Supplemental Filing of SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) For Phase 1 Rate Change Proposals.

Rulemaking 12-06-013 Phase 1

PREPARED DIRECT TESTIMONY OF

CYNTHIA FANG

CHAPTER 2

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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PREPARED DIRECT TESTIMONY OF

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(CHAPTER 2)

I. OVERVIEW AND PURPOSE

This testimony is being submitted pursuant to the Assigned Commissioner's Ruling ("ACR") issued on February 13, 2014 ("Ruling"), that requires California investor-owned utilities ("IOUs")[1] to submit Phase 1 rate change proposals for post-2014 residential rates 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"). Pursuant to the ACR, San Diego Gas & Electric Company ("SDG&E") is proposing the following residential rates effective January 1, 2015 and roadmap for residential rates through 2018:

- A 2-tiered rate structure for the residential standard rate beginning January 1, 2015 through 2017. This standard rate is to become the opt-out rate beginning 2018 for customers that choose to opt out of the residential default Time-Of-Use ("TOU") rate SDG&E proposes to implement in 2018. The policy basis for these proposals are outlined in in the prepared direct testimony of SDG&E witness Christopher Yunker (Chapter 1);
- A transition path for the reduction in differentials between the highest and lowest tier rates under which tier differentials will be gradually reduced until they reach a 20% differential by 2018, specifically, 2016 – 40%, 2017—30%, 2018—20%;
- A 2018 opt-out 2-tiered rate option presented as a flat rate with a baseline credit;

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[1] The IOUs referred to herein are Pacific Gas and Electric Company ("PG&E"), Southern California Edison Company ("SCE") and SDG&E.

- Reflecting seasonal differentiation in commodity rates in both lower and upper tier rates;
- Introduction of a residential monthly service fee ("MSF") for separately metered residential customers beginning 2015, implemented under the following transition path designed to gradually move the MSF closer to a fully allocated cost level, within statutory limitations:
    - Non-California Alternate Rates for Energy ("CARE"): 2015 - $5; 2016 - $7.50, 2017 - $10, 2018 - begin annual Consumer Price Index ("CPI") adjustment;
    - CARE: 2015 - $2.50; 2016 - $3.75, 2017 - $5, 2018 - begin annual CPI adjustment;
- Increasing the minimum bill charge for master metered customers beginning 2015 from current $0.17/day to $0.30/day for non-CARE customers, with no change for CARE customers with the exception of an annual CPI adjustment that will be implemented beginning 2016 for both non-CARE and CARE customers;
- Adoption of a transition path for the effective CARE discount designed to comply with the legislative requirement that the effective CARE discount be in the range of 30% to 35% for both residential and non-residential CARE customers, specifically:
    - Residential: 2015 – 38%; 2016 – 36%; 2017 – 34%;
    - Small Commercial[2]: 3% annual reduction beginning 2015 to reach 35% by 2018; and

[2] Small commercial is defined as customers with demand less than 20 kW.

- Medium and Large Commercial and Industrial ("M/L C&I")[3]: 4% annual reduction beginning 2015 to reach 35% by 2018;

- Adoption of a transition path for non-CARE medical baseline rates designed to ensure that non-CARE medical baseline customers pay the same non-CARE rates as those that are applicable to all other non-CARE customers (less the Department of Water Resources Bond Charge ("DWR-BC") exemption); and
- Optional cost-based TOU rates including a demand differentiated monthly service fee ("DDMSF"), i.e. a MSF that varies depending on customer size.

As discussed in the prepared direct testimony of Mr. Yunker (Chapter 1), SDG&E's proposals follow the guidance of the Rate Design Principles that were updated and outlined in Phase 1 of R.12-06-013. The changes SDG&E is proposing herein are outlined in greater detail below.

SDG&E's electric rates are comprised of the following components: (1) Transmission[4], (2) Distribution[5], (3) Public Purpose Program ("PPP") Charges[6], (4) Nuclear Decommissioning ("ND") Charge[7], (5) Ongoing Competition Transition Charges ("CTC")[8], (6) Reliability Services ("RS")[9], (7) the Total Rate Adjustment Component ("TRAC")[10], (8) DWR-BC[11], and (9) Commodity (see Attachment H for more details on SDG&E's current rate offerings).[12]

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[3] M/L C&I is defined as customers with demand equal to or greater than 20 kW.
[4] Transmission – charges for costs to deliver high-voltage electricity from power plants to distribution system.
[5] Distribution – charges for costs to distribute electricity to customer premises.
[6] PPP – charges to pay for state-mandated programs such as low-income and energy efficiency programs.
[7] ND – charges to pay for the retirement of nuclear power plants.
[8] CTC – charges to pay the above market costs for long-term power contracts.
[9] RS – charges for services provided by generating facilities to maintain system reliability.
[10] TRAC – charges/credits applied to handle the capping of residential tiered rates pursuant to Assembly Bill ("AB") 1X and Senate Bill ("SB") 695.
[11] DWR-BC – charges to pay bonds issued by DWR to cover the cost of purchasing power during the 2000-2001 energy crisis.
[12] Commodity – charges for electricity which includes charges for energy provided by SDG&E and DWR.

In this proceeding, SDG&E's rate design proposals are limited to: (1) residential tiered rates, (2) introduction of a residential monthly MSF, and (2) the structure and recovery of CARE subsidies. No changes are proposed in this filing for CTC, ND, and DWR-BC, or for Transmission and RS rates that are subject to Federal Energy Regulatory Commission ("FERC") jurisdiction.

The impact to Commodity Rates from the proposals in this filing are limited to the Commodity rates for non-Residential CARE ("Expanded CARE") customers as a result of the structural changes SDG&E proposes to implement for CARE rates, moving CARE subsidies to a line item discount, as is discussed in greater detail below. This will also result in a change to PPP rates for non-CARE customers. While no structural changes are being proposed for TRAC (because the TRAC rate component was designed to maintain total residential rates consistent with rate caps previously required under Assembly Bill ("AB") 1X and Senate Bill ("SB") 695), under AB 327 TRAC rates will continue to change as a result of SDG&E's tiered residential rate design proposals, as is explained in greater detail below. In addition, SDG&E's proposal to move residential CARE subsidies to a line item discount, discussed in more detail below, will result in a change to TRAC for residential and PPP for non-CARE customers. SDG&E's proposal for a residential MSF constitutes a change to how the fixed costs attributable to customer costs are recovered through distribution rates, from the current recovery through energy charges to partial recovery through a fixed monthly charge.

The rate design proposals and customer bill impacts proposed in this filing are compared against current rates effective February 1, 2014,[13] adjusted for the anticipated implementation of SDG&E's 2012 General Rate Case ("GRC") Phase 2 ("2012 GRC P2")[14] and the proposed

[13] SDG&E Advice Letter ("AL") 2568-E.
[14] AL-2575.

revenues and rate levels are revenue-neutral to current effective rates on a system level.[15] In compliance with the Ruling,[16] SDG&E includes illustrations of the following rate impacts:

a) Rate impacts excluding other pending rate changes, isolating the rate impacts of this specific proposal; and

b) Additional rate impacts illustrating the combined impacts of this proposal with other pending rate change applications.

My testimony is organized as follows:

- **Section II: Background**
- **Section III: SDG&E's Recently Resolved and Pending Proceedings**
- **Section IV**: **Residential Rate Proposals**
- **Section V: CARE Rate Subsidies - Residential**
- **Section VI: CARE Rate Subsidies – Non-Residential**
- **Section VII**: **Optional TOU Offerings**
- **Section VIII – Summary and Conclusion; and**
- **Section IX - Statement of Qualifications**.

The February 13, 2014 Ruling directs the IOUs to provide bill impact results using the format developed in Phase 2 of this proceeding, noting where the Phase 2 format was modified. Additionally, the Ruling directed the IOUs that, "(i)f another application related to residential rates is currently pending, the utility shall include multiple versions of rate impacts: a version showing rate impacts excluding other pending rate changes and additional versions showing incremental rate impacts including pending rate change applications."[17] Pursuant to this

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[15] Slight differences in the presentation of class average rates or revenues are due to present revenues being calculated based on current rates and proposed sales whereas proposed rates are developed off of present revenues using proposed sales.
[16] February 13, 2014 Ruling, at p. 7.
[17] February 13, 2014 Ruling, at p. 7.

guidance, SDG&E presents multiple versions of the rate impacts associated with the following pending proceedings herein:

(1) SDG&E's 2012 GRC P2, which is anticipated to be implemented April 1, 2014, and is included in all of the proposed rates presented in this proceeding, and

(2) SDG&E's 2015 Rate Design Window ("RDW"), which includes a proposal to reduce residential baseline allowances to legislated minimum levels. Additional scenarios reflecting SDG&E's baseline proposal are included in Attachments to this testimony.

The attachments reflecting the Ruling's guidance are described below. Any changes or additional scenarios from what was previously provided in SDG&E's Supplemental Bill Impact Tables, submitted on February 11, 2014 in Phase 2 of this proceeding, also are identified below.

