

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

Order Instituting Rulemaking to Consider the Annual )  
Revenue Requirement Determination of the )  
California Department of Water Resources and )  
Related Issues. )  
\_\_\_\_\_ )

Rulemaking No. 11-03-006  
(Filed March 10, 2011)

**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E),  
AND RESERVATION OF RIGHTS,  
RE REVISION TO THE DETERMINATION OF REVENUE REQUIREMENT  
BY THE CALIFORNIA DEPARTMENT OF WATER RESOURCES**

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October 19, 2012  
San Diego, California

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Respondent San Diego Gas & Electric Company (“SDG&E”) files the following comments, and requests it be permitted to reserve its rights, regarding a specific matter raised in the *Revision to the Determination of Revenue Requirement for the Period January 1, 2013, Through December 31, 2013* (“*Revised Determination*”). The California Department of Water Resources (“Department”) filed the *Revised Determination* on October 15, 2012, and, by a ruling served by electronic mail on that same day, the Presiding Administrative Law Judge to this proceeding permitted the filing of these comments.

At this point in time, SDG&E does not take issue with the updated revenue requirement shown in the *Revised Determination*, but reserves its rights to contest the future determination of certain costs and the potential allocation among the utilities of any such costs related to a pending but potentially avoidable contract liability described by the Department in the *Revised Determination*.

In the *Revised Determination*, the Department forewarns the Commission of a potential contract liability which may result in certain costs to the Department as follows:

As an update to the 2013 Determination, the Department projects that it may incur costs as a result of a natural gas Transportation Service Agreement (“TSA”), signed in 2003 and expiring in 2018, that was associated with the expired contract with Sunrise Power Company, LLC. The Department is examining its contract alternatives to determine if the contract can be modified, assigned or terminated. The Department has included the costs associated with the TSA through the expiration of the contract in 2018 in this Revised 2013 Determination. If, through negotiation and disposition efforts, the Department does not incur these costs, the cash reserves held to pay these costs would be returned to ratepayers as “excess” amounts in a subsequent revenue requirement filing.

See *Revised Determination*, at p.18.

Based on the foregoing, SDG&E is of the belief the Department has not yet determined whether its final 2013 revenue requirement should or should not reflect amounts associated with the subject natural transportation services agreement and, if so, in what amounts. SDG&E further believes the Department properly intends to pursue actions which might allow the Department to avoid costs associated with that agreement. Under the vagaries described by the Department and the potential adjustments which may be made to the costs of that agreement at some later time, SDG&E takes no issue with the updated revenue requirement shown in the *Revised Determination*. Nevertheless, given the possibility some costs associated with the subject natural gas transportation services agreement may in fact be incurred by the Department and, if so, some portion of those costs could be allocated to SDG&E and its customers, SDG&E files these comments so as to reserve its rights to contest the manner in which these costs are determined and/or allocated among the three utilities.

Although the Department states the subject natural gas transportation services agreement was “associated with the expired contract with Sunrise Power Company”, a power contract previously allocated by the Commission to SDG&E, there are additional facts and circumstances relevant to the nature of this “association” SDG&E believes bear directly on the appropriate allocation of any remaining costs related to that agreement, particularly in light of the expiration of the Sunrise contract. From a procedural perspective, issues related to the determination of the final, unavoided 2013 costs of the subject natural gas transportation services agreement and/or the appropriate allocation of any such costs among the three utilities are not yet ripe given the Department’s intention to negotiate and settle that agreement and, further, the allocation of unavoided costs, if necessary, is not described in the *Revised Determination*. Therefore, SDG&E respectfully requests it be permitted to reserve its rights to assert its position on the determination of these costs and their allocation at the appropriate time when these matters are properly before the Commission.

Respectfully submitted,

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