

SB 695 Report
To California Public Utility Commission (CPUC) *Energy Division*
San Diego Gas and Electric Company
2016

Part I: Section 913.1(a) CPUC Study and Report

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to provide input to the California Public Utilities Commission (CPUC or Commission) in response to Senate Bill (SB) 695 enacted changes to Public Utilities Code (PUC) Section 913.1. SDG&E's objective in developing this report is to provide useful information that the CPUC may consider as it prepares its annual report for the Governor and Legislature. This report addresses PUC Section 913.1(a) and provides data related to both gas and electric revenue requirements and rates. SDG&E's response addressing PUC Section 913.1(b) is to be provided separately. This report is structured as per the Energy Division's request:

- (1) Description of revenue requirements describing key categories of revenue requirements, trends for each category in the coming 12 months, and load/demand forecasts; and,
- (2) An outlook from May 1, 2016 to April 30, 2017 listing the pending and anticipated proceedings affecting revenue requirements.

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

A. Key Revenue Requirement Categories

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

Electricity cost categories include:

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

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

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

Initiative (CSI), Self-Generation Incentive Program (SGIP), and demand response.

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

Relative ranges for each electric revenue requirement category as a percent of total authorized 2015 and 2016 revenue requirements for rates effective on January 1st of each year are provided and discussed below. Note that the focus is not on specific filings brought forth to the Commission, but rather categories of revenue requirements that could have a potential impact on future rates.

| Revenue Component | 2015 ¹ | | 2016 ¹ | |
|------------------------------|---------------------|-------------|---------------------|-------------|
| | Revenue Requirement | Percent | Revenue Requirement | Percent |
| | \$000 | | \$000 | |
| Commodity ² | 1,804,687 | 44.29% | 1,590,326 | 40.39% |
| DWR-BC ³ | 94,812 | 2.33% | 91,823 | 2.33% |
| CTC | 18,544 | 0.46% | 32,789 | 0.83% |
| LGC | 5,223 | 0.13% | 7,160 | 0.18% |
| ND | 8,560 | 0.21% | 10,644 | 0.27% |
| Transmission | 466,055 | 11.44% | 528,559 | 13.42% |
| RS | 4,837 | 0.12% | 2,487 | 0.06% |
| Distribution | 1,492,974 | 36.64% | 1,340,067 | 34.03% |
| PPP | 251,086 | 6.16% | 255,153 | 6.48% |
| GHG Allowance Revenue Return | -145,636 | -3.57% | -49,219 | -1.25% |
| TRAC | 74,002 | 1.82% | 127,537 | 3.24% |
| Total | 4,075,144 | 100% | 3,937,326 | 100% |

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

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

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

- 1) Commodity comprises 40.39% of the total revenue requirement in 2016. This is a -3.89% decrease from 2015.
- 2) DWR-BC comprises 2.33% of the total revenue requirement in 2016. This is no change from 2015.
- 3) CTC comprises 0.83% of the total revenue requirement in 2016. This is a 0.38%¹ increase from 2015.
- 4) LGC comprises 0.18% of the total revenue requirement in 2016. This is a 0.05% increase from 2015.
- 5) ND comprises 0.27% of the total revenue requirement in 2016. This is a 0.06% increase from 2015.
- 6) Transmission comprises 13.42% of the total revenue requirement in 2016. This is a 1.99% increase from 2015.
- 7) RS comprises 0.06% of the total revenue requirement in 2016. This is a -0.06% decrease from 2015.
- 8) Distribution comprises 34.03% of the total revenue requirement in 2016. This is a -2.60% decrease from 2015.
- 9) PPP comprises 6.48% of the total revenue requirement in 2016. This is a 0.32% increase from 2015.
- 10) GHG Allowance Revenue Returns comprise -1.25% of the total revenue requirement in 2016. This is a 2.32% increase from 2015.
- 11) TRAC comprises 3.24% of the total revenue requirement in 2016. This is a 1.42% increase from 2015.

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

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

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

| Revenue Component | 2015 | | 2016 | |
|-----------------------------|------------------------------|-------------|------------------------------|-------------|
| | Revenue Requirement \$000 | Percentage | Revenue Requirement \$000 | Percentage |
| Energy | \$128,456 ¹ | 23.8% | \$143,622 ² | 24.8% |
| Transportation ³ | \$376,060 | 69.7% | \$401,935 | 69.5% |
| PPP | \$34,753 | 6.4% | \$32,523 | 5.6% |
| Total | \$539,268 | 100% | \$578,080 | 100% |

¹Actual recorded revenue.

