

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**ENERGY DIVISION**

**Agenda ID 15856**  
**RESOLUTION E-4870**  
**August 10, 2017**

**RESOLUTION**

Resolution E-4870. Implementation of San Diego Gas & Electric Company's 2017 residential rate reform glidepath rate changes pursuant to Decision 15-07-001.

**PROPOSED OUTCOME:**

- Adopts a 7.37% increase over current rates to Tier 1 residential electricity prices and a 6.56% decrease to Tier 2 residential electricity prices for San Diego Gas & Electric Company, effective September 1, 2017.
- Postpones implementation of the super-user electric surcharge until November 1, 2017.

**SAFETY CONSIDERATIONS:**

- There is no impact on safety.

**ESTIMATED COST:**

- There is no additional cost to ratepayers.

By Advice Letter 3055-E, Filed on March 10, 2017.

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**SUMMARY**

On March 10, 2017, San Diego Gas & Electric Company (SDG&E) filed advice letter (AL) 3055-E pursuant to Decision (D.) 15-07-001 (the Decision) and Administrative Law Judge (ALJ) guidance at the February 6, 2017 pre-hearing conference in Rulemaking (R.) 12-06-013.<sup>1</sup> The advice letter contains a request to

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<sup>1</sup> 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, issued July 3, 2015 in R.12-06-013.

depart from the Tier 1 Cap set in the Decision and several options for how to modify the calculation of the super-user electric surcharge (SUE)<sup>2</sup> to prevent it from being lower than the Tier 2 rate.<sup>3</sup>

This resolution approves a 7.37% increase over current rates to Tier 1 residential electricity prices effective September 1, 2017, which is the maximum allowed under the Tier 1 cap. This results in a corresponding 6.56% decrease to Tier 2 residential electricity prices.

The 7.37% increase to Tier 1 over current rates reflects a 16.94% increase over the Tier 1 rate as of September 1, 2016. 16.94% is equal to the change in the residential class average rate (RAR) since September 1, 2016 plus 5%. This results in a Tier 1 rate of \$0.22373<sup>4</sup> and a Tier 2 rate of \$0.40153, and a tier differential of 1:1.79.<sup>5</sup>

This resolution also postpones implementation of the SUE until November 1, 2017, to provide SDG&E sufficient time to conduct marketing, education and outreach (ME&O) activities for affected customers prior to implementation of the SUE. The SUE rate shall be calculated as a ratio to Tier 2 rate that matches the Tier 2 to SUE ratio set in D.15-07-001. For 2017 the ratio is 1:1.17.<sup>6</sup> If no other rate changes occur prior to November 1, 2017, this will result in a new Tier 2 rate of \$0.39221 and a SUE rate of \$0.45698.<sup>7</sup> This will also marginally reduce the Tier 1 to Tier 2 differential from 1:1.79 to 1:1.75.

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<sup>2</sup> Also referred to as High Usage Charge (HUC).

<sup>3</sup> Currently, the SUE rate is set as a ratio to the Tier 1 rate, and then the Tier 2 rate is set last in order to collect all remaining revenues. For 2017, under the current Tier 1 Cap and glidepath ratios, the result is a SUE rate that is lower than the Tier 2 rate

<sup>4</sup> All rates in this Resolution are in dollars per kWh, unless otherwise noted.

<sup>5</sup> Per SDG&E's June 22, 2017 email response to Energy Division data request.

<sup>6</sup> D.15-07-001 at 293.

We arrive at a Tier 2 to SUE differential of 1.17 by dividing the glidepath's Tier 1 to SUE differential of 1.637 by the glidepath's Tier 1 to Tier 2 differential of 1.405.

<sup>7</sup> Per SDG&E's June 22, 2017 email response to Energy Division data request.

AL 3055-E also includes requests to implement other rate reform changes pursuant to the Decision, including a reduction to the All-Electric Baseline Allowance and a reduction to the California Alternate Rates for Energy (CARE) average effective discount. These requests are approved.

