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January 31, 2013

**ADVICE LETTER 2457-E**  
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: NOTICE OF ERRA TRIGGER/THRESHOLD SELF-CORRECTION IN  
COMPLIANCE WITH D.07-05-008**

**PURPOSE**

The purpose of this Advice Letter is to notify the California Public Utilities Commission ("Commission") that San Diego Gas & Electric Company's ("SDG&E") Energy Resource Recovery Account ("ERRA") balance currently exceeds its 4% trigger point and 5% trigger threshold. However, SDG&E projects that the undercollected balance to be recovered will be recovered through self-correction to a level below the 4% trigger within 120 days. In compliance with Decision ("D.") 07-05-008, SDG&E is filing this Advice Letter rather than an application to notify the Commission promptly of the circumstances, to advise of the expected self-correction, and to seek further input if the Commission believes that, based on the circumstances explained below, a trigger application is warranted at this time.

**BACKGROUND**

D.02-10-062 established an ERRA trigger mechanism that requires SDG&E to file an expedited application for Commission approval to adjust its rates within 60 days from the filing date whenever the ERRA balance reaches 4% of its prior year's recorded generation revenues, excluding revenues collected for the California Department of Water Resources ("DWR"), and is forecasted to exceed 5%. In addition, D.07-05-008 authorized SDG&E to notify the Commission by advice letter, rather than application, whenever its ERRA balance exceeded its trigger point of 4% if SDG&E's forecasts show that the ERRA balance would self-correct below the trigger within 120 days of the advice letter filing, rendering an interim rate change unnecessary. SDG&E is required to provide the necessary documentation supporting its proposal not to change rates.

SDG&E's ERRA calculated balance for trigger purposes as of December 31, 2012 reflects a \$160.5 million undercollection<sup>1</sup>, which is above the 4% trigger point and 5% trigger threshold of \$43.3 million and \$54.2 million, respectively.<sup>2</sup> However, as stated above, SDG&E expects to self-correct below the 4% trigger within 120 days.

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<sup>1</sup> The \$160.5 million balance reflects \$53.0 million in remaining amortization to be applied as of December 31, 2012.

<sup>2</sup> SDG&E's 2012 trigger and threshold amounts of \$43.4 million and \$54.2 million, respectively, were approved in Advice Letter 2335-E, effective March 7, 2012.

## DISCUSSION

D.12-12-022, approving SDG&E's Trigger Application ("A.") 12-10-017, authorized SDG&E to increase rates "using the actual recorded Energy Resource Recovery Account balance through November, 2012 and adding the best estimate for December 2012 activity that is available at the time of the advice filing."<sup>3</sup> In compliance with D.12-12-022, on December 21, 2012, SDG&E filed Advice Letter 2440-E providing the final amount, based on the approved methodology outlined by the Commission, of \$104.3 million to be collected from ratepayers over a 12-month amortization period, beginning on January 1, 2013. Further, SDG&E filed its Consolidated Filing via Advice Letter 2443-E on December 28, 2012<sup>4</sup> to implement January 1, 2013 electric rates, which included the approved amount associated with A.12-10-017 of \$104.3 million.

Although SDG&E's projected December balance of \$104.3 million was deemed recoverable in rates pursuant to D.12-12-022, SDG&E did not begin to implement this Decision until January 1, 2013 via its Consolidated Filing. Consequently, at present, SDG&E's December ERRA balance remains in an undercollected position until the previously authorized revenues have been collected to a level alleviating the undercollection.

In addition to the amount approved in D.12-12-022, SDG&E incurred Greenhouse Gas ("GHG") costs as a result of participating in the California Air Resources Board's first GHG auction on November 14, 2012. These GHG costs were recorded in ERRA beginning in November 2012. While these costs also contributed to SDG&E's December undercollected ERRA balance, D.12-12-033, which recently approved Track 1 of the GHG Order Instituting Rulemaking, determined that "(t)he costs of the November 2012 Greenhouse Gas auction ... be excluded from SDG&E's ERRA trigger calculation."<sup>5</sup> Also, D.12-12-033 stated that SDG&E is "ordered to defer including in rates all GHG costs and revenues, including accrued interest, until all necessary implementation details are finalized."<sup>6</sup>

Therefore, since SDG&E is only now beginning to collect the amounts authorized in the Commission Order on SDG&E's Trigger Application, and because the Commission has recently directed SDG&E to defer including GHG costs and revenues in rates thereby excluding GHG costs, SDG&E expects at this time that the amount of its presently undercollected ERRA balance to be recovered will be below the 4% trigger point within 120 days. Taking these two factors, as discussed above, into account, SDG&E's January 2013 adjusted ERRA balance is forecasted to be 1.63% of its prior year's generation revenues, thus below the 4% trigger point. Because the ERRA balance is projected to self-correct within the next 120 days, a rate change is not necessary at this time. If, however, the Commission has concerns with either SDG&E's analysis or determination that no further application is required at this time, SDG&E respectfully requests that it notify SDG&E to discuss its concerns.

