



## ORA

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California Public Utilities Commission  
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CPUC, Energy Division  
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**Subject: Protest of the Office of Ratepayer Advocates of SDG&E's  
Advice Letter 3130-E-B-Partial Supplemental:  
Implementation Release 1 of SDG&E's Test Year 2016  
General Rate Case Phase 2 Pursuant to Decision 17-08-030  
for Rates Effective December 1, 2017**

### I. INTRODUCTION AND RECOMMENDATIONS

The Office of Ratepayer Advocates (ORA) hereby submits this protest of San Diego Gas & Electric Company's (SDG&E) Advice Letter (AL) 3130-E-B. In AL 3130-E-B, SDG&E proposes to increase residential rates by implementing Release 1 of its 2016 General Rate Case (GRC) Phase 2.

The following summarizes ORA's findings and recommendations:

- There are significant discrepancies between SDG&E's September 2017 filed illustrative rates and the rates to be implemented in this AL filing.
  - The Commission should order SDG&E to explain the discrepancies.
- SDG&E's rates are increasing at an alarming pace.
  - The Commission should direct SDG&E to explain why its residential rates have increased 24%<sup>1</sup> which is more than triple the inflation rates,<sup>2</sup> over the last three years.

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<sup>1</sup> See Table 2 in this protest.

<sup>2</sup> [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm), shows 6% inflation between Jan 2015 to Oct. 2017.

- SDG&E has had too many rate change filings during a short time frame which makes it difficult to observe the actual and cumulative rate impacts.
  - The Commission should direct SDG&E to consolidate all pending advice letters it submitted at the end of 2017. In the future, SDG&E should be required to consolidate advice letters at least for three month periods.
- The Commission should reject SDG&E’s AL 3130-E-B, and adopt ORA’s proposal to reduce seasonal differences.

## II. DISCUSSION

### **A. There is a significant discrepancy between SDG&E’s September 2017 filed illustrative rates and the actual rates to be implemented in this AL filing.**

Decision (D.) 17-08-030 adopted the revenue allocation settlement for SDG&E’s 2016 GRC Phase 2, and also adopted SDG&E’s later proposal to implement several changes to residential rates all at one time as part of “Release 1 Changes.” ORA recommended a more gradual implementation of these rate increases,<sup>3</sup> but the Commission adopted SDG&E’s proposal based on the information including illustrative rate impacts that SDG&E presented.

The rates SDG&E filed with this advice letter, AL 3130-E-B are significantly higher than what it had presented in its 2016 GRC. On September 8, 2017, SDG&E submitted illustrative rates<sup>4</sup> that were described as showing the results of Release 1. Those illustrative rates were far lower than the rates proposed in AL 3130-E-B that SDG&E filed less than two months later on November 2, 2017. Small differences between illustrative rates and final rates a few months later might be expected, but not the 4.3 cents and 3.7 cents per kWh differences that have occurred in this instance. Moreover, the September 2017 illustrative rates only have two tiers while the rate restructure proposed in AL 3130-E-B includes a high usage charge (HUC) rate that should otherwise absorb some revenues and hence partially reduce tiers 1 and 2 rates. However, as illustrated in Table 1 below, the proposed summer Tier 1 rate is 4.3 cents per kWh higher, and the proposed winter Tier 1 rate is 3.7 cents per kWh higher than those shown in the September filing.

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<sup>3</sup> “Opening Comments of the Office of Ratepayer Advocates on the Proposed Decision Adopting Revenue Allocation and Rate Design for San Diego Gas & Electric Company” filed June 26, 2017, p.3.

<sup>4</sup> See San Diego Gas & Electric Company (U 902-E) Response to ALJ Ruling to File Illustrative Rates, September 8, 2017.