## **BACKGROUND**

Decision 15-07-001, issued July 3, 2015, ordered the three large investor-owned utilities (SDG&E, Pacific Gas and Electric Company and Southern California Edison Company, collectively the "IOUs") to flatten the inclining block tiered-rate structure and introduce default time-of-use (TOU) rates for residential customers by 2019. The Decision included a tier consolidation glidepath for each IOU to follow to reduce the number of tiers and to reduce the price differential between the tiers (tier differential). The Decision directed that the glidepath for each IOU should lead to an end state of two tiers with a tier differential of 1:1.25. The Decision required each IOU to implement a super-user electric surcharge (SUE) to apply to customers whose usage exceeds 400% of the baseline quantity.

The Decision also included a cap on the amount by which the rate for Tier 1 usage could increase at any one time, in order to prevent rate shock to lower usage customers. The Decision set this cap at the change in the residential class average rate (RAR) over the prior 12 months plus 5% (Tier 1 Cap).

Ordering Paragraph 7 of the Decision directs the utilities to submit rate changes in accordance with the Decision in the first 90 days of the year. The approved glidepath for SDG&E appears below.

**Table 1: Approved Glidepath for Tier Consolidation (SDG&E) <sup>8</sup>**

	<b>Current</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Number of Tiers	4 tiers	3 tiers	2 tiers	2 tiers	2 tiers	2 tiers
Usage covered	Tier 1: 0-100% of BQ Tier 2: 101-130% of BQ Tier 3: 131-200% of BQ Tier 4: 200% + of BQ	Tier 1: up to 100% of BQ Tier 2: 101-130% of BQ Tier 3: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ
Tier Differential		1:1.13:2.18	1:1.66	1:1.405	1:1.351	1: 1.25
SUE Surcharge <sup>9</sup>	N/A	N/A	N/A	1:1.637	1:1.9	1:2.19

On February 29, 2016, SDG&E filed AL 2861-E requesting approval of rate changes for 2016 pursuant to the glidepath set forth in D.15-07-001. SDG&E’s proposed rate changes achieved the approved tier differential for 2016 but did not comply with the Tier 1 Cap. Resolution E-4787 determined that SDG&E could not simultaneously achieve the tier differentials in its glidepath and adhere to the Tier 1 Cap.<sup>10</sup> SDG&E was directed to increase the rate for Tier 1 by only 5% as compared to its 2015 glidepath rates. This rate change slightly reduced the tier differential as compared to 2015 but did not fully achieve the tier differential for 2016 envisioned in SDG&E’s glidepath.<sup>11</sup>

On December 7, 2016, the IOUs filed a Joint Petition for Modification (PFM) of the Decision requesting greater flexibility in achieving the glidepath end state of two tiers with a tier differential of 1:1.25 by 2019. In addition, SDG&E requested to delay implementation of its SUE charge until the PFM had been resolved.

On January 13, 2017, SDG&E filed AL 3033-E to implement its 2017 glidepath rates on March 1, 2017. SDG&E’s proposed rate changes adhered to the Tier 1 Cap, but did not achieve the specified tier differential for 2017. The proposed

<sup>8</sup> D.15-07-011 at 293.

<sup>9</sup> SUE Surcharge shown as ratio to Tier 1.

<sup>10</sup> Resolution E-4787 at 5.

<sup>11</sup> *Id.* at 7.

SUE rate, although calculated pursuant to the instructions of the Decision, resulted in a SUE rate that, contrary to the SUE's purpose of encouraging conservation by setting a comparatively high rate, was *lower than* the Tier 2 rate. If the Tier 2 rate is higher than the SUE rate, then the SUE cannot fulfill its purpose to send a strong conservation price signal to customers who use more than 400% of baseline.