²Represents estimates of the residential, core C&I, and NGV energy revenue and was derived by multiplying the 2014 CGR throughput projection for 2016 by the gas price forecast for 2016.

³The transportation component includes Authorized Base Margin, amortization of regulatory accounts, other operating costs, System Integration, and Sempra-wide adjustments as of January 1, 2016, SoCalGas and SDG&E 2013 Triennial Cost Allocation Proceeding implementation.

- 1) Energy revenue requirements represent approximately 24.8% of the total gas revenue requirement for 2016. The revenue requirements are expected to increase from 2015 to 2016 due to higher forecast throughput more than the offsetting natural gas prices decrease. The energy revenue requirement represented about 23.8% of the total authorized gas revenue requirements in 2015.
- 2) Transportation revenue requirements represent about 69.5% of the total gas revenue requirement in 2016. For 2015, the transportation revenue requirement was about 69.7% of the total authorized gas revenue requirement. The increase in relative costs is primarily due to the under-collected balancing accounts that are being amortized in 2016.
- 3) PPP revenue requirements, including California Alternate Rates for Energy (CARE) Discount and Energy Efficiency, represent approximately 5.6% of the total gas

revenue requirements in 2016. The 2016 revenue requirement is lower mainly due to decreases in Energy Savings Assistance Program (ESA). For 2015, these programs contributed about 6.4% of the total authorized gas revenue requirements.

B. Trends in Rate Components

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

Customer sales volatility across time directly impact the rates charged to natural gas and electricity customers. If revenues collected from customers are impacted (higher or lower) due to volatility in sales, future rates will be adjusted (decreased or increased) in order to ensure revenues collected are at authorized levels. SDG&E reviews load forecasts for its service territory on a regular basis. The following section discusses the general trends for gas and electricity loads through 2018.

C. Load and Demand Forecasts

This section outlines major categories of electric and gas actual and forecasted sales through 2018.

SDG&E is a combined gas and electric distribution utility company serving approximately 3.6 million people in San Diego and the southern portion of Orange County, California. In 2015, SDG&E delivered 19.9 billion kWh of electricity to 1.4 million customers. Approximately 82% of sales were delivered to bundled service customers (commodity, transmission and distribution), and 18% to direct access customers (transmission and distribution only). On September 9, 2015, SDG&E's recorded peak demand was 4,711 megawatts.

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

SDG&E Forecast of Electric Sales (GWh)

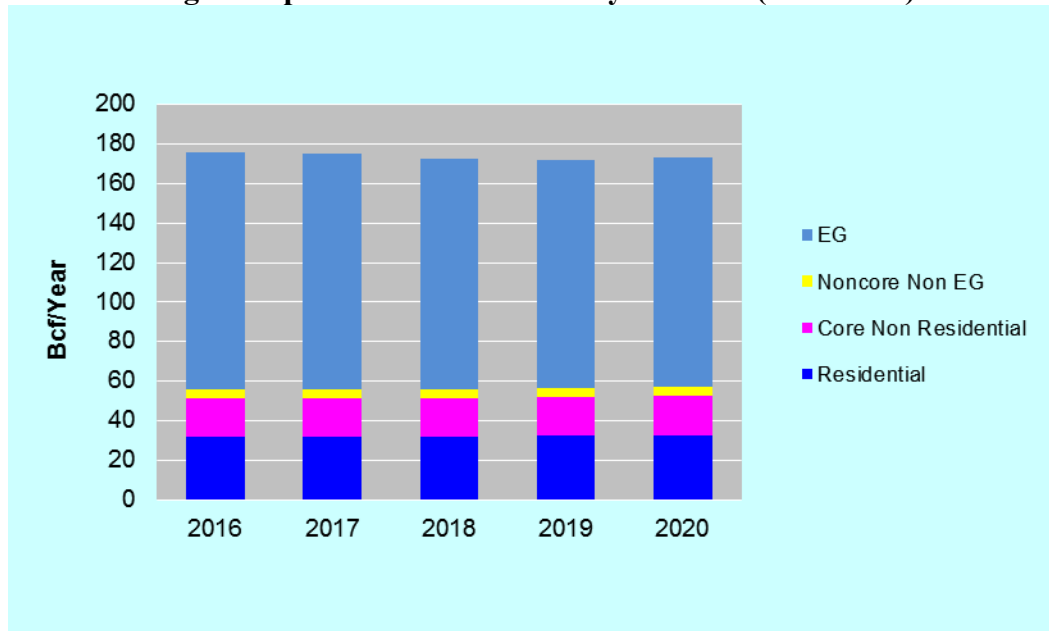
| <u>Sales in GWh</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|------------------------|---------------|---------------|---------------|
| Residential | 7,378 | 7,331 | 7,266 |
| Small Commercial | 2,004 | 2,003 | 2,005 |
| Med & Large Com/Ind | 9,881 | 9,866 | 9,871 |
| Agricultural | 325 | 326 | 327 |
| Lighting | 92 | 91 | 90 |
| Total GWh Sales | 19,680 | 19,616 | 19,559 |

