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)

OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E) [REVISED]

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Pursuant to the ruling of Administrative Law Judge Seaneen Wilson sent by electronic mail on or about November 20, 2012, San Diego Gas & Electric Company ("SDG&E") submits these Opening Comments regarding the proper interutility allocation of certain revenue requirements of the California Department of Water Resources ('the Department"). Specifically, the Department is incurring, and expects to incur in the future, costs related to a transportation services agreement ("TSA 1724") executed by and between the Department and Kern River Gas Transmission Company ("Kern River"). SDG&E submits that, pursuant to the application of rules adopted in the prior orders of the Commission related to the interutility allocation of the Department's annual revenue requirements and/or as a matter of equity, these costs should be allocated to Pacific Gas & Electric Company ("PG&E"), Southern California Edison Company ("Edison") and SDG&E using the Commission's previously adopted methodology for nonvariable and/or above-market costs and, further, that such allocation be applied to all costs related to TSA 1724 incurred on or after June 30, 2012.

A. Statement of Facts

1. Procedural History

On or about October 15, 2012, the Department filed its *Revision to the Determination of Revenue Requirement for the Period January 1, 2013, Through December 31, 2013* ("*Revised Determination*"). The Commission adopted the Department's proposed 2013 annual revenue requirement of $861 million and the Department's allocation of that revenue requirement among the three utilities in November 2012.[1] In its Comments on the Proposed Decision filed October 19, 2012, SDG&E requested that it be permitted to

[1] See *Decision Allocating the Final Revised 2013 Revenue Requirement Determination of the California Department of Water Resources*, Decision 12-11-040 in Rulemaking 11-03-040 (November 29, 2012), printed opinion at p.16 and Appendix A.

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reserve its rights to contest the determination and interutility allocation of that portion of the Department's 2013 revenue requirement related to TSA 1724. The Commission addressed SDG&E's request by approving the Department's costs incurred under the transportation services agreement and the allocation of the entirety of those costs to SDG&E "on an interim basis, subject to refund pending the resolution of allocation of dollars associated with the natural gas TSA."[2]

2. The Kern River Transportation Services Agreement

On or about August 12, 2003, the Department and Kern River executed a transportation services agreement pursuant to which Kern River was to provide and the Department became entitled to not less than 85,000 dekatherms per day of firm transportation across the Kern River system from Opal to either of the Wheeler Ridge or the Kramer Junction delivery points. On or about August 12, 2009, the Department and Kern River executed a restated transportation services agreement including the same essential terms; the restated agreement superseded and replaced the 2003 agreement.[3] In entering into these agreements (collectively referenced in these Comments as "TSA 1724"), the Department and Kern River effected the assignment of previous transportation services agreements executed by and between Kern River on the one hand and Edison Mission Energy and/or Sunrise Power LLC ("Sunrise") on the other. In agreeing to the assignment, the Department was fulfilling certain of its obligations pursuant to a settlement of claims by and between the Department and Sunrise; the obligations created by this settlement with respect to TSA 1724 were considered a part of the Department's obligations under its power purchase agreement and associated confirmation agreement with Sunrise.[4] Essentially, TSA 1724 provided for the interstate transportation of fuel to the Sunrise facility and the Department, in support of the power purchase agreement, agreed to assume the shipper's obligations under TSA 1724.

[2] See *Decision 12-11-040*, *supra*, printed opinion at pp.7 to 8; also, Finding of Fact 10 at p.13, Conclusion of Law 2 at p.15, and Ordering Paragraph 1.c at p.17.

[3] The Department appended both the original and restated transportation services agreements to its *Memorandum to Honorable Michel P. Florio, Assigned Commissioner, and Honorable Seaneen M. Wilson, Administrative Law Judge, From Department of Water Resources* (executed by John Pacheco, Acting Deputy Director, California Energy Resources Scheduling), *Subject: Rulemaking No. 11-03-006,* dated November 26, 2012 ("*November 2012 Memorandum*"). On or about December 14, 2012, the Department responded to *SDG&E Data Request No. 1*, indicating in its answer to Question 1 that the restated agreement superseded and replaced the original transportation services agreement in all material effects. A true and correct copy of the Department's responses to *SDG&E Data Request No. 1* is attached to these Comments as Appendix A.

[4] The Department's power purchase agreement with Sunrise, entitled, "Amended and Restated Master Power Purchase and Sale Agreement", entered into on or about December 31, 2002, is available on the Department's public website at http://www.cers.water.ca.gov/pdf_files/power_contracts/sunrise/062501_sunrise_final_ppa.pdf, and the associated confirmation agreement, entitled, "Amended and Restated Confirmation Agreement (Tolling)", executed on or about December 31, 2002, is available on the Department's public website at http://www.cers.water.ca.gov/pdf_files/power_contracts/sunrise/123102_sunrise_amended_confirm.pdf.

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In agreeing to the foregoing assignment, the parties specifically acknowledged that the term of TSA 1724, which would expire on April 30, 2018, extended beyond the term of the Department's power contract with Sunrise. The Sunrise power contract was to expire on June 30, 2012, but the parties explicitly expressed their intent that the Department's rights and obligations under TSA 1724 would "extend only to the term of the Power Contract."[5] According to the Department, "It was understood by all parties at the time of the negotiations surrounding the assignment and reassignment agreements that Sunrise intended to take over the TSA obligation at the end of the Sunrise PPA term."[6]

Notwithstanding the intent of the parties and their understanding that Sunrise was to reassume the shipper's obligations under TSA 1724 upon the expiry of the underlying power contract between the Department and Sunrise, on or about October 26, 2012, the Department advised the Commission as follows:

> "Sunrise [Power] has failed to comply with its obligations to take back the TSA in accordance with the Agreement on Reassignment dated September 5, 2003. Pursuant to the Agreement on Reassignment the TSA should have been reassigned to Sunrise upon termination of the PPA on June 30, 2012. [The Department] did not include the costs of the TSA in its original 2013 Revenue Requirement as it fully expected Sunrise to take reassignment of the TSA."[7]

Thus, as things currently stand, the Department continues to bear the shipper's obligations under TSA 1724 and, consequently, is incurring the costs of those obligations on an ongoing basis. Those costs, as the Department stated in its *October 2012 Memorandum*, were included in their entirety as part of the portion of the Department's revenue requirement allocated to SDG&E.[8]

Under the prior orders of the Commission, the responsibilities of managing the Sunrise power purchase and confirmation agreements were assigned to SDG&E.[9] In accordance with these orders, the majority of the revenue requirement of the Sunrise power purchase agreement, including the majority of the

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[5] See the document attached to the *November 2012 Memorandum* entitled, "Agreement on Reassignment of Firm Transportation Service Agreement", executed on or about September 1, 2003, by and between Sunrise and the Department, at p.1.

[6] See the Department's Response to Question 4 of *SDG&E Data Request No. 1*, at p.5 (attached in Appendix A).

[7] See *Memorandum to Honorable Michel P. Florio, Assigned Commissioner, and Honorable Seaneen M. Wilson, Administrative Law Judge, From Department of Water Resources* (executed by John Pacheco, Acting Deputy Director, California Energy Resources Scheduling), *Subject: Rulemaking No. 11-03-006 – Comments of San Diego Gas & Electric,* dated October 26, 2012 ("*October 2012 Memorandum*"), at p.2.

