

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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.

Rulemaking 12-06-013
(Filed June 21, 2012)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
QUARTERLY REPORT
ON PROGRESS OF
RESIDENTIAL RATE REFORM (PRRR)**

Steven C. Nelson
Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

8330 Century Park Court
San Diego, CA 92123
Telephone: (619) 699-5136
Facsimile: (619) 699-5027
Email: snelson@semprautilities.com

August 1, 2017

TABLE OF CONTENTS

I.	Introduction	1
II.	Marketing, Education & Outreach (ME&O)	2
	A. ME&O Plan.....	2
	B. Community Outreach & Engagement	2
	i. SDG&E’s Energy Solutions Partner Network (Community Based Organizations - CBO’s) ..	2
	ii. Partner Roundtables	3
	iii. Targeted Initiative – Branch Office Tailgate Series.....	4
	iv. Cool Zones.....	5
	v. Special Needs Roundtable	5
	C. High Usage Charge (formerly SUE)	6
	D. Statewide Marketing	7
III.	Opt-In Time of Use (TOU) Rates.....	7
IV.	TOU Pilots.....	8
	A. Opt-In TOU Pilot (June 2016-December 2017).....	8
	i. Participation – Control Your Use Rates E1, E2 & E3	8
	ii. Bill Protection - Control Your Use Rates E1 and E2	9
	iii. Event Day Pricing – Control Your Use Rate E3.....	10
	B. Pilot Outreach & Education	11
	C. Research and Evaluation	12
	i. Hour X Pilot Participant Survey.....	12
	ii. TOU Opt-in Pilot Participant Survey (Rates 1 and 2)	13
	D. Default TOU Pilot (2018).....	13
V.	Updates on Other Proceedings Impacting Residential Rate Reform.....	14
	A. General Rate Case (GRC) Phase 2 Application (A.15-04-012).....	14
	B. Fixed Cost Methodology/PG&E’s GRC Phase 2 Application	15
	C. Rate Reform OIR Phase 3 (R.12-06-013).....	15
	D. Rate Reform Petition of Modification (PFM) – Glidepath Issues	16
	E. Net Energy Metering (NEM) OIR (R.14-07-002)	17
VI.	Expenditures	17
VII.	Conclusion.....	18

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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.

Rulemaking 12-06-013
(Filed June 21, 2012)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
QUARTERLY REPORT
ON PROGRESS OF
RESIDENTIAL RATE REFORM (PRRR)**

I. Introduction

Pursuant to Decision (D.) 15-07-001, "Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates" (the Decision), that the California Public Utilities Commission (Commission or CPUC) issued on July 13, 2015, San Diego Gas & Electric Company (SDG&E) files this quarterly report.

This Decision provides for the implementation of Residential Rate Reform during the years 2015 to 2020 and a transition to time-of-use (TOU) rates for residential customers. The Decision also requires the Investor-Owned Utilities (IOUs) to provide the Commission and interested parties with regular updates on the progress of understanding TOU rates and other rate reform impacts. These updates, or Progress on Residential Rate Reform (PRRR), are reported on a quarterly basis.

This report is the eighth progress update that SDG&E has submitted, with previous reports having been submitted on the following dates:

- 2015: November 2
- 2016: February 2, May 2, August 1 and November 1

- 2017: February 1, May 1

II. Marketing, Education & Outreach (ME&O)

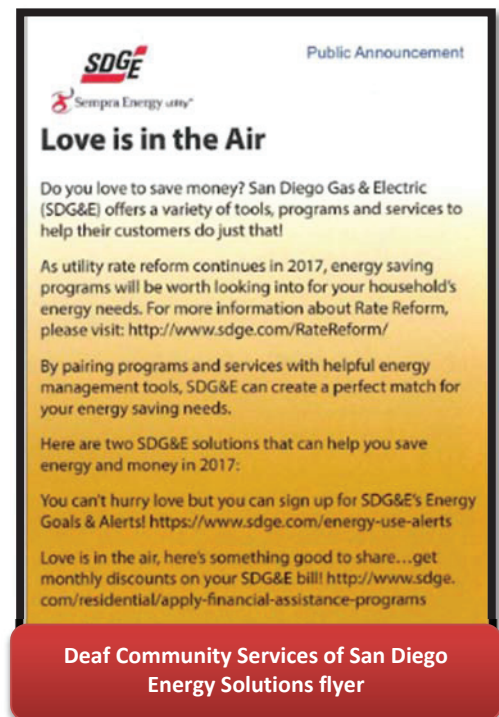
A. ME&O Plan

Both SDG&E's marketing plan (AL 2992-E) submitted November 1, 2016 and supplemental advice letter (AL 2992-E-A) submitted on March 15, 2017 are still waiting for CPUC approval. Feedback received from Energy Division on July 17, 2017 indicated that a preliminary decision may be issued by end of August.