- **Attachment A.1.A** – RROIR Illustrative Bill Impact Presentation - No Residential Revenue Change from Summer Compared to January 1, 2014 Rates;
- **Added Attachment A.1.B** – RROIR Illustrative Bill Impact Presentation - No Residential Revenue Change from Summer Compared to January 1, 2014 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment A.2.A** – RROIR Illustrative Bill Impact Presentation - No Residential Revenue Change from Summer Compared to February 1, 2014 Rates;
- **Added Attachment A.2.B** – RROIR Illustrative Bill Impact Presentation - No Residential Revenue Change from Summer Compared to February 1, 2014 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;

- **Added Attachment A.3.A** – RROIR Illustrative Bill Impact Presentation - No Residential Revenue Change from Summer Compared to SDG&E Proposed Phase 2 Rates;
- **Added Attachment A.3.B** – RROIR Illustrative Bill Impact Presentation - No Residential Revenue Change from Summer Compared to SDG&E Proposed Phase 2 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment B.A** – RROIR Illustrative Bill Impact Presentation - Full Revenue Increases from Pending Cases for 2014 Compared to November 1, 2013 Rates;
- **Added Attachment B.B** – RROIR Illustrative Bill Impact Presentation - Full Revenue Increases from Pending Cases for 2014 Compared to November 1, 2013 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment C.1.A** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to January 1, 2014 Rates;
- **Added Attachment C.1.B** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to January 1, 2014 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment C.2.A** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to February 1, 2014 Rates;
- **Added Attachment C.2.B** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to February 1, 2014

Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;

- **Attachment C.3.A** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to Increase without Rate Design;
- **Added Attachment C.3.B** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to Increase without Rate Design reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Added Attachment C.4.A** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to SDG&E's Proposal in Phase 2;
- **Added Attachment C.4.B** – RROIR Illustrative Bill Impact Presentation – Full Revenue Increases from Pending Cases for 2014 Compared to SDG&E's Proposal in Phase 2 reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment D.A** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to November 1, 2013 Rates;
- **Added Attachment D.B** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to November 1, 2013 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment E.1.A** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to January 1, 2014 Rates;

- **Added Attachment E.1.B** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to January 1, 2014 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment E.2.A** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to February 1, 2014 Rates;
- **Added Attachment E.2.B** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to February 1, 2014 Rates reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Attachment E.3.A** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to Increase without Rate Design;
- **Added Attachment E.3.B** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to Increase without Rate Design reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;
- **Added Attachment E.4.A** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to SDG&E's Phase 2 proposal;
- **Added Attachment E.4.B** – RROIR Illustrative Bill Impact Presentation – 50% Revenue Increases from Pending Cases for 2014 Compared to SDG&E's Phase 2 proposal reflecting SDG&E's 2015 RDW baseline proposal in SDG&E's proposed 2015 rates;

- **Attachment F** – Illustrative Rate Impact;
- **Attachment G** – CARE Effective Discount Workpapers;
- **Attachment H** – Inventory of Residential Rate Options, specifically: an inventory of all residential rate tariffs and other issues that must be resolved in this or another proceeding or venue;
- **Attachment I** – Response to Rate Design Questions included in the ACR (responses to the remaining questions are set forth in the testimony of Mr. Yunker), specifically:

  1) Please describe, in summary form, the proposed default residential rate structure for each year 2015 – 2018, including your proposed rates under two scenarios: (a) no additional revenue requirement change and (b) revenue requirements adjusted by 2.1% per year. Include a Rate Design Roadmap that provides a detailed year-by-year narrative, and a summary table that shows the major rate design structure, policy, and elements year-by-year including the proposed rates. Include any optional rates that you are proposing in this proceeding as well as other optional rates in effect or being determined in other proceedings.

  3) Describe how your rate design proposal complies legally and substantively with the relevant provisions of D.08-07-045, particularly ordering paragraph 8.

  11) If your proposal contains fixed charges, demand charges, or minimum bills that are higher than current minimum bills, describe such charges, and why they are appropriate. Please state whether such charges reflect different costs of serving multi-family vs. single-family customers, or other cost-based distinctions among residential households. If no such cost-based distinctions among *residential households should apply with respect to fixed charges, demand charges, and/or minimum bills, please explain your rationale for reaching that conclusion.*

12) Should such charges be phased in over time concurrent with other changes proposed herein? If so on what timetable?

13) For any proposed fixed charges address how your proposed charges satisfy the following criteria contained in AB 327.

- *Reasonably reflect the different costs of serving small and large customers.*
- *Not unreasonably impair incentives for conservation, customer generation, and energy efficiency.*
- *Not overburden low-income customers.*

14) What level of CARE discount are you proposing for the years 2015-2018, and how will your CARE proposal satisfy the following criteria in 2015 and in subsequent years:

a) The average effective CARE discount shall not be less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers.

b) That low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures, pursuant to subdivision (b) of Section 382.

c) That the level of the discount for low-income electricity ratepayers correctly reflects the level of need as determined by the needs assessment conducted pursuant to subdivision (d) of Section 382.

d) If the level of CARE discount is current above 35% the currently effective discount in excess of this amount should be reduced by a reasonable amount on an annual basis.

15) Describe how you propose to structure and operate the FERA program in each year of your rate design proposal.

16) Describe how you propose to structure and operate the Medical Baseline program in each year of your rate design proposal.

17) When do you propose to embed GHG costs in residential rates?

18) Quantify the rate impact of including GHG costs in residential rates.

23) Please quantify the bill impacts (including the average, median, and range) of any rate design changes on NEM customers.

25) For any default and optional TOU rate proposed describe in detail:

- *Peak to off-peak ratios and semi-peak to off-peak ratios by season*
- *TOU time periods by season*

II. BACKGROUND

In October 2013, AB 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 SB 695. In addition, AB 327 continued to contain some limits intended to protect certain classes of vulnerable customers. On October 25, 2013, Commissioner Peevey issued an ACR inviting the IOUs to file applications for interim rate relief in RROIR, defined as Phase 2 of this proceeding. Prior to issuance of the ACR, the RROIR had already established the following ten Principles for evaluating Optimal Rate Design ("10 Principles"):

1. Low-income and medical baseline customers should have access to enough electricity to ensure basic needs (such as health and comfort) are met at an affordable cost;
2. Rates should be based on marginal cost;

3. Rates should be based on cost-causation principles;
4. Rates should encourage conservation and energy efficiency;
5. Rates should encourage reduction of both coincident and non-coincident peak demand;
6. Rates should be stable and understandable and provide customer choice;
7. Rates should generally avoid cross-subsidies, unless the cross-subsidies appropriately support explicit state policy goals;
8. Incentives should be explicit and transparent;
9. Rates should encourage economically efficient decision-making; and
10. Transitions to the new rate structures should emphasize customer education and outreach that enhances customer understanding and acceptance of new rates, and minimizes and appropriately considers the bill impacts associated with such transitions.

On May 29, 2013, SDG&E submitted its Optimal Residential Rate Design proposal pursuant to the Ruling of Administrative Law Judge ("ALJ") McKinney and the November 26, *2012 Scoping Memo and Ruling of Assigned Commissioner* ("Scoping Memo"). That filing was based on SDG&E's belief that an Optimal Residential Rate Design that satisfies the 10 Principles identified above is one that meets the following criteria:

- Utilities charge for the services they provide;
- Rates are designed to recover costs on the same basis as they are incurred; and,
- Incentives or subsidies that have been deemed necessary to further public policy objectives are separately and transparently identified.

With the passing of AB 327, the California Public Utilities Commission ("Commission") opened Phase 2 of this proceeding to, "…allow some interim changes to be made to stabilize and rebalance tiered rates."[18] Phase 2 was initiated via Commissioner Peevey's October 25, 2013 ACR inviting the IOUs to file applications for interim rate relief.

On November 22, 2013, SDG&E submitted its *Supplemental Filing for Phase 2 Interim Rate Changes* ("Supplemental Filing") presenting electric rate design proposals to implement residential tiered rate reform and CARE reform, in accordance with the October 25, 2013 ACR, providing near-term movement towards SDG&E's Optimal Rate Design.

However, through an the Amended Scoping Memo, as well as the guidance from ALJ McKinney and Commissioner Peevey's office at the January 8, 2014 Prehearing Conference ("PHC"), the Commission provided direction that the proposals submitted in Phase 2 of this proceeding should be simple, maintain the four tiered rate structure,[19] and limit further movement of the effective CARE discount away from legislative 30-35% range.

In accordance with the *Second Amended Scoping Memo and Ruling of Assigned Commissioner and Assigned Administrative Law Judge* ("Amended Scoping Memo"), on January 28, 2014, SDG&E filed the following proposal for its 2014 interim rate design:

- *Increase Tier 1 and Tier 2 rates with and at the same level as system average rate ("SAR") increases.*
- *California Alternate Rates for Energy ("CARE") rates change with and at the same level as SAR changes to better maintain current effective discount levels and prevent moving further from the 30-35% legislated range.*
- *Increase Tier 1 non-CARE rates by an additional 1 cent/kWh.*

[18] October 25, 2013 ACR, at p. 3.
[19] PHC transcript, at p. 64, lines 23-27.

- *Reduce differential between Tier 3 and Tier 4 non-CARE rates from 2 cents/kWh to 1 cent/kWh.* [20]

The ACR issued on February 13, 2014, required the IOUs to submit Phase 1 rate change proposals for post-2014 residential rates in this docket by no later than February 28, 2014. Specifically, the Ruling directed the IOUs:

> "…to submit Rate Change Proposals for the period beginning January 1, 2015. All proposed changes must be consistent with the statutory requirements that changes be made through a reasonable phase-in schedule relative to rates in effect prior to January 1, 2014, that differentials between tiers should be gradual, that rates not unreasonably impair incentives for conservation and energy efficiency and that rates not overburden low income customers. (California Public Utilities Code Sections 739.9(b); 739(d)(1); 739(e).) In addition, if an electrical corporation provides an average effective CARE discount in excess of the 30-35% maximum, such discount must not be changed by more than a reasonable percentage each year. (Section 739.1(c)(2).)"[21]

In addition, the Ruling provided the following specific guidance:

- All Phase 1 Rate Change Proposals should cover the period from January 1, 2015 through December 31, 2018 (OIR Rate Period).
- The Rate Change Proposal should present illustrative rates based on two scenarios:

    (a) No additional revenue requirement change, and

    (b) Revenue requirements increased by 2.1% per year.[22]

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[20] R.12-06-013 Phase 2, January 28, 2014, Revised Prepared Testimony of Cynthia Fang, at pp. CF-1 and CF-2.
[21] February 13, 2014 ACR, at. p. 4.
[22] February 13, 2014 ACR, at p. 4.

As stated in the February 13, 2014 Ruling, "AB 327 has several important impacts on the CARE Program: (1) it sets the effective discount range between 30–35%, (2) it allows utilities to restructure their CARE Program rates while maintaining the required effective discount range, and (3) it requires CARE eligibility rules to allow one-person households to qualify based on the income guidelines for two-person households.[23] In order to efficiently and fairly evaluate changes to CARE Program rates, the majority of CARE-related issues are deferred to a later phase of this proceeding. Specifically, the scope of Phase 1 will not include review of issues surrounding the restructuring of CARE Program rates, with one exception. That one exception is our review of any proposed phase-in plan and schedule to reduce the effective CARE discount to the legislative range of 30% to 35%."[24] As addressed below SDG&E currently has an average effective CARE discount higher than 35%. In order to bring this within the legislatively adopted range, SDG&E is proposing to gradually phase-in reductions to the effective discount until its effective CARE discount is within the maximum 35% legislative level.

