Safety Enhancement Plan Phase 2

SoCalGas and SDG&E anticipate filing an application in 2015 for the approval of Phase

2 of the Pipeline Safety Enhancement Plan (PSEP), which will address pipelines located in less populated areas. Pipelines included in this phase do not have sufficient documentation of a pressure test to at least 1.25 times the Maximum Allowable Operating Pressure of the pipeline.

Pipeline Safety Enhancement Plan – Line 1600 Pipeline Replacement

SoCalGas and SDG&E anticipate filing an application in the second quarter of 2015 for approval to construct a replacement natural gas pipeline for Line 1600 in San Diego to address Pipeline Safety Enhancement Plan as well as system reliability and capacity concerns. The project will enable SDG&E to continue to meet the obligation to provide safe and reliable natural gas service.

Combined Electric & Gas Proceedings

Cost of Capital Application

SDG&E is currently scheduled to file its next Cost of Capital application on April 20, 2016. A cost of capital proceeding determines a utility's authorized capital structure and authorized rate of return on rate base (ROR), which is a weighted average of the authorized returns on debt, preferred stock, and common equity (return on equity or ROE), weighted on a basis consistent with the authorized capital structure. The authorized ROR, which is currently 7.79%, is the rate that SDG&E is authorized to use in establishing rates to recover the cost of debt and equity used to finance their investment in distribution, gas transportation, and generation assets. In addition, a cost of capital proceeding also addresses the automatic ROR adjustment mechanism which applies market-based benchmarks to determine whether an adjustment to the authorized ROR is required during the interim years between cost of capital proceedings.

C. Rate Change Implementation

The following provides the expected timing of anticipated electric rate changes during 2015 and the amount of increase if it is known.

In order to promote rate stability for customers, SDG&E aims to have only one consolidated electric rate change per year, on January 1. However, due to the timing of the

approval of D.15-01-004, the authorized revenue requirements relating to ERRRA, CTC, and LGC were not included in the January 1, 2015 rate change and were subsequently implemented on February 1, 2015. The total revenue requirement implemented was \$1,246.4 million, which is a net decrease of (\$1.112 million). Additionally, SDG&E anticipates a decision on the 2015 GHG forecast (A.14-04-018) by mid-year. If SDG&E's request in its Revised Updated Testimony filed January 16, 2015 is approved, the revenue requirements relating to GHG allowance revenues available for return and GHG costs are \$98.4 million⁹ and \$104.3 million¹⁰, respectively. When compared to 2014 authorized amounts, this results in a decrease of (\$48.8 million) for the allowance revenue available for return and a decrease of (\$3.6 million) for GHG costs. The net change in revenue requirement is an increase of \$45.2 million.

The following provides the expected timing of anticipated gas rate changes during 2015 and the amount of increase if it is known.

Rates are updated each year through the advice letters listed in table below.

Description	To Be Filed	Expected Implementation	Impacted Rate	Reason for Revenue Requirement Request
Gas Regulatory Account Update AL	October 2015	January 2016	Gas Transportation	(1)
Gas Consolidated AL	December 2015	January 2016	Gas Transportation	(1) (2)
Gas Public Purpose Program Update AL	October 2015	January 2016	PPP Surcharge	(1)

(1) Change from 2014 to 2015. This is a routine annual filing in which the specific financial impact for 2016 has not been determined.

(2) Gas Consolidated AL 2258-G reflecting change from 2014 to 2015.

Gas Regulatory Account Update AL - This advice letter serves to update the amounts in the regulatory accounts to be amortized in rates over the next year.

⁹ Amount includes prior year's reconciliation and is adjusted for interest and FF&U.

¹⁰ Amount includes FF&U.

Gas Consolidated AL - This advice letter consolidates advice letters that are routinely filed each year to be placed in rates the next year. This includes items such as the regulatory Account Update, authorized cost changes for the Advanced Meter Infrastructure and attrition index authorized in the 2012 General rate Case to be applied to the revenue requirement.

Gas Public Purpose Program Update AL - The state's natural gas and electric utilities collect funds from core and non-EG noncore customers for gas related energy efficiency programs, low-income programs including the California Alternative Rates for Energy (CARE) subsidy, and for the California Energy Commission's natural gas research and development program. The annual budget for these public purpose programs is set in various recurring program-related Commission proceedings.