[8] See *October 2012 Memorandum,* at p.2. The Department estimated the 2013 costs of TSA 1724 at $14,594,000. This estimate assumes the Department does not receive the benefit of any offsetting revenues under the Kern River capacity release program.

[9] See *Interim Opinion on Procurement Issues: DWR Contract Allocation,* Decision 02-09-053 in Rulemaking 01-10-024 (September 19, 2002), printed opinion at pp.4, 33. Pursuant to this determination, SDG&E became responsible for "the day-to-day scheduling, dispatch and administrative functions for the [Department] contracts allocated to [its] portfolios", while "[l]egal title, financial reporting and responsibility for the payment of contract-related bills" remained with the Department. Importantly, as will be discussed below, the assignment of the Sunrise contract to SDG&E did not by itself resolve the issue of how costs of that contract were to be allocated among the utilities. See, *e.g.*, *Decision 02-09-053, supra,* printed opinion at p.6.

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revenue requirement related to TSA 1724, has been allocated to SDG&E. The allocation of costs related to the Sunrise power contract and TSA 1724 has been reflected in the Department's annual determination of revenue requirements and interutility cost allocations. As noted above, however, the Sunrise power purchase agreement expired on June 30, 2012. When the Department became aware that it would continue to incur costs under TSA 1724 despite the expiration of the Sunrise power contract, the Department revised its 2013 revenue requirement to include its estimate of the costs it would incur under TSA 1724 and assigned those costs in full to SDG&E.[10]

Upon SDG&E's realization that the Department had proceeded to assign the entire costs of the now-orphaned TSA 1724 to SDG&E, SDG&E requested that the Commission defer any decision on the appropriate and final interutility allocation of those costs. The Commission granted SDG&E's request in *Decision 12-11-040*. By permission of and pursuant to the schedule issued by Presiding Administrative Law Judge Seaneen Wilson, SDG&E files these Comments describing the just and reasonable interutility allocation of the costs of TSA 1724 the Commission should adopt in this proceeding.

B. The Commission Should Allocate the Costs of TSA 1724 Among PG&E, Edison and SDG&E Using the Previously Adopted Methodology for Nonvariable and/or Above-Market Costs.

1. The Commission Has Exclusive Jurisdiction Over the Allocation of the Costs of TSA 1724.

To begin, SDG&E does not dispute that the Department may include the costs of TSA 1724 within its 2013 determination of revenue requirement. The Department is incurring those costs pursuant to its lawful authorities and should be reimbursed to the full extent of those costs.[11]

The question of how the Department's annual revenue requirement should be allocated among PG&E, Edison and SDG&E and their respective ratepayers is, however, a matter wholly within the jurisdiction of this Commission.[12] Although the Department included the entirety of the costs of TSA 1724 in that portion of its 2013 revenue requirement allocated to SDG&E, SDG&E submits the Department's allocation of the costs of TSA 1724 is neither binding on the Commission nor instructive as to the

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[10] See *October 2012 Memorandum,* at p.2.

[11] As discussed below, the Department has indicated it may have legal recourse against various of the parties involved in the TSA 1724 reassignment and may otherwise be able to offset the costs of TSA 1724 by various means. To the extent the Department is successful in this regard, SDG&E recommends the benefits of the Department's successes should also be allocated among the three utilities in the same manner proposed for the allocation of the costs of TSA 1724.

[12] See *Opinion Adopting a Rate Agreement Between the Commission and the California Department of Water Resources,* Decision 02-02-051 in Application 00-11-038, *et al.* (February 21, 2002), printed opinion at pp.9 to 10, 30 to 31, 88 (Conclusion of Law 37); affirmed in *Order Denying the Rehearing of D.02-09-053,* Decision 03-06-074 in Rulemaking 01-10-024 (June 19, 2003), printed opinion at p.12, citing Water Code Section 80110 and Public Utilities Code Sections 451 and 701.

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appropriate final allocation of those costs. As the Department itself states, it "makes no determination as to how such costs are allocated."[13] In submitting an interutility allocation wherein the costs of TSA 1724 were allocated solely to SDG&E, the Department believed it was following the allocation methodology determined by the Commission, rather than making any proposal as to the final and reasonable allocation of those costs.[14] Thus, the Commission should determine the interutility allocation of the costs of TSA 1724 based upon its independent view of the appropriate application of its prior orders and holdings to the facts and equities presented regarding TSA 1724.

2. The General Rule Whereunder "Costs Follow Contract" Is Inapposite to TSA 1724: Upon the Expiry of the Sunrise Power Purchase Agreement, TSA 1724 Was Orphaned, Leaving the Costs of TSA 1724 Without Any Contract to "Follow".

The Department apparently allocated the ongoing costs of TSA 1724 to SDG&E on the simple assumption that past is prologue. That is, TSA 1724 was originally associated with the Sunrise power purchase and confirmation agreements as part of the fuel costs for the Sunrise facility, and the costs of TSA 1724 were therefore previously allocated, at least in part, to SDG&E.[15] SDG&E submits that two intervening, indeed supervening, circumstances render the assumption inappropriate and incorrect. Each of these circumstances alone provides sufficient factual grounds upon which the Commission could disregard the Department's preliminary allocation of the entirety of the costs of TSA 1724 incurred after the expiration of the Sunrise power purchase agreement to SDG&E. Taken together, they provide overwhelming, compelling grounds for the Commission to consider the matter *de novo*.

As to the first changed circumstance, the Sunrise power purchase and confirmation agreements expired on June 30, 2012. At that point, even if the Commission's rules could be interpreted to require that "costs strictly follow contract",[16] there was no longer any "contract" for the TSA 1724 costs to "follow". Upon the expiry of the underlying Sunrise agreements, TSA 1724 was orphaned and unrelated to any existing contract. The Commission should not allow the effects of the now-phantom Sunrise agreements to echo through eternity but, rather, proceed to reconsider the appropriate bases upon which the costs of TSA 1724 should be allocated among the utilities.

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[13] See *November 2012 Memorandum* at p.2.

[14] See the Department's Response to Question 2 of *SDG&E Data Request No. 1*, at p.3 (attached in Appendix A). The Department agrees it is the Commission's role, and not the Department's, to allocate the Department's revenue requirement among the utilities. *Id*., at p.2, see Response to Question 2.a; the Department further indicated in its Response to Question 2.b that it had no recommendation regarding the manner in which the Commission should allocated the costs related to TSA 1724. *Ibid.* See also the Department's Responses to Questions 7.a.i and 8.a.i, *id*., at pp.8 to 9.

[15] See the Department's Response to Question 2 of *SDG&E Data Request No. 1,* at p.3 (attached in Appendix A).

[16] For the reasons described below, SDG&E considers this interpretation erroneous.

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Second, the Department itself had considered TSA 1724 to be related to the Sunrise power purchase agreement only through the term of that agreement. As the Department has said, it, as well as Sunrise and Kern River, fully expected that TSA 1724 would be reassigned back to Sunrise upon the expiration of the Sunrise power purchase agreement.[17] The failure of this expectation is the direct result of the breach of an agreement executed as between the Department and Sunrise with the full knowledge and implicit understanding of Kern River.[18] Any chain linking SDG&E to the responsibility for the entire costs of TSA 1724 was broken in law and equity by the intervening breach of contractual duties asserted by the Department against Sunrise.