B. Community Outreach & Engagement

i. SDG&E's Energy Solutions Partner Network (Community Based Organizations - CBO's)

The Energy Solutions Partner Network continues to be a significant outreach channel for SDG&E, especially for both underserved and hard-to-reach customers. Consisting of more than 250 grassroots, diverse community based organizations throughout SDG&E's service area, this community-based network helps to engage customers in energy saving solutions. These partners help customers to promote these solutions including enrollment in applicable programs, services, tools and pricing plan options. As part of Rate Reform education, these partners are largely focused on My Account and energy management tools, as well as promoting new pricing plans options.



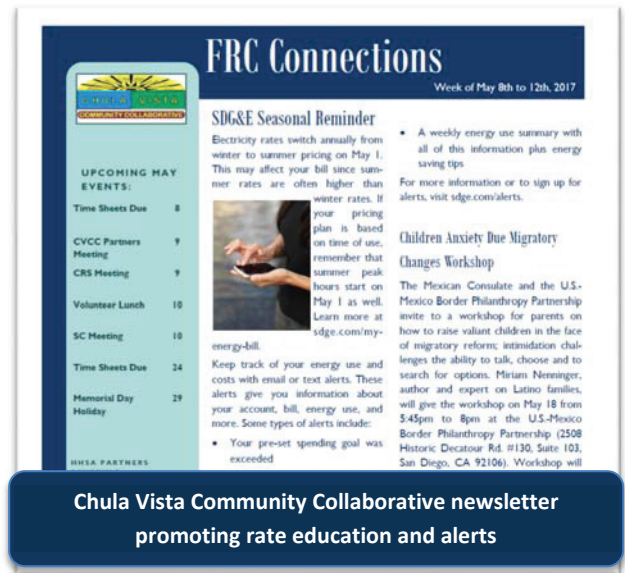
In Q2 2017, SDG&E's Outreach & Engagement Team, in collaboration with these partners, coordinated a total of 118 activities highlighting rate reform and energy management solutions. These activities included:

- **71 events** reaching over 46,000 people
- **22 presentations** reaching over 200 people
- **25 online activities** (social media postings, e-blasts, website posts) reaching more than 23,000 people

ii. Partner Roundtables

SDG&E conducted its first of two Energy Solutions Partner Roundtables promoting summer solutions on June 28 at its Energy Innovation Center in Kearny Mesa. Partners representing 25 organizations were in attendance. These roundtables are held two to four times a year to ensure that partners are educated on current energy topics as well as solutions available to customers in a variety of areas including energy efficiency, conservation, services and energy management tools.

These events also provide an opportunity for the partners to give feedback to SDG&E, as well as to brainstorm on collaborative efforts to engage constituents in energy solutions. At the June



Educating Energy Solutions Network Partners on High Usage Charge and other Rate Reform efforts



meeting, SDG&E focused largely on Rate Reform activities including the implementation of the High Usage Charge (HUC), updates on the current Opt-in TOU pilot with residential customers, and the 2018 Default Pilot.

iii. Targeted Initiative – Branch Office Tailgate Series

The team hosted six Customer Solutions Tailgate events at SDG&E branch offices. These events were held at the branch offices in the following communities: National City (South County), Market Creek (Central San Diego), Escondido (North County), Chula Vista (South County), and twice at El Cajon (East County). At these events, customers were educated on pricing plans, energy management tools and encouraged to sign up for online alerts through My Account. These events continue to provide great opportunities for SDG&E to connect one-on-one with customers who have energy top-of-mind before and after they pay their bill at the Branch Offices. Additionally, at the Escondido, Chula Vista and El Cajon branch office events, SDG&E's lighting solutions partner, TechniArt, was also on site selling discounted LED lightbulbs. Several Energy Solutions Partners also participated to promote their own services in partnership with SDG&E.



SDG&E Branch Office Tailgate
Market Creek Branch Office
May 1, 2017



SDG&E Branch Office Tailgate
El Cajon Branch Office
June 6, 2017

iv. Cool Zones

SDG&E leverages its Cool Zone Program in partnership with the San Diego County Office of Aging & Independent Services as another way to educate customers on energy management solutions and pricing plan options. On Wednesday, April 26, SDG&E hosted its 2017 Cool Zone Program



Kick-Off event. More than 20 attendees representing the over 100 Cool Zone locations attended. Topics covered at this meeting included a summer outlook, an update on Rate Reform activities, the implementation of the High Usage Charge (HUC) later in the year and solutions available to customers to help better manage their summer energy costs. Participants were given the chance to network with other Cool Zone locations and brainstorm ways to engage and enroll visitors in these solutions.

v. Special Needs Roundtable

On May 9, SDG&E hosted a roundtable event at the San Diego Department of Rehabilitation with groups providing services to constituents in the following areas: deaf & hearing impaired, blind & site impaired, disabled, mental health, rehabilitation, immigration/refugee and long-term/in-home care.

This event provided attendees with an update on Rate Reform activities including time-of-use pricing plan, the High Usage Charge and energy management solutions. The message of customers having choice with their pricing plans resonated, and attendees also valued the opportunity to provide feedback about educational materials needed for the audiences they serve. Overall, 25 people were in attendance representing 18 unique organizations.



