Decision 19-04-018 April 25, 2019

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

DECISION DENYING SAN DIEGO GAS & ELECTRIC COMPANY'S PETITION FOR MODIFICATION OF DECISION (D.) 15-07-001 AND D.17-07-006

Summary

The Commission denies San Diego Gas & Electric Company's petition for modification of Commission Decision (D.) 15-07-001 and D.17-07-006. Adopting the petition would lead to rate increases for nearly all of San Diego Gas & Electric Company's residential customers and would not substantially address the problem it is purported to solve. San Diego Gas & Electric Company (SDG&E) should further consider the proposal of The Utility Reform Network to eliminate the seasonal differential in tiered rates for SDG&E residential customers.

1. Background

San Diego Gas & Electric Company (SDG&E) filed its petition for modification of Commission Decision (D.) 15-07-001 and D.17-07-006 on November 30, 2018. An Administrative Law Judge (ALJ) ruling on December 7, 2018 gave parties until February 1, 2019 to respond to the petition. On February 1, 2019 responses to the petition were filed by The Utility Reform Network (TURN), Utility Consumers' Action Network (UCAN), Pacific Gas and

Electric Company (PG&E), Southern California Edison Company (SCE), the Center for Accessible Technology (CforAT), and the Public Advocates Office (Public Advocates). SDG&E filed a reply to the responses on February 11, 2019. Replies to responses were also filed on February 11, 2019 by Environmental Defense Fund (EDF), CforAT, UCAN, and SCE.[1]

SDG&E's petition seeks to suspend[2] the high usage charge (HUC) imposed on residential tiered rate customers[3] that consume over 400% of baseline electricity in a month. SDG&E's rationale for the petition is that warming summer temperatures in the San Diego area require some residents to use more electricity than is normal, making the imposition of the HUC unfairly punitive to those customers subject to it. SDG&E points out that the summer of 2018 was historically hot, and in SDG&E's view the number of customers exposed to the HUC and the summer bill volatility experienced by HUC customers as a result of 2018's historic heat were not intended by the Commission when it initially adopted the HUC in D.15-07-001. SDG&E seeks Commission action on its petition before SDG&E's summer season begins in June 2019.

TURN, CforAT, EDF, and Public Advocates argue that the HUC should not be suspended in SDG&E's territory. CforAT was one of the original proponents of the HUC in this proceeding even though the HUC adopted in

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[1] Replies by all parties were permitted by e-mail ruling of ALJ Doherty on February 4, 2019.

[2] As noted by UCAN in their response, SDG&E appears to use the terms "suspend" and "eliminate" interchangeably in their petition. (*See also* CforAT Response at 9, fn 35.) For the sake of clarity, this decision assumes that the suspension of the HUC sought by SDG&E is indefinite and amounts to an elimination, and this decision therefore uses the words interchangeably.

[3] SDG&E residential customers on time-of-use (TOU) rates are not subject to the HUC.

D.15-07-001 is not identical to CforAT's original design.[4] CforAT advocates for reconsidering the threshold for applying the HUC and whether to apply it to customers on time-of-use (TOU) rates.[5] EDF generally supports consideration of CforAT's proposals and does not support suspending the HUC.[6]

Public Advocates' opposition to the petition centers on the negative bill impacts that would result for nearly all of SDG&E's customers. While the suspension of the HUC would result in some bill savings for HUC customers, non-HUC customers would be required to make up the difference through higher rates. An analysis of the number of low-income customers exposed to the HUC demonstrates that eliminating the HUC would result in a cost-shift that would be paid for by nearly all of SDG&E's low-income residential customers.[7]

Public Advocates also notes that the number of SDG&E customers affected by the HUC is not out of scale with the expectations of D.15-07-001, which mentioned an expected range of 2% - 10% of residential customer exposure to the HUC.[8] The number of customers exposed to the HUC will also substantially decrease during 2019, as most of SDG&E's non-California Alternate Rates for Energy (CARE) customers are transitioned to TOU rates without a HUC charge.[9]

Public Advocates further argues that there are more effective rate design solutions for addressing the seasonal bill volatility experienced by HUC

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[4] CforAT Response at 4.