The facts before the Commission simply do not support any finding that there is an ongoing nexus between SDG&E's prior management of the Sunrise power purchase agreement and TSA 1724. Absent such a finding, the costs of TSA 1724 cannot be assigned to SDG&E alone. Rather, the Commission must determine the appropriate and fair allocation of the costs of TSA 1724 under the prevailing facts now before it and by observing the guidance provided by its prior precedents. SDG&E proceeds to a discussion of the proper allocation of the costs of TSA 1724.

3. The Post-Contract Costs Related to TSA 1724 Represent Above-Market, Nonvariable Costs And Should Be Allocated to All Three Utilities.

As stated above, the expiry of the Sunrise power purchase and confirmation agreements raises a unique, previously unaddressed question: How should the residual, post-contract costs associated with a surviving Department obligation be allocated among PG&E, Edison and SDG&E?

As a starting point, the Commission has previously held that its decisions regarding the allocation of the Department's contracts and the costs of those contracts should be guided by fairness and based upon a balancing of the interests of ratepayers on a statewide basis.[19] Under this concept of fundamental

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[17] See the document attached to the *November 2012 Memorandum* entitled, "Agreement on Reassignment of Firm Transportation Service Agreement", executed on or about September 1, 2003, by and between Sunrise and the Department, at p.1. See also, the Department's Response to Question 4 of *SDG&E Data Request No. 1*, at p.5 (attached in Appendix A).

[18] See *October 2012 Memorandum,* at p.2. See also, *Letter dated June 22, 2012, from John Pacheco, Acting Deputy Director, California Department of Water Resources, to Kelly S. Lucas, Executive Director, Sunrise Power Company, LLC*, attached to these Comments in Appendix B. SDG&E submits the document included in Appendix B is a true and correct copy of the electronic "carbon copy" of the letter sent by the Department to and thereafter received by SDG&E in the ordinary course of business. SDG&E submits this letter may be considered as evidence in this proceeding insofar as it constitutes an official record of the State of California as to the Department and otherwise constitutes a business record of SDG&E. See Evidence Code Sections 1280, 1270, 1271, 1560(a); also, Evidence Code Section 1550.

[19] See *Decision 02-09-053, supra,* printed opinion at pp.33 to 35; also, Finding of Fact 9 at p.64. Accord, *Order Granting, In Part, Petition for Modification of Decision 04-12-014, on the Permanent Allocation of the Department of Water Resources' Annual Revenue Requirement,* Decision 05-06-050 in Application 00-11-038, *et al.* (June 30, 2005), printed opinion at p.14 and p.16, where the Commission indicates its intent to "spread the pain" "evenly and fairly" in what amounts to a "zero-sum game".

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fairness, the Commission has adopted general rules guiding the allocation of the Department's annual revenue requirement among PG&E, Edison and SDG&E.

Essentially, the Commission's previous decisions call for a separation of costs into two categories: variable (or "avoidable") and fixed (or "nonavoidable").[20] Once separated, variable/avoidable costs and fixed/nonavoidable costs are treated differently for the purposes of interutility cost allocations.

The variable costs incurred under a specific power contract executed by the Department are, as a general rule, allocated to the utility to which the Commission has assigned the responsibility of managing the contract. In adopting this rule, the Commission intended to enforce "the longstanding principle that least-cost or 'economic' dispatch should be the operating rule for the utility's portfolio of resources."[21] By assigning the variable costs of a contract to the utility managing the contract, the Commission intended that the utility consider the marginal costs of the energy available to it and dispatch the least-cost incremental resources according to its cost analyses.[22]

The fixed costs incurred under any of the Department's power contracts are allocated using a different convention wholly apart from "costs follow contract". In its seminal decision establishing the "permanent methodology" for allocating fixed (or nonavoidable) costs, the Commission held that those costs should be allocated among the three utilities on the basis of fixed percentages: 42.2 percent to PG&E; 47.5 percent to Edison; and 10.3 percent to SDG&E.[23] The Commission acknowledged this would

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[20] See *Decision 02-09-053, supra*, printed opinion at p.6; also, *Decision 05-06-050, supra*, printed opinion at pp.17 to 18.
[21] See *Decision 05-06-050, supra,* printed opinion at pp.6, 39.
[22] See *Decision 05-06-050, supra*, printed opinion at p.39.
[23] See *Decision 05-06-050, supra*, printed opinion at pp.2, 16, 18. The Commission considered fixed costs to represent the "above-market costs" of the Department's contracts and accordingly has held that they should be "shared equally by all ratepayers" rather than borne by the ratepayers burdened with any specific contract. See *Order Modifying Decision (D.) 05-06-050 and Denying Rehearing of the Decision, As Modified,* Decision 05-07-047 in Application 00-11-038, *et al.* (July 21, 2005), printed opinion at p.2. In reaching this conclusion, the Commission specifically found that the method alleviated the disproportionate impacts of allocating above-market costs to SDG&E as compared to allocating those costs to PG&E and Edison. Notably, the allocation of total costs related to the Department's power contracts to SDG&E was expected to be higher than 10.3 percent, *i.e.*, 13.6 percent, due to the relatively higher level of variable costs for which SDG&E was responsible. *Ibid.*

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dissociate certain contract costs from contract-management responsibilities, but rejected a pure "costs-follow-contract" approach as "simply not equitable".[24]

In applying the foregoing rules to the costs incurred under TSA 1724, the Commission must determine whether those costs are "variable" or "fixed". SDG&E submits these costs are undeniably "fixed" and otherwise represent "above-market" costs.

The Commission has made clear that the purpose of separating variable and fixed costs and allocating each class of costs under different rules is to provide the utility responsible for managing any specific contract an incentive to minimize its incremental costs of energy and resource dispatch. No such incentive could possibly exist in the instant case. SDG&E cannot "manage" or "economically dispatch" a contract which has by its own terms expired. Moreover, there is nothing SDG&E can do to reduce the costs of TSA 1724 – those costs are fixed according to Schedule KRF-1 of the Kern River tariffs and represent take-or-pay costs of firm transportation capacity, capacity that is valueless to SDG&E in its role as the former manager of the now-defunct Sunrise power purchase and confirmation agreements.[25]

Furthermore, given that SDG&E is no longer in a position to receive any energy under the Department's expired contract with Sunrise, the costs of TSA 1724 are *per se* above-market. That is, the *reductio ad absurdum* market price of zero energy is zero dollars. Thus, where a cost is incurred without the offsetting benefit of delivered energy, that cost is *ipso facto* above-market and the Commission's intention of allocating above-market costs among all three utilities must be applied.