Source: SDG&E 2016 General Rate Case Phase 2 Application (A.15-04-12),
February 9, 2016 testimony of Kenneth Schiermeyer.

**Composition of SDG&E Gas Requirements (Bcf)
Average Temperature and Normal Hydro Year (2016-2020)**

| Bcf | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------|------------|------------|------------|------------|------------|
| Residential | 32 | 32 | 32 | 32 | 32 |
| Core Non Residential | 19 | 19 | 19 | 19 | 20 |
| Noncore Non EG | 4 | 4 | 5 | 5 | 5 |
| EG | 64 | 63 | 60 | 59 | 58 |
| TOTAL | 120 | 119 | 116 | 115 | 115 |

**Composition of SDG&E’s Gas Requirements (Bcf)
Average Temperature and Normal Hydro Year (2016-2020)**



The table above shows the projected average year gas demand² over the five-year period covering 2016 to 2020. Gas demand in 2016 is expected to be 120 Bcf. By 2020, gas demand is expected to decline to 115 Bcf. Based on the 2014 *California Gas Report (CGR)*, average year gas demand is expected to decline modestly in the future due to modest economic growth, CPUC-mandated energy efficiency goals and renewable electricity goals, declines in commercial and industrial demand and savings linked to advanced metering modules.

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

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

2. May 1, 2016 to April 30, 2017 CPUC Filing Outlook

A. Outlook from May 1, 2016 to April 30, 2017 – Pending Proceedings

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

Electric Proceedings

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

In October 2013, Assembly Bill 327 was signed into law. AB 327 made significant changes to residential rate structures that are permitted by removing the constraints to rate design previously legislated by AB 1X and Senate Bill (SB) 695 while continuing to contain some limits intended to protect certain classes of vulnerable customers. Additionally, AB 327 addressed CARE and Net Energy Metering reform. On October 25, 2013, Commissioner Peevey issued an Assigned Commissioner's Ruling (ACR) inviting the Investor-Owned Utilities (IOUs) to file applications for interim rate relief in Rulemaking (R.) 12-06-013, Order Instituting Rulemaking on the Commission's Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities' Residential Rate Structures, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations (RROIR), defined as Phase 2 of this proceeding. On July 3, 2015, the Commission issued Decision (D.) 15-07-001, adopting Phase 1 rate changes that reflect long-term residential electric rate reform. On August 24, 2015, SDG&E filed Advice Letter (AL) 2783-E to implement the new residential rates for 2015, effective September 1, 2015, which included among other things, implementation of (1) changes to the minimum bill charge, (2) changes to residential tiered rates, and (3) changes to CARE and Family Electric Rate Assistance (FERA) programs. On September 1, 2015, SDG&E filed AL 2784-E, which sets forth the glidepath for future residential rate changes in years 2016 through 2019, consolidates the tiers, and implements the SUE Surcharge in 2017, as approved in D.15-07-001. AL 2784-E is currently pending for commission approval. The next step to the tier consolidation and glidepath will occur between March and May 2016, pursuant to D.15-07-001.

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

On November 8, 2012, the CPUC initiated this rulemaking to continue the work from R.10-05-004 for the purpose of development and refinement of policies, rules and programs for the CSI and the SGIP and to continue consideration of policies for the development of cost-effective, clean and reliable distributed generation. This rulemaking is currently considering issues related to § 2851(e)(3) regarding the New Solar Homes Partnership Program, including a decision (expected in Q1 2016) responding to the California Energy Commission’s letter and supporting materials dated November 13, 2015 notifying the Commission that funding for the NSHP Program will be exhausted in or around September 2016 and requesting continued funding (through the IOUs). Additional budgetary and administrative issues for the CSI, including issues related to program closeout, are scheduled be addressed in Q2 2016.