[5] CforAT Response at 1. As CforAT's proposal to apply the HUC to the default TOU rates planned for residential customers is a rate design question better considered in Application 17 12-011, et al, this decision does not consider the proposal.

[6] EDF Reply at 1.

[7] Public Advocates Response at 2.

[8] Public Advocates Response at 3.

[9] Public Advocates Response at 3.

customers, namely reducing the seasonal rate differential between SDG&E's summer and winter tiered rates.[10]

TURN states that there are better solutions to the problem of summer bill volatility, such as eliminating the seasonal differential, that would address the problem without raising the rates of non-HUC customers. TURN presents an analysis of the HUC's impact on summer bill volatility and shows that the HUC is not the main driver of that volatility. Instead, increases in usage primarily drive increases in bills – as would be expected from a tiered rate scheme. TURN's analysis also demonstrates that an elimination of the seasonal differential in SDG&E's tiered rates would more effectively reduce bill volatility than eliminating the HUC.[11]

TURN affirms that eliminating the HUC would result in higher bills for non-HUC SDG&E customers, including 99% of customers participating in the CARE program. In TURN's view, eliminating the HUC would only benefit a small number of high electricity users while raising the bills of other customers and almost all of SDG&E's low-income customers.[12]

UCAN and SCE support SDG&E's petition. UCAN asserts that the HUC affects more customers than originally envisioned by D.15-07-001. UCAN argues that the HUC increases bills for SDG&E's customers, including CARE customers, and therefore a suspension of the HUC is warranted until a full consideration of its impacts and structure can occur.[13] UCAN also suggests that a suspension of

[10] Public Advocates Response at 4.

[11] TURN Response at 12.

[12] TURN Response at 7-8.

[13] UCAN Response at 3.

the HUC pending further consideration may allow for an avoidance of bill impacts on non-HUC customers.[14]

SCE asks that the HUC be modified and then eliminated for its residential customers. SCE asks the Commission to immediately reduce the price of the HUC for SCE customers to a rate 1.5 times that of the Tier 2 price, and then to eliminate the HUC for SCE customers in "mid-2021" when SCE's Customer Service Re-Platform project is estimated to be complete.[15] SCE justifies its request by pointing to the large number of CARE customers that will remain on a tiered rate after other SCE customers are transitioned to TOU rates starting in October 2020.[16] SCE suggests that leaving such customers exposed to the HUC is inequitable and possibly contrary to the Commission's goals for residential rate reform.

SCE also justifies its proposal by arguing that the removal of the HUC will reduce the benefits large users may expect as they are transitioned to TOU rates. Critically, SCE states that the bill increases for lower-usage customers that would necessarily result from HUC elimination would be only "slight."[17] In fact, SCE's

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[14] UCAN Response at 4. UCAN does not clarify how the HUC could be suspended without requiring non-HUC customers to make up the difference in lost revenue. If the HUC is suspended, even temporarily, it would be necessary to recover the revenue that would have otherwise been collected by the HUC from residential customers through increases to their rates.

[15] SCE Response at 2.

[16] SCE Response at 6 (estimating that between 550,000 and 800,000 SCE customers will be excluded from default TOU, many of whom are defined as economically vulnerable).

[17] SCE Response at 9, A-8.

data demonstrate that 96.6% of SCE's customers would see average bill increases of between 1% and 2% if SCE's HUC were to be eliminated.[18]

SCE further argues that the HUC has unintended rate impacts on the TOU customers not subject to the HUC. This is due to the HUC's role in increasing the baseline credit received by certain TOU customers, which in SCE's view may create bill volatility for TOU customers that move below and above baseline between months.[19] SCE notes that estimated costs for bill protection for defaulted TOU customers will be reduced if the HUC is eliminated for its tiered rate customers.[20] SCE also states that it believes many of its HUC customers are not reducing their usage as much as expected, militating against the expected benefits of the HUC as a signaling device.[21]

PG&E takes no official position of the issue raised by SDG&E, but states that it seeks consistent treatment of the HUC across all three investor-owned utilities.[22]

SDG&E's reply to the responses of TURN and Public Advocates argues that the HUC has significantly impacted SDG&E's customers as approximately 10% have been assessed the HUC during at least one month in the November 2017 – October 2018 time period. SDG&E also points to the experiences of 13 individual HUC customers with extreme bill volatility, and argues that a focus on average ratepayer impacts misses the punitive nature of

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[18] SCE Response at A-8 (sum of percentage of total customers seeing increases in average bills due to HUC elimination).