Appendix A

San Diego Gas & Electric Company
 2014 CPUC Filing Outlook
 Outlook from May 1, 2015 to April 30, 2016
 Appendix A

If Revenue Requirement
 Impact not available

Application #	Description	Filed	Expected/Requested Implementation	Status	Impacted Rate	System Average Directional Impact	Revenue Requirement Impact w/FF&U (\$M)	Current Revenue Requirement (\$M)
Pending Applications								
Electric								
R.12-06-013	Residential Rate Order Instituting Rulemaking	January 2014	Q2 2015	Still Pending	N/A	Neutral	\$ -	
R.12-11-005	Policies, Procedures, and Rules for the California Solar Initiative (CSI), the Self-Generation Incentive Program (SGIP), and Other Distributed Generation Issues	November 2012	2016	Still Pending	Distribution	Increase	Unknown	\$ 32.8
A.14-01-027	2015 Rate Design Window	January 2014	November 2015	Still Pending	N/A	Neutral	\$ -	
A.14-04-014	Vehicle Grid Integration Pilot Program (VGI) ¹	April 2014	2015	Still Pending	Distribution	Increase	\$ 0.727	
A.14-04-015	2015 Energy Resource Recovery Account (ERRA) Forecast Application	April 2014	February 2015	Implemented	Commodity, CTC, & LGC	Decrease	\$ (1.112)	
A.14-04-018	2015 Greenhouse Gas (GHG) Forecast Revenue and Reconciliation	April 2014	2015	Still Pending	Commodity & TRAC	Increase	\$ 45.200	
R.14-07-002	Net Energy Metering (NEM) Successor Tariff Order Instituting Rulemaking	December 2015	TBD	Still Pending	N/A	Neutral	\$ -	
A.14-12-007	Joint Application for 2014 San Onofre Nuclear Generating Station (SONGS) Decommissioning Cost Estimate (DCE)	December 2014	January 2016	Still pending	ND	Decrease	\$ (8.200)	
Gas								
A.13-12-013	North-South Gas Transmission Pipeline Project	December 2013	Q4 2019	Still Pending	BTS Rate	Increase	Unknown	
R.14-03-003	Greenhouse Gas (GHG) Rulemaking for Natural Gas Utilities Cap-and-Trade Program Cost Recovery – Phase 2	March 2014	2015	Still Pending	All Transportation Rates	Increase	\$ 13.000	
A.14-12-016	Pipeline Safety and Reliability Memorandum Account	December 2014	2015	Still Pending	All Transportation Rates	Increase	\$ 0.080	
A.14-12-017	Triennial Cost Allocation Proceeding (TCAP) – Phase 1	December 2014	2015	Still Pending	All Transportation Rates	Increase	\$ 2.000	
Combined Gas and Electric								
A.14-11-003	General Rate Case (GRC) – Phase 1	November 2014	January 2016	Still Pending	All Rate Components	Increase	\$ 133.000	
A.14-11-009	Low-Income Assistance Programs and Budgets for Program Years (PY) 2015-2017 ²	November 2014	January 2015	Still Pending	PPP	Increase	\$ 5.200	
Potential Applications								
Electric								
	2016 ERRA/GHG Forecast	April 2015	2016		Commodity, CTC, & LGC			
	Wildfire Expense Memorandum Account Application	Q3-Q4 2015	Unknown		Distribution			
Gas								
	Triennial Cost Allocation Proceeding (TCAP) – Phase 2	Summer 2015	Q4 2016		Gas Transportation			
	Pipeline Safety Enhancement Plan – Phase 2	Q2 2015	Unknown		Gas Transportation			
	Pipeline Safety Enhancement Plan – Line 1600 Pipeline Replacement	Q2 2015	Unknown		BTS Rate			
Combined Gas and Electric								
	Cost of Capital Application	April 2016	Unknown		Distribution, Generation, Gas Transportation			

¹Revenue Requirement Impact is for 2015 only. There are also projected Revenue Requirements 2016 through 2037.

²Revenue Requirement Impact represents incremental impact in 2016 from 2015 for both Electric and Gas.