At a February 6, 2017 prehearing conference in R.12-06-013, parties discussed how to balance the competing requirements of the Tier 1 Cap and the glidepath tier differentials. Specifically, parties discussed the relative importance of the Tier 1 Cap and achieving the glidepath end state of 1:1.25 by 2019, and how to implement the SUE so that it would be set at a rate higher than the Tier 2 rate. SDG&E was ordered to meet with interested parties and develop a number of scenarios regarding the Tier 1 Cap and SUE implementation, and associated bill impacts. SDG&E withdrew AL 3033-E and instead filed the new scenarios as AL 3055-E.

On May 31, 2017 ALJs McKinney and Park issued a Proposed Decision (PD) approving in part and denying in part the IOUs' Joint Petition for Modification (PFM) of D.15-07-001, pertinent to this Resolution. The PD is on the agenda for the July 13, 2017 Commission business meeting. Subject to approval by the Commission, the PD would set forth a process by which SDG&E may request to exceed the Tier 1 Cap of RAR + 5% by up to another 3% (for a total Tier 1 increase of RAR + 8%). The PD would also allow SDG&E to set its SUE rate as a ratio to the Tier 2 rate rather than the Tier 1 rate, and would allow the Commission to resolve the question of the specific SUE ratio and a new SUE start date through a Tier 3 advice letter process and resolution.

## **NOTICE**

Notice of AL 3055-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

## **PROTESTS**

SDG&E's Advice Letter AL 3055-E was protested late by the Office of Ratepayer Advocates (ORA) on April 24, 2017. Energy Division granted the late filed protest on March 24, 2017. SDG&E responded to the protest of ORA on May 1, 2017.

## **DISCUSSION**

The Commission finds that SDG&E's request to implement its 2017 residential rate reform glidepath fulfills the requirements outlined in the Decision and other direction provided in R.12-06-013, subject to certain modifications as discussed below.

### **Tier 1 Rate**

In AL 3055-E, SDG&E requests to exceed the Tier 1 Cap in order to allow for a 20% reduction in the Tier 1 to Tier 2 differential from 1:2.06 to 1:1.65. Adhering to the Tier 1 Cap would only reduce the tier differential from 1:2.06 to 1:1.82, while the Decision directed a tier differential of 1:1.405. SDG&E states that moderating increases to the Tier 1 rate must be balanced with the need to provide relief to upper tier rates. SDG&E states that its proposal is a reasonable middle ground between the two competing goals.

In its protest, ORA opposes SDG&E's request to raise Tier 1 rates above the Tier 1 Cap. They point out that SDG&E's proposal would raise Tier 1 rates by 21.6% as compared to July 1, 2016 levels, which would cause large bill increases, especially for lower usage customers. ORA states that complying with the Tier 1 Cap results in an already significant increase to Tier 1 rates of 15.7% as compared to July 1, 2016 levels.

ORA also points out that if the Commission were to adopt a fixed charge in the future, the cost of the fixed charge would be included as part of the Tier 1 rate for the purposes of calculating the tier differential. This is referred to as the "composite tier" methodology. Including the fixed charge in Tier 1 rates effectively increases Tier 1 rates, which would decrease the Tier 1 to Tier 2 differential. Thus, ORA states, there is no urgency for SDG&E to request exceptions to the Tier 1 Cap in order to reach the glidepath end state tier differential of 1:1.25 until after the Commission has ruled on the fixed charge

issue. However, we note that D.15-07-001 does not allow any new or additional fixed charges to be implemented until after TOU is the default rate.

In its reply to ORA's protest, SDG&E asserts that it is critical to achieve the glidepath end state tier differential of 1:1.25 prior to the full rollout of time-of-use (TOU) rates to ensure that customers receive proper price signals. SDG&E states that it is imperative that a large Tier 1 to Tier 2 differential not overshadow the transition from tiered rates to TOU rates. SDG&E also argues that if ORA's approach is taken for 2017, it is very likely that the glidepath will have to be extended, and that the Tier 1 Cap will need to be exceeded in future years. Thus, SDG&E requests that even if the Commission does not allow SDG&E to exceed the Tier 1 Cap in 2017, that this requirement be limited to the 2017 glidepath implementation.