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[24] See *Decision 05-06-050, supra*, printed opinion at pp.7, 21 (Finding of Fact 4). In a related order, the Commission applied these general principles in the form of interutility "indifference payments," which were adopted in the context of reopening direct access. In that context, the Commission adopted a two-step cost-allocation process in order to facilitate the reopening of direct access but, importantly, without harming the cost-allocation equities adopted in *Decision 05-06-050.* See *Decision Authorizing Measures to Facilitate Removal of Department of Water Resources from the Role of Supplying Electric Power,* Decision 08-11-056 in Rulemaking 07-05-025 (November 21, 2008), printed opinion at pp.54 to 60, 88 to 89 (Findings of Fact 31 to 34), 90 to 91 (Conclusions of Law 9 and 10), and Appendix 2; see regarding the implementation of the protocols related to the indifference payment, *Decision Allocating the Revised 2009 Revenue Requirement Determination of the Department of Water Resources,* Decision 08-12-006 in Rulemaking 06-07-010 (December 4, 2008), printed opinion at pp.7 to 8. In the first step, both variable (avoidable) and fixed (nonavoidable) costs from a Department purchase power contract are fully allocated to the utility responsible for managing the Department contract but, in the second step, the above-market costs of that contract are identified and allocated among all three utilities through a utility-to-utility indifference payment under the allocation percentages adopted in *Decision 05-06-050*. In effect, the second step substituted a *circa* 2008 interutility agreement as to the above-market costs of the Department's portfolio of contracts for the separation of fixed/nonavoidable and variable/avoidable costs performed by the Department as part of its annual determination of revenue requirement. See *Joint Advice Letter 2051-E (SDG&E), 3384-E (PG&E) and 2304-E (Edison)*, filed December 22, 2008, which provides, "The indifference payments made by [a utility], or received by [a utility], will equal the amount necessary to allocate the same amount of unavoidable [Department] contract costs to the [utility's] customers that would have been allocated under [Decision] 05-06-050."

[25] Although SDG&E could bid on and use any of the TSA 1724 capacity the Department might release under the Kern River capacity release program, SDG&E is not unique in this regard as compared to any other market participant, including PG&E and Edison. Given their size relative to SDG&E, PG&E and Edison are in fact in a logically superior position to offset the costs of TSA 1724 by participating in the Kern River capacity release program.

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Although the Department indicates it has no position regarding how the costs of TSA 1724 should be allocated, it implicitly agrees with SDG&E's position with respect to the characterization of the costs of TSA 1724 as above-market costs. Under various Commission decisions, the benefits of settlements and refunds received by the Department from its contractors have been used to offset the above-market costs allocated to all three utilities using the allocation percentages adopted in *Decision 05-06-050*. Here, the Department has received two refunds related to TSA 1724 and allocated those refunds to all three utilities rather than to SDG&E alone.[26] This indicates the Department, at least in these two instances where the issue would have arisen, considered the costs of TSA 1724 to be above-market as a factual matter and, consequently, the refunds associated with TSA 1724 to be allocable to all three utilities under the Commission's rules.

Upon a finding that the costs of TSA 1724 are nonvariable and/or above-market, those costs should be allocated to PG&E, Edison and SDG&E using the allocation percentages adopted in Decision 05-06-050. SDG&E submits such a result would comport with other Commission decisions regarding the allocation of the annual Department's revenue requirements.

In an analogous setting, SDG&E has previously raised the issue of the manner in which the costs and benefits of hedging fuel costs should be allocated. In raising the issue, SDG&E proposed that the utility responsible for managing a particular power contract be responsible for hedging the costs of that contract, but that the costs and benefits of those activities be allocated among the three utilities. The Commission agreed.[27] Here, if the Commission were to continue SDG&E's responsibility for the management of TSA 1724 as a residual responsibility surviving the expiry of the Sunrise power purchase and confirmation agreements, SDG&E would, in effect, be hedging the fuel-related transportation costs of the Department's resource portfolio. While the sole responsibility for hedging the costs of the contract in the market would fall to SDG&E, the costs should, consistent with the Commission's orders related to the allocation of costs and benefits of hedging strategies, be allocated among all three utilities.

In another case, the Commission found that the costs and benefits of a gas contract not tied to a specific power contract should be allocated to all three utilities rather than to the utilities managing and utilizing the gas contract.[28] In that case, the Commission considered whether a gas contract priced below-

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[26] See the Department's Response to Question 3.b of *SDG&E Data Request No. 1,* at pp.4 to 5 (see Table: Net Allocations by IOU (per CPUC Decision)) at lines 2008 and 2010.
[27] See *Order Allocating the 2006 Revenue Requirement Determination of the California Department of Water Resources and Denying Petition to Modify,* Decision 05-12-010 in Application 00-11-038, et al. (December 1, 2005), printed opinion at pp. 3 to 5.
[28] See *Opinion Allocating the Benefits and Costs of a California Department of Water Resources Natural Gas Contract,* Decision 06-11-003 in Application 00-11-038, *et al.* (November 9, 2006), printed opinion at pp.3 to 7.

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market and obtained by the Department via a settlement of a claim against one of its contractors should be allocated on a "costs-follow-contracts" basis or as a nonavoidable cost. If the former, the benefits of the contract would be allocated to SDG&E and Edison since they, and not PG&E, utilized the gas to support their Department power contracts. If the latter, the benefits of the gas contract would be allocated to all three utilities under the rules governing above-market and nonavoidable costs. The Commission sided with PG&E, agreeing that the "gas contract is in fact a unique entity, and is not directly comparable to [the Department's] electricity contracts", and chose to allocate the benefits of the gas contract to all three utilities.[29] The Commission agreed with Edison's position that the must-take nature of the contract rendered its costs unavoidable.[30] The factors upon which the Commission relied in reaching what it described as "an equitable result" are fully in play here with respect to the costs of TSA 1724. The Department's agreement to enter into TSA 1724 resulted from a settlement of claims and disputes between Sunrise and the Department, TSA 1724 is a take-or-pay agreement for firm capacity, the costs incurred under TSA 1724 do not affect any dispatch decisions, TSA 1724 is unrelated to any specific current power contract, and, as a "one-off" fuel-related agreement, TSA 1724 "is not directly comparable to the Department's electricity contracts". Thus, the allocation of the costs of TSA 1724 to PG&E, Edison and SDG&E according to the interutility allocation percentages adopted in *Decision 05-06-050* wholly comports with the Commission's decision regarding the allocation of the costs of must-take fuel contracts. The same "equitable result" reached in *Decision 06-11-003* should be invoked with respect to the costs of TSA 1724.

SDG&E submits its proposed interutility allocation of the costs of TSA 1724 represents a fair balance of the facts and circumstances. The Commission has repeatedly stated that fairness and balance are the important guideposts which decisions related to the allocation of the costs of the Department's power contracts should follow. Those guideposts are apposite to the instant matter and fully support the results proposed by SDG&E.

4. Equity Requires that the Post-Contract Costs Related to TSA 1724 Should Be Allocated to All Three Utilities.

As argued above, SDG&E fully believes the application of the Commission's previously articulated rules and methodologies governing the allocation of the Department annual revenue requirements requires that the costs related to TSA 1724 should be allocated among the three utilities and not solely to SDG&E. In addition to the weight of these precedents, SDG&E submits that the equities presented in this case

[29] See *Decision 06-11-003, supra,* printed opinion at p.5.
[30] See *Decision 06-11-003, supra,* printed opinion at p.7. The Commission also found that the costs of gas alone would not affect dispatch decisions, making "costs-follows-contracts" an "unnecessary" approach.

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further and fully support the allocation of the costs related to TSA 1724 among the three utilities rather than to SDG&E alone.

Over the years, the Commission has confronted a multitude of unique facts and circumstances related to the administration of the Department's power purchase agreements. In several instances, the Commission has fashioned *ad hoc* solutions to address certain facts and circumstances so as to achieve just and reasonable rates and results. SDG&E submits this is another case where the Commission should consider the facts and circumstances before it as it determines the appropriate manner in which to allocate the post-contract costs of TSA 1724 among the three utilities and their respective ratepayers. Given that SDG&E and its ratepayers are entirely blameless with respect to the breach of contract giving rise to the ongoing costs of TSA 1724 as part of the Department's resource portfolio,[31] it would be wholly unfair, unjust and unreasonable that the full extent of the Department's monetary damages should fall on SDG&E and its ratepayers.