(R.13-12-011) – Order Instituting Rulemaking into Policies to Promote a Partnership Framework between Energy Investor Owned Utilities and the Water Sector to Promote Water-Energy Nexus Programs

This Rulemaking was initiated on December 19, 2013 and addresses opportunities to promote a partnership framework between energy IOUs and the water sector to promote water-energy nexus programs. Rulings by the Assigned Commissioner seek proposals to: 1) establish a pilot opt-in Energy Matinee Pricing Tariff for non-residential customers; and, 2) develop pilots to identify issues with a water corporation “piggybacking” on electric corporation and/or gas corporation AMI infrastructure. This rulemaking is still pending before the commission

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

On April 11, 2014, SDG&E filed an application with the CPUC for approval of its VGI Pilot Program. The goal of vehicle-grid integration is to accelerate the growth of electric transportation by ensuring the safe, reliable and efficient integration of electric vehicle loads with the electricity grid. SDG&E’s proposed rate option will vary hour by hour and incorporate the most current pricing information available on a day-ahead basis. These hourly prices will include a premium added to top peak hours both on a system and

local level. The new hourly rate is intended to provide a pricing structure that will support the increased amount of electric vehicles in the region, as well as support electric vehicle charging at workplaces and multi-family communities. On June 3, 2015, SDG&E and 16 other parties filed the “Joint Motion for Adoption of Settlement Agreement” requesting that the Commission approve the Settlement Agreement Regarding SDG&E’s Vehicle-Grid Integration Pilot Program Application. On January 28, 2016, the Commission voted 5-0 to approve a pilot program that allows SDG&E install up to 350 electric vehicle charging stations (3,500 charging units) at workplace and multi-unit residential dwelling sites. The program is largely based on the settlement agreement sponsored by SDG&E and a large number of intervening parties, and includes approval of the VGI dynamic hourly rate and SDG&E’s ability to own the charging equipment and related infrastructure. As part of the program, SDG&E will establish a one-way regulatory balancing account and may spend up to \$45 million to roll out the program. It may also recover its reasonable O&M and capital-related costs in future general rate case proceedings. SDG&E must submit its written acceptance of the decision’s terms within 30 days and then file a Tier 2 implementation advice letter to implement the program.

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

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

On January 28, 2016, the Commission issued D.16-01-044, which approved minor changes to the NEM tariff. NEM 2.0 customers will be required to pay an interconnection fee, to pay non-bypassable charges on delivered energy and to take service on a time of use (TOU) rate, except for SDG&E’s customers (SDG&E has a pending proposal to adjust TOU periods). There is no revenue requirement associated with this decision, which the CPUC will revisit in 2019.

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

On December 10, 2014, Southern California Edison Company and SDG&E filed a Joint Application regarding the 2014 DCE for SONGS Unit Numbers 2 & 3. SDG&E is requesting approval for its revised Nuclear Decommissioning revenue requirement request of \$1.08 million³. This amount reflects SDG&E's request to reduce its annual contributions to the SONGS 2 & 3 Nuclear Decommissioning Trusts from \$8.2 million to \$0.00 (zero) starting January 1, 2016, as well as SDG&E's already Commission-approved \$1.06 million nuclear decommissioning rate component for Unit 1 spent fuel costs⁴. A proposed decision was issued on February 25 which grants this request. When a final decision is approved, SDG&E will implement this change in its next rate change.

(A.15-04-012) – 2016 General Rate Case (GRC) Phase 2

On February 2, 2016, SDG&E filed its Second Amended GRC Phase 2 application with the CPUC asking for approval to change certain rate designs. This change may lead to rate increases for certain electric customers and decreases for certain other electric customers. The GRC Phase 2 Application requests no changes to gas rates and no changes to total electric and gas revenues. In addition to updating marginal costs and revenue allocation, this Second-Amended Application introduces new proposals consistent with the CPUC's rate design principles stated in the Rate Reform OIR (R.12-06-013) and California policy goals. SDG&E proposes continuing the movement toward cost-based rates for business customers that are also consistent with the Commission's rate design principles. SDG&E has taken a balanced approach in designing its proposals to minimize impact, by proposing a gradual implementation path to conclude in SDG&E's next anticipated GRC Phase 2 for Test Year 2019. Upon the Commission's approval, SDG&E plans on implementing these changes beginning January 1, 2017.

