

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider the Annual	)	
Revenue Requirement Determination of the	)	Rulemaking No. 11-03-006
California Department of Water Resources and	)	(Filed March 10, 2011)
Related Issues.	)	
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**MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E)  
FOR THE RECEIPT OF ADDITIONAL EVIDENCE AND  
THE GRANTING OF SPECIAL RELIEF**

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October 16, 2012  
San Diego, California

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Pursuant to the direction of the presiding Administrative Law Judge<sup>1</sup> and Rules 11.1 and 13.10 of the Commission’s Rules of Practice and Procedure, Respondent San Diego Gas & Electric Company (“SDG&E”) files this motion requesting that the Commission: (1) receive the document attached to this Motion as Exhibit No. SDG&E-1, entitled “*Agreement Regarding Procedures Applicable to the Return of Net Negative DWR Power Charge Revenue Requirements*” (“*Agreement*” or “Exhibit No. SDG&E-1”), as an exhibit of counsel and as a part of the evidentiary record of this proceeding; and (2) grant SDG&E authority to implement those certain ratemaking procedures set forth in Exhibit No. SDG&E-1.

SDG&E submits the matters described in Exhibit No. SDG&E-1 as the procedures agreed upon by SDG&E and the California Department of Water Resources (“the Department”) pursuant to which SDG&E’s customers will receive the benefit of “net negative power charge revenue requirements” to which they are entitled. SDG&E is informed and represents the Department is in full agreement with the procedures described in the *Agreement*. SDG&E further believes, given the narrow issue addressed by these procedures, that no other party will be prejudiced by the receipt of Exhibit No. SDG&E-1 into the evidentiary record of this proceeding and that no other party has a material or substantive interest in the procedures described in the *Agreement*.<sup>2</sup> In the event no party in fact timely submits any material objections and Exhibit No. SDG&E-1 is accordingly admitted as evidence in this proceeding, SDG&E further requests the Commission proceed to grant SDG&E such administrative and substantive relief it deems appropriate, such

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<sup>1</sup> See *Scoping Memo and Ruling Regarding the Request of the California Department of Water Resources to Allocate Its 2013 Revenue Requirement Determination and Related Issues* (“*Scoping Memo*”) issued in the above-captioned docket on or about September 18, 2012, at pp. 4 to 5.

<sup>2</sup> See *Scoping Memo*, at p.4, where the Commission notes, “all parties agreed that there would be no need for responses to SDG&E’s motion”, the instant motion constituting the SDG&E motion referenced in the *Scoping Memo*.

relief to include the entry of final orders authorizing SDG&E to implement the return of the net negative power charge revenue requirements pursuant to and in accordance with the procedures described in the *Agreement*.

SDG&E bases its request for receipt of Exhibit No. SDG&E-1 as evidence and its request for the special relief described above on the cited *Scoping Memo* issued in this proceeding, the arguments provided in this Motion, and the *Agreement* attached hereto as Exhibit No. SDG&E-1.

#### **I. Statement of Facts**

The procedural background of this proceeding and its purposes are fully and correctly stated in the *Scoping Memo* at pages 1 and 2. SDG&E hereby incorporates by reference the discussion of the procedural background and purposes of this proceeding as set forth in the *Scoping Memo*.

As to the substance of SDG&E's requests, the passage of time has resulted in the expiration of an increasing number of the Department's power agreements, leading in turn to a gradual and ongoing decline in the total annual revenue requirements associated with the Department's contract portfolio. In addition, as the Department's contractual liabilities and costs decline, the Department is able to reduce the cash operating reserves necessary for the administration of the Department's power contracts and return ratable amounts of surplus reserves to the utilities and their customers.<sup>3</sup> The confluence of declining contract costs and the return of surplus operating reserves has reached the point where the charges SDG&E reflects on its customer bills representing SDG&E's share of allocable Department power costs and returned reserves are contemplated to be a net negative amount.<sup>4</sup>

Following the prehearing conference in this matter, SDG&E and the Department entered into discussions regarding the manner in which "net negative power charges", *i.e.*, the amounts representing the difference between SDG&E's forecasted share of allocable Department power costs and forecasted reserve amounts returned to SDG&E by the Department where the amounts returned exceed power costs during any given year, should be reflected in SDG&E's customer bills. The *Agreement* attached to this motion represents the results of those discussions. Pursuant to the *Scoping Memo* in this matter, SDG&E submits the *Agreement* in order to address the matter of the appropriate and timely ratemaking treatment of net negative power charges described above and respectfully requests the Commission receive the

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<sup>3</sup> In the updated "*Proposed Revision to the Determination of Revenue Requirement for the Period January 1, 2013, Through December 31, 2013*," filed by the Department on October 15, 2013, the figures shown at Table B-1, line 8, on page 8, represent the surplus operating reserves available for return by the Department to the utilities and their customers.