As discussed above, the Department fully expected Sunrise would take back the shipper's obligations imposed under TSA 1724 upon the expiration of the Sunrise power purchase and confirmation agreements. But despite the Department's best efforts to facilitate a reassignment of the TSA 1724 capacity to Sunrise, it appears no such reassignment is forthcoming. The Department considered Sunrise's refusal to effect a reassignment "a breach under the Reassignment Agreement" and it warned Sunrise that it would "seek any and all remedies available to it, including, but not limited to, putting the TSA up for temporary release in order to mitigate the damages caused by Sunrise's breach."[32]

The Commission has not had the previous occasion to address the appropriate allocation of costs flowing from a breach of contract.[33] Although the Commission could consider omitting such costs from the Department's annual revenue requirement in the hope of encouraging the Department to redress the

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[31] SDG&E does not believe it may initiate any action against the Department, Sunrise or Kern River seeking damages for the contractual breach alleged by the Department. SDG&E is not in privity with any of those parties with respect to any contract or agreement. Furthermore, SDG&E's "damages", *i.e.*, its cost responsibilities, if any, related to TSA 1724 do not directly stem from any of the relevant agreements, but would be the direct result of the Commission's intervening exercise of discretion to allocate the costs arising under TSA 1724 to SDG&E. Thus, SDG&E is not presently in a position to seek any remedy before any court or the Federal Energy Regulatory Commission independently. In the event the Department initiates any such an action against Sunrise, Kern River or other third parties, SDG&E would expect to join in that action as an interested party in support of the Department's action(s). To the extent the Commission were to allocate costs arising under TSA 1724 to PG&E and/or Edison, SDG&E would expect those utilities to follow suit.

[32] See *Letter dated June 22, 2012, from John Pacheco, Acting Deputy Director, California Department of Water Resources, to Kelly S. Lucas, Executive Director, Sunrise Power Company, LLC*, attached to these Comments in Appendix B.

[33] SDG&E could only find one instance where the Commission was presented with the possibility that there might be costs associated with a breach of contract, but the issue was raised in the context of whether the Department might be required to indemnify a utility in the event one of the Department's contractors failed to perform. The Commission declined to address the issue. See *Decision 02-09-053*, *supra*, printed opinion at p.60.

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breach through all available means, SDG&E is loath to recommend the Commission incite an interagency confrontation or otherwise harm the interests of the State of California represented by the Department in its administration of its power purchase agreements.[34] SDG&E submits the more appropriate approach would be for the Commission to facilitate the Department's recovery of its full out-of-pocket costs arising from TSA 1724, allocate those costs to the three utilities, and coordinate the redress of the contractual breach with the affected parties following its decision in the instant proceeding.

In considering the adoption of new rules governing the allocation of costs resulting from a contractual breach, SDG&E submits the Commission should consider, as it has in other contexts, the disproportionate impact an allocation of any such costs to SDG&E would have on SDG&E ratepayers. The Commission in the past has explicitly acknowledged that the allocation of the Department's costs to SDG&E has four times the impact on SDG&E's rates and ratepayers than does the allocation of those same costs to the ratepayers of PG&E and Edison.[35] That is, because SDG&E annually delivers approximately one-fourth the amount of energy delivered by each of the other two utilities, each dollar of the Department's costs allocated to SDG&E must be recovered through a (dis)proportionately larger rate surcharge. SDG&E submits that the nature of the costs under consideration in this matter call for the Commission to exercise its discretion and, once again, avoid multiplying, by a factor of four, the rate effect of costs resulting from the breach of agreements surrounding TSA 1724 through an undue and disproportionate allocation of costs to SDG&E alone.

Finally, as the Commission has repeatedly said, the procedures used by the Commission in allocating the Department's annual revenue requirements are "sufficiently flexible to address unanticipated events".[36] SDG&E submits the breach of an agreement by one of the Department's contractors is one of those unanticipated events begging for the application of flexibility in order to reach an equitable result.

One particular case demonstrates the great distances the Commission will travel to find an equitable result as it allocates the Department's annual revenue requirement. In December 2007, the Department reached a settlement of claims with Calpine Energy Services, LLC, and, as part of the

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[34] See *Decision 02-02-051, supra,* printed opinion at p.32, where the Commission indicated it would provide the Department with deference regarding matters within the Department's purview and discouraged parties from using "Commission proceedings as a vehicle to investigate or contest whether costs included in [the Department's] Revenue Requirement are just and reasonable under Public Utilities Code Section 451." See also, Water Code Section 80110, pursuant to which the Department is "exclusively responsible for determining whether its costs are just and reasonable." *Id.*, printed opinion at p.33.

[35] See *Decision 05-06-050, supra*, printed opinion at p.4; also, *Decision 05-07-047, supra*, printed opinion at pp.4 to 5 and 6 to 7, where the Commission explicitly decided an interutility allocation issue on the ground that SDG&E's ratepayers should not be required to suffer a disproportionate harm from the "fair allocation" proposed by Edison and PG&E.

[36] See *Order Granting, In Part, the Petition to Modify Decision 05-06-050,* Decision 08-04-025 in Application 00-11-038, *et al.* (April 10, 025), printed opinion at p.15.

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settlement, replaced a 1000-megawatt 24x7 contract with a 180-megawatt peaking agreement. The costs of the original Calpine agreement, since they were incurred under a must-take obligation, were considered "unavoidable" and had been allocated to PG&E, Edison and SDG&E. Likewise, the benefits of the settlement should have been allocated to all three utilities under the allocation percentages adopted in *Decision 05-06-050.*[37] While the replacement of the original, larger must-take contract with the smaller peaking obligation reduced the Department's contract liabilities and revenue requirements significantly, PG&E, the utility assigned the responsibility for managing the original Calpine contract, complained that it would need to replace the favorably priced energy it had been receiving from Calpine with higher-priced power from other market sources. In consideration of these collateral consequences to PG&E, the Commission allocated the entire benefit of the contract substitution to PG&E, denying Edison and SDG&E any benefit from the Department-Calpine settlement.[38] SDG&E submits that, if equity can be invoked to consider the independent consequences to a single utility of allocating a Department-contractor settlement, the case of the costs of TSA 1724 presents compelling circumstances for invoking equity as a deciding factor.

C. Summary and Relief Requested

For the reasons set forth above, SDG&E submits the Commission should adopt findings of fact and conclusions of law consistent with the following facts and circumstances:

1. The Commission has the exclusive jurisdiction to determine the fair allocation of the Department's annual revenue requirements among PG&E, Edison and SDG&E;
2. The allocations set forth in the Department's 2013 determination of revenue requirement are neither binding nor instructive as to the manner in which the Commission should allocate the Department's 2013 annual revenue requirements;
3. The Sunrise power purchase and confirmation agreements expired on June 30, 2012, leaving the costs of TSA 1724 without a "contract to follow";
4. Upon the expiration of the Sunrise power purchase and confirmation agreements, the costs of 1724 incurred by the Department ceased to be variable and avoidable costs subject to management by SDG&E under principles of least-cost economic dispatch;
5. Upon the expiration of the Sunrise power purchase and confirmation agreements, the costs of TSA 1724 incurred by the Department became fixed and nonavoidable costs;

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[37] See *Decision 08-04-025, supra,* printed opinion at pp.1 to 3.
[38] See *Decision 08-04-025, supra,* printed opinion at pp.7 to 8.

