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July 29, 2011

ADVICE LETTER 2274-E

(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: Implementation of Decision (D.) 11-07-041 - SDG&E's 2011 ERRA & CTC Revenue Requirement Forecasts

San Diego Gas & Electric Company (SDG&E) hereby submits for filing the following revisions to its electric tariffs as shown in the enclosed Attachment B.

PURPOSE

Pursuant to California Public Utilities Commission (Commission) Decision (D.) 11-07-041 approved on July 28, 2011, SDG&E is filing this advice letter to adopt its 1) 2011 Energy Resource Recovery Account (ERRA) revenue requirement; 2) 2011 Competitive Transition Charge (CTC) revenue requirement; 3) new 2011 market benchmark price; and 4) modify the ERRA trigger mechanism. Consistent with D.11-07-041, SDG&E's CTC and Electric Energy Commodity Cost (EECC) rates reflecting the updated revenue requirements will be effective September 1, 2011.

BACKGROUND

On October 1, 2010, SDG&E filed its 2011 ERRA revenue requirement forecast in Application (A.) 10-10-001. The ERRA balancing account records SDG&E's fuel and purchased power revenues against actual recorded costs, excluding revenues collected for the California Department of Water Resources (CDWR). D.11-07-041 adopts SDG&E's 2011 ERRA forecast and includes the following Ordering Paragraphs (OPs) 1 through 3:

1. San Diego Gas & Electric Company's amended 2011 projections for the following ratesetting inputs are adopted and implemented as follows: 1) Energy Resource Recovery Account forecast revenue requirement of \$755.4 million; 2) Ongoing Competition Transition Charge forecast revenue requirement of \$63.4 million; and 3) 2011 market benchmark price of \$42.50/megawatt-hour for calculating the Ongoing Competition Transition Charge and \$44.33/megawatt-hour for calculating the Power Charge Indifference Adjustment.
2. San Diego Gas & Electric Company is authorized to continue to recover equity rebalancing costs associated with its Otay Mesa Energy Center Purchase Power Agreement as authorized in Decision 06-09-021.

3. San Diego Gas & Electric Company's request to modify its monthly Energy Resource Recovery Account trigger calculation to allow offsets of Under or Over-collections with the balance in its Non-Fuel Generation Balancing Account (NGBA) is adopted as follows:
- a) Offset an ERRA under-collected balance with a NGBA over-collected balance; or
 - b) Offset the ERRA over-collected balance with a NGBA under-collected balance; and
 - c) Offset the ERRA with the NGBA balance prior to dividing it by the prior year's annual recorded electric revenues, excluding California Department of Water Resources ((DWR) revenue; and
 - d) Advise the Commission that it has implemented a NGBA-offset by including both the standard ERRA trigger calculation and the NGBA-offset trigger calculation in its monthly ERRA compliance report to the Commission.

Summary

Consistent with OPs 1 and 2, above, this Advice Letter implements changes in SDG&E's electric commodity and CTC rates commencing September 1, 2011. The total net \$56.10 million decrease to the revenue requirement resulting from these changes is summarized as follows.

Revenue Impact Description	Revenue Requirement Increase/(Decrease) (\$ Million)
▶ Energy Resource Recovery Account (ERRA) Forecasted RR	(72.5)
▶ Competitive Transition Charge (CTC) RR	16.4
Total Increase/Decrease with FF&U	\$(56.1)

SDG&E's total system average electric rates will decrease by approximately 0.329 cents/kWh (2.06%). Included as Attachment A to this filing is a table summarizing the rate impacts by customer class.

To help minimize the amount and the number of rate changes customers must face, the foregoing rate changes will be implemented in conjunction with changes reflected in SDG&E's annual electric Transmission Rates filing, which is also effective September 1, 2011.

Consistent with OP 3, above, SDG&E modifies its Preliminary Statement as shown on Attachment B to reflect the revised ERRA trigger mechanism to be applied when performing its monthly ERRA trigger calculation.

EFFECTIVE DATE

This filing is classified as a Tier 1 (effective pending disposition) pursuant to GO 96-B. SDG&E respectfully requests that this filing become effective on July 29, 2011, in accordance with D.11-07-041.

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service

impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than August 18, 2011, which is 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

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

Copies of the protest should also be sent via e-mail to the attention of both Honesto Gatchalian (jnj@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1879
E-mail: mcaulson@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list A.10-10-001 and R.10-05-006, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by e-mail at SDG&ETariffs@semprautilities.com.