The February 13, 2014 Ruling, identifies several innovative ideas for CARE rate restructuring, including: "(a) providing greater discounts for the lowest income households and smaller discounts for higher-income CARE eligible customers, (b) different rates of discount for each tier of usage, and (c) a flat 35% credit applied to a CARE customer's monthly bill."[25] However, it indicates that this type of CARE restructuring will not be considered in Phase 1 of this proceeding but instead is anticipated to be addressed in a later phase of this proceeding or a separate CARE proceeding.

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[23] AL 2550-E, adopted by Energy Division ("ED") letter on January 10, 2014, revised the CARE eligibility rule to allow one-person households to quality based on the income guidelines of two-person households, effective January 1, 2014.
[24] February 13, 2014 ACR, at p. 5.
[25] February 13, 2014 ACR, at p. 6.

The Ruling states that the proposal in Phase 1 of this proceeding should include the following elements:

"1. Propose rates for the OIR Rate Period. To the extent possible, without filing a new application, follow Rule 3.2 (Authority to Increase Rates) and Article 2 Applications Generally) of the Commission's Rules of Practice and Procedure (Rules). Comply with the notice requirements for rate changes required by the Rules.

2. Provide illustrative rates for the OIR Rate Period under two scenarios: (a) no additional revenue requirement change, and (b) revenue requirements increased by 2.1% per year.

3. Answer the questions 1 through 26 of the Rate Design Questions in Appendix A.

4. Include appropriate supporting testimony; include work papers demonstrating compliance with the CARE effective discount requirements.

5. Bill impact results should be prepared using the format developed in Phase 2 of this proceeding. Utilities should note where the Phase 2 format was modified.

6. If another application related to residential rates is currently pending, the utility shall include multiple versions of rate impacts: a version showing rate impacts excluding other pending rate changes and additional versions showing incremental rate impacts including pending rate change applications.

7. Include an updated inventory of all residential rate tariffs and other issues that must be resolved in this or another proceeding or venue. For each inventory item, specify if it should be included in Phase 1 of this proceeding or in a different proceeding.

8. By no later than March 21, 2014, in a Phase 1 Supplemental Filing, answer the remaining questions from the Rate Design Questions in Appendix A.[26]

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[26] February 13, 2014 Ruling, at pp. 6-7.

III. SDG&E'S RECENTLY RESOLVED AND PENDING PROCEEDINGS

SDG&E's rate proposals are based on current rates, specifically rates effective February 1, 2014.[27] SDG&E has two rate design proceedings that may impact the proposed rates presented in this filing: (1) SDG&E's 2012 GRC P2 Application (["A."] 11-10-002), and (2) SDG&E's 2015 RDW Application (A.14-01-002).

On January 16, the Commission approved Decision ("D.") 14-01-002 in SDG&E's 2012 GRC P2. On February 18, 2014, SDG&E filed AL 2575-E for the *Implementation of SDG&E's General Rate Case (GRC) Phase 2 Decision (D.14-01-002) Effective April 1, 2014.* While 2012 GRC P2 is no longer pending, the implementation will impact rates going forward and is included in SDG&E's proposed rates represented in this proceeding. The implications of this implementation are discussed in more detail below.

On January 31, 2014, SDG&E filed its 2015 RDW. Discussion of this filing and potential impacts to rates presented in this proceedings are discussed below.

A. SDG&E's 2012 GRC Phase 2 (A. 11-10-002)

On January 16, 2014, the Commission adopted D.14-01-002 approving SDG&E's 2012 GRC P2. SDG&E's 2012 GRC P2 was initially filed October 3, 2011, and addressed the traditional elements of a GRC P2 proceeding as described below:

- Marginal Cost Studies:
    - Marginal Distribution Costs (Marginal Customer and Marginal Distribution Demand Costs); and
    - Marginal Commodity Costs (Marginal Energy and Marginal Capacity Generation Costs);
- Revenue Allocation: Distribution, Commodity, and CTC; and

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[27] AL 2568-E

- Rate Design.

Additional SDG&E's 2012 GRC P2 updates authorized sales for 2012 test year.

D.14-01-002 approved the following:

- The October 5, 2012 Revenue Allocation and Rate Design Settlement ("October 5, 2012 Settlement") is approved;
- The October 19, 2012 M/L C&I Distribution Demand Charge Settlement is rejected;
- SDG&E's proposal for a residential basic service fee ("BSF") is denied without prejudice;
- SDG&E's proposal to consolidate residential Tier 3 and Tier 4 rates is denied without prejudice;
- SDG&E's proposed removal of the CARE Tier 3 Rate Cap adopted in D.09-09-036 is denied without prejudice;
- SDG&E's existing CARE Cost Allocation is modified;
- SDG&E's Proposed Prepay Program is denied; and
- SDG&E's uncontested proposals are approved.

D.14-01-002 approved the October 5, 2012 Settlement, thereby approving the following:

- Revenue allocation related to Distribution, Commodity and CTC;
- Treatment of Rate Schedule PA-T-1;[28]
- Rate design for small commercial customers;
- Rate design for agricultural customers; and

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[28] Schedule PA-T-1, Experimental Power - Agricultural - Optional Time-Of-Use: optionally available, on an experimental basis, to agricultural and water pumping customers whose maximum monthly demand is expected to be above 500 kW and who are classified with one or more of the North American Industry Classification ("NAICS") Codes identified in the tariff. This schedule is also available to those agricultural and water pumping customers whose maximum demand is less than 500 kW who are installing or have installed facilities or procedures to reduce their annual on-peak energy consumption by 1,500 kWhrs and are also classified by the one of the identified NAICS Codes.

- Certain rate design items for M/L C&I customers, specifically BSF and rate design related to Schedule A6-TOU[29] and Secondary Substation, Primary Substation, and Transmission service voltage levels as well as Dynamic Pricing rate design.

The Commission also ordered that SDG&E change its current allocation of CARE rate subsidies, which are in addition to the 20% line item discount and exemptions, to ensure that, consistent with the recovery for the 20% line item discount, all non-CARE customers[30] and not just residential non-CARE customers pay for these costs. SDG&E reflected the implementation of the shift in cost recovery from only non-CARE residential to all non-CARE customers in its Pending Proceedings scenario. The implementation of the modification to the allocation of CARE rate subsidies results in a reduction to upper tier TRAC for residential customers and an increase to PPP rates for all customers as well as an increase to the CARE surcharge to maintain the exemption for CARE customers. SDG&E's 2015 proposed rates in this filing reflect the implementation of D.14-01-002.[31]

Furthermore, certain unresolved residential rate proposals were deferred to this proceeding. Specifically:

- SDG&E's proposal to consolidate residential Tier 3 and 4 rates which would move SDG&E non-CARE residential tiered rates from a 4-tiered rate structure to a 3-tiered rate structure;
- SDG&E's proposal for a residential BSF of $3 per month to replace the current minimum bill charge of $0.17 per day structured to comply with SB 695 by reducing Tier 1 rate levels; and

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[29] Schedule A6-TOU, General Service – Time Metered Optional: optionally available to customers receiving service at Primary, Primary Substation, or Transmission service voltage level, as defined in Rule 1, whose maximum demand in any time period is 500 kW or greater.
[30] Lighting customers are currently excluded.
[31] SDG&E's AL 2575-E was filed on February 18, 2014, to implement the 2012 GRC P2 rates adopted in D.14-01-002, effective April 1, 2014.

- SDG&E's proposal to remove the freeze on CARE Tier 3 rates.

The upper tier rates for both non-CARE and CARE customers for 2014 are addressed in SDG&E's Phase 2 filing in this proceeding. SDG&E's proposal for upper tier rates for 2015 and beyond are addressed below. In addition, SDG&E's residential BSF proposal, called MSF proposal in this proceeding, is discussed below.

B. SDG&E's 2015 Rate Design Window ("RDW")

On January 31, 2014, SDG&E filed its 2015 RDW Application, making the following proposals:

- Change TOU periods;
- Reduce the residential baseline allowance to the legislated minimum;
- Move recovery of California Solar Initiative ("CSI") and Self-Generation Incentive Program ("SGIP") from Distribution rates to PPP rates; and
- Implement a change in Peak-Time-Rebate ("PTR") incentives.

In addition, SDG&E's 2015 RDW updates authorized sales to reflect 2015 test year sales. SDG&E's proposal for rates beginning January 1, 2015 reflects this update.

Consistent with the guidance from the Ruling, SDG&E includes the change to Baseline in Attachments but not in in the rates reflected herein. SDG&E requests that, in the event the Commission does not act on SDG&E's baseline proposal in its 2015 RDW by September 2014, it take official notice of the record in SDG&E's RDW proceeding and act on SDG&E's proposal to reduce baseline allowance to the legislated minimum in this proceeding to be implemented effective January 1, 2015.

C. Recently Resolved and Pending Non-Rate Design Proceedings

In addition to the rate design proceedings discussed above, SDG&E currently has the following two proceedings pending before the Commission:

- SDG&E's Energy Resource Recovery Account ("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 SAR increase of approximately 7% from current rates.[32]
- SDG&E's ERRA Trigger Application (A.13-04-017)[33]: On April 30, 2013 SDG&E filed an Expedited Trigger Application ("Trigger Application") requesting recovery of an under-collection in SDG&E's ERRA balancing account. On February 18, 2014, SDG&E filed *Opening Comments on the Proposed Decision of Administrative Law Judge Wilson* in that proceeding identifying and updating the estimated ERRA year-end balance to approximately $233 million under-collected. Implementation of this balance would result in an increase to SAR of approximately 7%.

However, beginning January, 1, 2014, SDG&E incurred 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 to collect its ERRA balance as of March or April 2014, the under-collection could potentially increase by $60-80 million,

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[32] At the time of filing, the rate impact for SDG&E's 2014 ERRA Forecast was identified as a 12% increase from current rates at that time (rates effective September 1, 2013) and approximately 6% from SDG&E's 2013 ERRA Forecast as filed. On December 1, 2013, SDG&E implemented its 2013 ERRA Forecast pursuant to D.13-10-053, as filed in SDG&E's AL 2544-E approved by Energy Division letter on December 20, 2013.

[33] The Commission issued a decision on SDG&E's ERRA Trigger Application on February 27, 2014. However, due to timing, SDG&E rate impacts still reflect prior assumptions associated with this Application.

well above SDG&E's trigger threshold amount of $57.2 million.[34] SDG&E includes an addition scenario that reflects this potential impact.

- San Onofre Nuclear Generating Station ("SONGS") Investigation (["I."] 12-10-013): SDG&E has not included herein any assumptions associated with the SONGS Investigation, *Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Services and Facilities of Southern California Edison Company and San Diego Gas and Electric Company Associated with the San Onofre Nuclear Generating Station Units 2 and 3*, which is presently pending before the Commission.