[19] SCE Response at 10.

[20] SCE Response at 11.

[21] SCE Response at 12.

[22] PG&E Response at 2.

the HUC for these individual customers.[23] SDG&E asserts that eliminating the HUC is a critical method for reducing their volatility, even as SDG&E also states that it is open to the suggestion of TURN and Public Advocates to reduce or eliminate the seasonal differential in SDG&E's tiered rates.[24]

2. Discussion

SDG&E and respondents generally agree on the problem facing SDG&E's residential customers: higher than expected summer temperatures are driving increased electricity usage during the summer, and this increase in usage is driving high summer bill volatility for many residential customers.

SDG&E proposes that the HUC be suspended from the tiered rate design for its residential customers as a solution to this problem. The HUC applies to usage over 400% of baseline in a given month. The table below illustrates how the HUC would have applied to some hypothetical basic[25] SDG&E customers on SDG&E's 2018 non-CARE residential tiered rates in SDG&E's coastal climate zone.

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[23] SDG&E Reply at 7. SDG&E describes the experience of 13 CARE customers living in SDG&E's mountain or desert climate zones. As such, they would be excluded from default TOU and would continue to be exposed to the HUC.

[24] SDG&E Reply at 8-9. SDG&E notes that it does not believe its petition for modification is the ideal procedural vehicle for eliminating the seasonal differential in SDG&E's tiered rates.

[25] As opposed to all-electric customers that have higher baseline amounts.

Monthly Usage Tier (Coastal Zone)	Rate per kilowatt-hour (August 2018)	Customer 1 (500 kWh used)	Customer 2 (800 kWh used)	HUC Customer (1,200 kWh used)
Tier 1 (≤351 kWh)	27.1 cents	$95.12 (351 * 27.1 cents)	$95.12 (351 * 27.1 cents)	$95.12 (351 * 27.1 cents)
Tier 2 (352 – 1,080 kWh)	47.5 cents	$70.78 (149 * 47.5 cents)	$213.28 (449 * 47.5 cents)	$346.28 (729 * 47.5 cents)
High Usage Charge (> 1,080 kWh)	55.4 cents	N/A (no usage above 1,080 kWh)	N/A (no usage above 1,080 kWh)	$66.48 (120 * 55.4 cents)
Total Bill		**$165.90**	**$308.40**	**$507.88**

Undoubtedly, a customer that moved from being a "Customer 2" to a HUC customer by increasing their usage from 800 kilowatt-hours (kWh) to 1,200 kWh would have seen a much higher bill from one month to the next. This is what SDG&E argues occurred in August 2018 when unprecedented heat forced many customers that might have had higher than average usage to substantially increase their usage, triggering the application of the HUC to their bill.

As pointed out by TURN and as demonstrated in the table above, the HUC itself is not driving bill increases and bill volatility in such a scenario. Instead, it is the higher usage itself that is driving the bill increase. In the hypothetical above, a customer increasing their usage from 800 kWh to 1,200 kWh between summer months would see their bill move from $308.40 to $507.88 with the HUC in place, and $308.40 to $498.49 in the absence of the HUC.[26] While a savings of approximately $10 is not insignificant, the substantial bill volatility and resultant sticker shock would remain.

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[26] $95.21 (351 Tier 1 kWh * 27.1 cents) + $403.28 (849 Tier 2 kWh * 47.5 cents) = $498.49. This formula does not assume any increases to Tier 1 or Tier 2 prices that would result from the elimination of the HUC, meaning the estimated savings of ~ $10 is a bit too high.