³ Amount includes FF&U.

⁴ The Unit 1 Spent Fuel costs were implemented 1/1/2016 pursuant to D.15-12-032 (2016 ERRR Proceeding) and AL 2840-E.

(A.15-09-010) - Wildfire Expense Memorandum Account Application

On September 25, 2015, SDG&E filed an application to recover \$379 million in costs incurred related to the 2007 wildfires in San Diego County, which represents a portion of the \$2.4 billion in costs and legal fees SDG&E incurred to resolve third-party damage claims arising from the wildfires. The requested amount of \$379 million is the net estimated cost incurred by SDG&E after deductions for insurance reimbursement (\$1.1 billion), third party settlement recoveries (\$824 million), allocations to FERC-jurisdictional rates (\$80 million), and a voluntary 10% shareholder contribution applied to the net balance of the Wildfire Expense Memorandum Account balance (\$42 million). SDG&E is requesting a decision by January 2017 and is proposing to recover the costs in rates over at least a six-year period of years, yet to be determined.

Gas Proceedings

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

On December 20, 2013, Southern California Gas Company (SoCalGas) and SDG&E filed a joint application with the CPUC seeking authority to recover the revenue requirement associated with the North-South Gas Transmission Pipeline Project and related cost allocation and rate design proposals. The project will support Southern System reliability and ensure the utilities' ability to fulfill their mission to provide safe and reliable gas service to their customers. The estimated \$856 million project of two components: (1) constructing a 36-inch gas transmission pipeline between the Adelanto and Moreno compressor stations; and (2) upgrading the Adelanto compressor station. The proposed project has a projected in-service date of fourth quarter 2019. A Commission decision is not expected until early 2017.

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

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

the Commission find reasonable the costs incurred, as well as the associated revenue requirement recorded in the PSRMAs, which is \$46.2 million for SoCalGas and \$0.08 million for SDG&E, to be recoverable in rates. A Commission decision is expected in 2016.

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

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

(A.15-06-013) – Pipeline Safety and Enhancement Plan (PSEP) Phase 2

On June 17, 2015, SoCalGas and SDG&E filed a joint application with the CPUC requesting approval to establish regulatory accounts to record an estimated \$22 million in planning and engineering design costs associated with Phase 2 projects. The work is necessary to present detailed cost estimates in future filings with the CPUC. Phase 2 addresses about 660 miles of transmission pipelines that do not have sufficient documentation of a pressure test to at least 1.25 times the Maximum Allowable Operating Pressure (MAOP) that are located in less populated areas. A Commission decision is expected in 2016.

(A.15-07-014) - Triennial Cost Allocation Proceeding (TCAP) Phase 2

On July 8, 2015, SoCalGas and SDG&E filed a joint application with the CPUC to update their gas demand forecasts, cost allocation, and rate design for the three-year period of 2017-2019. The utilities propose (1) continuation of 100% balancing account treatment for noncore revenues, (2) a \$10 per month residential customer charge, and (3) a new true-up mechanism to address any significant under/over collections in their Core Fixed Cost Account balancing accounts between annual amortization updates. A Commission decision is expected in November 2016.

(A.15-09-013) – Pipeline Safety and Reliability Project

On September 30, 2015, SoCalGas and SDG&E filed a joint application with the CPUC requesting a Certificate of Public Convenience and Necessity (CPCN) to install a new 36-inch, 47-mile long pipeline that will transport natural gas from SDG&E's existing Rainbow metering station, near the Riverside County line, to Marine Corps Air Station (MCAS) Miramar. SDG&E is requesting a CPUC decision by January 2017 and, once approved, the roughly \$600 million project will take about 12-18 months to construct and place in service.

Combined Electric & Gas Proceedings

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

On November 14, 2014, SDG&E filed its application with the CPUC for authority to update its gas and electric revenue requirements to adjust base rates for Test Year 2016, and implement a post-test year ratemaking mechanism for the subsequent attrition years (2017-2018)⁵. Through this application, SDG&E seeks to recover the reasonable costs that will be incurred in 2016 to own and operate the facilities that generate and distribute electricity to its customers, distribute gas, and to fulfill SDG&E's customer service functions. SDG&E is requesting approval of a combined \$1.911 billion revenue requirement (\$326 million gas and \$1.585 billion electric), to be effective January 1, 2016. If approved, this revenue requirement would be an increase of \$133 million over the estimated 2015 revenue requirement, or a 7% increase. This application is still pending before the Commission and a decision is now expected mid-2016.