Attachment F discusses the assumptions used in SDG&E's Pending Proceeding scenario.

IV. RESIDENTIAL RATE PROPOSALS

SDG&E's proposals for rates beginning January 1, 2015 requested in this filing consist of the following:

- A 2-tiered rate achieved by increasing Tier 1 rates to Tier 2 levels and consolidating Tier 3 and Tier 4 rates resulting in the lowest rate being applied to usage up to 130% of baseline and usage above 130% of baseline paying the same rate.
- A transition path to reduce the differential between highest and lowest tier to 20% by 2018 according to the following: 2016 – 40%, 2017 – 30%, and 2018 – 20%. This transition path would be achieved by:
    - Revenues collected from the MSF would result in a reduction to upper tier rates;
    - Increases to revenue requirements would result in an increase to non-CARE Tier 1 and Tier 2 rates by a factor of 2 times the residential class average rates

[34] AL 2463-E.

- ("RAR") until a differential of target year differential is reached between the highest and lowest tier; and
  - In the event that this is insufficient to reach the target year differentials, rates would be adjusted to meet the target year differential upon January 1 of that year.

On January 6, 2014, Energy Division ("ED") issued its Proposal for Residential Rate Reform in Compliance with R.12-06-013 and AB 327 ("ED Proposal"). The ED Proposal recommends the following for 2018:

- Default TOU[35];
- 2-tiered Opt out with a 20% differential[36]; and
- If a fixed charge is adopted, it should be phased in by starting at no more than $5 per month, and increasing annually to $7.50 and then $10, with increase with the rate of inflation thereafter.[37]

SDG&E supports the ED proposal for 2018 rates and proposes a fixed charge to replace the current minimum bill charge.

The ED Proposal recommends a transition path that consists of a 3-tiered rate beginning 2015, through the consolidation of Tier 2 and Tier 3 rates. SDG&E proposes an alternative transition path that focuses on mitigating rate impacts associated with SDG&E current tier differentials through the introduction of a 2-tiered rate structure beginning 2015 through increasing Tier 1 to Tier 2 levels and the consolidation of Tier 3 and Tier 4. SDG&E also proposes a default TOU rate to be implemented in 2018 with a baseline credit and an opt-out flat rate with the same baseline credit.

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[35] ED Proposal, at p.12.
[36] ED Proposal, at p.13.
[37] ED Proposal, at p.14.

A. SDG&E's Tiered Rate Proposal

1. 2-Tiered Rate Proposal

SDG&E proposes a 2-tiered rate beginning January 1, 2015 by increasing the Tier 1 rate up to Tier 2 levels and by consolidating Tier 3 and Tier 4 rates. SDG&E's proposed transition path to reach 2-tiered rate with 20% differential in 2018 differs from the recommended transition path presented in the ED Proposal by moving to a 2-tiered structure in 2015 in recognition of the small tier differentials between the upper and lower tiers as contrasted with the significant differential between the two lower tiers and the two upper tiers, which effectively creates a two tier rate design, as is discussed in greater detail below and in the testimony of Mr. Yunker (Chapter 1). SDG&E's proposed transition path is intended to provide SDG&E customers a more gradual transition to 2018 end-state rates when considering SDG&E's current tiered rate differentials.

SDG&E currently has a 4-tiered rate structure with a two cent differential between Tier 3 and Tier 4 rates and slightly over a two cent differential between Tier 1 and 2 rates. SDG&E's current differential between summer Tier 1 and Tier 4 non-CARE rates is 21.5 cents/kWh with Tier 4 rates 15.8 cents/kWh above the residential class average rate of 21.1 cents/kWh. The current differential between Tier 2 and Tier 3 is approximately 16.1 cents on average,[38] representing approximately 80% of the total differential between Tier 1 and Tier 4 rates.

Given the order of magnitude of current rate differentials between upper and lower tier rates and the comparatively small differential between the rates of the lower two tiers and the upper two tiers, SDG&E effectively has a two-tier rate structure today. In this proceeding, SDG&E proposes to officially move to a two-tiered rate structure by increasing Tier 1 rates up to Tier 2 rate levels and consolidating Tier 3 and Tier 4 rates. The resulting two-tiered rate

[38] SDG&E's rates are seasonally differentiated. The Tier 2 and 3 differential for summer rates is approximately 17.1 cents/kWh and for winter is approximately 15.2 cents/kWh.

structure would have one lower tier rate apply to usage up to 130% of baseline at current Tier 2 rate levels and one upper tier rate apply to usage above 130% of baseline. This constitutes an increase of approximately 2.4 cents/kWh, or 15.5%, to the Tier 1 rate.

2. Seasonal Rate Proposal

Currently, the commodity rates for SDG&E's standard residential tiered rates are flat energy rates differentiated by season. These seasonal rates reflect the difference in cost of service between summer and winter. D.14-01-002 approved SDG&E's uncontested proposal to limit the Summer/Winter total rate differential for residential rates to 75% of the Summer/Winter commodity differential. Currently, this seasonal difference however is only reflected in upper tier rates (Tier 3 and Tier 4 rates) since lower tier rates (Tier 1 and Tier 2 rates) have historically been subject to legislative caps and therefore could not reflect any seasonal difference. SDG&E proposes to reflect this seasonal difference in all tiers for all tiered rate schedules, that is, in the lower tier rates (Tier 1 and Tier 2 rates) as well as upper tier rates (Tier 3 and 4 rates), to better reflect the costs of providing commodity services.

3. Tier Differentials

SDG&E proposes a transition path to reduce the differential between highest and lowest tier to 20% by 2018, as shown in Table CF-1 below.

Table CF-1: Tier Differential Transition Path

	Current	2015	2016	2017	2018
Tier Differential	>100%	55%	40%	30%	20%

SDG&E propose the following be available to ensure this transition path is achieved:

a. Revenues collected from the MSF would result in a reduction to upper tier rates;
b. Increases to revenue requirements would result in an increase to non-CARE Tier1 and Tier 2 rates would increase by a factor of 2 times the RAR until a target year differential is reached between the highest and lowest tier; and

c. In the event that this is insufficient to reach the target year differentials, rates would be adjusted to meet the target year differential upon January 1 of that year.

In addition, SDG&E proposes in 2018, when the default TOU rate is implemented, that the opt-out tiered rate option be available as a flat rate with a credit applicable to the equivalent of a 20% tier differential in order to simplify the presentation of rates and provide greater ease in comparing rate options.

B. RESIDENTIAL MONTHLY SERVICE FEE ("MSF")

SDG&E cost studies identify two cost components to the distribution system for providing service to customers: customer costs and distribution demand-related costs. Based on this analysis, a distribution rate structure that would reflect clear and accurate price signals would be one recovers distribution costs in the following manner:

- MSF ($/month) for the recovery of distribution-related customer costs, differentiated by customer class. Currently only non-residential customers have a MSF.
- Non-coincident Demand ("NCD") Charge ($/kW) for the recovery of distribution demand related distribution costs, through a dollar per kW with the NCD charge structure based on distribution usage, differentiated by customer class and voltage level. However, a NCD is not being proposed for residential customers at this time.

Currently, SDG&E's residential customers are subject to a minimum bill charge on a per day basis. A minimum bill charge is a mechanism that is intended to recover a minimum level of revenue recovery, recognizing that some costs are still incurred to maintain service even in the event that a customer does not use energy. However, a minimum bill charge does not provide customers with a price signal that reflects the fact that some costs of service are incurred on a fixed cost basis. In SDG&E's 2012 GRC P2, SDG&E identified the average distribution customer costs of providing service to residential customers to be $10.64 per month and the distribution demand costs of providing service to residential customers to be $5.85 per kW per month. Updated for current revenues, average distribution customer costs would be $14.56 and distribution demand costs would be $8.00 per kW per month. SDG&E proposes to replace the minimum bill charge with a monthly MSF of $5 beginning January 1, 2015, $7.50 in 2016, $10 in 2017 and begin the annual CPI adjustment to MSF in 2018, with the residual distribution customer and demand costs continuing to be recovered through a volumetric ($ per kWh) distribution rate to recover these costs in a manner that is closer to the manner in which they are incurred.

SDG&E proposes that this change be applicable to all residential customers, excluding only master-metered customers at this time. The cost of service associated with distribution customer costs to master-meter customers differs from separately metered customers. While the customer of record is the master-meter, the customer costs are dependent on the number of customers behind the meter adjusted for the level of service provided. Due to these differences, SDG&E proposes to retain the minimum bill charge structure for master meter customers and proposes an increase of the current $0.17 per day to $0.30 per day for non-CARE and maintain the $0.17 level for CARE in 2015, with annual CPI adjustments beginning 2016.

SDG&E proposal for the introduction MSF is presented in Table CF-2 below. In addition, SDG&E proposes that the revenues associated with MSF result in a reduction in upper tier rates until a 20% differential is reached between the highest and lowest tier, as shown in Table CF-3 below.

C. SDG&E PROPOSED RATES

Table CF-2 presents SDG&E's proposal for a residential MSF for years 2015 through 2018. Table CF-3 shows the illustrative rate impacts associated with SDG&E's proposal.

Table CF-2: Residential MSF Proposal

Monthly Service Fee ($/month)	2015	2016	2017	2018
Non-CARE	$5.00	$7.50	$10.00	Begin CPI adjustment
CARE	$2.50	$3.75	$5.00	Begin CPI adjustment

Table CF-3: Comparison of Proposal with Current and Phase 2 Proposal

	2/1/2014	*Phase 1 Proposal*	*Change from 2/1/2014*	*% Change from 2/1/2014*	*Phase 2 Proposal*	*Phase 1 Proposal*	*Change from Phase 2*	*% Change from Phase 2*
Monthly Service Fee ($/month)	$0	$5	$5	N/A	$0	$5	$5	N/A
Summer (¢/kWh)								
Tier 1	15.4	17.8	2.4	15%	16.4	17.8	(1.4)	8%
Tier 2	17.8	17.8	0.0	0%	17.8	17.8	(0.0)	0%
Tier 3	34.9	27.6	(7.3)	-21%	30.6	27.6	(3.0)	-10%
Tier 4	36.9	27.6	(9.3)	-25%	31.6	27.6	(4.0)	-13%

- SDG&E's Phase 2 Proposal presented above is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575).
- SDG&E's Phase 1 Proposal presented is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575) and reflects 2015 RDW Test Year Determinants and current baseline allowances.