We agree with ORA that SDG&E must comply with the Tier 1 Cap. We acknowledge that this will result in a 2017 tier differential that is inconsistent with SDG&E's approved glidepath. However, as previously stated in Resolution E-4787, we interpret D.15-07-001 to prioritize the Tier 1 Cap over the tier differentials in the glidepath.

The ALJ PD on the IOUs Joint PFM of D.15-07-001 sets forth a process by which SDG&E may request to exceed the Tier 1 Cap of RAR + 5% by up to another 3% (for a total Tier 1 increase of RAR + 8%).<sup>12</sup> This process involves a Tier 3 advice letter filing with accompanying data and analysis submissions. Should the PD on the PFM be approved, SDG&E may file a Tier 3 advice letter for future glidepath rate changes and the Commission will consider the appropriateness of departing from the Tier 1 Cap at that time.

We require SDG&E to implement its 2017 glidepath rate changes on September 1, 2017. The rates filed in AL 3055-E use July 1, 2016 as the reference point for calculating the 2017 glidepath rates. However, D.15-07-001 states that Tier 1 increases are limited to the change in RAR *over the prior 12 months* + 5%. Therefore, we update the rates to instead use September 1, 2016 as the reference

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<sup>12</sup> The PD is on the agenda for the July 13, 2017 Commission business meeting, available at:  
<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=188974919>

point. In response to an Energy Division data request, SDG&E provided the rates below. These rates do not include the SUE, as we delay implementation of the SUE until November 1, 2017, as discussed in the subsequent section.

**Table 2: September 1, 2017 Glidepath Rates (No SUE, cents per kWh)**

	Rates Effective 9/1/2016	Current (Rates Effective 3/1/2017)	9/1/2017 Glidepath Rates	% Change from 9/1/2016	% Change from Current (3/1/2017)
<b>Standard Non-CARE</b>					
<b>Summer</b>					
Tier 1	19.132	20.837	<b>22.373</b>	16.94%	7.37%
Tier 2	39.454	42.970	<b>40.153</b>	1.77%	-6.56%
<b>Winter</b>					
Tier 1	17.547	19.252	<b>20.552</b>	17.13%	6.75%
Tier 2	36.185	39.701	<b>36.884</b>	1.93%	-7.10%
<b>RAR</b>	23.253	26.030	<b>26.030</b>	11.94%	
<b>Tier 2 / Tier 1</b>	2.06	2.06	<b>1.79</b>		
<b>Standard CARE</b>					
<b>Summer</b>					
Tier 1	11.491	12.599	<b>13.786</b>	19.97%	9.42%
Tier 2	24.696	26.623	<b>25.230</b>	2.16%	-5.23%
<b>Winter</b>					
Tier 1	10.461	11.594	<b>12.614</b>	20.58%	8.80%
Tier 2	22.572	24.551	<b>23.126</b>	2.45%	-5.80%
<b>RAR</b>	23.253	26.030	<b>26.030</b>	11.94%	
<b>Tier 2 / Tier 1</b>		2.11	<b>1.83</b>		

**Super-User Electric Surcharge**

SDG&E requests to modify the calculation of the SUE so that it is higher than the Tier 2 rate. SDG&E states that currently, pursuant to D.15-07-001, the SUE rate is set as a ratio to the Tier 1 rate, and then the Tier 2 rate is set last in order to collect all remaining revenues.. For 2017, under the current Tier 1 Cap and glidepath ratios, the result is a SUE rate that is lower than the Tier 2 rate. SDG&E proposes to instead calculate the SUE rate as a ratio to the Tier 2 rate.



SDG&E proposes that the Tier 2 to SUE differential should mirror the Tier 2 to SUE differential in the glidepath. Although this ratio was not explicitly shown in the Decision, it can be calculated by dividing the glidepath’s Tier 1 to SUE differential by the Tier 1 to Tier 2 differential. These ratios are shown in the last row of Table 3 below.