**Special Needs Partner Roundtable
May 9, 2017**

A list of organizations has been provided below.

Organizations represented included:

- Volunteers of America
- Reentry Resources 4 Change
- Medical Advisory Group
- Alliance for African Assistance
- KRA – San Diego Workforce Partnership
- Catholic Charities
- Ocean View Church / Care Pastor
- BJ Iglab Haus (Independent Living Association)
- Ruby's House (Independent Living Association)
- JoJo's ILS (Independent Living Association)
- San Diego Futures Foundation
- Family Health Centers of San Diego - Hillcrest Clinic
- Department of Rehabilitation - Blind Field Services
- Department of Rehabilitation – WIPS
- State Council on Developmental Disabilities
- Special Needs Resource Foundation
- Veterans Community Services
- Access to Independence



C. High Usage Charge (formerly SUE)

SDG&E is expecting to receive a final decision for the 2017 Rate Reform Glidepath in August 2017. Prior to the decision, general awareness materials were created to educate customers, at a high-level, about the High Usage Charge (HUC). The High Usage Charge is featured in a Spring/Summer collateral piece used by SDG&E customer-facing teams – Outreach and Field Services for example -- that largely promotes seasonal solutions. SDG&E also launched its High Usage Charge landing page as part of the sdge.com website in April (sdge.com/highusage). Customers will find background information about HUC, ideas on how to take action to avoid the charge and receive information on how to sign-up in advance for High Usage Charge alerts. Alerts are available to customers at both 350% (You are approaching HUC) and 400% (You've reached HUC).

SDG&E Spring/Summer Pocket Card HUC feature

State mandate encourages energy efficiency

As part of California's continued efforts to encourage people to use less energy, a new state-mandated High Usage Charge will be implemented later this year. This charge will apply to residential customers whose electricity use is more than four times the amount of their baseline allowance and who aren't on time-of-use pricing plans. Understanding your baseline allowance – the amount of electricity allotted per day for basic needs – may help you manage your energy use to avoid this charge. In addition, you can subscribe to alerts to receive advance notification.

Learn more and sign up for energy usage alerts at sdge.com/highusage.



The screenshot shows the SDG&E website with a blue header and navigation menu. The main content area features a 'New High Usage Charge' section with a blue icon of two people. Below this, there is a 'Track your energy use' section with a green button that says 'Early sign up for alerts'. At the bottom of the page, there is a 'Know your baseline' section with a link to 'here'.

SDG&E website: sdge.com/highusage

D. Statewide Marketing

On April 14, 2017, Administrative Law Judges (ALJ) McKinney and Park issued a Ruling seeking comment on statewide marketing, education and outreach (SW ME&O) on residential rate reform. The request for comment was centered on the idea to select DDB, the statewide administrator for the Energy Upgrade California (EUC) campaign, as the implementer for statewide rate reform ME&O. Utilities and Interested Parties generally submitted comments that were generally supportive of this proposal.

III. Opt-In Time of Use (TOU) Rates

As of June 30, there were 30,589 SDG&E customers on opt-in TOU rates. The detailed breakout by TOU rate has been provided below.

SDG&E CUSTOMERS ON OPT-IN TOU RATES

Rate	Accounts Enrolled as of 12/31/15	Accounts Enrolled Q1 2016	Accounts Enrolled Q2 2016	Accounts Enrolled Q3 2016	Accounts Enrolled Q4 2016	Accounts Enrolled Q1 2017	Accounts Enrolled Q2 2017	Total
Schedule TOU-DR	346	209	133	180	104	85	63	1,120
Schedule EECC-TOU-DR-P	1,365	692	554	645	599	479	315	4,649
Schedule DR-TOU	1,165	-33	0	-34	-2	-14	-18	1,064
Schedule EV-TOU	302	-17	2	136	-8	15	17	447
Schedule EV-TOU2	6,466	504	550	484	623	575	338	9,540
Schedule DR-SES	2,168	412	338	397	341	448	535	4,639
Schedule TOUDDRE1	0	0	3,741	133	-176	-227	-212	3,259
Schedule TOUDDRE2	0	0	6,860	126	-348	-411	-356	5,871
Total	11,812	1,767	12,178	2,067	1,133	950	682	30,589

IV. TOU Pilots

A. Opt-In TOU Pilot (June 2016-December 2017)

SDG&E's Opt-In TOU Pilot Plan includes three experimental rate options Control Your Use Rates E1, E2, and E3. This section summarizes the three rate options, recruitment and retention efforts, customer participation levels, education and outreach efforts, and research and evaluation plans.

i. Participation – Control Your Use Rates E1, E2 & E3

On June 1, 2016, SDG&E went live with 15,802 participants on rates E1 and E2 and control group. Effective June 1, 2016 through December 31, 2017, the rates reflect a simple TOU rate structure. Rate E1 has three TOU periods, and Rate E2 has two TOU periods. The on-peak period for both rates is 4pm-9pm. Retention rate as of June 26, 2017, is 80% for control group, 79% for Rate 1, and 78% for Rate 2.