**Table 1**

<b>Schedule DR</b>	<b>September 2017 Illustrative Rates Cents/kWh</b>	<b>AL 3130-E-B Proposed Rates Cents/kWh</b>	<b>Difference</b>
Summer Tier 1	22.433	26.769	4.336
Summer Tier 2	46.263	46.928	0.665
Over 400% Baseline	N/A	54.677	
Winter Tier 1	18.97	22.695	3.725
Winter Tier 2	39.12	39.785	0.665
Over 400% Baseline	N/A	46.354	

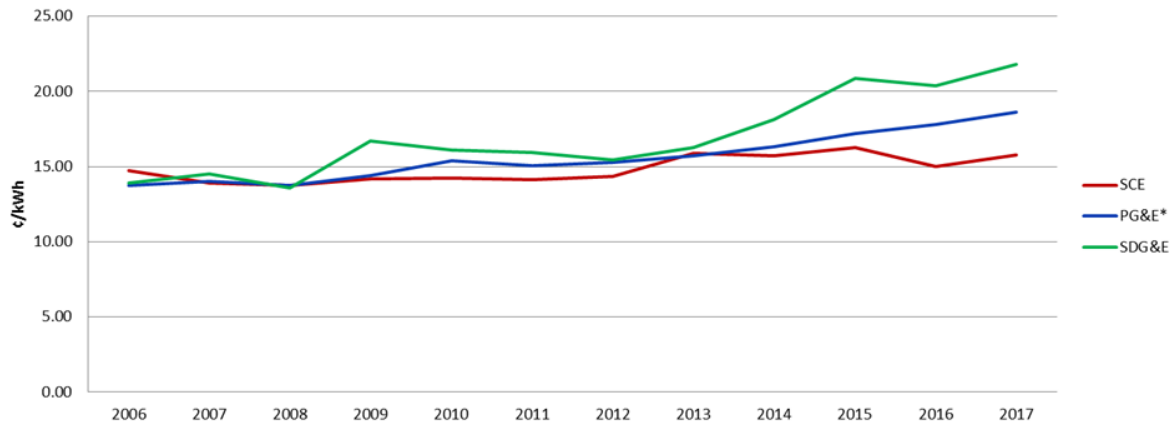
The Commission should require SDG&E to explain why the residential tiered rates in AL 3130-E-B are significantly higher than the illustrative rates submitted to the Commission in September 2017. Recent rate changes have occurred separately, frequently and often in parallel and the rate impacts have not been presented to the Commission in a global or cumulative manner. For instance, SDG&E filed four different advice letters with associated rate changes in the 4<sup>th</sup> quarter of 2017.<sup>5</sup> These rate changes occurred in tandem via different advice letters, and thus, the rate impacts shown in each advice letter only showed the rate impacts stemming from that particular advice letter rather than the total cumulative changes. These numerous changes contribute to rates fluctuating frequently, and make it difficult to compare rates and properly assess ratepayer impacts.

**B. SDG&E’s rates have increased at an alarming pace.**

SDG&E’s recently proposed rates are by far the highest tiered rates in California. SDG&E’s system average rates also are the highest and have the steepest increases among the three largest California investor owned utilities (IOUs) as shown in Figure 1 below.

<sup>5</sup> AL 3110-E was filed on September 8, 2017 to reflect ERRAs trigger amortization and HUC rates, and rates were supposed to be effective Nov 1, 2017; AL 3124-E filed on Oct. 2, 2017 to update public purpose program (PPP) rate, which impacts all rate schedules, and rates are expected to be effective on January 1, 2018; AL 3130-E-A to implement 2016 GRC Phase 2 Release 1 rates, was filed on Nov. 2, 2017 and was supplemented on Nov. 21, 2017 by AL 3130-E-B to correct some of the rates provided in AL 3130-E-A, and these rates are to be effective on December 1, 2017; and AL 3137-E was filed to reflect multiple balancing account updates, and rates are expected to be effective on Jan 1, 2018.

**Figure 1<sup>6</sup>**  
**Bundled System Average Rate**



\* This reflects System Bundled Average Rates filed in PG&E's Annual Electric True-up (AET)

Source: Energy Division Data Request 06/2017

The Commission should consider the cumulative effects of the various rate changes in the past few years and the resultant extremely high rates SDG&E proposes in AL 3130-E-B. SDG&E's residential electric rates should be comprehensively examined and the total effect on rates of multiple yearly rate changes should be considered. As part of the residential rate reform tier consolidation and flattening, Tier 1 has seen a 55% increase over a three-year (2015-2017) period. However, this did not result in lowering the high tier rates. At the beginning of the residential rate reform, SDG&E's highest tier (Tier 4) rate was 42 cents/kWh. Now the highest tier (HUC) rate is almost 55 cents/kWh.<sup>7</sup>

Table 1 below shows SDG&E residential electric rates from January 2015 to SDG&E proposed rates for December 1, 2017. SDG&E's summer Tier 1 rates have increased 55.4%, and winter Tier 1 rates have increased 31.7%, while residential average rates (RAR) have increased by 23.6%. Clearly, attempts to limit increases to residential Tier 1 rates have not been sufficient.