**Table 3: Approved Glidepath for Tier Consolidation (SDG&E) <sup>13</sup>**

	<b>Current</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Number of Tiers	4 tiers	3 tiers	2 tiers	2 tiers	2 tiers	2 tiers
Usage covered	Tier 1: 0-100% of BQ Tier 2: 101-130% of BQ Tier 3: 131-200% of BQ Tier 4: 200% + of BQ	Tier 1: up to 100% of BQ Tier 2: 101-130% of BQ Tier 3: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ	Tier 1: up to 130% of BQ Tier 2: above 130% of BQ
Tier Differential		1:1.13:2.18	1:1.66	1:1.405	1:1.351	1: 1.25
SUE Surcharge <sup>14</sup>	N/A	N/A	N/A	1:1.637	1:1.9	1:2.19
<b>SUE Surcharge as a ratio to Tier 2</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1:1.17</b>	<b>1:1.41</b>	<b>1:1.75</b>

The 2017 glidepath ratios show a Tier 1 to Tier 2 differential of 1:1.405 and a Tier 1 to SUE differential of 1:1.637. SDG&E calculated the implied Tier 2 to SUE differential as 1.637/1.405, or 1.17. SDG&E would calculate the Tier 2 to SUE differential for subsequent years in the same manner. This SUE ratio would move along with the glidepath rates.

SDG&E also provides a number of other scenarios for calculating the Tier 2 to SUE differential as requested by parties<sup>15</sup> at the February 6, 2017 PHC.

<sup>13</sup> D.15-07-011 at 293.

<sup>14</sup> SUE Surcharge shown as ratio to Tier 1.

<sup>15</sup> ORA, The Utility Reform Network (TURN) and the Utility Consumers’ Action Network (UCAN).

**Table 4: Tier 2 to SUE Differential Scenarios**

Scenario 1	T1 with RAR+5% cap and SUE differential based on SDG&E's SUE proposal (using the guidance from the glidepath but resetting the reference point to be T2)
Scenario 2	T1 with RAR+5% cap and SUE differential based on current T2 + 5%
Scenario 3	T1 with RAR+5% cap and SUE differential based on current T2
Scenario 4	T1 with RAR+5% cap and SUE differential set relative to calculated T2 at 1.1
Scenario 5	T1 with RAR+5% cap and SUE differential set relative to calculated T2 at 1.2
Scenario 6	T1 with RAR+5% cap and SUE differential set relative to calculated T2 at 1.3
Scenario 7	T1 with RAR+5% cap and SUE differential set relative to calculated T2 at 1.4
Scenario 9	T1 with RAR+5% cap and SUE differential set relative to calculated T2 at 1.5

In its protest, ORA supports both SDG&E's proposal to calculate the SUE rate as a ratio to the Tier 2 rate, and to determine this new ratio by maintaining the Tier 2 to SUE differential implied by the glidepath.

If the SUE rate is not higher than Tier 2 rate the SUE will not fulfill the Commission's intent for the SUE to send a price signal to customers who use an excessive amount of electricity compared to other customers in the same climate zone. The express language of the Decision, however, requires the SUE rate to be set as a ratio to the Tier 1 rate, not the Tier 2 rate. As discussed above, because of SDG&E's current rate structure, a SUE rate set as a ratio to the Tier 1 rate will always result in a SUE rate that is lower than the Tier 2 rate.

Subject to approval by the Commission, this issue would be resolved through the PD on the IOUs' Joint PFM of D.15-07-001, which would allow SDG&E to set its SUE rate as a ratio to the Tier 2 rate instead of the Tier 1 rate, and states that it is appropriate to resolve the question of a new SUE ratio and a new SUE start date through a Tier 3 advice letter process and resolution.

We agree with SDG&E and ORA that this new ratio should be determined by maintaining the ratios set in D.15-07-001. The only change is that the ratio will be between Tier 2 and the SUE instead of Tier 1 and the SUE. We adopt this

treatment for the 2017 glidepath step and all subsequent glidepath steps. If no other rate changes occur prior to November 1, 2017, the rates will be as shown below.