On October 1, 2016, SDG&E went live with 68 participants on rate E3. Effective October 1, 2016 through December 31, 2017, this rate is a proof of concept and is intended for customers who adopt innovative technology and understand their energy usage. It is a dynamic hourly rate option that is

much more complex than Rates E1 and E2 and includes: a) Monthly service fee (\$10), b) Prices that vary hourly, c) Dynamic rate components, and d) Net surplus energy credits. The retention rate for E3 as of June 26, 2017, is 89%.

In summary, as of June 27, 2017, there were a total of 12,492 participants on Rates E1 & E2 and 61 participants on E3. SDG&E continues to maintain strong participation across all three pilot rates with a cumulative retention rate of 79%. The three main reasons for opt-outs are a) bill is too high, b) the rate is too confusing or difficult to understand, c) can't/don't want to shift load during peak hours.

The table on the following page summarizes the recruitment results by rate.



Pilot Participation- As of June 23, 2017

Pilot Group #	Pilot Group	# of Customers Enrolled	Drop Offs (Ineligibility / Opt Outs)			# of Active Participants
			Rate 1	Rate 2	Control Group	
1	Hot	432	---	60/15	---	357
2	Cool, Non CARE	4008	196/23	331/36	199/2	3221
3	Cool, CARE	3808	204/15	357/23	227/3	2979
4	Moderate, Non CARE	3946	169/40	338/62	186/1	3150
5	Moderate, CARE	3610	210/29	359/35	188/4	2785
Totals		15,804	779/107	1445/171	800/10	12,492

Note- 2,664 of the overall Ineligibility count is due to Finaled Accounts.

Opt In Rate Options

<p>Experimental Rate E1</p> <ul style="list-style-type: none"> • 3,268 customers assigned to E1 • June 2016 – Dec 2017 • 3 TOU Periods- On Peak, Off Peak, Super Off Peak • 4-9pm On-Peak 	<p>Experimental Rate E2</p> <ul style="list-style-type: none"> • 5,885 customers assigned to E2 • June 2016 – Dec 2017 • 2 TOU Periods- On Peak, Off Peak • 4-9pm On-Peak 	<p>Control Group</p> <ul style="list-style-type: none"> • 3,339 customers assigned to Control Group • June 2016 – Dec 2017 • Remain on Residential DR or DR-LI rate 	<p>Experimental Rate E3</p> <ul style="list-style-type: none"> • 61 enrolled participants • Hourly dynamic rate, includes: <ul style="list-style-type: none"> - Monthly service fee (\$10) - Prices that vary hourly - Dynamic rate components - Net surplus energy credits
--	--	---	---

ii. Bill Protection - Control Your Use Rates E1 and E2

Bill protection credits were processed in June 2017 for Opt-in TOU Pilot rates E1 and E2. Results will be provided in next quarterly report. For bill protection communications, refer to section B under Pilot Outreach & Education.

iii. Event Day Pricing – Control Your Use Rate E3

Rate 3 (HourX) is an hourly dynamic rate that includes (1) monthly service fee, (2) prices that vary hourly, (3) dynamic rate components, and (4) net surplus energy credits. The rate will provide customers with the maximum number of low cost hours and will include high premiums, through the recovery of capacity costs through price “adders” applied to the top 150 system peak hours and the top 200 circuit peak hours, and a monthly service fee which recovers fixed and some capacity related costs. The first peak hour event was called on May 28, 2017. Impacted customers were notified of these peak system and circuit hours via email the day before and the day of the event (refer to section B for sample of email communications). Customers also receive their next day price file every day. As of June 30, a total of seven event days have been called.

Event Day Pricing

Critical Peak Pricing Hourly Adders for system and circuit peak hours.

Fixed Charge (\$/month)	Energy Rates* (cents/kWh)	Dynamic Pricing Adders (cents/kWh)
	Base Rate 1.4	
	+	
	Transmission Base Rate 2-Period (with Super Off-Peak Exemption) All Other Periods 3.5 Super-Off Peak 0.0	Commodity CPP Hourly Adder 68.6
MSF -\$40	+	
	Commodity Base Rate* 2-Period (with Super Off-Peak Exemption) All Other Periods 8.8 Super Off-Peak 6.2	Distribution CPP Hourly Adder 30.1
	=	
	Total Rate* 2-Period (with Super Off-Peak Exemption) All Other Periods 13.8 Super Off-Peak 7.6	
*Does not reflect adjustment for CAISO hourly price		To address surplus energy on “duck belly” days, customers will receive <u>credits</u> for surplus energy events.

B. Pilot Outreach & Education

SDG&E continued to educate pilot participants on seasonal rate changes, conservation, shifting energy off-peak and other energy saving solutions to help customers be even more successful on TOU pricing plans. Below are samples of communications sent to Rate 1, 2 and 3 customers.

April 2017: Opt-In Pilot Rates E1 & E2 | Summer Rates & Solutions

The image displays six sample communications for Summer E1 and E2 rates, categorized by High Use, Low Use, and Tech. Each flyer includes energy-saving actions, price per kilowatt hour tables, and bar charts showing peak vs. off-peak rates.

