



# CPUC Consumer Advisory

California Public Utilities Commission  
505 Van Ness Avenue

San Francisco, CA 94102

## **SDG&E ELECTRIC RATE FREEZE ENDS**

On July 1, 1999, San Diego Gas & Electric and its customers will take the next step to a competitive electricity market. This will have an effect on customers' electric bills. The total electric rate will no longer be frozen, but will vary with the competitive price paid for electricity by the utility. The impact on customer bills depends on those competitive electricity prices. Through introduction of competition, bills are expected to decrease on an annual basis, but fluctuating competitive electric prices could lead to increases or decreases in the monthly bill customers pay.

SDG&E customers who are concerned about fluctuating electric bills may consider joining the utility's "Level Payment Plan." The plan divides a customer's annual electric and gas bill into 12 equal payments. As an alternative to SDG&E, customers may want to investigate electric service providers. Some providers may be willing to guarantee a fixed price for the energy component of a customer's electric service.

For a list of electric service providers registered with the California Public Utilities Commission, call the Electric Education Call Center at 1-800-253-0500, or check the CPUC website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). For a guide to residential electric service plans, check the website of the Commission's Office of Ratepayer Advocates at <http://ora.ca.gov>.

## **Questions and Answers**

### **What was the state of the electric industry before restructuring?**

Prior to 1998, California's electricity customers were served exclusively by a local monopoly electric utility. The utility owned and controlled the three major functions of providing electric service:

- 1) The generation of electricity at utility-owned power plants and purchasing power from independent producers to meet its customers' electricity demand;
- 2) Delivery of power from the point of generation through the electric transmission grid to the local distribution facilities; and
- 3) Delivery to the customer's home or business through local distribution lines.

### **What changed?**

Most of California's electricity customers now have the choice of purchasing the generation portion of their service, the actual energy they consume, from an electric service provider (ESP) other than their utility distribution company (UDC). Competition and customer choice are expected to bring about lower prices and new services, while continuing to provide reliable service.

*Got more questions? Call the CPUC Electric Education Call Center 1-800-253-0500*

Restructuring California's electric industry involves separating the three functions of generation, transmission and distribution so no single company controls all three. Two new entities, the Independent System Operator (ISO) and the Power Exchange (PX) ensure that competitive power suppliers have fair and open access to the state's transmission grid (ISO) and facilitate the buying and selling of electricity (PX.) Use of the PX is optional for non-utility buyers and sellers of electricity.

### **How did this affect me?**

State legislators mandated that electric rates remain frozen at June 1996 levels, and ordered a 10% rate reduction for residential and small commercial customers. The rate freeze and the 10% reduction were effective as of January 1998, and were to remain in effect until the end of the transition period, or March 2002, whichever came first.

State law created the transition period to give utility distribution companies an opportunity to recover past investments in generating facilities and power purchase contracts that might not be recoverable in a competitive market. Recovery of these costs was already included in utility rates. The transition period accelerated cost recovery through a mechanism called the Competition Transition Charge, or CTC.

The transition period ends when the utility distribution companies recover past investments in generating facilities and contracts with non-utility power generators. SDG&E expects to recover most of its costs by July 1, 1999.

### **What does the end of the transition period mean to me?**

#### ***Variable rates***

The end of the rate freeze signifies another step towards competitive pricing of electric service. It is important to understand that the energy component of the bill is competitive, meaning the price varies due to market conditions. During the transition period, customers were protected from variable energy costs due to the rate freeze.

While customers are expected to see a decrease in energy bills on an annual basis, the bill month-to-month could be higher or lower than the same period last year. The transmission and distribution components of the bill will not vary monthly, and will continue to be regulated by the Federal Energy Regulatory Commission and the California Public Utilities Commission, respectively.

#### ***CTC will be reduced***

San Diego Gas & Electric has recovered most of its costs related to the generation of electricity, such as investments in power plants and power purchase contracts. This means the amount of money collected on the bill for the Competition Transition Charge (CTC) will be reduced. The CTC will continue to be collected for certain costs, such as long-term power contracts. The reduction in the amount of CTC could offset any potential increase in energy prices.

San Diego Gas & Electric has recovered most of its costs related to the generation of electricity, such as investments in power plants and power purchase contracts. This means the component on the bill known as Competition Transition Charge (CTC) will be reduced. The reduction in the CTC could offset any potential increase in energy prices.

## ***The 10% rate reduction and rate freeze will end on July 1, 1999***

Electric restructuring legislation (Assembly Bill 1890) mandated a rate freeze at June 1996 levels for all customers, and an additional 10% rate reduction for residential and small commercial customers. The legislation's intent was to provide small consumers with an immediate price benefit until the end of the transition period, when the retail energy market would be more competitive.