<sup>4</sup> This is also true in the case of Southern California Edison Company ("Edison") and Pacific Gas & Electric Company ("PG&E").

*Agreement* into the evidentiary record of this matter as Exhibit No. SDG&E-1 and thereafter authorize SDG&E to implement the terms of the *Agreement*.

## **II. Terms of the Agreement**

Under the terms of the *Agreement*, SDG&E will continue to administer those Department power contracts allocated to it pursuant to the Commission's prior orders. SDG&E will also continue to remit to the Department on a daily basis the cash received from its existing rates related to the Department's power contracts previously allocated to SDG&E. For each and every month of 2013, the Department will return to SDG&E, by single wire transfer on or before the 15<sup>th</sup> day of the month, one-twelfth of the forecasted "Customer Return Credit" representing SDG&E's share of the Department's operating reserves subject to release as surplus to the Department's requirements and all other credit amounts as the Department may determine are appropriate and allocable to SDG&E and its customers.

Pursuant to the *Agreement*, SDG&E will establish a "Customer Return Credit Rate" by dividing the amount of the forecasted annual Customer Return Credit the Department will return to SDG&E by the forecasted bundled service sales (in kilowatt-hours) authorized by the Commission for the applicable calendar year, commencing with the 2013 calendar year. The Customer Return Credit Rate will be multiplied by a customer's usage during a billing month to arrive at the credit provided to the customer. SDG&E will include a statement on its customer bills describing the nature of the credit. Upon the Commission's approval of the *Agreement*, SDG&E will file an appropriate advice letter amending its tariffs to establish and administer the Customer Return Credit Rate and revise its other rate tariffs as necessary to implement the Commission's orders.

In order to reconcile differences between the actual credits received from the Department and returned to customers arising from the underlying differences between forecasted and actual sales, SDG&E will track and maintain accounting records reflecting both amounts. This difference, whether an under- or overcollection, will be transferred to the SDG&E Energy Resource Recovery Account balancing account and reflected in SDG&E's commodity rates. This will continue until such time as SDG&E is no longer responsible for charges related to the Department's power contracts and the Department no longer returns credit amounts to SDG&E.

SDG&E submits the terms of the *Agreement* are reasonable and should be approved by the Commission. The *Agreement* assures the timely and full return to SDG&E's customers of the credits received by SDG&E from the Department and does so in a manner consistent with the Commission's prior orders and the servicing agreements executed by the Department. SDG&E further notes the *Agreement* is

consistent with the manner in which net negative power charge revenue requirements have been treated for ratemaking purposes by Edison under the Commission's latest decision in this matter. (See *Decision Allocating the Revised 2012 Revenue Requirement Determination of the California Department of Water Resources*, Decision 11-12-005, in Docket No. Rulemaking 11-03-006, *Order Instituting Rulemaking to Consider the Annual Revenue Requirement Determination of the California Department of Water Resources and Related Issues*, December 13, 2011; printed opinion at pp.8 to 9.)

### **III. Summary and Relief Requested**

For the reasons stated above, SDG&E requests that its Motion for the Receipt of Additional Evidence and the Granting of Special Relief be granted, that the Commission issue appropriate orders as described below, and that the Commission grant such other further relief as it deems just and reasonable:

1. SDG&E's motion for the receipt of additional evidence is granted and Exhibit No. SDG&E-1 is hereby received into the evidentiary record of this proceeding; and,
2. SDG&E is authorized to implement the procedures applicable to the return of net negative power charge revenue requirements as provided under the terms of Exhibit No. SDG&E-1. SDG&E shall file an advice letter establishing a "Customer Return Credit Rate" within fifteen (15) days of the effective date of this order and modifying such other provisions of its tariffs as may be necessary to implement the terms of Exhibit No. SDG&E-1 and its underlying agreement with the California Department of Water Resources.

Respectfully submitted,

/s/ Alvin S. Pak

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San Diego, California  
October 16, 2012

**ATTACHMENT**

**Docket No. R.11-03-006**

**Proposed Exhibit No. SDG&E-1  
Exhibit of Counsel on Motion  
October 16, 2012**

**Agreement Regarding Procedures Applicable to the Return of Net  
Negative DWR Power Charge Revenue Requirements**

Docket No. R.11-03-006  
Exhibit No. SDG&E-1  
Exhibit of Counsel on Motion  
October 16, 2012

## **Agreement Regarding Procedures Applicable to the Return of Net Negative DWR Power Charge Revenue Requirements**

**Effective Date:** The procedures set forth below are intended to apply to the return of “Net Negative DWR Power Charge Revenue Requirements”, as defined below, to the bundled-service customers of San Diego Gas & Electric Company (“SDG&E”), effective January 1, 2013.

