



Affordability and Electric Rates Briefing

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Electric Rates Overview

Distribution:

- Poles and wires that deliver energy to homes and businesses

Transmission:

- Long-haul overhead poles and wires that deliver energy from power plants to the region

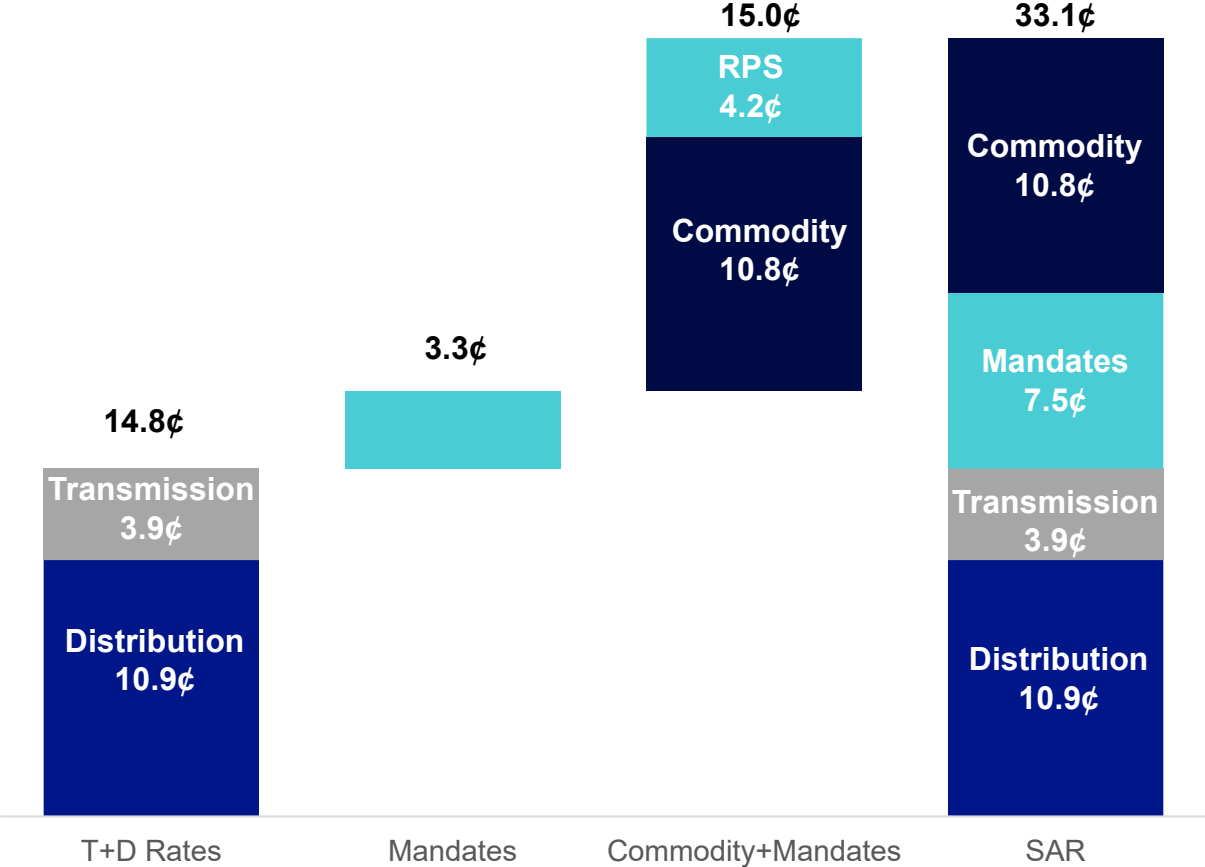
Mandates:

- Represents ~23% of average rate
- Includes items such as tree mortality program, self generation incentive program, low-income programs, energy efficiency program, energy transition costs, and RPS program

Commodity:

- Electricity to serve customers and utility owned generation
- SDG&E earns no profit on the cost of electricity
- Provided by a CCA for most SDG&E customers

System Average Rate Breakdown (SAR)
(Cents/kWh)

