

Memorandum

Date: November 26, 2012

To: Honorable Michel P. Florio
Assigned Commissioner
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Honorable Seaneen M. Wilson
Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

From: John Pacheco
Department of Water Resources

Subject: Rulemaking No. 11-03-006

The California Energy Resources Scheduling division of the Department of Water Resources ("DWR") submits this memorandum to assist the California Public Utilities Commission ("CPUC" or "Commission") in its calculation and allocation of the Department's Revised 2013 Retail Revenue Requirement ("Revised Determination") provided to the CPUC on October 15, 2012.

Specifically, this memorandum provides; (1) a response to the November 15, 2012 comments made by San Diego Gas & Electric Company ("SDG&E") to the Rulemaking, (2) clarification of the roles and obligations of DWR and the CPUC, and (3) a copy of the gas Transportation Services Agreement ("TSA") dated August 28, 2003, and also a copy of the Agreement on Reassignment dated September 5, 2003 which provides for reassignment of the TSA back to Sunrise Power Company, LLC ("Sunrise").

In its November 15, 2012 comments, SDG&E stated that the Department had yet to determine whether any costs associated with the Kern River TSA agreement would be incurred and did not include any such costs in its 2013 Revenue Requirement. However, the Department did include the cost of the TSA agreement both in its Proposed Revised 2013 Determination issued on October 4, 2012 and in its Revised 2013 Revenue Requirement provided to the CPUC on October 15, 2012. As noted in the Revised 2013 Revenue Requirement, the costs associated with the TSA are projected to be \$14.594 million for 2013. These costs were not included in DWR's original 2013 Determination of Revenue Requirement issued August 2, 2012 as we anticipated Sunrise would have taken reassignment of the TSA under the Reassignment Agreement.

Under California law and the Rate Agreement, the respective roles of the CPUC and DWR are clearly defined. The role of the CPUC is to set bond charges and power charges at levels sufficient to recover DWR's revenue requirements and to allocate such charges among IOU service areas and electric customers. DWR makes no determination as to how such costs are allocated. It does track actual costs in each IOU's balancing account consistent with the CPUC's allocation methodology. DWR also is responsible for notifying the CPUC of the amounts required to pay for bond related costs that are to be recovered from bond charges and is also responsible for notifying the CPUC of amounts required to pay for power related costs that are to be recovered from power charges that are imposed by the CPUC from time to time.

Additionally, the CPUC is bound by the Rate Agreement to increase bond charges to enable DWR to make timely payment of bond related costs by calculating and imposing revised bond charges to pay such bond related costs no later than 120 days from the date following the delivery by DWR of its request for revised bond charges. For the power charge revenue requirement, the CPUC promises to impose sufficient power charges no later than 120 days after the Department delivers a new retail revenue requirement to the CPUC. For the 2013 Revenue Requirement, DWR delivered its revenue requirement to the Commission on August 2, 2012 so that the CPUC could act at its scheduled meeting on November 29, 2012.

The bond charges established by the CPUC for 2012 are currently sufficient to cover projected bond related costs as projected in the Revised 2013 Revenue Requirement and the power charges established by the CPUC for 2012 are currently sufficient to cover power related costs as projected in the Revised 2013 Revenue Requirement. As a result, the Department does not object to waiving the required timeframe as required in the Rate Agreement for the CPUC to impose revised power and bond charges for 2013 so that the CPUC can provide additional time to the IOUs to comment and examine the documents supporting the TSA costs. However, the return of an excess amounts in 2013 will not begin until the CPUC decision on the Revised 2013 Revenue Requirement is final.

Finally, to assist the IOUs in providing the CPUC comments regarding the TSA and Reassignment Agreement and to assist the CPUC in allocating the related costs included in DWR's 2013 Revised Determination, DWR is voluntarily attaching to this memorandum a copy of the TSA and also a copy of the Agreement on Reassignment. These two documents are also included in the record of materials supporting the Revised 2013 Revenue Requirement. The documents were originally marked as confidential in the record of materials, but after further consideration they are appropriate for public disclosure.

Honorable Michel P. Florio
Honorable Seaneen M. Wilson
November 26, 2012
Page 3

DWR appreciates the Commission's assistance in implementing the Department's Revised Revenue Requirements Determination for 2013. If you have any questions or need additional information, please contact me at (916) 574-0311.



John Pacheco
Acting Deputy Director
California Energy Resources Scheduling

Attachments