**Table 5: November 1, 2017 Glidepath Rates (with SUE, cents per kWh)**

	<b>Current (Rates Effective 3/1/2017)</b>	<b>9/1/2017 Glidepath Rates</b>	<b>11/1/2017 Glidepath Rates</b>	<b>% Change 3/1/2017 to 9/1/2017</b>	<b>% Change 9/1/2017 to 11/1/2017</b>
<b>Standard Non-CARE</b>					
<b>Summer</b>					
Tier 1	20.837	22.373	<b>22.373</b>	7.37%	0.00%
Tier 2	42.970	40.153	<b>39.221</b>	-6.56%	-2.32%
SUE			<b>45.698</b>	n/a	13.81%
<b>Winter</b>					
Tier 1	19.252	20.552	<b>20.552</b>	6.75%	6.75%
Tier 2	39.701	36.884	<b>36.884</b>	-7.10%	-7.10%
SUE			<b>41.889</b>	n/a	13.57%
<b>RAR</b>	26.030	26.030	<b>26.030</b>	0.00%	0.00%
<b>Tier 2 / Tier 1</b>	2.06	1.79	<b>1.75</b>		
<b>SUE / Tier 2</b>	n/a	n/a	<b>1.17</b>		

	<b>Current (Rates Effective 3/1/2017)</b>	<b>9/1/2017 Glidepath Rates</b>	<b>11/1/2017 Glidepath Rates</b>	<b>% Change 3/1/2017 to 9/1/2017</b>	<b>% Change 9/1/2017 to 11/1/2017</b>
<b>Standard CARE</b>					
<b>Summer</b>					
Tier 1	12.599	13.786	<b>13.788</b>	9.42%	0.01%
Tier 2	26.623	25.230	<b>24.634</b>	-5.23%	-2.36%
SUE			<b>28.803</b>	n/a	14.16%
<b>Winter</b>					
Tier 1	11.594	12.614	<b>12.588</b>	8.80%	-0.21%
Tier 2	24.551	23.126	<b>22.530</b>	-5.80%	-2.58%
SUE			<b>26.351</b>	n/a	13.95%
<b>RAR</b>	26.030	26.030	<b>26.030</b>	0.00%	0.00%
<b>Tier 2 / Tier 1</b>	2.11	1.83	<b>1.79</b>		
<b>SUE / Tier 2</b>	n/a	n/a	<b>1.17</b>		

We delay SUE implementation until November 1, 2017. As described and approved in SDG&E AL 2802-E, 2802-E/ A/B, SDG&E’s ME&O plan for implementation of the SUE involves conducting ME&O *prior to* SUE implementation. ME&O in advance of implementation is necessary so that affected customers are not confused by the rate change and so that these customers have time and opportunity to reduce their energy use in order to avoid the incurring the SUE surcharge.

Additionally, to the extent that some customers’ high usage and correspondingly high bills may be driven by high summer cooling load, the impacts of a summer season SUE implementation may exacerbate those high bills. The SUE is intended as a conservation signal, but a summer season implementation with no pre-implementation ME&O would result in an unnecessarily punitive conservation signal.

**Other Rate Reform Changes**

PU Code Section 739 sets the baseline quantity for electric customers at 50 to 60 percent of average residential consumption. Decision 15-07-001 approved SDG&E’s proposal to reduce the baseline for its All-Electric customers to 50% over a five-year glidepath, concurrent with the tier consolidation glidepath. AL 3055-E includes a request to reduce the baseline amounts for its All-Electric

customers in accordance with the approved five-year glidepath.<sup>16</sup> Subsequent reductions would happen in tandem with future glidepath rate changes.

SDG&E also requests to reduce the CARE average effective discount from 39% to 38%, in accordance with the glidepath approved in D.15-07-001 to reach the legislative compliance level of 35% in 2020.<sup>17</sup> The line-item discount for CARE Medical Baseline customers will also be reduced from 25% to 24%, consistent with the reduction in the CARE average effective discount for standard CARE customers, pursuant to D.15-07-001 and SDG&E AL 2783-E.<sup>18</sup> Subsequent reductions would happen in tandem with future glidepath rate changes.