Summer E1 High Use: Summer E1 Whenergy prices increase, May 1. The summer season is on its way, which means prices are generally higher during peak hours. To help you save, we've created a special rate plan for you. It's important to stay on Whenergy to receive your final survey credit. The survey will be sent to you later this summer.

Summer Price Per Kilowatt Hour	Off-Peak	On-Peak	On-Peak
Base	32¢	38¢	62¢
Off-Peak	10¢	16¢	39¢

Summer E1 Low Use: Summer E1 Whenergy prices increase, May 1. The summer season is on its way, which means prices are generally higher during peak hours. To help you save, we've created a special rate plan for you. It's important to stay on Whenergy to receive your final survey credit. The survey will be sent to you later this summer.

Summer Price Per Kilowatt Hour	Off-Peak	On-Peak	On-Peak
Base	32¢	38¢	62¢
Off-Peak	10¢	16¢	39¢

Summer E1 Tech: Summer E1 Whenergy prices increase, May 1. The summer season is on its way, which means prices are generally higher during peak hours. To help you save, we've created a special rate plan for you. It's important to stay on Whenergy to receive your final survey credit. The survey will be sent to you later this summer.

Summer Price Per Kilowatt Hour	Off-Peak	On-Peak	On-Peak
Base	32¢	38¢	62¢
Off-Peak	10¢	16¢	39¢

Summer E2 High Use: Summer E2 Whenergy prices increase, May 1. The summer season is on its way, which means prices are generally higher during peak hours. To help you save, we've created a special rate plan for you. It's important to stay on Whenergy to receive your final survey credit. The survey will be sent to you later this summer.

Summer Price Per Kilowatt Hour	Off-Peak	On-Peak	On-Peak
Base	36¢	62¢	62¢
Off-Peak	14¢	39¢	39¢

Summer E2 Low Use: Summer E2 Whenergy prices increase, May 1. The summer season is on its way, which means prices are generally higher during peak hours. To help you save, we've created a special rate plan for you. It's important to stay on Whenergy to receive your final survey credit. The survey will be sent to you later this summer.

Summer Price Per Kilowatt Hour	Off-Peak	On-Peak	On-Peak
Base	36¢	62¢	62¢
Off-Peak	14¢	39¢	39¢

Summer E2 Tech: Summer E2 Whenergy prices increase, May 1. The summer season is on its way, which means prices are generally higher during peak hours. To help you save, we've created a special rate plan for you. It's important to stay on Whenergy to receive your final survey credit. The survey will be sent to you later this summer.

Summer Price Per Kilowatt Hour	Off-Peak	On-Peak	On-Peak
Base	36¢	62¢	62¢
Off-Peak	14¢	39¢	39¢

May 2017: Opt-In Pilot Rates E1 & E2 – Bill Protection Ending

Bill protection expired in June 2017 for Opt-in Pilot rates E1 and E2. Communications were distributed to inform customers about bill protection ending and to remind them about their participation in the upcoming survey.

whenergy **END THE PEAK 4 PM-9 PM**

Happy One-Year Anniversary!

It's been a year since you volunteered to test the way to Whenergy. We want to thank you again for your participation in our new Time-of-day pricing pilot study. Your insights continue to be incredibly valuable as we prepare to roll out Whenergy to our customers over the next two years. By managing your energy use and shifting use away from on-peak hours, you've helped reduce demand on the electric grid. Reducing demand ultimately benefits the environment because we rely on Whenergy to help us reach California's new and innovative energy future.

In general, summer means more energy use and higher energy prices during those hotter months, so managing your use will have even more impact on your bill. Be sure to visit sdge.com/MyWhenergy for tips and tools.

Thanks to you, when the new Whenergy rates take effect, you'll be a big part of their success.

The Whenergy program ends in December 2017. However, your Whenergy bill protection expires this summer as the one-year anniversary of your enrollment (between June and July). As a reminder, in order to receive your final survey credit, you must complete the survey.

SDGE

May 2017: Opt-In Pilot Rate 3 (HourX) – Surcharge Reminder

All Rate 3 participants received a reminder about summer bringing high-demand hours. This reminder was sent out in late May to prepare participants for warmer weather and make them aware of potential “event” days. Additionally, these customers receive both day-ahead and day-of event day notifications.