In compliance with D.07-05-008, SDG&E submits as Attachment A to this filing, documentation supporting SDG&E's monthly ERRA revenue collections and trigger calculations projecting a self-correction within 120 days.

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<sup>3</sup> Ordering Paragraph 1 of D.12-12-022, effective December 20, 2012 and issued on December 26, 2012.

<sup>4</sup> Advice Letter 2443-E, effective January 1, 2013, was approved by disposition letter from Energy Division dated January 28, 2013.

<sup>5</sup> D.12-12-022, Conclusions of Law number 5.

<sup>6</sup> Ordering Paragraph 20 of D.12-12-033.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

### **EFFECTIVE DATE**

SDG&E believes this filing is subject to Energy Division disposition, and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SDG&E respectfully requests that this advice letter be approved effective March 4, 2013, thirty days from the date filed.

### **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 by February 20, 2013, 20 days from the date this Advice Letter was filed with the Commission. 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](mailto:EDTariffUnit@cpuc.ca.gov). A copy of the protest should 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, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1879  
E-mail: [mcaulson@semprautilities.com](mailto:mcaulson@semprautilities.com)

### **NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list A.12-06-003 a.12-10-002 and A.06-12-009 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 e-mail at [SDG&ETariffs@semprautilities.com](mailto:SDG&ETariffs@semprautilities.com).

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CLAY FABER  
Director – Regulatory Affairs

# 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) #: 2457-E

Subject of AL:) Notice of ERRA Trigger/Threshold Self-Correction in Compliance with D.07-05-008

Keywords (choose from CPUC listing): ERRA, Compliance

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

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

A.06-12-009, A.12-06-003, A.12-10-002

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 AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: \_\_\_\_\_

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: March 4, 2013

No. of tariff sheets: \_\_\_\_\_

Estimated system annual revenue effect (%): \_\_\_\_\_

Estimated system average rate effect (%): \_\_\_\_\_

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: N/A

Service affected and changes proposed<sup>1</sup>: 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**

**mas@cpuc.ca.gov and EDTariffUnit@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Megan Caulson**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**mcaulson@semprautilities.com**

<sup>1</sup> 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:

A.06-12-009

A.12-06-003

A.12-10-002

**SAN DIEGO GAS & ELECTRIC COMPANY  
ADVICE LETTER 2457-E  
ATTACHMENT A  
ERRA FORECAST (\$MILLION)**

ERRA Revenue and Costs	Recorded Sep-12	Recorded Oct-12	Recorded Nov-12	Recorded Dec-12	Forecast Jan-13
1 <b>Beginning Balance</b>	117	126	128	198	214
2					
3 <b>Revenue</b>					
4 Net Revenues to Balancing Account	(89)	(88)	(65)	(60)	(68)
5					
6 <b>Expense</b>					
7 Total Balancing Account Expenses	98	90	135	75	77
8					
9 <b>Miscellaneous</b>					
10 Adjustments (FERC, Energy Crisis Refunds)	-	-	-	-	-
11 Carry Cost Related to Hedging Margin Dep - Computed	0	0	0	0	-
12 Other (e.g. EPA Payment on SO2 Allowance)	-	-	-	-	-
13 Net Under / (Over) Collect Prior to Interest & Transfers	9	3	69	15	9
14 Interest	0	0	0	0	0
15 Transfers From Other Regulatory Accounts	-	-	-	1	-
16 Total Under / (Over) Collect for Period with Interest & Transfers	9	3	69	16	9
17					
18 <b>Cumulative Balance Under / (Over) Collect Before Amortizations</b>	126	128	198	214	223
19					
20 <b>ERRA Trigger</b>	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13
21 Prior Year Generation Revenue (\$Million)	1,085	1,085	1,085	1,085	1,085
22 5% Threshold for Application	5.0%	5.0%	5.0%	5.0%	5.0%
23 5% Threshold \$ Value for Application (\$Million)	54	54	54	54	54
24 Cumulative ERRA Balance Under / (Over) Collect (\$Million)	126	128	198	214	223
25 <b>Calculated Trigger % Prior to Amortization</b>	11.61%	11.85%	18.23%	19.69%	20.52%
26					
27 <b>Calculated Trigger with Remaining Amortization Balance</b>	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13
28 Remaining ERRA Amortization Balance at Month End	(67)	(62)	(58)	(53)	(147)
29 Net cumulative ERRA Balance Under / (Over) Collect	59	66	140	161	75
30 <b>Calculated Trigger %</b>	5.46%	6.13%	12.92%	14.80%	6.94%
31 Month 4% Trigger / 5% Threshold Exceeded	over 5%	over 5%	over 5%	over 5%	over 5%
32					
33 Less Greenhouse Gas Auction Costs from November 2012					(58)
34 Modified Balance after GHG Auction					18
35 <b>Modified Balance as % of Prior Year Generation Revenues</b>					1.63%