These changes are in compliance with D.15-07-001 and are approved.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

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<sup>16</sup> D.15-07-001 at 296, Exhibit SDG&E 105, CF-1 through CF-6 and Attachment A in R.12-06-013.

<sup>17</sup> *Id.* at 295.

<sup>18</sup> *Id.* at 250 and SDG&E AL 2783-E at 7-9. AL-2783-E established the line-item discount for CARE Medical Baseline customers at 26% beginning September 1, 2015. This was reduced to 25% in 2016 via AL 2861-E/A.

## **FINDINGS**

1. The glidepath for each investor-owned utility (IOU) leads to an end state of two tiers with a tier differential of 1:1.25.
2. Each IOU is also required to implement a super-user electric surcharge (SUE) in 2017 to apply to customers whose usage exceeds 400% of the baseline quantity.
3. Decision (D.) 15-07-001 capped the amount that Tier 1 could increase at the change in the residential class average rate (RAR) over the prior 12 months + 5%.
4. SDG&E's glidepath for tier consolidation was approved in D.15-07-001.
5. Ordering Paragraph 7 of D.15-07-001 directed SDG&E to file advice letters to implement glidepath rate changes authorized by that decision within the first 90 days of each year.
6. SDG&E filed AL 3033-E in accordance with D.15-07-001 on January 13, 2017.
7. SDG&E withdrew AL 3033-E per ALJ guidance and instead filed AL 3055-E on March 10, 2017.
8. SDG&E cannot both comply with the Tier 1 Cap and achieve the 2017 tier differentials in its approved glidepath. The change in the RAR since September 1, 2016 is 16.94%.
9. The Tier 1 Cap and SDG&E's glidepath ratios would result in a 2017 SUE rate that is lower than the Tier 2 rate.
10. SDG&E's approved glidepath has a Tier 1 to Tier 2 differential of 1:1.405 and a Tier 1 to SUE differential of 1:1.637 for 2017. The Tier 2 to SUE differential under the glidepath contained in D.15-07-001 is 1:1.17 for 2017.
11. On May 31, 2017 ALJs McKinney and Park issued a Proposed Decision (PD) on the Joint IOUs Petition for Modification (PFM) of D.15-07-001 and it was placed on the agenda for July 13, 2017 Commission business meeting. If approved, the PD would resolve the issue of the SUE rate being lower than the Tier 2 rate and would allow the Commission to resolve the question of the specific SUE ratio and a new SUE start date through a Tier 3 advice letter process and resolution.
12. It is reasonable to deny SDG&E's request to break the Tier 1 Cap because AL 3055-E lacks the data and information required by the PD on the IOUs' Joint PFM of D.15-07-001 for the Commission to consider such a request.

**THEREFORE IT IS ORDERED THAT:**

1. SDG&E's request to depart from the Tier 1 Cap set in D.15-07-001 of RAR + 5% is denied.
2. SDG&E shall implement an increase of RAR + 5% to the Tier 1 rate relative to the Tier 1 rate in effect on September 1, 2016. SDG&E shall make the corresponding adjustment to the Tier 2 rate. These new Tier 1 and Tier 2 rates shall be effective September 1, 2017.
3. SDG&E's super-user electric surcharge (SUE) shall be set in relation to the Tier 2 rate, at a rate that preserves the Tier 2 to SUE differential for 2017 (1:1.17) implied by SDG&E's approved glidepath.
4. SDG&E shall implement the SUE on November 1, 2017.
5. SDG&E must file a supplement to AL 3055-E with revised tariff sheets reflecting the rates for September 1, 2017 as required by this Resolution within 14 days of the effective date of this Resolution.
6. SDG&E must file a Tier 1 advice letter with revised tariff sheets reflecting the rates for November 1, 2017 as required by this Resolution by October 1, 2017.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 10, 2017; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director