



Clay Faber - Director
Regulatory Affairs
8330 Century Park Court
San Diego, CA 92123-1548

Tel: 858.654.3563
Fax: 858.654.1788
cfaber@semprautilities.com

September 20, 2011

ADVICE LETTER 2288-E
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: AMENDMENT TO THE QUALIFIED AND NONQUALIFIED NUCLEAR
DECOMMISSIONING TRUST AGREEMENTS TO REFLECT NEW NUCLEAR
REGULATORY COMMISSION REGULATIONS**

San Diego Gas & Electric Company (SDG&E), on behalf of its Nuclear Facilities Decommissioning Master Trust Committee (Committee), hereby submits Amendment No. 8 of the Qualified Decommissioning Trust Agreement and Amendment No. 6 of the Nonqualified Decommissioning Trust Agreement (Amendments)¹ for approval pursuant to Section 2.12 of the Qualified Trust Agreement and Section 2.10 of the Nonqualified Trust Agreement.

PURPOSE

This Advice Letter requests the California Public Utilities Commission (CPUC or Commission) to approve the Amendments and to authorize the Executive Director to sign the amendments on behalf of the Commission. The Amendments revise SDG&E's decommissioning trust agreements (SDG&E Trust Agreements) to allow for a special transfer of assets from the Non-Qualified Trust to the Qualified Trust as permitted by the IRS.

BACKGROUND

In Order Instituting Investigation No. 86 (OII 86), the Commission conducted an extensive investigation, on its own motion, into alternative methods of financing the ultimate cost of decommissioning the nuclear power plants owned by California utilities. In Commission Decision (D.) 87-05-062, the Commission adopted externally managed trust funds as the investment vehicles for accruing funds for the ultimate decommissioning of the nuclear power plants owned by California utilities. In that decision, the Commission also established guidelines for preparing these trust agreements.

In response to D.87-05-062, SDG&E established two trusts for its nuclear decommissioning

¹ Proposed Amendment No. 7 of the SDG&E Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Stations and proposed Amendment No. 5 of the SDG&E Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Stations are attached to Exhibit A.

costs. The Qualified Trust was established as the vehicle to hold the decommissioning funds for contributions that qualify for an income tax deduction under Section 468A of the Internal Revenue Code, and the Nonqualified Trust was designed to hold the remaining funds. On November 25, 1987, the Commission approved the SDG&E Trust Agreements by Resolution E-3060. The Qualified Trust was initially funded on December 2, 1987, and the Nonqualified Trust was initially funded on February 1, 1998. SDG&E Trust Agreements have been amended and restated from time-to-time thereafter with Commission approval.

The proposed amendments of the SDG&E Trust Agreements attached to Exhibit A incorporate changes intended to enable the transfer of assets from the Non-Qualified Trust to the Qualified Trust, which is taxed at a lower federal tax rate. These amendments were approved at the September 20, 2011 meeting of the Committee.

In Application 09-04-009, the Commission Division of Ratepayer Advocates recommended that SDG&E transfer funds from its non-qualifying trusts to its qualifying trusts. SDG&E opposed the recommendation on the grounds that state income tax law was inconsistent with federal income tax law with respect to such transfers; due to this inconsistency, SDG&E believed that making such transfers could jeopardize the tax preferences enjoyed by its qualified trusts for state tax purposes. In Decision 10-07-047, the Commission agreed with SDG&E (see Finding of Fact 25, at page 54 of the printed decision). Since that time, the State Legislature has passed tax-reconciliation legislation conforming state and federal income tax provisions related to the transfer of funds from nonqualified decommissioning trusts to qualified decommissioning trusts. (See 2010 Senate Bill 401, Section 4, and California Revenue and Taxation Code Sections 17024.5(a)(1)(O) and 23051.5.) Pursuant to these changes, SDG&E now agrees with the DRA that it is appropriate to make the fund transfers DRA had recommended and with which SDG&E had agreed in principle. Doing so will be beneficial to ratepayers by maximizing the tax benefits available to SDG&E under state and federal tax law and, in turn, by reducing the revenue requirements associated with assuring the adequacy of decommissioning funding. The amendments to SDG&E's Master Trust Agreement as proposed in this Advice Letter are necessary to facilitate the fund transfers contemplated and are therefore in the public interest.

The IRS has granted SDG&E 90 days to complete the special transfer of assets from the Non-Qualified Trust to the Qualified Trust from the date of receipt of its rulings, which is August 18th, 2011. Additionally, the Trustee has expressed its preference that such a transfer be completed at month end. Therefore, SDG&E requests that these Amendments be approved no later than October 20, 2011, 30 days from today's date, in order to allow sufficient time to implement the special transfer.

PROCEDURAL INFORMATION

Amendment of the SDG&E Trust Agreements requires Commission approval. The Committee is authorized to amend the SDG&E Trust Agreements thirty days after filing a copy of the proposed amendments with the Commission provided no written objections are filed within that period. The relevant text of the two sections is identical, and states in part:

The Committee may also amend this agreement thirty days after filing a copy of the proposed amendment with the CPUC. No proposed amendment may be made if written objections to a proposed amendment are filed within the thirty-day period. Any party making written objections to a proposed amendment shall

serve the written objections with a certificate of service on the Company, the Committee, the Trustee, and the CPUC Staff on the same day the written objections are filed with the CPUC.²

These amendments were approved by the Committee at its September 20, 2011 meeting.

EFFECTIVE DATE

SDG&E believes that this Advice Letter is subject to Energy Division disposition and should be classified as a Tier 2 or at the discretion of the Commission pursuant to GO 96-B. SDG&E respectfully requests that the Commission approve the amendments and authorize the Executive Director to sign the amendments on behalf of the Commission at its earliest convenience or no later than October 20, 2011.

PROTEST

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impacts, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date this advice letter was filed with the CPUC, or October 10, 2011. 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 lists R.10-05-004 et al either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

² See Section 2.12, p. 22 of the Qualified Trust as restated June 29, 1992, and Section 2.10, p. 20 of the Nonqualified Trust as restated June 29, 1992.

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

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) #: 2288-E

Subject of AL: Amendment to the Qualified and Nonqualified Nuclear Decommissioning Trust Agreements to Reflect New Nuclear Regulatory Commission Regulations

Keywords (choose from CPUC listing): Agreements, Nuclear Decommissioning

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

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

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: October 20, 2011

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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: N/A

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

S. Cauchois
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:

R.10-05-004