TURN's analysis is much more thorough than what appears above. TURN's analysis of SDG&E's data indicates that:

- Average bills for non-CARE HUC customers increased $322 between June and August 2018; and that average increase would have been $300 in the absence of the HUC.
- Average bills for CARE HUC customers increased $191 between June and August 2018; and that average increase would have been $183 in the absence of the HUC.
- The HUC caused about 7% of the observed average increase in non-CARE HUC customer bills and about 4% of the observed average increase in CARE HUC customer bills in the summer of 2018.
- On an aggregate basis, HUC charges accounted for less than 6% of total revenue collected from the residential class in 2018.
- Non-CARE HUC customers would have saved just over $1 a month in 2018 if the HUC did not exist; but those savings would only be realized by HUC customers. 94% of SDG&E's residential customers would have paid slightly more each month to make up the difference.[27]

In its reply, SDG&E asks the Commission to look past the average customer impact of the HUC and also consider the individual experiences of HUC customers that happen to be CARE customers residing in SDG&E's mountain and desert climate zones.[28] SDG&E cites the experience of 13 different CARE customers in its mountain and desert regions as emblematic of the individual customer experiences that should be considered by the Commission

[27] TURN Response at 6-8.

[28] These customers will not be defaulted to TOU rates and will therefore continue to be exposed to the HUC in the future.

along with average customer impacts related to a HUC elimination. UCAN also relates similar individual customer experiences with the HUC in its reply.[29]

The Commission appreciates the focus of UCAN and SDG&E on individual customer experiences. Unfortunately, the data provided by SDG&E in its reply does not indicate how much of the change in the bills for the 13 customers was due to the HUC, or due to increases in usage overall.[30] In the absence of such data, the Commission cannot determine if the bill volatility for these 13 customers is a result of the HUC or their increase in usage overall.

SDG&E's analysis indicates that the 13 customers referred to in its reply are a subset of the small absolute number CARE customers in its hot climate zones that are projected to experience the HUC. According the SDG&E's estimates, approximately 100 CARE customers in the mountain and desert climate zones are so situated. Given the small number of customers at issue both in SDG&E's reply and the overall estimates, SDG&E should pursue communication with CARE customers in its hot climate zones that are projected to experience the HUC. This decision does not dictate the content or form of the communication, but the Commission hopes that SDG&E is able to convert its concern for these customers' well-being into proactive communication that helps these customers avoid high summer bill volatility.

Analysis provided in responses to the petition demonstrate that the HUC itself did not drive most of the summer bill volatility for HUC customers.

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[29] UCAN Reply at 2-3, noting that it cannot confirm that the negative customer experiences they cite were as a result of the HUC.

[30] SDG&E Reply, Appendix A at 3 includes data on changes in usage and bills, but not a disaggregation of the impact of the HUC vis-à-vis increased usage such as that provided by TURN. UCAN similarly does not disaggregate the impact of increased usage and the HUC itself on the individual customer experiences it cites in its reply.

Instead, it was the increased usage of HUC customers generally in response to high summer temperatures that substantially drove bill increases and bill volatility.

SDG&E's reply does not address this fundamental weakness of the petition's argument. In response to the arguments of TURN and Public Advocates on this point, SDG&E simply reasserts that the HUC "has significantly impacted SDG&E's customers" in that over 10% of SDG&E's customers paid the HUC on at least one monthly bill from November 2017 through October 2018.[31] SDG&E misses the point that the HUC is only a small component of a bill increase driven by increased usage, and fails to address the substance of that argument in its reply.[32]

In light of TURN's analysis, the Commission finds that the problem of summer bill volatility identified by SDG&E and UCAN is not substantially addressed by the suspension of the HUC. The problem of bill volatility driven by unusual weather would remain to further infuriate SDG&E's residential customers in the summer of 2019 even if the HUC was suspended. At the same time, suspending the HUC would raise rates and average bills for all non-HUC customers.[33] Public Advocates particularly opposes SDG&E's proposal on these equity grounds, stating that "[t]he benefits in reductions of overall bills and in

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[31] SDG&E Reply at 6.

[32] Similarly, SCE's argument that "[e]liminating the HUC is the most effective solution to the detrimental effects of the HUC" misses the point that the HUC is not the heart of the problem. (SCE Reply at 2.) Large increases in usage drive bill volatility under a tiered rate structure, with or without the HUC.