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

On November 18, 2014, SDG&E filed an application with the CPUC and presented proposals to improve upon its Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE) programs. These proposals included strategies, plans, measures, policies, and budgets designed to increase the programs' enrollment and overall delivery, as well as help customers reduce their energy bills, promote energy conservation, and assist customers in order to avoid service disconnections. SDG&E is not requesting funding for

⁵ This GRC Application addresses Phase 1 cost of service proposals. SDG&E separately files a GRC Application for Phase 2, which addresses electric marginal costs, revenue allocation, and rate design.

PY 2015 since the Commission authorized funding in D.14-08-030 at the authorized 2014 budget level, for a 12-month period from January 1, 2015 to December 31, 2015. The requested electric revenue requirements for CARE administrative costs are \$5.3 million and \$5.5 million for PY 2016 and 2017, respectively. For PY 2016, this represents an increase of \$0.9 million over authorized 2015 funding and an increase of an additional \$0.2 million for PY 2017. The requested electric revenue requirements for ESA program costs are \$12.4 million for both PY 2016 and 2017, which is the current authorized funding level. The requested gas revenue requirements for CARE administrative costs are \$1.3 million and \$1.4 million for PY 2016 and 2017, respectively. For PY 2016, this represents an increase of \$0.2 million over authorized 2015 funding and an increase of an additional \$0.04 million for PY 2017. The requested gas revenue requirements for ESA program costs are \$15.5 million and \$16.0 million for PY 2016 and 2017, respectively. For 2016, this represents an increase of \$4.1 million over 2015 authorized funding and an increase of an additional \$0.5 million for PY 2017. D.15-12-024, dated December 17, 2015, authorized SDG&E to expend an amount not to exceed 50% its 2015 authorized budget level, from January 1, 2016 until June 30, 2016, to continue its ESA and CARE programs, or until the Commission adopts a final decision on the IOUs' ESA and CARE Program budget applications for 2015-2017. This application is still pending before the Commission.

B. Outlook from May 1, 2016 to April 30, 2017 – Potential Proceedings

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

Electric Proceedings

2017 ERRR/GHG Forecast

SDG&E will file its annual application with the CPUC for approval of its 2017 forecasted electric procurement revenue requirement and GHG allowance revenue and returns forecast on April 15, 2016.

Energy Efficiency Business Plans for 2017 and Beyond

SDG&E will file its application with the CPUC for approval of its Energy Efficiency Business Plans for 2017 and beyond on September 1, 2016.

C. Rate Change Implementation

The following provides the expected timing of anticipated electric rate changes during 2016 and 2017 and the amount of increase if it is known.

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

SDG&E anticipates a rate change between March and May 2016 pursuant to D.15-07-001. On July 3, 2015, the Commission issued Decision (D.) 15-07-001, adopting Phase 1 rate changes that reflect long-term residential electric rate reform. On August 24, 2015, SDG&E filed Advice Letter (AL) 2783-E to implement the new residential rates for 2015, effective September 1, 2015, which included among other things, implementation of (1) changes to the minimum bill charge, (2) changes to residential tiered rates, and (3) changes to CARE and Family Electric Rate Assistance (FERA) programs. On September 1, 2015, SDG&E filed AL 2784-E, which sets forth the glidepath for future residential rate changes in years 2016 through 2019, consolidates the tiers, and implements the SUE Surcharge in 2017, as approved in D.15-07-001. AL 2784-E is currently pending for commission approval. The next step to the tier consolidation and glidepath will have no revenue requirement impact.

Additionally, SDG&E anticipates a decision on the 2016 GRC Phase 1 (A.14-11-003) midyear, which is currently in settlement negotiations. Therefore, the revenue requirement impact related to this application is currently unknown.

Lastly, SDG&E anticipates a decision on the 2014 SONGS Units 2&3 Decommissioning Cost Estimate and Related Decommissioning Issues (A.14-12-007) midyear. Currently, annual ratepayer contribution to the Decommissioning Trust Fund is \$8.2 million. If approved, annual ratepayer contribution will reduce to \$0.

