TURN
THE UTILITY REFORM NETWORK
Lower bills. Livable planet.

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CPUC Energy Division
Attention: Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Protest of The Utility Reform Network to SDG&E Advice Letter 2205-E/1989-G

Dear Sir or Madam:

On November 15, 2010, San Diego Gas & Electric Company (SDG&E) filed Advice Letter 2205-E/1989-G seeking approval to revise its Rule 15 to update its line extension allowances for residential gas and electric customers. TURN objects to SDG&E's proposed increases to its residential electric line extension allowances because SDG&E has not updated all the relevant factors used to calculate its allowances.

Residential electric line extension allowances are calculated by dividing net revenues by the cost of service factor.[1] Net revenue for SDG&E residential customers is defined as "a fixed amount calculated from the annual total residential distribution rate revenue divided by the number of residential customers with a deduction for revenue cycle service credits." In this advice letter, SDG&E proposes to revise its residential line extension allowances by updating only some of the factors used to calculate the allowances. In its calculations, SDG&E uses updated numbers for its Cost of Service Factor[2] and presumably uses current distribution revenues[3] but declined to update its

[1] SDG&E Rule 15, sheet 4.

[2] SDG&E Advice Letter 2205-E/1989G, Attachment A, line 6.

Revenue Cycle Service Credits (RCS credits). According to SDG&E's worksheet, the most recent numbers for RCS credits are from more than eight years ago.[4] Given the increases in utility costs over the last 8 years, it is likely that these numbers are woefully out of date and no longer reflects the current state of utility marginal costs.

If the Commission allows SDG&E to use RCS credits that are significantly out of date, the line extension allowances will be calculated too high, and the Commission runs the risk of authorizing allowances that will never be repaid. In the worst case, ratepayers will sink into a never ending spiral of paying higher rates to pay for larger line extensions, which will, in turn, increase distribution revenues, thereby increasing line extensions, and so on and so on. The Commission should therefore require SDG&E to use the most recent marginal customer service account costs proposed and adopted in its revenue allocation proceeding to align the updated revenues with the updated marginal cost components. Even if the utility did not adopt specific marginal customer service costs in its most recent BCAP, the Commission should not allow SDG&E to update its line extension allowances without first updating its RCS credits.

The Commission should deny SDG&E's request to update its line extension allowances unless it updates its RCS credits to properly reflect current marginal costs for billing, metering services, and meter reading.

Sincerely,

/S/ Nina Suetake

Nina Suetake
Staff Attorney

cc: Honesto Gatchalian, Energy Division, CPUC
Maria Salinas, Energy Division, CPUC
Megan Caulson, Regulatory Tariff Manager, SDG&E

[3] SDG&E Advice Letter 2205-E/1989G, Attachment A, line 1.

[4] SDG&E Advice Letter 2205-E/1989G, Attachment A, line 4 ("Source: CPUC Sheet 15558-E, Eff. Oct 1, 2002.").