CLAY FABER
Director – Regulatory Affairs

(cc list enclosed)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Aurora Carrillo

Phone #: (858) 654-1542

E-mail: acarrillo@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2274-E

Subject of AL: Implementation of Decision (D.) 11-07-041 - SDG&E's 2011 ERRR & CTC Revenue Requirement Forecasts

Keywords (choose from CPUC listing): ERRR, Compliance

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.11-07-041

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: _____

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: July 29, 2011

No. of tariff sheets: 4

Estimated system annual revenue effect (%): _____

Estimated system average rate effect (%): (2.06%)

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement and Table of Contents

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**San Diego Gas & Electric
Attention: Megan Caulson
8330 Century Park Ct, Room 32C
San Diego, CA 92123
mcaulson@semprautilities.com**

¹ Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling
S. Cauchois
J. Greig
R. Pocta
W. Scott

Energy Division

P. Clanon
S. Gallagher
H. Gatchalian
D. Lafrenz
M. Salinas

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

H. Nanjo
M. Clark

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick

J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate
Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio

M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing
Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties in:

A.10-10-001

R.10-05-006

SAN DIEGO GAS & ELECTRIC COMPANY - ELECTRIC DEPARTMENT
9/1/2011

Attachment A

SDG&E Advice Letter 2274-E

CLASS AVERAGE RATES

Rates Effective 4/1/2011
(AL 22141-E)

Proposed Rates
9/1/2011

	Rates Effective 4/1/2011 (AL 22141-E)			Proposed Rates 9/1/2011			Total Rate Change	
	Current Total UDC Rate (\$/KWhr)	Current Avg. Commodity (\$/KWhr)	Current Total Rate (\$/KWhr)	Proposed Total UDC Rate (\$/KWhr)	Proposed Avg. Commodity (\$/KWhr)	Proposed Total Rate (\$/KWhr)	Total Rate Change (\$/KWhr)	Total Rate Change (%)
Residential	11.375	6.961	18.336	11.446	6.567	18.013	(0.323)	-1.76%
Small Commercial	10.108	7.501	17.609	10.205	7.076	17.281	(0.328)	-1.86%
Med&Lg C&I	6.448	7.465	13.913	6.529	7.045	13.574	(0.339)	-2.44%
Agriculture	9.995	7.166	17.161	10.072	6.760	16.832	(0.329)	-1.92%
Lighting	10.222	5.157	15.379	10.222	4.865	15.087	(0.292)	-1.90%
System Total	8.699	7.232	15.931	8.778	6.824	15.602	(0.329)	-2.07%

ATTACHMENT B
ADVICE LETTER 2274-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 22398-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ENERGY RESOURCE RECOVERY ACCOUNT (ERRA), Sheet 3	Revised 22318-E
Revised 22399-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ENERGY RESOURCE RECOVERY ACCOUNT (ERRA), Sheet 4	Revised 22221-E
Revised 22400-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ENERGY RESOURCE RECOVERY ACCOUNT (ERRA), Sheet 5	Revised 22222-E
Revised 22401-E	TABLE OF CONTENTS, Sheet 1	Revised 22396-E



PRELIMINARY STATEMENT

Sheet 3

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

5. Accounting Procedure (Continued)

- p. A debit entry equal to energy incentive payments for applicable programs adopted in D.05-01-056.
- q. An entry to reflect any rewards or penalties associated with the adopted heat rate incentive authorized in D. 04-06-011 for the Palomar Energy Center.
- r. A debit entry to record the fees associated with participation in the Western Renewable Energy Generation Information System (WREGIS).
- s. An entry to reflect the revenues or costs associated with procurement transactions for Congestion Revenue Rights (CRRs).
- t. A debit entry equal to Peak Time Rebate (PTR) incentive payments made to residential and small commercial customers as authorized in D.08-02-034.
- u. A credit or debit entry equal to the revenues or costs related to convergence billing as authorized in D.10-12-034.
- v. A debit entry equal to the costs associated with the procurement and/or trading transactions for tradable renewable energy credits (TREC)s as authorized in D.11-01-025.
- w. A credit entry equal to the proceeds received from the sale of TREC)s as authorized in D.11-01-025.
- x. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 5.a. through 5.w. at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15. or its successor.

6. Trigger Mechanism

In accordance with Assembly Bill (AB) 57, a trigger mechanism will be in place that will consider the relationship between the cumulative balance in the ERRA and the prior year recorded generation revenues excluding revenues collected for DWR. Recorded generation revenues for 2010, excluding revenues collected for DWR, were \$1,019 million. D.11-07-041 modifies the monthly ERRA trigger calculation to allow offsets of Under- or Over-collections with the balance in its NGBA as follows:

- a. Offset an ERRA under-collected balance with a NGBA over-collected balance; or
- b. Offset an ERRA over-collected balance with a NGBA under-collected balance; and
- c. Offset the ERRA balance with the NGBA balance prior to dividing it by the prior year's annual recorded electric revenues, excluding DWR revenue; and
- d. Advise the Commission that it has implemented a NGBA-offset by including both the standard ERRA trigger calculation and the NGBA-offset trigger calculation in its monthly ERRA compliance report to the Commission.