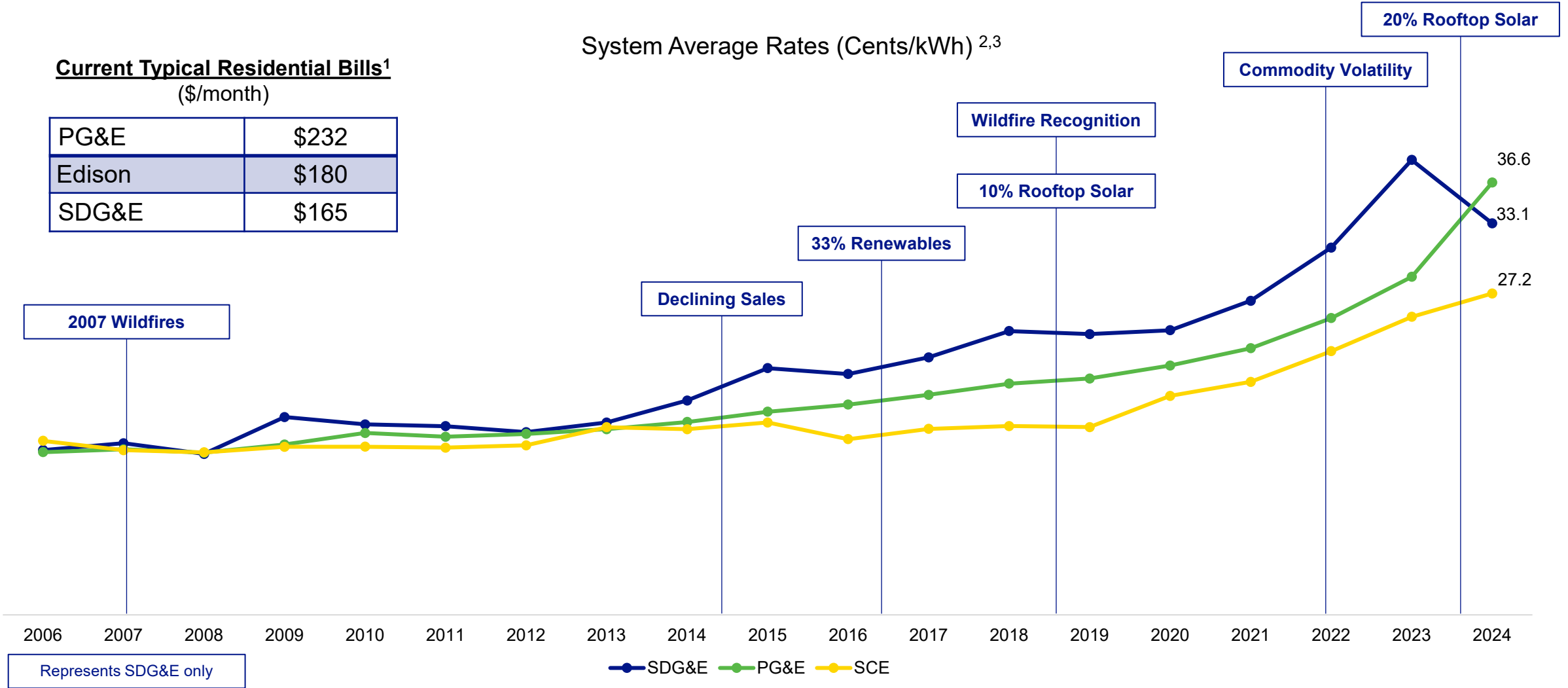


CA IOU Historical Electric Rates and Current Residential Bills

Current Typical Residential Bills¹ (\$/month)

