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**NOTIFICATION OF SAN DIEGO GAS & ELECTRIC'S
REQUEST TO INCREASE RATES FOR THE PIPELINE
SAFETY ENHANCEMENT PLAN IMPLEMENTATION
APPLICATION NO. A.18-11-010**

On November 13, 2018, San Diego Gas & Electric Company (SDG&E[®]) and Southern California Gas Company (SoCalGas[®]) filed a joint application with the California Public Utilities Commission (CPUC) requesting a rate increase for the implementation of the Pipeline Safety Enhancement Plan (PSEP). This application will cover the reasonableness in implementing the PSEP, and recovery of related costs recorded in the Pipeline Safety and Reliability Memorandum Account (PSRMA), Safety Enhancement Expense Balancing Account (SEEBA) and Safety Enhancement Capital Cost Balancing Account (SECCBA). SDG&E is requesting the review of \$130 million spent on pipeline safety work. If the CPUC finds the amount spent on pipeline safety work as reasonable, SDG&E will recover \$23 million of its investment. The rate increase to recuperate this \$23 million will start in 2020 or soon after a CPUC decision is issued. If approved, the increase would be charged to customers over a 12-month period, or until the costs are fully recovered.

In 2011, the CPUC opened Rulemaking (R.) 11-02-019 to adopt new safety and reliability regulations for natural gas transmission and distribution pipelines. The rulemaking also required transmission pipelines without sufficient records to be orderly and cost effectively pressure tested or replaced. As directed by the CPUC's decisions^{1,2}, SDG&E and SoCalGas began PSEP work and recording the costs in their PSRMAs, SEEBAs and SECCBAs. The CPUC identified costs that should not be charged to customers. Those costs have been excluded from this application. To justify charging customers for those expenses, SDG&E and SoCalGas filed this application to demonstrate the reasonableness of costs incurred.³

The SDG&E revenue increase requested in this application applies to gas distribution and transmission service, using a methodology that was previously approved by the CPUC. This application requests recovery of Phase 1 safety plan costs, which include the testing and replacing of natural gas pipelines; valves; and other project management costs supporting SDG&E's safety enhancement plan. Recovery of costs incurred for additional safety related work will be requested in future applications.

¹ D.12-04-021

² D.14-06-007

³ D.14-06-007

ESTIMATED IMPACT OF THIS INCREASE ON GAS RATES

SDG&E has estimated the impact of the requested \$23 million increase in gas revenues under the proposed rates as shown in the tables below.⁴ The actual distribution of the increase to each customer class depends on how the CPUC ultimately decides all issues in the application.

ILLUSTRATIVE PROPOSED CLASS AVERAGE RATE INCREASE PER CUSTOMER CLASS⁵

Customer Class	Current (¢/Therm)	Increase (¢/Therm)	Proposed (¢/Therm)	Projected % Increase
Residential	92.0	5.3	97.3	5.8%
Commercial	27.9	2.9	30.8	10.6%
Natural Gas Vehicles	11.5	1.4	12.9	12.5%
Large Industrial (distribution level service)	11.7	1.8	13.5	15.2%
Large Industrial (transmission level service)	2.5	0.3	2.7	11.7%
System Total	30.0	2.1	32.1	7.2%

If the CPUC approves SDG&E's request for a gas rate increase and the proposed rate allocation method, the bill for a typical bundled residential customer using 23 therms per month would increase **\$1.29, or 4.2%**, from **\$30.75 to \$32.04**. Individual customer bills may differ. SDG&E is requesting rates become effective in 2020.

⁴ Pursuant to D.16-08-003, SDG&E and SoCalGas have been authorized partial (50%) interim rate recovery of PSEP costs, subject to refund, and have previously incorporated a portion of costs associated with this application into rates (see Advice Letter 2506-G-A). As a result, the "Illustrative Proposed Class Average Rate Increase Per Customer Class" table illustrates the rate impact of the remaining PSEP costs addressed in this application. The SDG&E costs are shown prior to system integration and system wide rates' adjustments.

⁵ Difference due to rounding.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Diana Alcalá, San Diego Gas & Electric, 555 W. Fifth St., GT14D6, Los Angeles, CA 90013-1011. SDG&E's application and exhibits may also be reviewed at the SDG&E business offices listed below:

436 H St. Chula Vista, CA 91910	440 Beech St. San Diego, CA 92101	336 Euclid Ave. San Diego, CA 92114
2405 E. Plaza Blvd. National City, CA 91950	104 N. Johnson Ave. El Cajon, CA 92020	644 W. Mission Ave. Escondido, CA 92025

Copies of this application are available for viewing and printing on the SDG&E website at: www.sdge.com/proceedings.

Copies of this insert will be available for viewing and printing on the SDG&E website at: www.sdge.com/regulatory-notice.

A copy of the application can also be viewed at the CPUC's Central Files in San Francisco by appointment. For more information, please contact them at alcentralfilesid@cpuc.ca.gov or (415) 703-2045.

CPUC PROCESS

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents, necessary for the CPUC to establish a record upon which to base its decision. Evidentiary Hearings (EHs) may be held where parties of record will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties of record can participate.

After considering all proposals and evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision which may adopt SDG&E's proposal, modify it or deny it. Any CPUC Commissioner may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled CPUC Voting Meeting.

The Public Advocates Office (Cal PA) may review this application. Cal PA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service.

consistent with reliable and safe service levels. Cal PA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. For more information about Cal PA, please call (415) 703-1584, email publicadvocatesoffice@cpuc.ca.gov or visit Cal PA's website at: www.publicadvocates.cpuc.ca.gov/.

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Email: public.advisor@cpuc.ca.gov

Mail: CPUC Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074

TTY: 1-866-836-7825 (toll-free) or 1-415-703-5282

Please reference SDG&E's Application No. A.18-11-010 in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review for the assigned Judge, the Commissioners, and appropriate CPUC staff.