C. Research and Evaluation

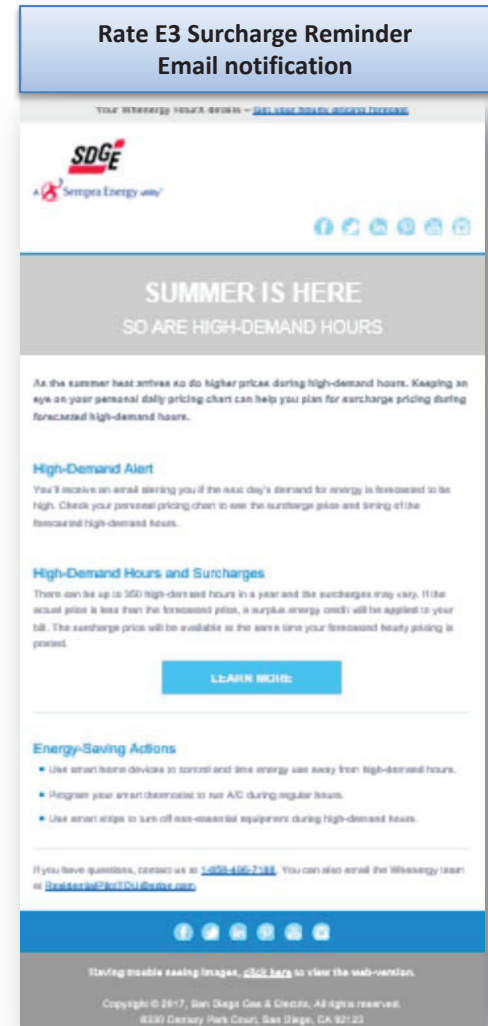
i. Hour X Pilot Participant Survey

Residential customers participating in the Hour X Pilot were surveyed in May, 2017 in order to get a sense of their experience on the pilot thus far. The survey addressed a variety of topics, such as:

- Motivation for enrolling in the pilot
- Satisfaction with SDG&E and the TOU Hour X rate
- Satisfaction with various rate plan aspects
- Actions they’ve taken to shift usage away from peak
- Helpfulness of tools and information provided

Participants were sent an invitation e-mail to take an online survey between May 1 and 12, 2017. Of the 66 that were eligible to take the survey, 58 customers completed it, resulting in an overall response rate of 88%. Highlights of the survey results include:

- Saving money on the electric bill is the top reason for deciding to enroll in the Hour X Pilot.
- Overall, 8 in 10 participants said they are satisfied with both SDG&E and the TOU rate plan. EV owners are also more satisfied with the rate plan (84% are satisfied, vs. 68% of non-owners).
- Participants said they like that they have the ability to save money, have control, and that the rate is easy to understand.



- When asked what kind of information they feel they need to be successful on the rate, many commented that they would like more advance notice or the ability to forecast what the rates might be, alerts or analytical tools, and for the rates to be easy to obtain and understand in general.
- Participants are most often making simpler adjustments to shift usage away from peak times, such as turning off lights, avoiding dishwashing, and avoiding laundry. The vast majority of EV owners are also not charging their vehicle during those hours.
- When asked to comment on the benefits (if any) of the Hour X rate plan, words like “flexibility”, “control”, and “fair” were used. However, some commented that the daily rate change is impractical and difficult to manage.

ii. TOU Opt-in Pilot Participant Survey (Rates 1 and 2)

The second of two Opt-In TOU Pilot surveys is currently underway. As in the first wave, SDG&E has partnered with Research Into Action (RIA) and Washington State University to conduct the survey, analyze the data, and report results. Participants have until August 7 to either complete a survey online, in booklet form, or over the phone. All of those who respond will receive a bill credit of either \$75 or \$125 depending on the terms of their enrollment. The primary objective of the second survey is to measure the customer experience during the **cooler** months of December through May, 2017, primarily:

- Degree of financial hardship caused by TOU rates relative to tiered rates and to identify population segments most affected by the rate changes
- Level of customer understanding of TOU rates and the reasons for them
- Effectiveness of communications used during those months
- Level of satisfaction participants have with their new rate, during the cooler months

Survey results are expected to be available around late October, 2017.

D. Default TOU Pilot (2018)

SDG&E plans to transition 100,000 - 125,000 customers to TOU pricing in March 2018 based on the customer’s billing cycle. To account for customers who opt-out, close their account, or transfer service, SDG&E will send out default notifications to approximately 125,000 to 150,000 randomly

selected, eligible residential customers. An initial awareness communication will be distributed in October 2017, six months in advance of the customer defaulting. The primary default notification containing rate comparisons and other information will occur in January 2018, 60 days prior to transitioning customers in March 2018. A reminder communication will be sent 15 to 30 days prior to the customer transitioning. Default pilot customers will receive ongoing communications, as appropriate, including but not limited to summer and winter pricing information and end of bill protection communication. To avoid customer confusion, SDG&E plans to shield its default pilot customers from receiving outreach materials for its existing opt in TOU rates including the rate comparison information that is required by D.15-07-001. SDG&E will test two default tariffs, which are structurally the same as the two rates being tested in its TOU opt-in pilot. The majority of customers will be transitioned onto Schedule TOU-DR1 which will have a daily peak period from 4pm-9pm with varying on-peak and off-peak hours on weekdays and weekends. TOU-DR2 will have a daily peak period from 4pm 9pm, with all other hours as off-peak. Both rates have the same structure year-around. SDG&E's default pilot plan will help to ensure SDG&E's business processes and operational systems are functional and its ME&O efforts are fine tuned in preparation for full eligible residential TOU roll out in SDG&E's service territory in 2019.

V. Updates on Other Proceedings Impacting Residential Rate Reform

Provided in this section, are other current proceedings that have impacts on activities related to the implementation of Residential Rate Reform.