[33] SDG&E Reply, Appendix B at 3-4 (indicating a roughly 1% increase to non-HUC rates and average bills as a result of HUC suspension).

bill volatility for high use customers must be weighed against the negative bill impacts that most customers would experience resulting from the change."[34]

It is illogical to raise rates and bills for non-HUC customers in exchange for a purported solution that does not substantively address the problem at hand. CforAT makes a similar point in its reply stating that "a response [to high summer electric bills and high bill volatility] based on changes to the high-usage surcharge will not address the concerns of the vast majority of customers and will benefit only those customers who use very large amounts of energy, at the expense of everyone else."[35]

3. Solutions

Residential customers on tiered rates who substantially increase their overall usage from one month to another will always see a bill increase, and this increase may be extreme even if the HUC disappeared. As a result, there is no real solution to the problem of extreme increases in usage leading to bill volatility so long as the customer remains on a tiered rate scheme. However, the Commission and parties to this proceeding are attempting to address this issue in the following ways.

3.1 Time-Of-Use Default Removes the HUC for Most SDG&E Customers

SDG&E is defaulting most of its residential customers to TOU rate schemes in 2019. As TOU rates have no HUC component, moving most SDG&E residential customers to TOU rates will necessarily help to give effect to

[34] Public Advocates Response at 3. *See also* Public Advocates Response at 2 ("eliminating the HUC causes a substantial cost shift from nearly the entire population of potentially vulnerable CARE/FERA customers and all lower-usage non-CARE customers, to a small number of high use, mostly non-CARE customers").

[35] CforAT Reply at 1.

SDG&E's proposal to suspend the HUC. As Public Advocates notes, the default TOU transition starting in March 2019 for SDG&E customers "further reduces the scale of the already minimal number of customers who could be expected to benefit from SDG&E's proposal…".[36]

In its reply, SDG&E grants that of the 90,129 estimated HUC customers that SDG&E used to craft bill impacts in its petition, only 23,188 will remain on tiered rates after the transition to default TOU rates.[37] Assuming the sample used by SDG&E is representative of the overall residential population, this means that nearly 74% of customers expected to be exposed to the HUC will be placed on a non-HUC TOU rate in 2019.

3.2 Eliminating the Seasonal Differential

TURN recommends that SDG&E propose to eliminate the seasonal differential between its summer and winter tiered rates as an alternative to eliminating the HUC.[38] TURN notes that the Commission recently mandated that the seasonal differential be reduced for SDG&E residential customers in D.18-12-004.[39] TURN argues that an elimination of the seasonal differential altogether will help reduce summer bills and summer bill volatility for all customers, not just HUC customers, and will reduce summer bill volatility to a far greater degree for HUC customers than eliminating the HUC.[40] TURN grants that elimination of the seasonal differential will increase winter rates and bills for

[36] Public Advocates Response at 3.

[37] SDG&E Reply, Appendix B at 2.

[38] TURN Response at 9.

[39] TURN Response at 10-11.

[40] TURN Response at 11-13.

all tiered rate customers.[41] CforAT also supports an immediate elimination of the seasonal differential.[42] Public Advocates states that it is likely that reducing seasonal rate differentials would more effectively mitigate bill volatility than suspending the HUC.[43]

SDG&E's reply indicates that while it is open to TURN's suggestion to eliminate the seasonal differential, it prefers a different procedural vehicle to do so.[44] UCAN largely agrees that while TURN's proposal may have merit, it would prioritize the suspension of the HUC.[45]

TURN's proposal would reduce summer bills and summer bill volatility for SDG&E's tiered rate customers. Although the proposal would raise winter rates and bills for all customers, it addresses the problem identified by the parties – namely *summer* bill volatility – more successfully than SDG&E's proposal to suspend the HUC.

The Commission recently considered the seasonal differential for SDG&E's residential customers in D.18-12-004 and determined that the seasonal differential should be set at 2017 levels for the time-being, although it left the door open for future consideration.[46] Given the very short period of time that has elapsed since the previous decision on this issue, D.18-12-004's conclusion on this issue is left to stand.

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[41] *Id.*

[42] CforAT Reply at 3-4 (also stating that they would support considering elimination of the seasonal differential in a later proceeding as well).

[43] Public Advocates Response at 4.

[44] SDG&E Reply at 9, fn 27.

[45] UCAN Reply at 5.

[46] Decision 18-12-004 at 29.