PG&E	\$232
Edison	\$180
SDG&E	\$165

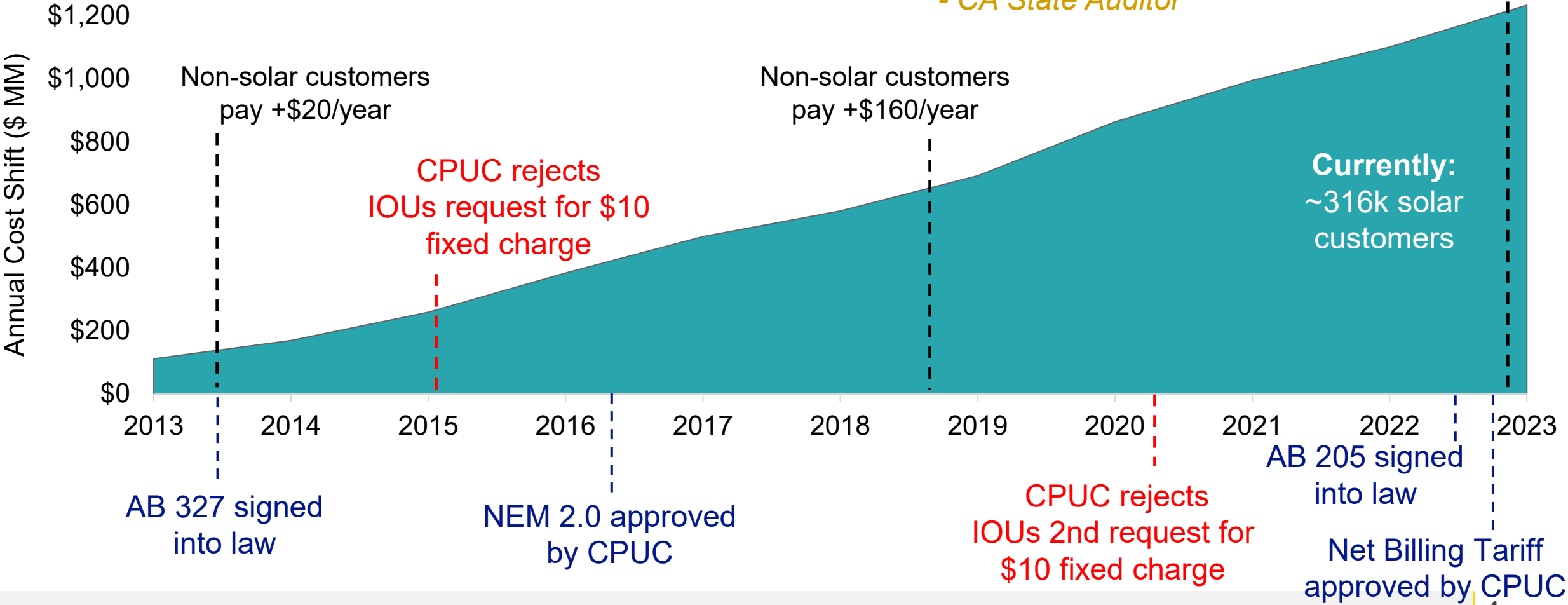
System Average Rates (Cents/kWh) ^{2,3}



SDG&E NEM Cost Shift

“Another trend causing electricity rate increases is the reduction in electricity sales revenue that results from an increasing number of utility customers installing solar power systems”

- CA State Auditor



Note: Cost shift calculated through December 31, 2023

Supporting Affordability Requires Balancing Multiple Challenges

Challenges

Wildfire + Extreme Weather:

- 2020 was the worst fire season on record with 2021 being the second worst with four of top 20 largest fires ever
- SDG&E has invested ~\$6B to harden its system against extreme weather; no catastrophic utility-caused wildfires in SDG&E's service territory in the last 16 years

State Climate Policy:

- Aggressive, but necessary clean energy policy designed to reach net zero emissions by 2045
- Electrification will play a key role in transition, requiring additional grid investments to support additional usage and load

High Volumetric Rates:

- High volumetric rates are creating affordability challenges today and act as a disincentive to electrify
- Electrification may help reverse this trend over the long term

SDG&E's Multi-Pronged Approach

- 1 Ensuring operations are as efficient as possible leveraging technologies such as generative AI and drone inspections of our service territory
- 2 Supporting residential rate reform to help provide more bill stability and support a more affordable energy transition relative to the current residential rate structure
- 3 Pursuing securitization of necessary wildfire investments to help spread recovery of those costs over a longer period of time
- 4 Continuing discussions around removing certain public policy costs from rates and funding them through other means or sunseting certain programs
- 5 Pursuing federal dollars such as ITC for some of our energy storage projects as well as dollars from the Infrastructure Investments and Jobs Act for infrastructure investments

Electric and Gas Rate Audit Report

- State audit of the CPUC and CA Public Advocates Office’s oversight of electric and natural gas rates. The report highlighted:
 - SDG&E’s rates have been set in accordance with regulation
 - Declining sales, wildfire mitigation and natural gas market costs have contributed to rate increases in recent years
 - A utility’s rate of return is not guaranteed and it “may be higher or lower than the rate the CPUC authorized, depending in part how the utility manages its operations and costs”
 - SDG&E’s operating expenses have minimally increased across recent rate case cycles

Electric Utilities’ Operating Expenses Change Last Three General Rate Case Cycles¹