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6. Upon the expiration of the Sunrise power purchase and confirmation agreements, the costs of TSA 1724 incurred by the Department became above-market costs;
7. In the past, the Department and the Commission have allocated certain refund and settlement costs associated with TSA 1724 to PG&E, Edison and SDG&E, rather than to SDG&E alone;
8. The costs of TSA 1724 are associated with a take-or-pay fuel-related contract and are not directly comparable to the costs of electricity received under the Department's power contracts, warranting an allocation among the three utilities rather than to SDG&E alone;
9. Upon the expiration of the Sunrise power purchase and confirmation agreements, Sunrise was to reassume the shipper's obligations set forth in TSA 1724;
10. Sunrise has failed its obligations to reassume the shipper's obligations set forth in TSA 1724, a matter the Department considers to be a breach of the Reassignment Agreement executed by Sunrise and the Department; and,
11. The allocation of the entire costs of TSA 1724 after the expiration of the Sunrise power purchase and confirmation agreements to SDG&E alone would have a disproportionate rate impact on SDG&E and SDG&E's ratepayers.

Upon the entry of the foregoing findings of fact and conclusions of law, the Commission should issue an order allocating the costs of TSA 1724 incurred by the Department after the expiration of the Sunrise power purchase and confirmation agreements pursuant to the allocation percentages adopted in *Decision 05-06-050* governing the allocation of above-market, fixed costs, *viz*., 42.2 percent to Edison, 47.5 percent to PG&E, and 10.3 percent to SDG&E. Such an allocation comports with the Commission's prior precedents governing the allocation of the Department's annual revenue requirements among the three utilities and would serve the interests of equity and fairness presented by the facts before the Commission.

Respectfully submitted,

/s/ Alvin S. Pak

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APPENDIX A

RESPONSES OF THE CALIFORNIA DEPARTMENT OF WATER RESOURCES TO *SDG&E DATA REQUEST NO. 1*

San Diego Gas & Electric Company
California Public Utilities Commission Docket No. R.11-03-006
November 30, 2012

SDG&E Data Request No. 1
To the California Department of Water Resources

Based upon the documents submitted by the Department in this proceeding on or about October 26, 2012,[1] and on or about November 26, 2012,[2] and all attachments thereto, SDG&E respectfully requests the Department provide its best responses to the following Data Request. In issuing this Data Request to the Department, SDG&E seeks a better understanding of certain statements included in those documents. In responding to this Data Request, SDG&E further respectfully requests the Department consider the questions and provide its answers in the context of the following statements excerpted from the Department's filings in this matter:

From the *October 2012 Memorandum*:

"DWR continues to pursue resolution of ['the updated projections for contract costs related to a natural gas Transportation Services Agreement ("TSA"), signed in 2003 and expiring in 2018...associated with providing fuel and transportation to the long term Purchase Power Agreement ("PPA") with Sunrise Power Company, LLC ("Sunrise")'], but at the time of this memorandum Sunrise has failed to comply with its obligations to take back the TSA in accordance with the Agreement on Reassignment dated September 5, 2003. Pursuant to the Agreement on Reassignment the TSA should have been reassigned to Sunrise upon termination of the PPA on June 30, 2012."

From the *October 2012 Memorandum*:

The Department "is currently reporting the actual costs and projecting the future costs of the TSA to SDG&E's Utility Specific Balancing Account ('USBA')."

[1] See *Memorandum to Honorable Michel P. Florio, Assigned Commissioner, and Honorable Seaneen M. Wilson, Administrative Law Judge, From Department of Water Resources* (executed by John Pacheco, Acting Deputy Director, California Energy Resources Scheduling), *Subject: Rulemaking No. 11-03-006 – Comments of San Diego Gas & Electric,* dated October 26, 2012 (*"October 2012 Memorandum").*

[2] See *Memorandum to Honorable Michel P. Florio, Assigned Commissioner, and Honorable Seaneen M. Wilson, Administrative Law Judge, From Department of Water Resources* (executed by John Pacheco, Acting Deputy Director, California Energy Resources Scheduling), *Subject: Rulemaking No. 11-03-006,* dated November 26, 2012 (*"November 2012 Memorandum").*

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From the *November 2012 Memorandum*:

"[The Department] 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."

From the *November 2012 Memorandum*:

"However, the return of excess amounts in 2013 will not begin until the CPUC decision on the Revised 2013 Revenue Requirement is final."

SDG&E will use the following abbreviations and references in posing its requests and questions:

- **"Reassignment Agreement"**: the document attached to the *November 2012 Memorandum* entitled, "Agreement on Reassignment of Firm Transportation Service Agreement", executed on or about September 1, 2003, by and between Sunrise Power Company, LLC ("Sunrise Power") and the Department;
- **"Restated TSA 1724"**: the document attached to the *November 2012 Memorandum* entitled, "Restatement of Firm Transportation Service Agreement; Rate Schedule KRF-1; Contract No. 1724,", executed on or about August 12, 2009, by and between Kern River Gas Transmission Company ("Kern River") and the Department;
- **"TSA 1724"**: the document attached to the *November 2012 Memorandum* entitled, "California Department of Water Resources Firm Transportation Service Agreement; Contract No. 1724", executed on or about August 12, 2003, by and between Kern River and the Department;
- **"Restated Sunrise PPA"**: the document available on the Department's public website at http://www.cers.water.ca.gov/pdf_files/power_contracts/sunrise/062501_sunrise_final_ppa.pdf and entitled, "Amended and Restated Master Power Purchase and Sale Agreement", entered into on or about December 31, 2002, by and between Sunrise Power and the Department;
- **"Restated Sunrise PPA Confirm"**: the document available on the Department's public website at http://www.cers.water.ca.gov/pdf_files/power_contracts/sunrise/123102_sunrise_amended_confirm.pdf and entitled, "Amended and Restated Confirmation Agreement (Tolling)", executed on or about December 31, 2002, by and between Sunrise Power and the Department;

In responding to the requests and questions raised below, SDG&E asks that the Department please provide each response directly below each request and question. Also, at the end of each response, please provide the name of the person providing the response and/or the person to whom any follow-up questions can be addressed. Because SDG&E intends to use the responses provided by the Department in a manner which may result in the disclosure of the information to the public, SDG&E requests that the Department respond in full but specify what, if any, information should be treated as confidential and/or subject to privilege. With respect to any information the Department marks as confidential or privileged, SDG&E will protect that information from disclosure in the same manner by which it would protect its own confidential or privileged information and will otherwise provide notice to the Department in the event any party would seek the disclosure of the information marked as confidential or privileged so that the

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Department may also defend the confidentiality of or privileges relevant to the information of the Department's own accord.