Furthermore, respondents to SDG&E's petition did not indicate what, if any, impacts to the transition of SDG&E's residential customers to default TOU would occur if the seasonal differential in SDG&E's tiered rate was immediately eliminated. The default TOU implementation plan approved for SDG&E in D.18-12-004 was predicated on the rate designs approved in that decision. In the absence of such discussion, the Commission is wary of unknown, potentially negative impacts on SDG&E's default TOU transition that may result from a decision to eliminate the seasonal differential.

For these reasons, the Commission does not adopt TURN's proposal to eliminate the seasonal differential in SDG&E's residential tiered rate at this time even though it may be an effective solution to the problem identified by the parties. Respondents to the petition, including SDG&E, were supportive of considering this change in a future rate design proceeding. Therefore, SDG&E shall submit a rate design application to the Commission no later than November 30, 2019 that seeks to eliminate the seasonal differential in all of its residential rates[47] by the summer of 2020 if in its judgment the summer bill volatility for all its customers (not simply its HUC customers) warrants the application. The application shall include illustrative winter and summer rates that result from the change. The application shall also include annual, winter, and summer bill impacts that result from the change. SDG&E may include other proposed reforms to the tiered rate structure in the application if it chooses, such as the elimination or modification of the high usage charge. If SDG&E proposes eliminating or modifying the high usage charge in its application, then SDG&E shall include analysis of the correlation of customer disconnections to those

[47] Decision 18-12-004 set an identical seasonal differential for SDG&E's residential rates.

customers that incur the high usage charge, broken down by CARE status and climate zone, and the relationship of the price of the high usage charge to the cost-basis for the energy itself.

SCE and PG&E shall join in SDG&E's application to seek changes to the tiered rate design for their residential customers if they believe such changes are warranted. SCE and PG&E are highly encouraged to do so. Should they choose to join in the application, SCE and PG&E shall include the same analysis and data as is mandated for SDG&E. SCE and PG&E shall identify the ways in which the implementation of default TOU for their residential customers would be complicated or changed due to the rate design changes sought in their application.

4. SCE's Proposal to Modify and Eventually Eliminate the HUC

For its part, SCE seeks to eliminate the HUC for SCE's tiered rate customers by 2021, with a moderated HUC applied before that time.[48]

For the sake of clarity SCE's request is denied. The equity and efficacy concerns with SDG&E's proposal as described above would seem to apply to SCE's request. As noted above, SCE is highly encouraged to join in any application filed by SDG&E to modify its residential tiered rate design.

5. Conclusion

SDG&E's petition for modification of D.15-07-001 and D.17-07-006 is denied. Adopting SDG&E's petition would unjustifiably raise rates on nearly all of SDG&E's residential customers for the benefit of only a few customers. Furthermore, based on the analysis provided by TURN, eliminating the seasonal differential in SDG&E's tiered residential rates may be a more efficacious

[48] SCE Response at 2.

solution to the problem of summer bill volatility for all customers. As a result, SDG&E is ordered to submit a rate design application next fall seeking that change if it determines that the summer bill volatility for its customers in 2019 warrants it.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Doherty in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on April 16, 2019 by Public Advocates, SDG&E, TURN, UCAN, and CforAT, and reply comments were filed on April 22, 2019 by Public Advocates, SDG&E, TURN, SCE, PG&E, and CforAT.

Changes have been made throughout in response to comments. In particular, the decision is revised to authorize SDG&E to file an application to modify its residential tiered rate design any time before November 30, 2019. Additionally, SCE and PG&E are highly encouraged to join in SDG&E's application.

SDG&E is also encouraged to communicate directly with CARE customers in its hot climate zones that SDG&E projects will experience the HUC with the aim of helping those customers avoid high summer bill volatility.

7. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Patrick Doherty and Sophia Park are the assigned ALJs in this proceeding.

Findings of Fact

1. Higher than expected summer temperatures caused increased electricity usage during the summer of 2018, and this increase in usage caused high bill volatility for many of SDG&E's residential customers in the summer months.

2. Average bills for non-CARE HUC customers increased $322 between June and August 2018; that average increase would have been $300 in the absence of the HUC.

3. Average bills for CARE HUC customers increased $191 between June and August 2018; that average increase would have been $183 in the absence of the HUC.