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

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

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

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

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

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

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

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

San Diego Gas & Electric Company
2015 CPUC Filing Outlook
Outlook from May 1, 2016 to April 30, 2017
Appendix A

If Revenue Requirement
Impact not available

| Application # | Description | Filed | Expected/Requested Implementation | Status | Impacted Rate | System Average Directional Impact | Revenue Requirement Impact w/FF&U (\$M) | Current Revenue Requirement (\$M) |
|----------------------------------|---|-----------------------------------|-----------------------------------|---------------|----------------------------|-----------------------------------|---|-----------------------------------|
| Pending Applications | | | | | | | | |
| Electric | | | | | | | | |
| R.12-06-013 | Residential Rate Order Instituted Rulemaking | January 2014 | █ 2016 | Still Pending | N/A | Neutral | \$ - | |
| R.12-11-005 | Policies, Procedures and Rules for the California Solar Initiative (CSI), the Self-Generation Incentive Program (SGIP) and Other Distributed Generation Issues | November 2012 | █ 2016 | Still Pending | PPP | Unknown at this time | Unknown at this time | |
| R.13-12-011 | Order Instituting Rulemaking into Policies to Promote a Partnership Framework between Energy Investor Owned Utilities and the Water Sector to Promote Water-Energy Nexus Programs | December 2013 | Unknown | Still Pending | Commodity | Neutral | \$ - | |
| A.14-04-014 | Vehicle Grid Integration Pilot Program (VGI) | April 2014 | █ 2016 | Still Pending | Distribution | Increase | Unknown at this time | |
| R.14-07-002 | Net Energy Metering (NEM) Successor Tariff Order Instituting Rulemaking | July 2014 | █ 2016 | Still Pending | N/A | Neutral | \$ - | |
| A.14-12-007 | Joint Application for 2014 San Onofre Nuclear Generating Station (SONGS) Decommissioning Cost Estimate (DCE) | December 2014 | █ 2016 | Still pending | ND | Decrease | \$ (8,200) | |
| A.15-04-012 | 2016 General Rate Case (GRC) Phase 2 | February 2016 (Amended) | █ 2017 | Still Pending | N/A | Neutral | \$ - | |
| A.15-09-010 | Wildfire Expense Memorandum Account Application | September 2015 | █ 2017 | Still pending | Distribution | Increase | \$379 Amortized over 6, 8 or 10 years | |
| Gas | | | | | | | | |
| A.13-12-013 | North-South Gas Transmission Pipeline Project | December 2013, updated 11/12/2014 | █ 2020 | Still Pending | SoCalGas BTS Rate | Increase | \$ 134,000 | |
| A.14-12-016 | Pipeline Safety and Reliability Memorandum Account | December 2014 | █ 2016 | Still Pending | All Transportation Rates | Increase | \$ 0,080 | |
| A.14-12-017 | Triennial Cost Allocation Proceeding (TCAP) Phase 1 | December 2014 | █ 2016 | Still Pending | All Transportation Rates | Increase | \$ 2,000 | |
| A.15-06-013 | Pipeline Safety Enhancement Plan (PSEP) Phase 2 | June 2015 | █ 2019 | Still Pending | All Transportation Rates | Increase | Not Applicable | |
| A.15-07-014 | Triennial Cost Allocation Proceeding (TCAP) Phase 2 | September 2015 | █ 2017 | Still Pending | All Transportation Rates | Decrease | \$ (92,947) | |
| A.15-09-013 | Pipeline Safety & Reliability Project | September 2015 | █ 2018 | Still Pending | SoCalGas BTS Rate | Increase | \$ 83,000 | |
| Combined Gas and Electric | | | | | | | | |
| A.14-11-003 | General Rate Case (GRC), Phase 1 | November 2014 | █ 2016 | Still Pending | All Rate Components | Increase | \$ 133,000 | |
| A.14-11-009 | Low-Income Assistance Programs and Budgets for Program Years (PY) 2015-2017 ¹ | November 2014 | █ 2016 | Still Pending | PPP & TRAC | Increase | \$ 5,200 | |
| Potential Applications | | | | | | | | |
| Electric | | | | | | | | |
| | 2017 ERRR/GHG Forecast | April 2016 | █ 2017 | | Commodity, GHG, LGC, & CTC | | | |
| | Energy Efficiency Business Plans Application | September 2016 | █ 2017 | | PPP | | | |
| Gas | | | | | | | | |

¹Revenue Requirement Impact represents incremental impact in 2016 from 2015.