Applying the NGBA balance to the ERRA balance, when calculating the trigger, would only occur if the account balances are offsetting and would result in reducing the ERRA under/overcollection.

(Continued)

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Advice Ltr. No. 2274-E

Decision No. 11-07-041

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Jul 29, 2011

Effective _____

Resolution No. _____

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PRELIMINARY STATEMENT

Sheet 4

II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

6. Trigger Mechanism (Continued)

Pursuant to D. 07-05-008, in any month when the balance in the ERRA, adjusted by the NGBA balance as applicable, reaches 4% (\$40.8 million) of the prior year recorded electric commodity revenues excluding DWR revenue, the Utility will notify the Commission through advice letter filing, instead of expedited application, that no rate change will be necessary if the Utility forecasts that the ERRA balance will self-correct below the trigger within 120 days of filing. The Utility shall include the necessary documentation to support this advice letter filing. The Utility shall continue to file an expedited application during those instances where the ERRA balance exceeds the trigger point and rate changes are necessary to amortize the balance. In those instances where the Commission rejects an advice letter filing, the Utility shall file an application within 15 days after rejection. The application will include a projected account balance in 60 days or more from the date of filing depending on when the balance will reach the 5% (\$51.0 million) threshold. The application will also propose an amortization period for the five percent of not less than 90 days to ensure timely recovery of the projected ERRA balance. The application should also include allocation of the amortized balance among customers based on the existing allocation methodology recognized by the Commission. The AB 57 trigger mechanism application should not be used to refund overcollections until it has been in operation for a full 12 months (D.02-10-062, Conclusion of Law 18).

7. Filing and Update Process

The ERRA will follow a semiannual update process as described in D.02-10-062 and D.02-12-074. The Utility will file applications on June 1 and October 1 of each year. The June 1 application will address the review of the balancing account, contract administration, energy resources expenses and energy dispatch. The October 1 application will propose an energy resource forecast for the upcoming 12 months and a new ERRA rate based on that forecast.

8. Baseline Shortfall Subaccount (BSS)

a. Purpose

Pursuant to D. 04-02-057, the purpose of the Baseline Shortfall Subaccount (BSS) is to record the commodity shortfall to maintain revenue neutrality resulting from 1) amortization of the Baseline Balancing Account (BBA) in the electric distribution rate, and 2) the adjustment to the Distribution and CTC rates to eliminate the ongoing shortfall related to the baseline allowance changes to utility distribution company (UDC) rates made pursuant to D.02-04-026.

b. Accounting Procedure

The Utility shall maintain the BSS by making entries at the end of each month as follows:

1. An entry equal to the BBA amortization shortfall described in 8.a above, as calculated by multiplying the BBA amortization rate by the applicable residential sales volumes.
2. An entry equal to the ongoing baseline allowance shortfall described in 8.a above, as calculated by multiplying the rate change needed to eliminate the ongoing baseline shortfalls by the applicable residential sales volumes.

(Continued)



PRELIMINARY STATEMENT

Sheet 5

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

8. Accounting Procedure (Continued)

3. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the entries from b.1 and b.2 above at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

c. Disposition

Disposition of the balance in this subaccount shall be determined in an appropriate proceeding authorized by the Commission.

9. AB 1X Shortfall Account (ASA)

a. Purpose

Pursuant to D. 04-02-057, the purpose of the AB 1X Shortfall Account (ASA) is to record the shortfall caused by reduced commodity rates contained in Schedule EECC for usage up to 130% of baseline, which were designed to make the rates equal to February 1, 2001 levels. Pursuant to Resolution E-3907, AB 1X protection is expanded to include non-residential CARE (Schedule E-LI) customers. The ASA is separated into two subaccounts: an ASA applicable to residential customers and an ASA applicable to non-residential customers under Schedule E-LI.

b. Accounting Procedure

The Utility shall maintain the ASA by making entries at the end of each month as follows:

1. An entry equal to the AB 1X shortfall described in 9.a. above, as calculated by multiplying the rate changes required to maintain AB 1X rate levels for 130% of baseline usage by the applicable residential sales volumes.
2. An entry equal to the AB 1X shortfall described in 9.a above, as calculated by multiplying the rate changes required to maintain AB 1X rate levels for Schedule E-LI customers.
3. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the entry from b.1 above at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

c. Disposition

Disposition of the balance in this subaccount shall be determined in an appropriate proceeding authorized by the Commission.

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Advice Ltr. No. 2274-E

Decision No. 11-07-041

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Jul 29, 2011

Effective _____

Resolution No. _____



TABLE OF CONTENTS

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The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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Tree Trimming Balancing Account (TTBA).....	19421, 19422-E
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EI Paso Turned-Back Capacity Balancing Account (EPTCBA).....	19425-E
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