**Nature of Agreement:** This Agreement reflects the agreements in principle between the California Department of Water Resources (“DWR”) and SDG&E as of October 15, 2012, addressing the procedures to be applied when the orders of the Public Utilities Commission of the State of California (“Commission”) result in “Net Negative DWR Power Charge Revenue Requirements”, as defined below. For the purposes of this Agreement, “Net Negative DWR Power Charge Revenue Requirements” means the resulting annual revenue requirement allocated to SDG&E where the DWR returns and credits to SDG&E customers (“Customer Return Credit”) an annual amount greater than the annual Power Charge allocated to SDG&E, resulting in a net negative revenue requirement to SDG&E’s customers. All capitalized terms used but not defined in this Agreement shall have the meanings provided in the 2010 Servicing Order (described below).

**Net Negative DWR Power Charge Revenue Requirement Procedure for SDG&E While Administering DWR’s Contracts:** In 2013, SDG&E will continue to administer those DWR contracts allocated to it pursuant to the prior orders of the Commission and will remit to DWR on a daily basis all collected DWR revenues associated with these contracts, including the DWR Power Charge, consistent with the approved amended and restated Servicing Order (“2010 Servicing Order”). SDG&E will continue to record the actual DWR Power Charge remitted to DWR and assist DWR in the proceedings related to the setting of the following year’s determination of the DWR annual revenue requirement.

During 2013, on or before the 15<sup>th</sup> day of each month, commencing on or before January 15, 2013, DWR will send one wire transfer to SDG&E, representing one-twelfth of the annual Customer Return Credit to be returned to SDG&E’s Bundled Customers.

In turn, SDG&E will establish the Customer Return Credit Rate by dividing the amount of annual Customer Return Credit by the authorized forecasted bundled service kilowatt-hour (“kWh”) sales for the applicable calendar year. The individual Customer Return Credit to be returned to an SDG&E customer will be calculated by multiplying that customer’s billed bundled service kWh sales for the billed-month by the Customer Return Credit Rate. SDG&E will include a statement on its customers’ bills addressing the “DWR Customer Return Credit” associated with DWR revenue requirement.

To the extent feasible, DWR intends to apply a uniform Customer Return procedure to all three investor-owned utilities if such investor-owned utilities have a Net Negative DWR Power Charge Revenue Requirement and while such investor-owned utilities are administering DWR’s contracts.

**Net Negative DWR Power Charge Revenue Requirement Procedure for SDG&E When No Longer Administering DWR’s Contracts:** After 2013, SDG&E will no longer administer DWR contracts. On or before the 15<sup>th</sup> day of each month, commencing on January 15, 2014, DWR will send one wire transfer to SDG&E, representing one-twelfth of the annual Customer Return Credit DWR allocates and returns to SDG&E’s Bundled Customers.

In turn, SDG&E will establish the Customer Return Credit Rate by dividing the amount of annual Customer Return Credit by the authorized forecasted bundled service kWh sales for the applicable calendar year. The individual Customer Return Credit to be returned to a SDG&E’s customer will be calculated by multiplying that customer’s billed bundled service kWh sales for the billed-month by the Customer Return Credit Rate. SDG&E will include a statement on its customers’ bills addressing the “DWR Customer Return Credit” associated with DWR revenue requirement.

Because SDG&E’s authorized forecasted bundled-service sales will be at variance from actual and recorded bundled-service sales, SDG&E will track and maintain accounting records of (1) the amounts returned to SDG&E’s bundled-service customers for the Customer Return Credit and (2) the amounts received by SDG&E from DWR for Customer Return Credit. Any remaining balance (over or under-collection) recorded by SDG&E in its accounting records will be transferred to the SDG&E Energy Resource Recovery Account balancing account and will be included in SDG&E’s commodity rates.

### **Tariff Changes Required**

- SDG&E will seek Commission approval via advice letter to amend its tariff schedule rate tables to revise the DWR Power Charge Rate to include the DWR Customer Return Credit Rate.



- All applicable SDG&E tariffs (which may include, but are not limited to Schedule EECC, Schedule EECC-TBS, Schedule EECC-CPP-E, Schedule EECC-CPP-D, ERRA, and DA-CRS) will also be revised accordingly.