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MEMORANDUM
May 22, 2019

RE: HUC Update

Last year, after session ended, I mailed you a letter emphasizing that the summer heat wave had caused a significant utility bill increase for SDG&E customers and subsequently, tremendous negative customer response. As a result of the summer situation, I also advised that we would be looking at several options to try and protect our customers from the same costly experience if these summer heat waves become a regular occurrence. Our customer service team reviewed several options that, if implemented could be used to help address utility bill "shock" when the summer temperatures rise and cause an increase in air conditioning usage.

We had an opportunity to share, with a sample of our customers, ideas we were considering asking the CPUC for permission to implement to help address this matter. In November of last year, we scheduled conversations with the California Public Utilities Commission (CPUC) and advised them of our thoughts and we then subsequently filed the first of the applications we viewed as a helpful solution. The application was a request to the CPUC to eliminate the High Usage Customer (HUC) charge. This is a charge we implemented for the first time in November 2017, at the direction of the CPUC, and it is a penalty pricing model that is supposed to encourage conservation but instead it contributed to higher bills for households throughout our service area. You will recall that we experienced record temperatures of 117 degrees in places like Ramona and we experienced temperatures at the coast of 80 degrees or more for 16 days straight between early July and mid-August.

The cost increases caused by the implementation were significant and to provide you with a better view of the impacts, I have enclosed a document with this letter that gives you more detail regarding these increases. We believed that it was important to ask the CPUC to suspend the HUC so that our customers could be spared from the same experience this coming summer. We also advised the CPUC that we would be filing another application to eliminate our seasonality pricing changes. We no longer believe that having electricity pricing schedules that differ in the summer from what they are in the winter is appropriate. It is our desire to charge the same price for electricity all year to protect customers against large cost (bill) increases in the summer months. The CPUC debated our request for eliminating the HUC and recently they voted to deny the request.

We are extremely disappointed in this decision because it means that once again a segment of our customers will be impacted this summer by potentially large utility bills due, in part, to this charge. And if we have a summer heat wave that is like last year's, the outcry will be even louder. You have probably been receiving phone calls at your office about our request to eliminate the HUC from supportive customers and we know that approximately 3300 customers signed an online petition that signaled their support for our application to eliminate the HUC. Our customers who reside in the hotter inland areas where the temperatures regularly exceed 90 degrees have consistently asked us whether the Commission took into consideration that people in the hotter climates need to use more energy in

the summer months for comfort and safety. We advise that we think this was discussed but nonetheless we were instructed to implement the charge.

As part of our preparations for the pending summer we have developed a new campaign that will launch this month and will encourage customers who experienced large utility cost spikes last summer, to consider enrolling in our level pay plan so that their cost (utility bills) will be smoothed out this summer. We are also preparing to submit (in the fall) the application that request permission to eliminate seasonality pricing changes. We will, once again, hope that the CPUC renders a positive response to the request so that by summer 2020, we can help create some utility cost relief for our customers.

We will also continue to look at other potential changes that could be helpful but everything we are considering will require CPUC approval and the decision process, as you know, can take 18 to 24 months once an application is filed. I will continue to keep you apprised of our efforts to address this situation and if you have any questions in relation to the HUC decision, or our pending actions, please do not hesitate to contact me.

Sincerely,
Mitch Mitchell
SDG&E, SoCalGas
VP-State Govt Affairs & External Affairs