Requests and Questions:

1. SDG&E interprets Restated TSA 1724 to supersede and replace TSA 1724 in all material effects. Is SDG&E's interpretation of Restated TSA 1724 correct in this regard? If not, please provide each and every reason which forms the basis for the Department's response. **Yes.**

2. Although the *October 2012 Memorandum* indicates the entirety of the costs of Restated TSA 1724 have been reported in the SDG&E USBA and that all future costs of Restated TSA 1724 will be reported in the SDG&E USBA, the *November 2012 Memorandum* indicates that the Department does not make any determinations as to the manner in which costs should be allocated. Please provide the bases upon which the Department determined it would be appropriate to report the costs of Restated TSA 1724 in the SDG&E USBA as described in the *October 2012 Memorandum.* **The Sunrise contract was allocated to SDG&E by the CPUC. The costs associated with the TSA were part of the fuel cost for the Sunrise operation. Therefore, the costs related to Sunrise were reported in the USBA under the allocation methodology determined by the CPUC.**

    a. SDG&E interprets the *November 2012 Memorandum* to indicate that the Department believes the California Public Utilities Commission ("Commission") has the sole authority to determine the appropriate final allocation of any costs incurred by the Department pursuant to the terms of Restated TSA 1724. Is SDG&E's interpretation of the *November 2012 Memorandum* correct in this regard? If SDG&E's interpretation of the *November 2012 Memorandum* with respect to the Department's position on the authority of the Commission to determine the appropriate final allocation of costs related to Restated TSA 1724 is incorrect, please provide each and every reason which forms the basis for the Department's response. **Yes, the CPUC's role is to allocate the Department's revenue requirement among the utilities.**

    b. Without regard to the Department's response to Question 2.a, does the Department have any recommendation regarding the manner in which the Commission should allocate the costs related to Restated TSA 1724 among the three investor-owned utilities? If so, please describe that recommendation and each and every reason which forms the basis for the Department's recommendation. **No.**

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3. Based upon Article III of Restated TSA 1724, SDG&E interprets the term of Restated TSA 1724 to run from September 1, 2003, through April 30, 2018. Is SDG&E's interpretation of Restated TSA 1724 correct in this regard? If not, please provide each and every reason which forms the basis for the Department's response. **The document speaks for itself.**

   a. Please provide the total costs incurred by the Department related to TSA 1724 and Restated TSA 1724 for the period September 1, 2003, through November 30, 2012. To the extent the Department's records permit these costs to be provided on a monthly basis, please provide those costs on a monthly basis. If the Department's records do not permit these costs to be provided to SDG&E on a monthly basis, to the extent the Department's records permit these costs to be provided on a quarterly basis, please provide those costs on a quarterly basis. If the Department's records do not permit these costs to be provided to SDG&E on a monthly or quarterly basis, to the extent the Department's records permit these costs to be provided on an annual basis, please provide those costs on an annual basis. **The total costs for the period referenced above were $147,554,669. A monthly breakout of such costs is provided in Attachment A.**

   b. Please provide the Department's understanding of the manner in which the costs provided in response to Question 3.a were allocated by the Commission among the three investor-owned utilities. If the allocation adopted by the Commission and implemented by the Department can be provided in tabular form, please provide the allocation in tabular form using and describing any such periods of time as may be deemed appropriate and/or explanatory by the Department. **The Department reported the costs based on its understanding of the CPUC's allocation methodology and provided each month the USBA reports to both the CPUC and IOUs for review and comment. The net allocation of such costs is provided below and takes into account costs and settlements receipts associated with TSA 1724. A breakout of the costs and settlements by IOU is provided in Attachment B.**

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	Net Allocations by IOU (per CPUC Decision)			
	PG&E	SCE	SDG&E	Total
2003 Percent Allocators	46.16%	44.49%	9.35%	100.00%
2003	1,765,997.31	1,702,106.16	357,713.93	$ 3,825,817.40
Fixed Percent Allocators	42.20%	47.50%	10.30%	100.00%
2004	-	-	15,879,591.49	$ 15,879,591.49
2005	-	-	17,919,495.58	$ 17,919,495.58
2006	-	-	18,050,754.61	$ 18,050,754.61
2007	-	-	18,187,491.61	$ 18,187,491.61
2008	(4,994,665.79)	(5,621,957.94)	16,795,090.62	$ 6,178,466.89
2009	-	-	16,276,826.23	$ 16,276,826.23
2010	(584,662.08)	(658,091.21)	15,435,998.65	$ 14,193,245.36
2011	-	-	14,809,780.58	$ 14,809,780.58
2012	-	-	10,397,498.60	$ 10,397,498.60
	$(3,813,330.56)	$(4,577,942.98)	$144,110,241.89	$135,718,968.35

2003 represents the period Sep 1-Dec 31, 2003
2012 represents the period Jan 1 - Nov 30, 2012
2008 and 2010 negative amounts indicate settlement revenues received by DWR

4. The *October 2012 Memorandum* indicates the term of the Restated Sunrise PPA and Restated Sunrise PPA Confirm ended on June 30, 2012, although the term of TSA 1724 and Restated TSA 1724 were contemplated to run through April 30, 2018. In agreeing to a term longer than the Restated Sunrise PPA and Restated Sunrise PPA Confirm, did the Department contemplate that its obligations to perform under TSA 1724 or Restated TSA 1724 would continue beyond June 30, 2012? **It was understood by all parties at the time of the negotiations surrounding the assignment and reassignment agreements that Sunrise intended to take over the TSA obligation at the end of the Sunrise PPA term.**

   a. In agreeing to a term longer than the Restated Sunrise PPA and Restated Sunrise PPA Confirm, did the Department contemplate that it would continue to incur costs under TSA 1724 or Restated TSA 1724 beyond June 30, 2012? **See response to 4 above.**

   b. Under the express terms of the Reassignment Agreement at Paragraph 1, the Department, "at its sole cost and expense", agreed to use "its best efforts to promptly reassign [TSA 1724 and/or Restated TSA 1724] to Sunrise at the end of the term of the [Sunrise Power Contract]." Please describe those "best efforts" the Department has made to date to reassign Restated TSA 1724 to Sunrise Power. **There were multiple meetings/conference calls among Sunrise, KRGT and the Department. In addition**

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there are multiple letters between Sunrise, KGRT, Chevron, EME and the Department.

c. Based upon the *October 2012 Memorandum*, SDG&E understands the Department has not been successful in reassigning Restated TSA 1724 to Sunrise Power. Please provide each and every reason the Department believes it has not been successful in reassigning Restated TSA 1724 to Sunrise Power. **Sunrise refused to take over the TSA obligation without the Department continuing to remain ultimately responsible for the cost. Kern River asserted that Sunrise is not creditworthy under its tariff. EME and Chevron asserted in writing that they have no legal obligations with regard to the TSA.**

d. Pursuant to the express terms of the Reassignment Agreement at Paragraph 2, does the Department believe that Sunrise Power "does not meet Kern River's creditworthiness standards or cannot supply adequate security assurances to Kern River"? Please provide each and every reason which forms the basis for the Department's response to this question. **That is an issue to be decided by Sunrise or Kern River, not the Department.**

e. Pursuant to the express terms of the Reassignment Agreement at Paragraph 2, does the Department believe that Kern River has "rightfully [withheld] its consent" to a reassignment of Restated TSA 1724 to Sunrise Power? Please provide each and every reason which forms the basis for the Department's response to this question. **Kern River has asserted that Sunrise does not meet its creditworthiness requirements.**

f. Pursuant to the express terms of the Reassignment Agreement at Paragraph 2 and upon the conditions specified there, the Department agreed, if Restated TSA 1724 were not reassigned to Sunrise Power, to "use its best efforts to promptly assign [Restated TSA 1724] to any affiliate of or successor entity to Sunrise that would be acceptable to Kern River." Please describe any such "best efforts" the Department has made to date to reassign Restated TSA 1724 to any affiliate or successor entity to Sunrise that would be acceptable to Kern River. **See response to 4.b. above.**

g. If the Department has used its best efforts to assign Restated TSA 1724 to any affiliate or successor entity to Sunrise Power that would be acceptable to Kern River, please provide the Department's information, knowledge and/or beliefs regarding the probability it will be successful in executing such an assignment. **The Department cannot speculate about the future. The Department assumes that if a creditworthy party agrees to take over the TSA obligation at the contract rate, Kern River will accept the permanent release of the Department. However, only Kern River can respond to this issue.**

