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December 4, 2012

ADVICE LETTER 2425-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST OF SAN DIEGO GAS & ELECTRIC COMPANY FOR
AUTHORIZATION OF THE SALE OF LICENSE RIGHTS TO INTELLECTUAL
PROPERTY TO GRIDSENSE, INC., PURSUANT TO PUBLIC UTILITIES CODE
SECTION 851 AND GENERAL ORDER 173**

I. INTRODUCTION

Pursuant to Section 851 of the California Public Utilities Code and General Order 173, San Diego Gas & Electric Company (“SDG&E”) respectfully requests authority to grant an exclusive license to intellectual property relating to the direct monitoring and control of electric loads at the consumer level through distribution transformers (US Patent No. 8,024,077) to GridSense, Inc. (“Licensee”), on the terms and conditions specified in the Research and Development Collaboration Agreement (“Agreement”) dated September 21, 2012, between SDG&E and the Licensee. A true and correct copy of the Agreement is attached as Exhibit A.

II. BACKGROUND

As an advanced implementer of Smart Grid technologies, SDG&E has invented certain intellectual property which it believes has value and, if fully developed, would result in a product which will enhance the ability of utilities to monitor and control electric loads at the consumer level through distribution transformers. SDG&E believes this functionality is critical for the management of electric vehicle loads, but will be useful for any load management requirements. SDG&E believes this sophisticated new technology could potentially aid in the adoption of PEVs, which is an expressed goal of the CPUC. However, as a regulated utility, SDG&E does not believe it is the proper party to further develop and market this technology, nor does SDG&E have the necessary internal resources to efficiently and effectively prototype, manufacture, market and sell such an end product. Consequently, SDG&E has decided to license the technology concept to a knowledgeable company with specific expertise and resources available for product development and commercialization. After discussions with several prospective licensees, SDG&E has reached an agreement with GridSense, Inc.

The proposed transaction consists of SDG&E providing an exclusive license to its intellectual property (US Patent No. 8,024,077) to GridSense, Inc. in return for royalties on sales of the product.

The accounting treatment for financial proceeds from the sale of the Property will be distributed in accordance with the Commission's rules as described in more detail in Section III below:

III. COMPLIANCE WITH GENERAL ORDER 173

SDG&E provides the following information in compliance with General Order 173. The transaction qualifies for advice letter treatment under General Order 173 as the property being transferred does not have a fair market value in excess of \$5 million.

1. Identity and Addresses of All Parties to the Proposed Transaction

San Diego Gas & Electric Company, Licensor

101 Ash Street, HQ12B
San Diego, California 92101

Attn: Allen K. Trial
Telephone: (619) 699-5162
Facsimile: (619) 699-5027
E-mail: atrial@sempra.com

GridSense, Inc., Licensee

2568 Industrial Blvd., Suite 110
West Sacramento, CA 95691

Attn: Lindon Shao
Telephone: (626) 202-2123
Facsimile (916) 372-4948
E-mail: l.shiao@gridsense.com

2. A complete description of the property, including its present location, condition, and use.

Property consists of intellectual property relating to the direct monitoring and control of electric loads at the consumer level through distribution transformers (US Patent No. 8,024,077). The patent has been awarded by the US Patent Office, but has not been instantiated in a product prototype.

3. Transferee's intended use of the property;

Licensee intends to use SDG&E's intellectual property to assist in development of a device or devices to monitor and control electric loads at the consumer level through distribution transformers. Eventual production and marketing of the device or devices will depend on Licensee's ability to develop and market the device.

4. A complete description of the financial terms of the proposed transaction;

In exchange for an exclusive license to use SDG&E's IP in the development, marketing and sale of smart transformer monitoring and control systems incorporating SDG&E's IP ("Systems"), the Licensee has granted to SDG&E (a) a royalty of four percent (4%) of the gross revenues (excluding taxes, transportation and returns) from sales of System and System components developed with SDG&E's IP, (b) one percent (1%) of gross revenues for pre-existing systems that are merged with products incorporating the SDG&E IP; (c) one percent (1%) of gross revenues for future GridSense products that incorporate the SDG&E IP; and (d) fifty percent (50%) of gross profit (gross revenue less direct materials and direct labor) for GridSense products primarily used on the utility side of the house meter that do not fall under one or more of the claims of U.S. Patent No. 8,024,077 (but otherwise incorporate SDG&E IP Rights). See Exhibit A. In addition, after commercialization, SDG&E may purchase licensed products from GridSense at a

discount of 10% less than the lowest price at which such products are sold to third parties during the previous 12 months.

5. A description of how the financial proceeds of the transaction will be distributed;

SDG&E requests that the Commission approve the allocation of any realized gains using the methodology as authorized by the Commission in D.08-07-046, regarding the distribution of revenues from ratepayer funded research programs. SDG&E is proposing that any after-tax gains resulting from the above mentioned royalties from the use of the License on a gross basis shall be allocated between ratepayers and shareholders on a 60% / 40% basis¹. The ratepayer portion of the allocation will be recorded to the Rewards and Penalties Balancing Account (RPBA) on a cash basis and provided to ratepayers through the RPBA as approved by the Commission. See Attachment A for the proposed changes to the electric RPBA.

6. The impact of the transaction on ratebase, and any effect on the ability of the utility to serve customers and the public;

The transaction will have no impact on ratebase. The transaction will not have an adverse effect on the public interest and will not have an adverse effect on the ability of SDG&E to continue to provide safe and reliable service to customers at reasonable rates. The proposed use of the property will not interfere in any way with the continued safe operations of utility services. If the transaction results in the development and availability of a system which enables cost effective load management at the distribution transformer, SDG&E and other utilities will have an additional option to consider in competitive procurement of such systems. The transaction does not warrant the more comprehensive review that would be provided through a formal Section 851 application. This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

7. For sales of real property and depreciable assets, the original cost, present book value, and present fair market value, and a detailed description of how the fair market value was determined (e.g., appraisal);

The transaction does not include real property or depreciable assets. To determine the fair market value, SDG&E explored potential development partners through industry contacts. Discussions regarding a development agreement were held with many potential parties including General Electric, Siemens, Schneider Electric, Subnet, HCL and GridSense.