The rate reduction was to remain in effect until March 2002, or until the utility recovered its generation-related costs, whichever came first. SDG&E is expected to recover most of its costs related to power generation by July 1, 1999. When SDG&E's generation costs are recovered, the rate freeze and the 10% rate reduction will end. The price you pay for the energy you consume will be based on competitive market rates, and could vary month-to-month.

## ***Energy rates for residential and small commercial customers will be "capped" during July, August and September 1999***

Many customers use more electricity on average during these summer months than they do during other months. To ease the transition to variable rates, the total rate you pay will be capped during the months of July, August and September 1999. No matter how high competitive energy prices get during July, August, and September 1999, you will not experience more than a 12.5% increase in the rates in effect in June 1999, which is expected to be the end of SDG&E's transition period.

If competitive energy prices increase this summer, and the rate cap is triggered during July, August and September, SDG&E's costs to implement this rate cap will be recoverable through rates paid by SDG&E customers from October 1999 through June 2000. Customers will pay this charge if they purchase electricity from SDG&E or if they switch to another supplier anytime after July 1, 1999. Customers who switched to an electric service provider prior to July 1, 1999 will not pay any charges or receive any benefits associated with implementation of the rate cap.

## **Why is this changing now?**

During the transition period, SDG&E's rates were frozen in order to allow them time to recover certain costs that might not be recoverable in a competitive market. SDG&E has recovered most of these costs. That means the transition period and the rate freeze are over.

## **There are different line items on my bill. What is changing there?**

Since June 1998, the charges on your electric bill have been itemized so that you know exactly what you are paying for. What will change starting in July 1999 is:

1. The price you pay for energy, also called generation, will now vary to reflect the costs of obtaining that energy from a competitive market.
2. The Competition Transition Charge will be fixed, rather than varying each month. The money being collected for the CTC will be lower because SDG&E has recovered most of its costs related to the generation of electricity.
3. There will now be a new line item, known as the Trust Transfer Amount Credit, which will exactly offset the amount you pay for Trust Transfer Amount (TTA.) The Trust Transfer Amount pays for special bonds that financed the 10% rate reduction mandated by the Legislature to benefit residential and small commercial customers.

## **What are my choices?**

You can choose to buy your energy through SDG&E or from a competitive electric service provider known as an ESP. These providers can choose how to set their own prices. They may even be willing to provide a fixed price or a price with greater certainty.

You can get a list of electric service providers registered with the CPUC by calling the Electric Education Call Center at 1-800-253-0500, or from the Commission's website: <http://www.cpuc.ca.gov>. For a comparison of residential electric service plans and prices, check the website of the Commission's Office of Ratepayer Advocates at <http://ora.ca.gov>.

You also have the option of SDG&E's "Level Payment Plan." Under this plan, you still pay the monthly competitive price of electricity. SDG&E evens out your monthly payments by estimating what you would pay for both gas and electricity in the coming 12 months, and then determining what your average bill will be each month. Using the Level Play Plan means that in some months your payment will be more or less than the actual charge for energy used. At the end of your 12-month Level Pay Period, you may receive a credit or pay an additional amount if your actual energy usage varies from the estimated usage.

Customers should understand that rates are not the only factor affecting the amount of their electric bill. Higher electricity usage means higher bills. Customers typically use more electricity to cool their homes and businesses during the warm summer months. The less electricity you use, the lower your bill.

## **How can I make an informed decision?**

Buying electricity is like buying any other product or service. Consumers should understand how electricity is measured, how much electricity they use each month, how to conserve energy, and the price, terms and conditions of their electric service provider or utility distribution company.

Fortunately, there is a great deal of information available to help consumers make an informed decision. You can contact the CPUC's Electric Education Call Center at 1-800-253-0500. You can also contact SDG&E and any electric service provider registered with the CPUC for information about the types of services offered.

## **What do I do if I have a problem with my utility distribution company or electric service provider?**

If you have a question or complaint about your electric bill, you should first call the company whose telephone number is listed on your electric bill and ask for an answer to your question or for an investigation into your complaint. You should contact SDG&E for service issues, power outages, and emergency services.

In all cases, if the company is unable to answer your question or resolve a complaint to your satisfaction, you may contact the California Public Utilities Commission at 1-800-649-7570 and request assistance. Rules governing consumer protection, including standards for the safety and reliability of SDG&E's distribution system and registration of electric service providers, are enforced by the California Public Utilities Commission. ?