Table CF-4 presents illustrative bill impacts of SDG&E's proposal.

Table CF-4: Comparison of Potential Summer Bill Impacts under SDG&E Proposal

	2/1/2014	*Phase 1 Proposal*	*Change from 2/1/2014*	*% Change from 2/1/2014*	*Phase 2 Proposal*	*Phase 1 Proposal*	*Change from Phase 2*	*% Change from Phase 2*
Inland								
300 kWh	$46.35	$58.49	$12.14	26%	$49.35	$58.49	$9.14	19%
500 kWh	$91.93	$100.32	$8.39	9%	$92.58	$100.32	$7.74	8%
750 kWh	$180.82	$169.32	$(11.50)	-6%	$169.93	$169.32	$(0.61)	0%
1,000 kWh	$273.16	$238.33	$(34.83)	-13%	$249.00	$238.33	$(10.67)	-4%
1,500 kWh	$457.83	$376.35	$(81.48)	-18%	$407.15	$376.35	$(30.80)	-8%
Coastal								
300 kWh	$46.63	$58.49	$11.86	25%	$49.51	$58.49	$8.98	18%
500 kWh	$103.85	$106.47	$2.62	3%	$101.31	$106.47	$5.16	5%
750 kWh	$194.66	$175.48	$(19.18)	-10%	$179.62	$175.48	$(4.14)	-2%
1,000 kWh	$286.99	$244.48	$(42.51)	-15%	$258.69	$244.48	$(14.21)	-5%
1,500 kWh	$471.67	$382.50	$(89.17)	-19%	$416.84	$382.50	$(34.34)	-8%

- SDG&E's Phase 2 Proposal presented above is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575).
- SDG&E's Phase 1 Proposal presented is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575) and reflects 2015 RDW Test Year Determinants and current baseline allowances.

Tables CF-5 and CF-6 present SDG&E's proposed 2015-2018 roadmap for residential rates under revenue neutral and with revenue changes scenarios.

Table CF-5: Proposed 2015-2018 Roadmap (revenue neutral)

	2/1/2014	*Phase 2 Proposal*	*Proposed 2015*	*Proposed 2016*	*Proposed 2017*	*Proposed 2018*
Monthly Service Fee ($/month)	$0	$0	$5	$7.50	$10	$10
Summer (¢/kWh)						
Tier 1	15.4	16.4	17.8	18.2	18.4	19.0
Tier 2	17.8	17.8	17.8	18.2	18.4	19.0
Tier 3	34.9	30.6	27.6	25.5	23.9	22.8
Tier 4	36.9	31.6	27.6	25.5	23.9	22.8

- SDG&E's Phase 2 Proposal presented above is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575).
- SDG&E's Phase 1 Proposal presented is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575) and reflects 2015 RDW Test Year Determinants and current baseline allowances.

Table CF-6: Proposed 2015-2018 Roadmap (with revenue changes)

	2/1/2014	*Phase 2 Proposal*	*Proposed 2015*	*Proposed 2016*	*Proposed 2017*	*Proposed 2018*
Monthly Service Fee ($/month)	$0	$0	$5	$7.50	$10	$10.21
Summer (¢/kWh)						
Tier 1	15.4	19.1	21.8	22.9	23.7	25.1
Tier 2	17.8	20.8	21.8	22.9	23.7	25.1
Tier 3	34.9	35.4	33.6	32.0	30.9	30.1
Tier 4	36.9	36.4	33.6	32.0	30.9	30.1

- SDG&E's Phase 2 Proposal presented above is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575) with revenue changes reflecting the additional impact of the (1) 2014 ERRA Forecast and (2) assumption of year-end ERRA Trigger balance of $213.3 million and additional 2014 anticipated balance of $80 million.
- SDG&E's Phase 1 Proposal presented is revenue neutral with February 1, 2014 effective rates adjusted for the implementation of SDG&E's 2012 GRC P2 (AL-2575) and reflects 2015 RDW Test Year Determinants and current baseline allowances with revenue changes reflecting the additional impact of (1) 2014 ERRA Forecast and (2) assumption of year-end ERRA Trigger balance of $213.3 million and additional 2014 anticipated balance of $80 million, and (3) CPI assumption of 2.1% increase to System Revenues each year, applied equally to Distribution and Commodity.

Chart CF-1 and Chart CF-2 provide an illustration of the movement towards cost-based rates from our current rate structure to SDG&E's proposed 2018 rate structure.

Chart CF-1: Current Rates Compared to Cost-Based

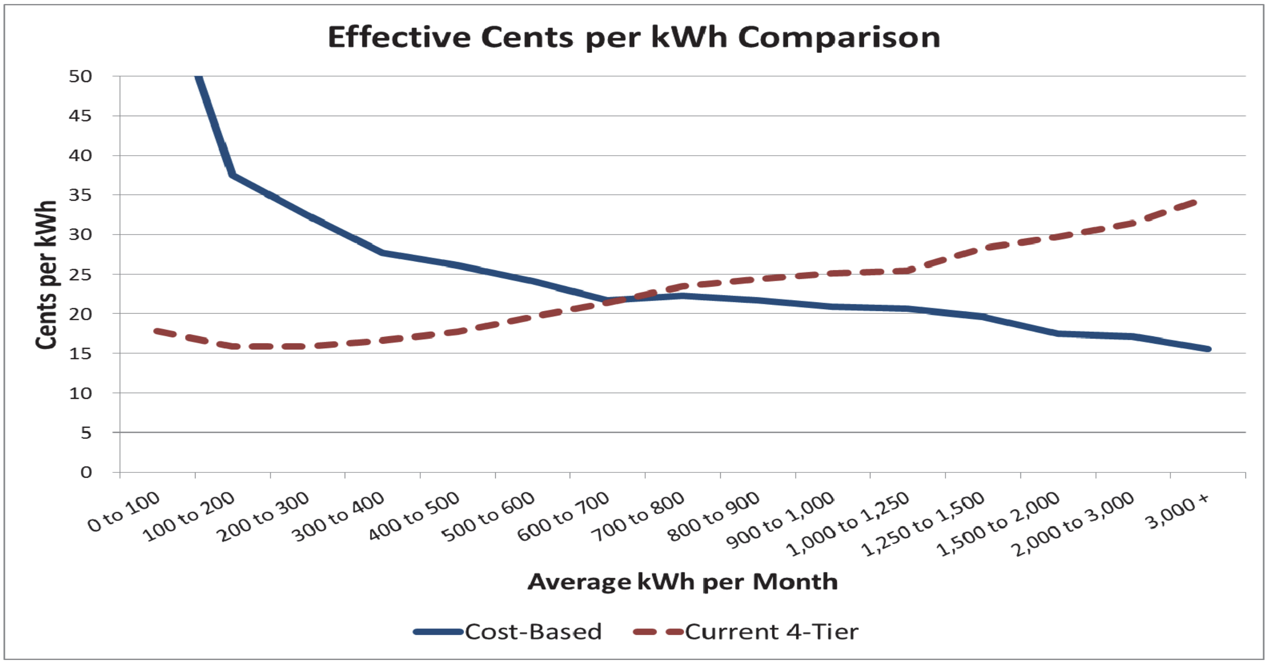
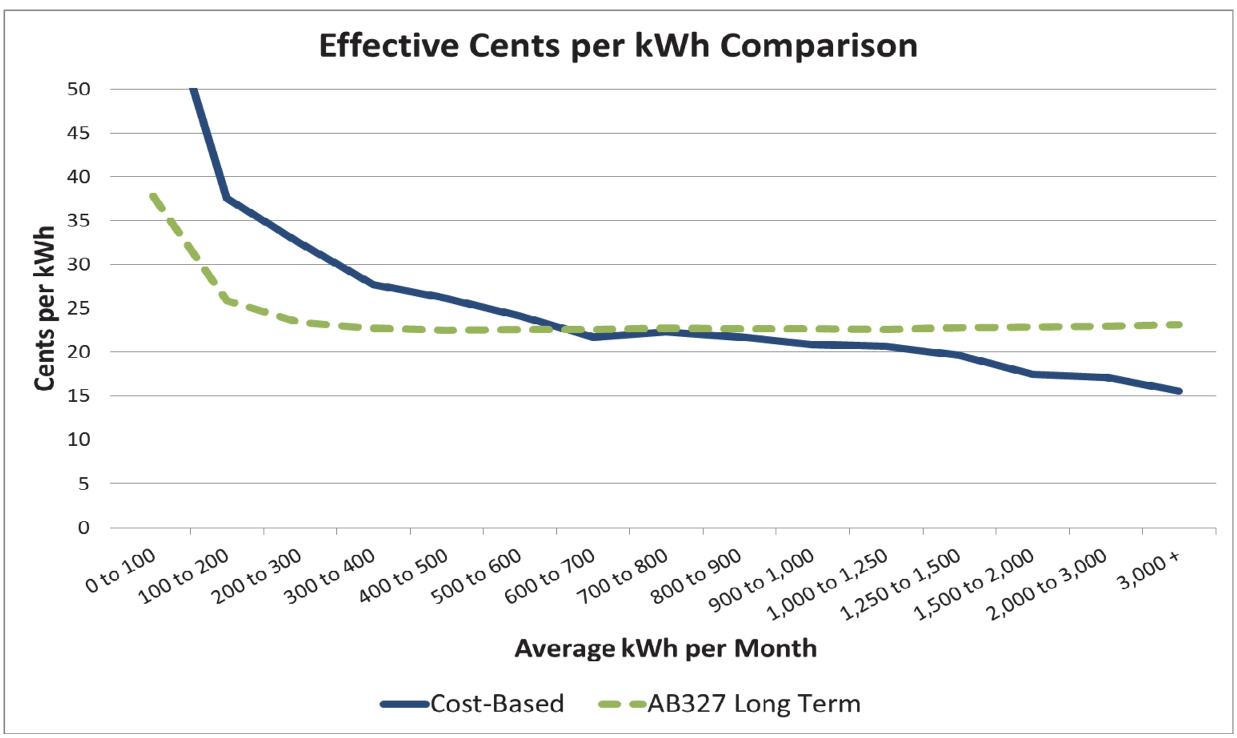


Chart CF-2: Proposed 2018 Rates Compared to Cost-Based



As illustrated in the above two charts, SDG&E's proposals herein aim to closer align rates to a cost-based structure.

V. CARE RATE SUBSIDIES - RESIDENTIAL

The Ruling provided the following guidance regarding proposals associated with CARE:

> "Except for reductions necessary to reach the 35% maximum, the Phase 1 decision will not address reductions in the level of discount. However, as part of its Phase 1 Rate Change Proposal, a utility may propose its phase-in plan and schedule to reduce the effective CARE discount."[39]

As shown in Table CF-7 for residential and Table CF-11 for non-residential, SDG&E's effective CARE discount currently exceeds the legislative range of 30% to 35% adopted by AB 327.[40] SDG&E's proposed transition path for both residential and non-residential CARE is discussed below. Included in SDG&E's proposed transition path is a proposal to remove CARE subsidies from rates[41] into a line item discount, in order to facilitate the transition.

Table CF-7: CARE Effective Discount

CARE Effective Discount									
Jan-09	Jan-10	Jan-11	Jan-12	Jan-13	Sep-13	Dec-13	Jan 14	Feb-14	Mid-14*
27%	29%	32%	31%	34%	39%	40%	40%	39%	43%

- *Mid 2014 reflects the implementation of SDG&E's pending 2014 ERRA Forecast (A.13-09-017) and pending ERRA Trigger proceeding (A.13-04-017) assuming year-end ERRA Trigger balance of $213.3 million and additional 2014 anticipated balance of $80 million and the change in class revenue allocations and the change in allocation of CARE costs to non-residential associated with implementation of SDG&E's 2012 GRC P2.

A. Structure of CARE Discount

CARE customers currently receive a discount on their electricity bill that consists of a 20% line item CARE discount, exemption from the CARE surcharge, exemption from the DWR-BC, exemption from CSI Surcharge when applicable, and lower tiered rates pursuant to SB 695 and D.09-09-036 which adopted the settlement in SDG&E's 2009 RDW to freeze CARE Tier 3

[39] February 13, 2014 ACR, at p. 6.
[40] Section 739.1(c)(1) of the Public Utilities Code, as amended by AB 327.
[41] With the exclusion of exemptions from CSI, DWR-BC, and CARE surcharge.

rates. In 2001, the discount for CARE customers consisted of only the line item CARE discount (which was 15% until the Commission increased it to 20% in 2001) and the exemption from the CARE Surcharge. Since 2001, the effective CARE electric discount has increased significantly due to the various Commission and legislative requirements described below:

- **D.01-09-059**: Pursuant to AB1X, this decision adopted recovery of higher DWR generation costs from customers and the residential tiered rate structure, effective October 1, 2001. In addition to exempting residential Tier 1 and Tier 2 usage (usage up to 130% of baseline) from paying DWR costs in accordance with AB 1X, this decision also exempted CARE usage above 130% from paying DWR costs. This decision initiated the practice of providing CARE customers with an additional discount from paying lower tiered rates (difference between CARE and non-CARE tiered rates), a practice that continues today based on various Commission decisions that have adopted lower CARE rates such as D.09-09-036 that approved the Settlement that froze CARE Tier 3 rates.

- **D.02-10-063:** This decision adopted the DWR-BC, including the exemption of CARE customers from paying the DWR-BC. The DWR-BC was implemented on November 15, 2002, increasing the effective discount provided to CARE customers due to their exemption from paying the DWR-BC.

- **D.06-01-024:** This decision adopted recovery of CSI program costs from customers, including the exemption of CARE customers from paying these costs. SDG&E is not recovering CSI costs from its customers in 2013. When a CSI rate is reintroduced, the exemption of CARE customers from paying this rate will increase the effective discount provided to CARE customers.

- **D.09-09-036:** This decision approved the Settlement in SDG&E's 2009 RDW (A.08-11-014) that froze the Tier 3 rates for SDG&E's residential CARE customers.

- **D.09-12-048:** This decision authorized non-CARE Tier 1 and Tier 2 rate increases effective January 1, 2010 pursuant to SB 695, along with future annual changes to these rates based on methodology adopted in SB 695. The non-CARE Tier 1 and Tier 2 rates were increased again on January 1, 2011, January 1, 2012, and January 1, 2013. While CARE Tier 1 and Tier 2 rates are also allowed to be increased based on methodology stated in SB 695, to date, no increase has occurred to CARE Tier 1 and Tier 2 rates. For this reason, the increase to non-CARE Tier 1 and Tier 2 rates has resulted in significant increases to the effective CARE discount because most CARE usage is in Tier 1 and Tier 2. In addition,

- CARE Tier 1, Tier 2, and Tier 3 effective rates must not exceed 80 percent of the corresponding proposed non-CARE rates excluding the DWR-BC, the CARE surcharge, and any applicable CSI charges;[42] and
- CARE rates shall not have more than three tiers.[43]

AB 327 now requires that, "[t]he average effective CARE discount shall not be less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers."[44] In addition, AB 327 specifies that:

- If an electrical corporation provides an average effective CARE discount in excess of the maximum percentage specified in paragraph (1), the electrical corporation shall not reduce, on an annual basis, the average effective CARE discount by more than a reasonable percentage decrease below the discount in effect on January 1, 2013, or that the electrical corporation had been authorized to place in effect by that date[45]; and
- The entire discount shall be provided in the form of a reduction in the overall bill for the eligible CARE customer.[46]

SDG&E proposes the following for residential CARE rates:

- Beginning January 1, 2015, reduce effective discount to 38% and remove all CARE subsidies with the exclusion of the exemption to DWR-BC and CSI from the rates and provide them through a line item discount.
- Reduce the effective CARE discount 2% annually until 34% percent effective discount is reached, specifically:
    - 2016: effective discount = 36%
    - 2017: effective discount = 34%

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[42] Section 739.1(b)(4) of the Public Utilities Code, as amended by SB 695.
[43] Section 739.1(b)(5) of the Public Utilities Code, as amended by SB 695.
[44] Section 739.1(c)(1) of the Public Utilities Code, as amended by AB 327.
[45] Section 739.1(c)(2) of the Public Utilities Code, as amended by AB 327.
[46] Section 739.1(c)(3) of the Public Utilities Code, as amended by AB 327.

The removal of the CARE discount from the rates into a line item discount is critical to limit further unintended expansion of the effective CARE discount percentage and create greater price transparency. Currently, the CARE Tier 3 rate receives the largest effective discount. Table CF-8 below presents the current effective discount levels by tier. CARE Tier 1 and Tier 2 rates receive an effective discount level of 33% while CARE Tier 3 rates receive an effective discount of 50-53%. By moving the discount to a line item bill discount, all tiers will receive a more equitable discount level and more accurate information regarding the costs associated with their electricity demand.

Table CF-8: Effective CARE Rate After the Discount

	Effective CARE Rate After the Discount		
	Total Rates DR (cents/kWh)	**Total Rates CARE** (cents/kWh)	**Percent Discount** (%)
Summer			
Tier 1	15.4	10.3	33%
Tier 2	17.8	12.0	33%
Tier 3	34.9	17.6	50%
Tier 4	36.9	17.6	52%
Winter			
Tier 1	15.4	10.3	33%
Tier 2	17.8	12.0	33%
Tier 3	33.0	16.4	50%
Tier 4	35.0	16.4	53%

1. Family Electric Rate Assistance Program ("FERA")

For customers that do not meet the qualifications for CARE, FERA provides another option for assistance for customers meeting eligibility requirements including income guidelines.[47] Customers eligible for FERA are billed Tier 2 rates for Tier 3 usage. Under SDG&E's proposal, FERA customers will continue to be billed Tier 2 rates for Tier 3 usage;

[47] http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-SCHEDS_FERA.pdf.

however, as with all residential customers on tiered rates, their Tier 1 rate will increase to Tier 2 levels.

Impacts to FERA customers are further discussed in the response to Rate Design Question 15 in Attachment H. The subsidies associated with current FERA program structure are tied to the tiered rates structure. SDG&E identifies an optimal rate design as one where subsidies are direct and transparent. While not part of this proceeding, SDG&E looks forward to the opportunity to re-examine the structure of FERA subsidies.

2. Medical Baseline

Customers eligible for medical baseline usage receive an additional baseline allowance of 16.5 kWh per day per device. In addition, medical baseline customers are exempt from DWR-BC and pay a reduced rate, with non-CARE medical baseline customers historically paying the CARE rate prior to the 20% line item discount and CARE surcharge. CARE medical baseline customers receive full CARE rate benefits. Under SDG&E's proposal, all medical baseline customers would continue to receive an additional baseline allowance of 16.5 kWh per day per device and exemption from the DWR-BC with non-CARE medical baseline customers now paying non-CARE rates (less the DWR-BC exemption) and CARE medical baseline customers paying the new CARE rates with the new line item discount. SDG&E proposes to implement this transition over a 4-year period for non-CARE medical baseline customers such that non-CARE medical baseline customers would pay non-CARE rates otherwise applicable to other non-CARE customers by 2018 less the DWR-BC exemption. Specifically, beginning January 1, 2015, the medical baseline rates will increase by 25% of the differential between non-CARE and medical baseline rates and each subsequent year until 2018. Tables CF-9 and CF-10 below provides an illustration based on currently effective rates; however, the specific cents/kWh increase will depend upon effective non-CARE rates at that time.

Table CF-9: Medical Baseline Rates

	Current Medical Baseline	Current Non-CARE excluding DWR-BC	Change	Percentage Change
	(cents/kWh)	(cents/kWh)	(cents/kWh)	(%)
Tier 1	13.120	14.883	1.762	13%
Tier 2	15.259	17.265	2.005	13%
Tier 3	22.236	34.368	12.132	55%
Tier 4	22.236	36.368	14.132	64%

Table CF-10: Illustrative Medical Baseline Rate Proposal

	Current Medical Baseline	Illustrative Year 1	Illustrative Year 2	Illustrative Year 3	Illustrative Year 4
	(cents/kWh)	(cents/kWh)	(cents/kWh)	(cents/kWh)	(cents/kWh)
Tier 1	13.120	13.561	14.001	14.442	14.883
Tier 2	15.259	15.761	16.262	16.764	17.265
Tier 3	22.236	25.269	28.302	31.335	34.368
Tier 4	22.236	25.769	29.302	32.835	36.368

Impacts to Medical Baseline customers are further discussed in the response to Rate Design Question 15 in Attachment H. The subsidies associated with current Medical Baseline program structure are tied to the tiered rates structure. SDG&E identifies an optimal rate design as one where subsidies are direct and transparent. While not part of this proceeding, SDG&E looks forward to the opportunity to re-examine the structure of Medical Baseline subsidies.

3. CARE Program Customer Communication & Outreach

SDG&E is prepared and fully committed to communicate to our 297,000 CARE customers in advance of the anticipated rate changes. SDG&E will leverage its ongoing relationship with CARE customers to proactively communicate using existing channels. The opportunities are broad, since CARE customers fall into all tiers. However, the substance of the Commission's decision will dictate the actual messaging, and to a certain extent, the different tactics that might be used. Once armed with this information, SDG&E will implement a roadmap tailored to our customers.

SDG&E has a profound understanding of rates and maintains a robust profile for our customer segments, as well as a variety of energy solutions for each. In addition to communicating the Commission's decision on rate reform, SDG&E's messaging will focus on offering our customers tangible benefits and solutions to help manage any potential negative impacts the proposed rate changes could otherwise create.

Specific to this population group, SDG&E understands the plight of the elderly customer and those from diverse cultural and linguistic communities. Communication with our customers has occurred through multiple channels and layers that range from communications at the point of entry in the program, making the customer aware of their acceptance, as well as touch points along the way. All the while ensuring they're able to access valued services we provide, including follow up communications to help the customer continue their participation in the program through the renewal process. SDG&E continues to engage this customer group through an array of awareness and outreach campaigns that focus on solutions that are relevant for them. Interconnected touch points that would leverage both our internal and external communications include:

- Messaging through bill inserts and/or bill inserts.
- Communications within our own resources such as our call center, our CARE, FERA, and Medical Baseline staff, our outreach teams and public relations teams, aligning with our other tactical executions and keeping one consistent message and voice throughout.

- Messaging on our SDGE.com CARE pages, whether in the FAQs, renew your CARE discount section and our additional languages pages that include 11 other languages.
- Messaging through email.
- Provide information to customers enrolling in the Energy Savings Assistance Program during the Energy Education process.
- Direct mailers to customers.
- SDG&E proactively and routinely collaborates with various organizations and Community Based Organizations ("CBOs"), including those that serve low-income, Limited English Proficient, and visually and hearing impaired customers, through its own outreach team in order to engage these customers.

SDG&E's existing relationship with Medical Baseline and FERA customers will help us engage these groups as well, since changes to the Tiers 1 & 2 rates will impact these customers. Additionally, SDG&E is also positioned to communicate to our non-profit group living facilities and agricultural housing facilities, since part of the subsidy is tied to residential rates, changes to Tiers 1 & 2 will affect these groups. Additional information will be provided in SDG&E's March 21 supplemental testimony on the overall Customer Education and Outreach plans.

While SDG&E is expert in communicating with low-income and other hard to reach segments, we realize the breadth of these rate changes and are poised to proactively reach out to, not only the low-income customers, but all customers. SDG&E is preparing a roadmap that will offer tailored solutions and offerings to all customers. SDG&E's knowledge and experience, coupled with an understanding and deep history with these customer bases, means there is no one better suited to proactively communicate these changes than SDG&E.

With more regulatory decisions yet to come, SDG&E believes that it is important that customers hear a clear and consistent voice throughout these changes and those that follow. More information will be included in SDG&E's March 21 testimony.

VI. CARE RATE SUBSIDIES – NON-RESIDENTIAL

In addition to eligible residential customers, CARE eligible customers include eligible non-residential customers, specifically non-profit group living facilities and agricultural employee housing facilities. [48] In addition to exemptions to DWR-BC, CSI, the CARE surcharge, and a 20% line item bill discount, non-residential CARE customers ("Expanded CARE") receive rate subsidies in the form of a reduced flat commodity rate (E-LI commodity rate), pursuant to Commission Resolution E-3907. Currently the E-LI commodity rate is approximately 2.4 cents per kWh for summer and 2.0 cents per kWh for winter while the system average commodity rate is 7.8 cents per kWh and the average commodity rate for small commercial and M/L C&I customer classes is approximately 8.0 cents per kWh.

D.04-02-057 required SDG&E to, among other things, reduce residential customers' total rates for usage up to 130% of baseline to AB 1X levels (rates as of February 1, 2001). In compliance with this decision, SDG&E reduced commodity rates contained for residential customers' usage up to 130% of baseline to AB 1X levels, effective April 11, 2004. On October 8, 2004, SDG&E filed AL 1627-E requesting to expand AB 1X rate protection to non-residential customers on Expanded CARE. Resolution E-3907 adopted SDG&E's proposal to extend AB

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[48] 739.1(h) The commission's program of assistance to low-income electric and gas customers shall, as soon as practicable, include nonprofit group living facilities specified by the commission, if the commission finds that the residents in these facilities substantially meet the commission's low-income eligibility requirements and there is a feasible process for certifying that the assistance shall be used for the direct benefit, such as improved quality of care or improved food service, of the low-income residents in the facilities. The commission shall authorize utilities to offer discounts to eligible facilities licensed or permitted by appropriate state or local agencies, and to facilities, including women's shelters, hospices, and homeless shelters, that may not have a license or permit but provide other proof satisfactory to the utility that they are eligible to participate in the program.

1X total rate protection to Expanded CARE customers[34] effective April 11, 2004, as requested in SDG&E AL 1627-E.

The E-LI commodity rate is developed as the difference between residential commodity rates and a weighted average of residential CARE TRAC rates. The average effective CARE discount for small commercial Expanded CARE is 47% and for M/L C&I Expanded CARE is 51%, as shown in Table CF-11 below.

Table CF-11: Expanded CARE Effective Discount

Class	Jan-08	Jan-09	Jan-10	Jan-11	Jan-12	Jan-13	Sep-13	Dec-13	Jan-14	Feb-14
Small Commercial	34%	42%	40%	40%	37%	40%	48%	50%	49%	47%
M/L C&I	35%	41%	40%	42%	38%	41%	52%	53%	53%	51%

Consistent with SDG&E's proposals for residential CARE, SDG&E proposes to move the Expanded CARE rate subsidies currently embedded in the E-LI commodity rate (i.e., Expanded CARE customers would pay the commodity rates associated with their Otherwise Applicable Tariff ["OAT"] prior to discount) to a line item discount, with the discount level differentiated by customer class.

Currently, the difference between the E-LI commodity rate and the OAT commodity rates is recovered through commodity rates (Schedule EECC: Electric Energy Commodity Costs). SDG&E proposes that the increased line item discount for non-residential Expanded CARE be recovered through the PPP rate by all non-CARE customers consistent with the treatment of the residential CARE line item discount.

For small commercial Expanded CARE customers, SDG&E proposes a transition path to reach legislated compliance by 2018, specifically, a 3% annual reduction beginning January 1, 2015.

For M/L C&I Expanded CARE customers, SDG&E proposes a transition path to reach legislated compliance by 2018, specifically, a 4% annual reduction beginning January 1, 2015.

VII. OPTIONAL TOU OFFERINGS

In addition to the proposed changes to tiered rate structure and the introduction of residential MSF, SDG&E proposes to introduce a more cost-based TOU option for residential customers. As noted above, current residential rates recover all costs of service through an energy rates, including fixed costs and costs driven by capacity needs. A rate design that reflected marginal cost and cost-causation would recover fixed costs through a fixed charge, capacity costs through a demand-related charge, and variable costs through a variable rate. SDG&E proposes the following optional TOU rate to be implemented in 2015:

- TOU rate for the recovery of commodity costs;
- Demand differentiated monthly service fee ("DDMSF") for the recovery of distribution customer and demand costs; and
- No tiers.

In SDG&E's 2015 RDW, SDG&E's proposal to change TOU periods includes a proposal to change the current off-peak period to a super off-peak period previously available only to electric vehicle rates to all TOU rate offerings. Upon approval of SDG&E's proposal for a super off-peak period available to all TOU rate schedules, SDG&E further proposes a super off-peak period exemption for the DDMSF, that is, demand during the super off-peak period would be excluded from the determination of maximum demand for the application of DDMSF.

In the Residential Rate Design Proposal SDG&E submitted pursuant to the Ruling of ALJ McKinney and the November 26, 2012 Scoping Memo and Ruling of Assigned Commissioner, SDG&E noted that in order to understand how utility rates could be designed to reflect accurate price signals, it is necessary to consider the cost components included in utility rates, with the cost of service being defined in three broad categories of Commodity, Distribution, and Transmission. SDG&E further identified the rate design tools for the cost recovery of commodity and distribution costs.

A. Commodity

The costs related to commodity services that SDG&E incurs to meet reliability obligations are driven by system demand at every hour of the day. For rates to reflect cost-causation principles, they would have to be based on some measurement of customer demand during periods of peak capacity need. The following rate design options would provide customers with a price signal that more accurately reflects energy commodity and system capacity costs. These rate design options would create price signals that cause customers to reduce their coincident demand (demand at times of peak capacity need).

- Peak demand charges based on a $/kW demand charge are applicable to the on-peak period to recover commodity revenues associated with commodity capacity costs.
- TOU Energy Charge is a $/kWh energy charge structure to recover commodity revenues related to marginal energy costs, differentiated by season and/or TOU period structure.
- Dynamic pricing or critical peak pricing ("CPP") options provide another alternative to recover capacity costs through a premium energy rate or an energy rate adder that is applied only during peak periods on noticed days.

SDG&E's Optional TOU offering would provide for the recovery of commodity energy and capacity costs through TOU energy rates.

B. Distribution

The cost-causation behind distribution costs differ from system and commodity costs in that the cost drivers focus on more localized demand drivers. This is because the distribution system is built to meet local, as opposed to system, demand. Distribution costs fall under two broad categories, Customer Costs and Demand Costs, already discussed above.

SDG&E identified the following rate design tools for the recovery of Distribution Customer and Demand costs.