4. The HUC caused about 7% of the observed average increase in non-CARE HUC customer bills and about 4% of the observed average increase in CARE HUC customer bills in the summer of 2018.

5. On an aggregate basis, HUC charges accounted for less than 6% of total revenue collected from the residential class in 2018.

6. Non-CARE HUC customers would have saved just over $1 a month in 2018 if the HUC did not exist; but those savings would only be realized by HUC customers. 94% of SDG&E's residential customers would have paid slightly more each month to make up the difference.

7. The HUC itself did not drive most of the 2018 summer bill volatility for HUC customers. Instead, it was the increased usage of HUC customers generally in response to high summer temperatures that substantially drove bill increases and bill volatility.

8. The problem of summer bill volatility is not substantially addressed by the suspension of the HUC.

9. Suspending the HUC would raise rates and average bills for all non-HUC customers.

10. Residential customers on tiered rates that substantially increase their overall usage from one month to another will always see a bill increase, and this increase may be extreme even if the HUC disappeared.

11. As TOU rates have no HUC component, moving most SDG&E residential customers to TOU rates will necessarily help to give effect to SDG&E's proposal to suspend the HUC.

12. Nearly 74% of customers expected to be exposed to the HUC will be placed on a non-HUC TOU rate in 2019.

13. Although TURN's proposal to eliminate the seasonal differential in SDG&E's tiered rate would raise winter rates and bills for all customers, it addresses the problem of summer bill volatility more successfully than SDG&E's proposal to suspend the HUC.

14. The Commission recently considered the seasonal differential for SDG&E's residential customers in D.18-12-004 and determined that the seasonal differential should be set at 2017 levels for the time-being, although it left the door open for future consideration.

15. Respondents to the petition, including SDG&E, were supportive of considering TURN's proposal to eliminate the seasonal differential in SDG&E's tiered rate in a future rate design proceeding.

Conclusion of Law

1. It is illogical to raise rates and bills for non-HUC customers when eliminating the HUC does not substantively address the problem of the summer bill volatility experienced by HUC customers.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's petition for modification of Decision (D.) 15-07-001 and D.17-07-006 is denied.

2. San Diego Gas & Electric Company shall submit a rate design application to the Commission no later than November 30, 2019 that seeks to eliminate the seasonal differential in all of its residential rates by the summer of 2020 if in its judgment the summer bill volatility for all its customers warrants the application. The application shall include illustrative winter and summer rates that result from the change. The application shall also include annual, winter, and summer bill impacts that result from the change.

3. San Diego Gas & Electric Company (SDG&E) may include other proposed reforms to its tiered rate structure in the application referred to in ordering paragraph 2 if it chooses, such as the elimination or modification of the high usage charge. If SDG&E proposes eliminating or modifying the high usage charge in its application, then SDG&E shall include analysis of the correlation of customer disconnections to those customers that incur the high usage charge, broken down by California Alternate Rates for Energy status and climate zone, and the relationship of the price of the high usage charge to the cost-basis for the energy itself.

4. Southern California Edison Company (SCE) shall join in the San Diego Gas & Electric Company (SDG&E) application referred to in ordering paragraph 2 to seek changes to the tiered rate design for its residential customers if SCE believes such changes are warranted. Should SCE choose to join in the application, SCE shall include the same analysis and data as is mandated for SDG&E in ordering paragraphs 2 and 3. SCE shall identify the ways in which

the implementation of default time-of-use rates for its residential customers would be complicated or changed due to the rate design changes sought in its application.

5. Pacific Gas and Electric Company (PG&E) shall join in the San Diego Gas & Electric Company (SDG&E) application referred to in ordering paragraph 2 to seek changes to the tiered rate design for its residential customers if PG&E believes such changes are warranted. Should PG&E choose to join in the application, PG&E shall include the same analysis and data as is mandated for SDG&E in ordering paragraphs 2 and 3. PG&E shall identify the ways in which the implementation of default time-of-use rates for its residential customers would be complicated or changed due to the rate design changes sought in its application.

6. Rulemaking 12-06-013 remains open.

This order is effective today.

Dated April 25, 2019, at San Francisco, California.

MICHAEL PICKER
President
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners