

1 TOU-DER) as follows: Baseline distribution energy unit charges are multiplied by a single
2 factor, where the factor is derived such that the sum of the residential class revenues equal the
3 allocated revenue requirement. This will ensure alignment with the proposed revenue allocation
4 presented by SDG&E witness Parsons in Chapter 5. In this proceeding, SDG&E is proposing a
5 change in the non-baseline distribution energy unit charges to remove the seasonal differential
6 that currently exists in residential distribution rates. This change uses the average of the current
7 summer and winter differential to create an annual non-baseline distribution energy unit charge.
8 The non-baseline differential is then added to the baseline distribution energy unit charge to
9 obtain the non-baseline rate.

10 In this proceeding, per Scoping Memo and Ruling issued 4/11/2007, SDG&E is also
11 proposing to increase residential Tier 1~~H~~ and Tier 2~~H~~ total rates in compliance with Senate Bill
12 (SB) 1, the California Solar Initiative (CSI). This increase to Tier 1~~H~~ and Tier 2~~H~~ total rates
13 avoids the cost shifting of CSI to upper tiers (Tier 3~~H~~ and Tier 4~~V~~), which results when the
14 residential TRAC adjustment is applied to maintain rate caps under the current rate structure.
15 Under SB 1 guidelines, CSI is not included in low-income rates. To enable implementation of
16 CSI exemptions, SDG&E ~~We currently separately identifies~~ CSI surcharges utilizing the 2006
17 Rate Design Settlement Component¹.

18 SDG&E is proposing no changes to Minimum Bills (under schedule DR, DR-LI, DM,
19 DS, DT, and DT-RV), to the unit Discount Charges (under schedules DS and DT), or to
20 Metering Charges (under schedule DR-TOU/DR-TOU-DER, EV-TOU, EV-TOU-2, EV-TOU-
21 3). Present and proposed distribution rates are illustrated in Attachment SMC-3. Residential bill
22 impacts are presented in Attachment SMC-14 and Attachment SMC-15.

23 **2. Total Rate Adjustment Component (TRAC)**

24 As described in the testimony of SDG&E witness Hansen in Chapter 2, SDG&E proposes
25 to continue the RDSC component, renamed as TRAC, to mitigate rate fluctuations that occur
26 from setting distribution and commodity rates at their cost-based levels, to pass through ABIX
27 subsidies and cost recovery, and to provide the inverted tiered rate structure.

28 SDG&E proposes that the rate structure of TRAC correspond to the Total Utility
29 Distribution Company (UDC) rate structure under each rate schedule. TRAC will continue to

1 ¹For this reason, we will not require a memo account to identify CSI.