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

SDG&E filed its second-amended application on February 9, 2016. As part of SDG&E's GRC Phase 2 application, the CPUC will consider, among other things, the adoption of SDG&E's (1) revenue allocation settlement agreement; (2) sales forecast; (3) proposal to recover Self Generation Incentive Program costs through public purpose program rates, instead of distribution rates; (4) new time of use

(TOU) periods and rates; and (5) other electric revenue allocation and rate design proposals. A draft decision addressing SDG&E's application was issued in July 2017 and a final decision is expected in August 2017 that will adopt new TOU periods and rate proposals effective in December 2017.

B. Fixed Cost Methodology/PG&E's GRC Phase 2 Application

PG&E filed its GRC Phase 2 application on June 30, 2016, including the IOU joint fixed charge methodology. This proceeding will include proposals by the IOUs, the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) on a defined fixed charge methodology to develop a record to support a Commission decision adopting categories of fixed charges. During the comment period, the parties remained unaligned; ORA and TURN support a narrower definition of fixed costs than the IOUs. A decision in this case is expected in third quarter of 2017.

C. Rate Reform OIR Phase 3 (R.12-06-013)

The Commission determined that the scope of Phase 3 should include: (1) the interpretation of Public Utilities Code Section 745 (Section 745) conditions that must be met for the implementation of default TOU rates; (2) potential changes to the California Affordable Rates for Energy (CARE) program under Assembly Bill 327 (Statutes of 2013, Perea); and (3) requirements for supporting information for the 2018 residential rate design window (RDW) applications and general TOU pilot implementation issues. A CPUC decision (D.16-09-016) was issued on September 19, 2016 addressing many of the statutory interpretation issues necessary to implement Section 745. Other Section 745 concerns around other potentially vulnerable types of customers such as Medical Baseline (MBL) and CARE customers located in hot climate zones were addressed in Commission hearings in May 2017 and briefed by interested parties in June 2017. The procedural schedule to move forward in addressing the remaining Phase 3 issues is as follows:

- CARE Restructuring – Working group status report – August 31, 2017
- Section 745 – PD in August 2017 and Final Decision in September 2017

- CARE Restructuring – Recommendations for 2018 RDW filings – September 2017
- RDW Filings – to be filed no later than January 1, 2018
- Marketing, Education, and Outreach - The three IOUs filed advice letters regarding their ME&O plans to educate and outreach to customers on residential rate reform information on November 1, 2016 in compliance with D.15-07-001. These ALs were supplemented with additional requested information on March 15, 2017. This part of the proceeding is being coordinated with the Statewide ME&O effort to better align state messaging to residential customers on time of use and other state-guided initiatives. Resolution on these advice letters is expected during the third quarter of 2017.

D. Rate Reform Petition of Modification (PFM) – Glidepath Issues

On December 7, 2016, SDG&E, SCE, and PG&E (the “IOUs”) filed a PFM to modify language of the Residential Rate Reform Decision (D.15-07-001) that established, among other things, glidepath rules around capping Tier 1 residential rate increases to no more than 5% above the annual change in the Residential Average Rate (RAR) relative to the prior 12 months. Due to changes in customer sales (kWh consumed) versus forecasts and other rate related impacts, the IOUs sought changes to the capping rule as well as a procedural path to decide any future Tier 1 capping rule deviations. The PFM, approved on July 13, 2017, authorizes rate increases resulting from annual glidepath changes of a RAR percentage increase plus 8% relative to rates for the prior 12 months to procedurally be requested via a Tier 3 advice letter (AL). Pursuant to ALJ McKinney’s ruling at the February 6, 2017 prehearing conference and in parallel with the PFM request, SDG&E collaborated with interested parties agreeing to present several SDG&E Glidepath scenarios including the addition of the High Usage Charge (HUC) in alignment with D.15-07-001 and related estimated customer bill impacts in a Tier 3 AL filed on March 10, 2017. A final resolution of this AL is expected in August 2017. Pending approval of the AL,

implementation of new residential Tier 1 and 2 rates and HUC is expected in September 2017 and November 2017, respectively.

E. Net Energy Metering (NEM) OIR (R.14-07-002)

On January 28, 2016, a Commission Decision approved minor changes to the NEM program (establishing the NEM successor tariff or NEM-ST), which were confirmed on June 23, 2016 in Resolution E-4792. NEM-ST customers are required to pay an interconnection fee, to pay certain non-bypassable charges on net delivered energy within a metered interval and residential customers are required to take service on a TOU rate. SDG&E's NEM-ST became effective July 1, 2016 pursuant to the Resolution. In beginning the next phase of NEM, the CPUC requested comments/data around consumer protection issues and plan proposals to expand NEM adopted in disadvantaged communities, as defined by state census tract information. Interested parties filed plans/proposals and comments in June 2017.

