

**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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**JOINT REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E)  
AND ALLIANCE FOR RETAIL ENERGY MARKETS**

Alvin S. Pak  
Attorney for San Diego Gas & Electric Company  
101 Ash Street, HQ12C  
San Diego, California 92101  
Telephone: 619.696.2190  
Facsimile: 619.699.5027  
Electronic Mail: [APak@SempraUtilities.com](mailto:APak@SempraUtilities.com)

Daniel W. Douglass  
DOUGLASS & LIDDELL  
21700 Oxnard Street, Suite 1030  
Woodland Hills, California 91367  
Telephone: (818) 961-3001  
Facsimile: (818) 961-3004  
Electronic Mail: [douglass@energyattorney.com](mailto:douglass@energyattorney.com)  
Attorney for the Alliance for Retail Energy Markets

San Diego, California  
Woodland Hills, California  
November 6, 2012

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Pursuant to Rule 11.1(f) of the Commission's Rules of Practice and Procedure, Respondent San Diego Gas & Electric Company ("SDG&E") and Intervenor Alliance for Retail Energy Markets ("AReM") file this Joint Reply requesting that the Commission grant SDG&E authority to implement those certain ratemaking procedures set forth in this Joint Reply and as agreed upon between SDG&E and AReM. Counsel for SDG&E and AReM, by electronic mail to the Presiding Administrative Law Judge dated November 5, 2012, requested leave to file this Joint Reply. By return electronic mail dated November 6, 2012, Administrative Law Judge Wilson granted SDG&E and AReM leave to file this Joint Reply.

As noted in the *Motion of San Diego Gas & Electric for the Receipt of Additional Evidence and the Granting of Special Relief ("Motion")* filed by SDG&E in this proceeding on or about October 16, 2012, SDG&E addressed the manner in which it proposed to address rates passing through to its customers credits and refunds received from the California Department of Water Resources ("Department") during 2013. On or about October 31, 2012, AReM filed its *Response of the Alliance for Retail Energy Markets to the Motion ("Response")* noting that SDG&E had omitted sufficient discussion as to whether, and if so the manner in which, SDG&E intended to provide an allocable and fair share of such credits and refunds to SDG&E's direct access customers.

As noted in the *Motion*, SDG&E intended to make related changes to various rates and tariffs in order to address the entitlements of the full range of SDG&E's customers to the relevant credits and refunds received from the Department. The *Motion* indicated that those changes included adjustments to SDG&E's Schedule DA-CRS; Schedule DA-CRS is applicable to Direct Access customers in the SDG&E

service territory. Counsel for SDG&E and AReM have conferred and agree that the record should be clarified as to the manner in which direct access customers in SDG&E's service territory will receive their allocable share and benefits of the credits and refunds SDG&E will receive from the Department during 2013. The clarification provided below fully resolves the issues raised by AReM in its *Response*.

Among the components of Schedule DA-CRS is the Power Charge Indifference Adjustment, assessed to Nonexempt Direct Access customers<sup>1</sup> and which reflects the Commission's allocation of the Department's revenue requirements arising from the Department's power contracts and related obligations to SDG&E. Further, under SDG&E's Schedule DA-CRS, Nonexempt Direct Access customers are assigned a "Vintage Year" based upon the date the customer gave notice to SDG&E that they were departing bundled utility service and commencing Direct Access service. Nonexempt Direct Access customers are assigned an allocable share of the Vintage Year costs associated with power charges allocated to and paid by SDG&E pursuant to SDG&E's share of the revenue requirements arising from the Department's power contracts and associated obligations. Similarly, during 2013, SDG&E will allocate to Nonexempt Direct Access customers their fair share of credits and refunds received by SDG&E from the Department under the Schedule DA-CRS Power Charge Indifference Adjustment. In doing so, SDG&E will be acting in a manner consistent with the methodology cited by AReM in its *Response* and being used by Southern California Edison Company for similar purposes. In implementing this methodology, SDG&E will use the "total portfolio method" previously used to allocate SDG&E's share of the Department's revenue requirements to Nonexempt Direct Access customers to allocate 2013 refunds and credits received from the Department. This will result in an offset to the above-market costs associated with SDG&E's total portfolio of resources allocated to these customers and a Power Charge Indifference Adjustment rate lower than they would have otherwise paid in the absence of the offset.

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<sup>1</sup> In this context, "Nonexempt Direct Access customers" excludes "Continuous DA Customers", defined in Schedule DA-CRS as those Direct Access customers taking Direct Access service both before and after February 1, 2001. Continuous DA Customers are exempt from bond charges and the Power Charge Indifference Adjustment billed to other Direct Access customers under Schedule DA-CRS. Additionally, Direct Access customers who received Direct Access Service from February 1, 2001, through September 21, 2001, were considered "Continuous DA Customers" effective December 2, 2003.

Counsel for SDG&E and AReM have conferred and agree that the record should reflect that, subject to the clarification provided above, all matters raised by AReM in its *Response* have been addressed to AReM's satisfaction and that SDG&E's prior *Motion* should be granted subject to the clarifications provided in this Joint Reply.

Respectfully submitted,

/s/ Alvin S. Pak

Alvin S. Pak  
San Diego Gas & Electric Company  
101 Ash Street, HQ12B  
San Diego, California 92101  
Direct Telephone Line: 619.696.2190  
Facsimile: 619.699.5027  
Electronic Mail: [APak@SempraUtilities.com](mailto:APak@SempraUtilities.com)

Attorney for San Diego Gas & Electric Company

And

/s/ Daniel W. Douglass

Daniel W. Douglass  
DOUGLASS & LIDDELL  
21700 Oxnard Street, Suite 1030  
Woodland Hills, California 91367  
Telephone: (818) 961-3001  
Facsimile: (818) 961-3004  
[douglass@energyattorney.com](mailto:douglass@energyattorney.com)  
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