



A  Sempra Energy utility

Scott Crider
Vice President
Customer Services

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Stephanie Ramsey
Ladera Ranch Civic Council
27702 Crown Valley Parkway, D4-426
Ladera Ranch, CA 92694

Dear Ms. Ramsey,

Thank you for the recent opportunity to discuss SDG&E bills and the reasons why many customers are experiencing higher electric costs this summer. I greatly appreciate your input and share your concerns about the impacts high bills can have on customers.

Energy is critical to our economy and the lives of our customers. We must ensure that it is accessible, abundant and clean. At SDG&E, we work to improve lives and communities, and we aspire to build the cleanest, safest and most reliable energy company in America. Please know we are committed to maintaining an ongoing dialogue with you and our customers to deliver solutions.

During our discussion, I outlined two primary reasons why customers are experiencing higher-than-normal bills. First, many regions of our service territory have experienced the warmest period ever recorded from July to mid-August. Many customers understandably used more electricity for air conditioning to cool their homes, which has driven bills significantly higher.

Second, electric rates have increased and changed since summer 2017. New this summer is a high-usage charge mandated by the California Public Utilities Commission, which was added to our standard tiered pricing plan to incentivize conservation by the highest electricity users. Quite a few customers have incurred this charge—customers who historically would not have triggered this higher-priced tier.

It is also important to point out that SDG&E does not earn money by selling electricity to customers. If consumption increases, as we have seen this summer, no additional profit flows to SDG&E.

We also discussed why SDG&E's rates differ from other utilities. Each utility in California has pricing plans to match their customers' needs, and there are many other variables that impact customer bills, but below are some of the contributors to the differences in rates:

- **Customer base:** Compared to other investor-owned utilities in California, SDG&E has a very small customer base that is primarily comprised of residential, and small and medium businesses with virtually no large industrial companies. This means costs for needed investments to ensure reliability, further improve safety and deliver more clean energy are spread across fewer customers.

- **Clean Energy:** SDG&E is a national leader in delivering renewable energy with about 45% of our power coming from clean sources like solar and wind. The national average is 8%. These sustainable resources are helping to clean our air and environment for future generations. We were at the forefront of this innovation, signing long-term contracts to create the market you see available today, which means these resources will cost more until the contracts expire.
- **Reliability:** SDG&E has been named the most reliable electric utility in the west for 12 consecutive years. Continued investments in a reliable grid have helped us achieve this milestone, which includes placing about 60% of our electric system underground. Undergrounding power lines beautifies communities and improves reliability, but is significantly more expensive to construct and operate than overhead lines.
- **Safety:** South Orange County and San Diego have been experiencing hotter and dryer weather, which is making our region more prone to wildfires. Over the last decade, SDG&E has developed, and continues to improve, a comprehensive fire risk mitigation program designed to prevent the ignition of wildfires. This includes significant strategic investments to fire-harden the power grid, increase situational awareness, update operating protocols and improve the region's ability to respond to wildfires.
- **Regulatory Mandates:** Today, about 10% of SDG&E's customers have installed private rooftop solar. We support a customer's choice to install solar, however, current rate structures result in the shift of about \$400 million *annually* in energy costs from solar customers to non-solar customers. We have been advocating for reforms for the past five years that encourages the adoption of solar but does burden customers who choose not to use solar. We would be pleased to work together on these reforms.

As I noted in our meeting, we are reviewing several options to reduce the impact of higher bills on customers. This may include completing a study that evaluates the electric baseline allowances provided to our customers. SDG&E's inland Orange County customers have questioned why they are treated as a "coastal" customer while Southern California Edison customers in the same area are considered "inland" with higher baseline allowances. Please understand that any options we may pursue require approval by the California Public Utilities Commission. We will share these options with you as soon as possible.

Thank you again for the opportunity to share my perspective and for your willingness to work collaboratively on this critical issue. I will keep you informed of our progress.

Sincerely,



Scott Crider

Vice President, Customer Services