- MSF: An accurate price signal for recovery of Customers Costs would be created through a MSF to reflect the actual costs the utility incurs to maintain a service connection with the customer. Utilities incur customer costs just to maintain a service connection with a customer, and these costs generally do not vary with a customer's demand. As a result, an accurate price signal would recover these costs through a MSF that does not vary with a customer's demand.
- NCD Charge: An accurate price signal would recover Distribution Demand costs on the basis of a customer's individual peak demand, consistent with current cost studies. Distribution Demand Costs, which include substations, circuits, feeders, and applicable operations and maintenance ("O&M"), are the costs SDG&E incurs to ensure reliable service to customers at the local neighborhood level. The planning criteria for distribution infrastructure is based on local load at the circuit and substation level. In other words, in order to provide reliable service to a range of distribution circuits, each of which has different levels of peak demand, the distribution system is designed to have adequate capacity to serve the combined peak demand of all customers served off of a distribution circuit, without regard to when that demand occurs ("non-coincident peak"). The

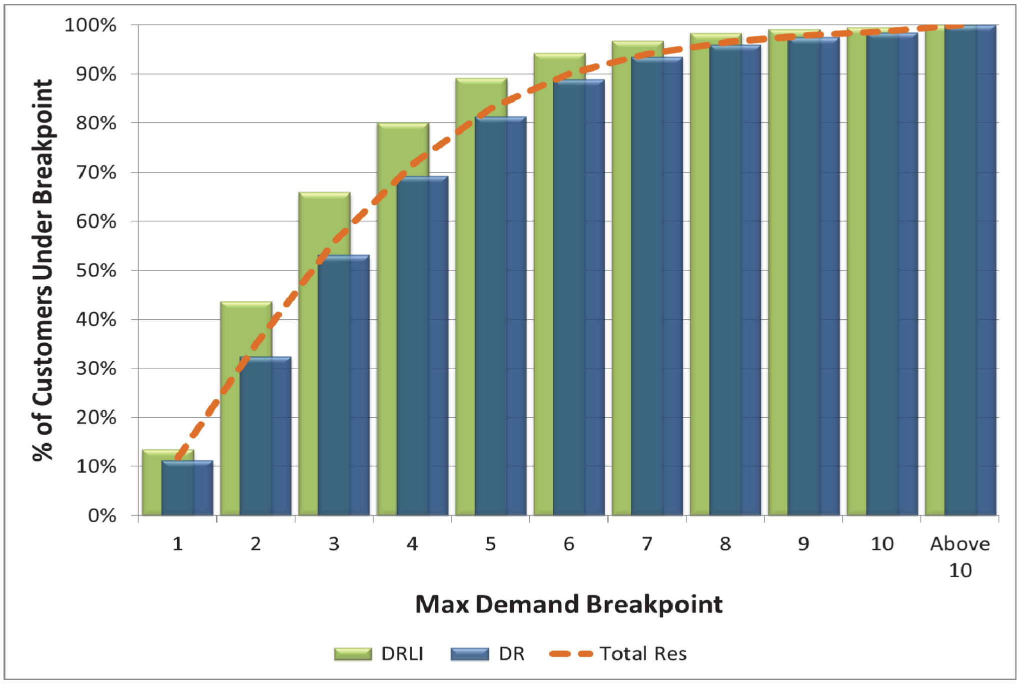
distribution costs utilities incur to provide service to customers is therefore best measured on the basis of a customer's individual maximum demand, distinct from demand at peak system capacity need or NCD.

- Demand Differentiated Monthly Service Fee ("DDMSF"): An alternative transition vehicle for the recovery of both Distribution Customer and Demand costs. A DDMSF, or a set $/month adder, would vary by levels of NCD demand (i.e. 0 to 2 kW = $X, 2 to 4 kW = $Y, etc.). While such a charge does not fully reflect the costs associated with all of a customer's non-coincident demand, it does provide some reflection of the difference in Distribution Demand costs resulting from differences in customer size while providing for greater bill stability as customers become accustomed to the concept of demand.

SDG&E proposes a DDMSF for the recovery of distribution customer and demand costs in its Optional TOU offering. Given that the DDMSF would constitute the introduction of a demand signal to residential customers, SDG&E proposes that the DDMSF be applied to a residential customer's monthly hourly maximum demand at this time.

Chart CF-3 below shows the distribution of hourly maximum demand for residential Customers. 56% of separately metered residential customers had demand less than 3 kW. 90% of separately metered residential customers had demand less than 6 kW.

Chart CF-3: Maximum Demand Distribution for Residential Customers



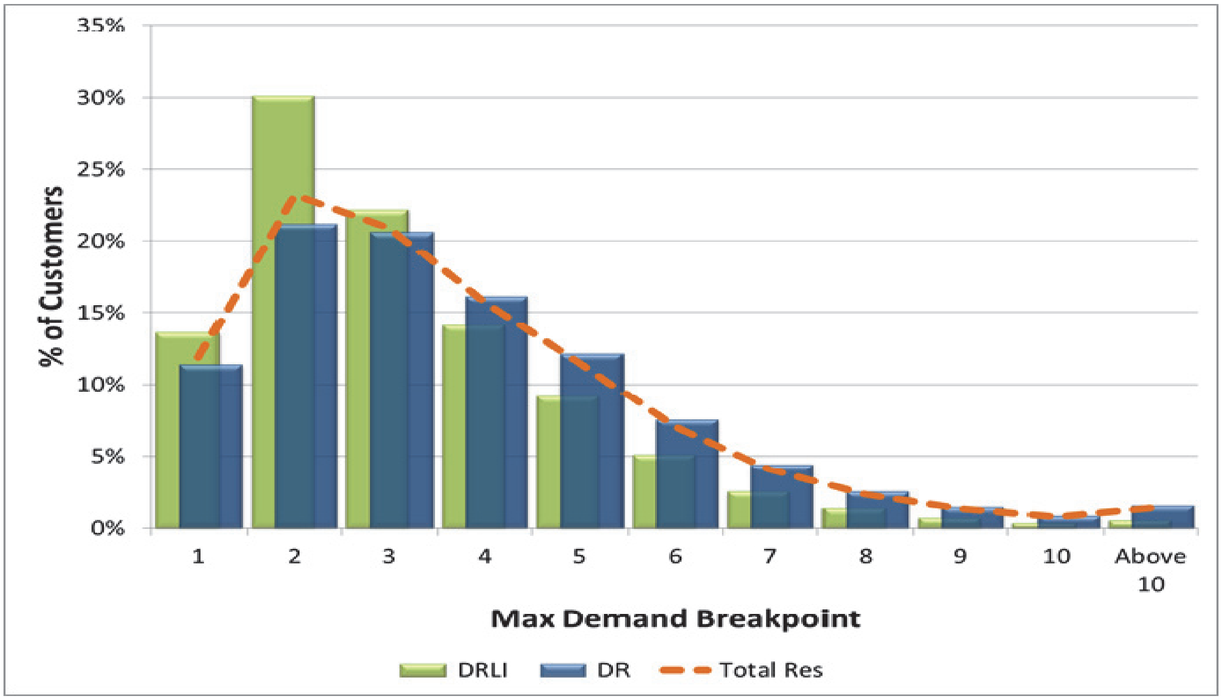
SDG&E proposes the following thresholds for a DDMSF, as shown in Table CF-12:

Table CF-12: SDG&E Proposed DDMSF for Optional TOU Proposal

Max kW range	Customer Costs ($/month)	Distribution Demand Costs ($/month)	Proposed Monthly Service Fee ($/month)
Up to 3kW	$14.52	$13.26	$27.78
3 kW up to 6 kW	$14.52	$33.89	$48.42
6 kW and above	$14.52	$65.00	$79.53

The monthly distribution demand costs component of SDG&E's proposed DDMSF identified in Table CF-12 above is based on a weighted average of distribution demand costs within the respective range. The distribution of the percentage of residential customers by hourly maximum demand is presented below in Chart CF-4 below.

Chart CF-4: Residential Customer Distribution by Maximum Demand



C. Tiers

SDG&E proposes its Optional TOU rate be implemented without tiers. SDG&E proposes that any revenue shortfall resulting from migration to the newly adopted optional TOU rate be retained within the residential class through the TRAC rate and be recovered on an equal cent/kWh basis from all residential customers.

D. SDG&E Proposed Optional TOU Rates

Table CF-13 below presents SDG&E's proposed Optional TOU rate offering. The rates below are based on SDG&E's current TOU periods.[49]

Table CF-13: SDG&E Proposed Optional TOU Proposal

Max kW range	Customer Costs ($/month)	Distribution Demand Costs ($/month)	Proposed Monthly Service Fee ($/month)
Up to 3kW	$14.52	$13.26	$27.78
3 kW up to 6 kW	$14.52	$33.89	$48.42
6 kW and above	$14.52	$65.00	$79.53

TOU Period		Commodity Rate	Residual UDC Rate + DWR-BC	Total Energy Rate
On-Peak: Summer	$/kWh	0.15061	0.04570	0.19631
Semi-Peak: Summer	$/kWh	0.10540	0.04570	0.15110
Off-Peak: Summer	$/kWh	0.07464	0.04570	0.12034
On-Peak: Winter	$/kWh	0.07874	0.04570	0.12444
Semi-Peak: Winter	$/kWh	0.06719	0.04570	0.11289
Off-Peak: Winter	$/kWh	0.05117	0.04570	0.09687

VIII. SUMMARY AND CONCLUSION

This concludes my prepared direct testimony.

[49] SDG&E's current TOU periods are below:

Summer (May - October)		
	Weekdays	***Weekends/Holidays***
On-Peak	11am To 6pm	N/A
Semi-Peak	6am To 11am And 6pm to 10pm	N/A
Off-Peak	10pm To 6am	All hours

Winter (November - April)		
	Weekdays	***Weekends/Holidays***
On-Peak	5pm To 8pm	N/A
Semi-Peak	6am To 5pm And 8pm to 10pm	N/A
Off-Peak	10pm To 6am	All hours

IX. STATEMENT OF QUALIFICATIONS

My name is Cynthia S. Fang and my business address is 8330 Century Park Court, San Diego, California 92123. I am the Electric Rates Manager in the General Rate Case and Revenue Requirements Department of San Diego Gas and Electric (SDG&E). My primary responsibilities include the development of cost-of-service studies, determination of revenue allocation and electric rate design methods, analysis of ratemaking theories, and preparation of various regulatory filings. I began work at SDG&E in May 2006 as a Regulatory Economic Advisor and have held positions of increasing responsibility in the Electric Rate Design group. Prior to joining SDG&E, I was employed by the Minnesota Department of Commerce, Energy Division, as a Public Utilities Rates Analyst from 2003 through May 2006.

In 1993, I graduated from the University of California at Berkeley with a Bachelor of Science in Political Economics of Natural Resources. I also attended the University of Minnesota where I completed all coursework required for a Ph.D. in Applied Economics.

I have previously submitted testimony before the Federal Energy Regulatory Commission and have submitted testimony and testified before the California Public Utilities Commission regarding SDG&E's electric rate design and other regulatory proceedings. In addition, I have previously submitted testimony and testified before the Minnesota Public Utilities Commission on numerous rate and policy issues applicable to the electric and natural gas utilities.