SDG&E has been filing multiple applications requesting revenue increases for various purposes. These applications often move forward on separate procedural tracks. These rate increases have led to SDG&E's residential average rates increasing by 24% in only three years – a pace of increase that is more than triple inflation rates.<sup>8</sup>

<sup>6</sup> CPUC website: <http://www.cpuc.ca.gov/General.aspx?id=12057>

<sup>7</sup> These rates are summer rates.

<sup>8</sup> [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm), shows 6% inflation between Jan 2015 to Oct. 2017.

**Table 2<sup>2</sup>**

SDG&E Rate Changes								
<b>Summer Residential (Non-CARE) (\$ / kWh)</b>	<b>1/1/2015</b>	<b>9/1/2015</b>	<b>1/1/2016</b>	<b>1/1/2017</b>	<b>3/1/2017</b>	<b>11/1/2017</b>	<b>12/1/2017</b>	<b>Rate change 1/1/2015 - 12/1/2017</b>
Baseline	0.172	0.181	0.186	0.205	0.208	0.224	0.268	55.4%
101 - 130% of Baseline	0.203	0.205	0.212	0.205	0.208	0.224	0.268	32.2%
131% - 200% of Baseline	0.401	0.396	0.409	0.422	0.430	0.392	0.469	16.9%
201% - 300% of Baseline	0.421	0.396	0.409	0.422	0.430	0.392	0.469	11.4%
Above 300% of Baseline	0.421	0.396	0.409	0.422	0.430	0.392	0.469	11.4%
Over 400% BL (SUE)						0.457	0.547	
<b>Winter Residential (Non-CARE) (\$ / kWh)</b>	<b>1/1/2015</b>	<b>9/1/2015</b>	<b>1/1/2016</b>	<b>1/1/2017</b>	<b>3/1/2017</b>	<b>11/1/2017</b>	<b>12/1/2017</b>	<b>Rate change 1/1/2015 - 12/1/2017</b>
Baseline	0.172	0.165	0.171	0.189	0.193	0.206	0.227	31.7%
101 - 130% of Baseline	0.203	0.187	0.195	0.189	0.193	0.206	0.227	12.1%
131% - 200% of Baseline	0.366	0.361	0.376	0.389	0.397	0.369	0.398	8.7%
201% - 300% of Baseline	0.386	0.361	0.376	0.389	0.397	0.369	0.398	3.0%
Above 300% of Baseline	0.386	0.361	0.376	0.389	0.397	0.369	0.398	3.0%
Over 400% BL (SUE)						0.419	0.464	
<b>Summer Residential (CARE) (\$ / kWh)</b>	<b>1/1/2015</b>	<b>9/1/2015</b>	<b>1/1/2016</b>	<b>1/1/2017</b>	<b>3/1/2017</b>	<b>11/1/2017</b>	<b>12/1/2017</b>	<b>Rate change 1/1/2015 - 12/1/2017</b>
Baseline	0.112	0.107	0.110	0.124	0.126	0.138	0.166	47.8%
101 - 130% of Baseline	0.131	0.123	0.126	0.124	0.126	0.138	0.166	26.3%
131% - 200% of Baseline	0.199	0.245	0.253	0.261	0.266	0.246	0.291	46.0%
201% - 300% of Baseline	0.199	0.245	0.253	0.261	0.266	0.246	0.291	46.0%
Above 300% of Baseline	0.199	0.245	0.253	0.261	0.266	0.246	0.291	46.0%
Over 400% BL (SUE)						0.288	0.339	
<b>Winter Residential (CARE) (\$ / kWh)</b>	<b>1/1/2015</b>	<b>9/1/2015</b>	<b>1/1/2016</b>	<b>1/1/2017</b>	<b>3/1/2017</b>	<b>11/1/2017</b>	<b>12/1/2017</b>	<b>Rate change 1/1/2015 - 12/1/2017</b>
Baseline	0.112	0.097	0.100	0.114	0.116	0.126	0.141	25.3%
101 - 130% of Baseline	0.131	0.111	0.116	0.114	0.116	0.126	0.141	7.1%
131% - 200% of Baseline	0.186	0.223	0.232	0.241	0.246	0.225	0.247	32.5%
201% - 300% of Baseline	0.186	0.223	0.232	0.241	0.246	0.225	0.247	32.5%
Above 300% of Baseline	0.186	0.223	0.232	0.241	0.246	0.225	0.247	32.5%
Over 400% BL (SUE)						0.264	0.287	
<b>Residential class average rates (\$/kWh)</b>	0.220	0.227			0.260		0.272	23.6%