The expected value of the transaction is unknown at this time. The ultimate value will be based on revenue levels GridSense is able to achieve. Given the developmental stage of this product and the many uncertainties in the utility marketplace, there is no way to determine revenue estimates at this time. However, in no event will ratepayers share in any loss.

8. A complete description of any recent past (within the prior two years) or anticipated future transactions that may appear to be related to the present transaction, such as

¹ Ordering Paragraph 4 of Resolution E-4361 approved on January 27, 2011, approves ratepayer/shareholder allocations consistent with D.08-07-046

sales or leases of real property that are located near the property at issue or that are being transferred to the same transferee; or for depreciable assets, sales of similar assets or sales to the same transferee;

SDG&E has purchased transformer monitoring devices from GridSense in the past two years which do not include the IP being transferred. If the IP is successfully instantiated into a commercially available product, it is likely SDG&E will purchase the product for use in its distribution system. Such purchases will be at a discount of 10% less than the lowest price at which such products are sold to third parties during the previous 12 months.

9. Sufficient information and documentation (including environmental documentation) to show that all of the eligibility criteria have been met.

SDG&E has provided sufficient information in this Advice Letter to establish that the transaction constitutes solely a change in rights to intellectual property and no direct or indirect adverse environmental impacts will occur as a result of the transaction. Accordingly, this Advice Letter is exempt from further action under the California Environmental Quality Act (CEQA).

CONFIDENTIAL TREATMENT

Exhibit A contains confidential information and, therefore, is protected from disclosure under the statutory provisions of Section 583 of California Public Utilities Code and the Commission's General Order 66-C.

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this Advice Letter was filed with the Commission, or December 24, 2012. 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 the Energy Division at EDTariffUnit@cpuc.ca.gov. It is also requested that a copy of the protest 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, CP 32
San Diego, CA 92123-1550
Facsimile No. (858) 654-1879
E-mail: mcaulson@semprautilities.com

EFFECTIVE DATE

SDG&E believes that this filing is subject to Energy Division disposition and should be classified as Tier 3 (effective after Commission approval) pursuant to GO 96-B. SDG&E respectfully requests that the Commission issue a resolution approving this advice letter.

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed. Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by email at SDG&ETariffs@semprautilities.com.

Clay Faber
Director – Regulatory Affairs

(cc list enclosed)

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) #: 2425-E

Subject of AL:) Request of SDG&E for Authorization of the Sale of License Rights to Intellectual Property to GridSense, Inc., Pursuant to Public Utilities Code Section 851 and General Order 173

Keywords (choose from CPUC listing): Section 851

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

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

PUC Code 851, General Order 173

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: Upon Commission Approval

No. of tariff sheets: 2

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: RPBA & TOC

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
EDTariffUnit@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.04-09-003

ATTACHMENT A
ADVICE LETTER 2425-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 23295-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA), Sheet 2	Revised 23108-E
Revised 23296-E	TABLE OF CONTENTS, Sheet 1	Revised 23269-E



PRELIMINARY STATEMENT

Sheet 2

**II. BALANCING ACCOUNTS
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)**

4. Accounting Procedure (Continued)

b.

(3) Revenue allocated to the Electric Department from the revenue sharing portion of the PBR Base Rates Mechanism or its successor, the Electric Distribution PBR. (If the rate indexing formula is approved for the Electric Distribution PBR mechanism, the revenue sharing portion will be applied to the electric distribution rate as a percentage change to the rate component on an annual basis.)

(4) Costs allocated to the Electric Department as a result of the sharing mechanism for over-expenditures in the Advanced Metering Infrastructure (AMI) pursuant to the settlement adopted in D.07-04-043.

(5) Royalties allocated to the Electric Department due to the licensing of intellectual property.

c. An entry shall be made to reflect the amount collected from/returned to customers due to the amortization of the prior year ending balance, pursuant to item 5. below.

d. Each year, as applicable, an entry shall be made for authorized account balance transfers to the RPBA.

e. The current month balance shall equal the expenses in 4.a. above less the revenues in 4.b. above, plus or minus any adjustment from 4.c & 4.d.

f. The accumulated month ending balance shall equal the sum of:

(1) the current month's entries from 4.e.;

(2) the account balance at the beginning of the month;

(3) the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

5. Accounting Procedures – NTP&S Subaccount

This account shall reflect the following periodic entries:

a. A credit entry for the ratepayers 30% allocation of gross revenues associated with the MSP pursuant to Resolution G-3456;

b. An entry shall be made to amortize the prior year ending balance; and

c. An entry equal to the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

6. Account Disposition

The Utility shall file in October of each year an advice letter requesting to apply the projected year-end overcollected or undercollected balance in the R&B Subaccount and/or the overcollected balance in the NTP&S Subaccount as a twelve-month amortization to electric rates effective January 1 of the following year.

(Continued)

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Advice Ltr. No. 2425-E

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Dec 4, 2012

Effective _____

Resolution No. _____



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Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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Advice Ltr. No. 2425-E

Decision No. _____

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Lee Schavrien
Senior Vice President
Regulatory Affairs

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Effective _____

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Attachment B

SDG&E Advice Letter 2425-E

Exhibit A

Research & Development Collaboration Agreement

Confidential & Protected from Disclosure