VI. Expenditures

Pursuant to Ordering Paragraph 12 of Decision D.15-07-001, SDG&E filed a Tier 1 Advice Letter 2769-E6 on July 31, 2015 to establish the Rate Reform Memorandum Account (RRMA). The RRMA will be used to track verifiable incremental costs in the following categories: (i) TOU pilots, (ii) TOU studies, including hiring of a consultant or consultants to assist in developing study parameters, (iii) MEO costs associated with the rate changes approved in this decision, and (iv) other reasonable expenditures as required to implement this decision.

IT costs related to system changes required to implement Residential Rate Reform that are not TOU pilot related are funded through the SDG&E base capital budget and will be excluded from the RRMA. These costs, along with other MEO costs not included in the RRMA are reflected in the "Non-RRMA" section of the table below.

The information provided below includes costs incurred from August 2015 through June 2017.

SDG&E – RATE REFORM BUDGET OVERVIEW

Rate Reform Costs Aug 2015 - June 2017*									
RRMA: General Rate Reform (in 000's)	Aug - Dec								Total
	2015	Q1 - 2016	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Q2 - 2017		
Marketing, Education, & Outreach	\$ -	\$ 72	\$ 420	\$ 325	\$ (446)	\$ 5	\$ 89	\$ 465	
Information Technology	\$ -	\$ 51	\$ 130	\$ 81	\$ (216)	\$ -	\$ -	\$ 46	
Other	\$ -	\$ -	\$ 6	\$ 9	\$ 19	\$ 2	\$ 3	\$ 39	
General Rate Reform Total	\$ -	\$ 123	\$ 556	\$ 415	\$ (643)	\$ 7	\$ 92	\$ 550	
RRMA: Time-Of-Use Opt-In Pilot (in 000')	Aug - Dec								Total
	2015	Q1 - 2016	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Q2 - 2017		
Planning & Design	\$ -	\$ -	\$ -	\$ 550	\$ (483)	\$ 20	\$ 13	\$ 100	
Measurement & Evaluation	\$ -	\$ -	\$ 11	\$ -	\$ -	\$ -	\$ 1	\$ 12	
Customer Insight	\$ -	\$ -	\$ 46	\$ -	\$ 67	\$ 1	\$ 58	\$ 172	
Recruitment	\$ -	\$ -	\$ 395	\$ 1,227	\$ 639	\$ 61	\$ 1	\$ 2,323	
Customer Support	\$ -	\$ -	\$ -	\$ 105	\$ 143	\$ 563	\$ 491	\$ 1,302	
Outreach & Education	\$ -	\$ -	\$ -	\$ 210	\$ 173	\$ 33	\$ 17	\$ 433	
Technology	\$ -	\$ -	\$ -	\$ -	\$ 78	\$ 83	\$ 36	\$ 197	
TOU Opt-In Pilot Total	\$ -	\$ -	\$ 452	\$ 2,092	\$ 617	\$ 761	\$ 617	\$ 4,538	
RRMA: Time-Of-Use Default Pilot (in 000)	Aug - Dec								Total
	2015	Q1 - 2016	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Q2 - 2017		
Planning & Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118	\$ 265	\$ 383	
Measurement & Evaluation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Customer Insight	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208	\$ -	\$ 208	
Customer Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Marketing, Education, & Outreach	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ 14	\$ 25	
TOU Default Pilot Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 337	\$ 279	\$ 616	
Total to RRMA	\$ -	\$ 123	\$ 1,008	\$ 2,507	\$ (26)	\$ 1,105	\$ 988	\$ 5,704	
Non-RRMA (in 000's)	Aug - Dec								Total
	2015	Q1 - 2016	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Q2 - 2017		
Marketing, Education, & Outreach	\$ 251	\$ -	\$ -	\$ -	\$ 148	\$ 16	\$ 12	\$ 427	
Information Technology	\$ 437	\$ 536	\$ 880	\$ 662	\$ 1,011	\$ 1,317	\$ (189)	\$ 4,654	
Non-RRMA Total	\$ 688	\$ 536	\$ 880	\$ 662	\$ 1,159	\$ 1,333	\$ (177)	\$ 5,081	
Grand Total (RRMA + Non-RRMA)	\$ 688	\$ 659	\$ 1,888	\$ 3,169	\$ 1,133	\$ 2,438	\$ 811	\$ 10,785	
Guidelines and charge numbers have been established to ensure that the costs charged to the RRMA are appropriate and incremental and that they are tracked accordingly. All costs that are charged to the RRMA are reviewed and verified on a quarterly basis, at minimum.									
<i>* Any required corrections/adjustments are reported herein and supersede information provided in prior reports and may reflect year-to-date adjustments</i>									

VII. Conclusion

SDG&E is pleased to report its Second Quarter (April – June) 2017 efforts to the Commission and stakeholders. SDG&E looks forward to continued collaboration with the other IOUs, Energy Division and the Working Group members to develop plans and best practices that will contribute to a successful implementation of Residential Rate Reform and transition to TOU rates for residential customers.

Respectfully submitted,

/s/ Steven C. Nelson

Steven C. Nelson

Attorney for

SAN DIEGO GAS & ELECTRIC COMPANY

August 1, 2017