**C. The Commission should moderate SDG&E’s proposed summer rates.**

Table 3 also shows that the seasonal differential between summer and winter rates is also increasing from 1.8 cents per kWh differential for Tier 1 rates in November 2017 to 4.1 cents per kWh differential in SDG&E proposed December 1, 2017 rates. Moderating this seasonal differential would help reduce SDG&E’s summer tiered residential rates.

<sup>2</sup> Rates are extracted from AL 3130-E-A, and <https://www.sdge.com/total-electric-rates>

ORA presents an illustrative alternative to SDG&E’s proposal which smooth out the rate impacts across seasons as demonstrated in Table 3 below:

**Table 3**

	Current	SDG&E proposed	Change from current	ORA Alternative Illustrative Rates	Change from current
<b>Summer June through October</b>	\$0.2288	\$0.2677	17.00%	\$0.2562	11.96%
	\$0.2288	\$0.2677	17.00%	\$0.2562	11.96%
	\$0.4011	\$0.4693	17.00%	\$0.4491	11.96%
	\$0.4673	\$0.5468	17.00%	\$0.5232	11.96%
<b>Winter All Other Months</b>	\$0.2102	\$0.2270	7.99%	\$0.2346	11.65%
	\$0.2102	\$0.2270	7.99%	\$0.2346	11.65%
	\$0.3684	\$0.3979	7.99%	\$0.4113	11.65%
	\$0.4293	\$0.4635	7.99%	\$0.4793	11.65%
<b>May Transition Summer to Winter</b>	0.22880	0.22695	-0.81%	\$0.2346	2.55%
	0.22880	0.22695	-0.81%	\$0.2346	2.55%
	0.40110	0.39785	-0.81%	\$0.4113	2.55%
	0.46734	0.46354	-0.81%	\$0.4793	2.55%
<b>Summer adder</b>	N/A	\$0.07		\$0.028	

Moderating the seasonal rate differentials would result in smaller summer rate impacts. ORA’s alternative illustrative rates as presented above would feature a 2.16 cent differential between summer and winter Tier 1 rates which is still higher than the current 1.8 cent differential. This level of moderation provides some movement to accommodate SDG&E’s new seasonal definitions<sup>10</sup> while mitigating seasonal bill volatility despite the overall rate increase. ORA’s proposed adjustments to SDG&E’s proposed seasonal rates also should be applied to SDG&E’s default Time of Use (TOU) pilot rates. SDG&E still needs to address the larger issue about the overall rate increase and present potential solutions to mitigate further rate increases.

<sup>10</sup> Currently, SDG&E’s rates are designed assuming a 6 month summer and a 6 month winter season definition. Release 1 would shorten the summer season to 5 months while the winter season would extend an additional month.

### III. CONCLUSION

For the above reasons, ORA recommends that the Commission not approve SDG&E's proposed residential rates. SDG&E's proposed rates are unacceptable. The Commission should establish a method for consolidating rate change proposals so that the Commission and parties can reasonably assess the overall level of rate changes that would occur during the same period. In the short term, more moderate seasonal differentials should be adopted.

Please contact Dexter Khoury ([dexter.khoury@cpuc.ca.gov](mailto:dexter.khoury@cpuc.ca.gov)) at (415) 703-1200 or Nathan Chau ([Nathan.Chau@cpuc.ca.gov](mailto:Nathan.Chau@cpuc.ca.gov)) at (415) 703-4622 should you have questions or comments regarding this Protest.

/s/ Michael Campbell

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Service List A.15-04-012  
Service List R.12-06-013