5. SDG&E is informed and therefore believes that Kern River is withholding its consent to a reassignment of Restated TSA 1724 from the Department to Sunrise Power on the grounds that Sunrise Power has not met certain standards of creditworthiness and/or has failed to provide adequate security assurances under the terms of Kern River's Tariff KRF-1. To what extent does the Department consider SDG&E's information and belief to be correct in this regard? Please provide each and every reason which forms the basis for the Department's response to this question. **The Department has been informed by Kern River and Sunrise that is the case.**

    a. Please describe the manner in which the Department, as the Shipper under TSA 1724 and Restated TSA 1724, has met the standards of creditworthiness and/or provided adequate security assurances under the terms of Kern River's Tariff KRF-1. **The Department/CERS has credit ratings of Aa3/AA-/AA from the three ratings agencies which meet or exceed Kern River's Tariff requirement. There is no guarantee or other credit support on this contract.**

    b. Section 29.2 of Kern River's Tariff KRF-1 expressly provides that a third party may provide a written guarantee on behalf of a Shipper in order for the Shipper to meet the standards of creditworthiness and/or the adequacy of security assurances required of Shippers by Kern River. To what extent has the Department considered providing, or offered to provide, a written guarantee on behalf of Sunrise Power in a form satisfactory to Kern River pursuant to the terms of Section 29.2 of Kern River's Tariff KRF-1 so as to facilitate the reassignment of Restated TSA 1724 from the Department to Sunrise Power? **The Department does not have authority to provide a financial guarantee to a third party, as it is not a credit or financial institution. The Department has suggested a willingness, contingent on certain conditions, to enter into a series of short term capacity releases (approximately 1 year); however, it will continue to be ultimately responsible for the TSA costs in the event of a default. Sunrise has not agreed to that to date.**

    c. To what extent has the Department considered requesting, or otherwise demanded, that an affiliate of Sunrise Power provide a written guarantee on behalf of Sunrise Power in a form satisfactory to Kern River pursuant to the terms of Section 29.2 of Kern River's Tariff KRF-1 so as to facilitate the reassignment of Restated TSA 1724 from the Department to Sunrise Power? **The affiliates, EME and Chevron, asserted in writing that they have no legal obligations with regard to the TSA.**

6. Pursuant to Section 6.05(b) of the Reassignment Agreement, the Department holds "the right to use [Sunrise Power's] transportation rights on Kern River Gas Transmission's pipeline for other plants in the Department's portfolio or for resale (subject to the terms of the applicable gas transportation agreement with Kern River Gas Transmission for the Facility)." Has the Department at any time used its rights under the Reassignment Agreement and/or TSA 1724 or Restated TSA

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1724 for the benefit of other plants in the Department's portfolio or for resale? If the answer to this question is anything other than an unqualified "no", please provide the answers to the following requests. **SDG&E, as the Department's agent for the Sunrise facility and the TSA, has the information to answer this. The Department understands that SDG&E remarketed any natural gas that was not utilized by the Sunrise facility.**

a. Please describe the manner in which the Department has used its rights under TSA 1724 and/or Restated TSA 1724 for the benefit of other plants in the Department's portfolio, including the identification of the plants benefited and the dates and extent of the benefit for each such plant stated in (a) quantities of natural gas shipped to those plants and (b) the costs of transportation associated with such use. **See response to 6 above.**

    i. How were the costs and benefits associated with the uses identified in the response to Question 6.a allocated by the Department in the Department's annual determination(s) of revenue requirements? **The Department reports its actual costs in the USBA based on its understanding of the CPUC's allocation of the revenue requirement. Any revenues or cost offsets associated with the TSA or the Sunrise facility are allocated in the same manner as the cost.**

b. Please describe the manner in which the Department has resold its rights under TSA 1724 and/or Restated TSA 1724, including the dates and extent of any such resales stated in (a) quantities of natural gas shipped to those plants and (b) the costs of transportation associated with such use. **No "rights" were "sold" by the Department until after June 30, 2012 when the Sunrise PPA expired. The Department has posted the capacity for release on the Kern River system every month since then.**

    i. How were the costs and benefits associated with the resales identified in the response to Question 6.b allocated by the Department in the Department's annual determination(s) of revenue requirements? **The Department reports its actual costs in the USBA based on its understanding of the CPUC's allocation of the revenue requirement. Any revenues or cost offsets associated with the TSA or the Sunrise facility are allocated in the same manner as the cost.**

7. Since the date upon which the Restated Sunrise PPA expired, has the Department considered and/or planned for any future use of its rights under Restated TSA 1724 for the benefit of other plants in the Department's portfolio? If the answer to this question is anything other than an unqualified "no", please provide the answers to the following requests. **The Department has only one remaining PPA using natural gas, Kings River, and it is not on the Kern River system, so the capacity cannot be utilized for this facility economically.**

a. Please describe the manner in which the Department may, or plans to, use its rights under Restated TSA 1724 for the benefit of other plants in the Department's portfolio, including the identification of the plants which may be benefited and the extent of the expected benefit for each such plant stated in (a) quantities of natural gas shipped to those plants and/or (b) the costs of transportation associated with such use. **See response to 7 above. The Department or one of its IOU agents could remarket the capacity to mitigate costs or the TSA could be novated to an IOU.**

i. How would the Department propose to allocate the costs and benefits associated with the future use of the Department's rights under Restated TSA 1724 in the Department's annual determination(s) of revenue requirements? **The Department does not have any proposal to allocate costs and benefits. It provides information and assistance to the CPUC as directed in the Rate Agreement so that the CPUC can allocate such costs and benefit.**

8. Since the date upon which the Restated Sunrise PPA expired, has the Department considered and/or planned for any future resale of its rights under Restated TSA 1724? If the answer to this question is anything other than an unqualified "no", please provide the answers to the following requests. **Yes.**

a. Please describe the manner in which and the terms and conditions under which the Department may, or plans to, resell its rights under Restated TSA 1724. **See response to 7a. above. CDWR has posted the TSA capacity for release since June 2012.**

i. How would the Department propose to allocate the costs and benefits associated with any future resales of the Department's rights under Restated TSA 1724 in the Department's annual determination(s) of revenue requirements? **The Department does not have any proposal to allocate costs and benefits. It provides information and assistance to the CPUC as directed in the Rate Agreement so that the CPUC can allocate such costs and benefit.**

9. At any time during the term of TSA 1724 and/or Restated TSA 1724, has the Department exercised its rights under Section 15 of Kern River's Tariff KRF-1, commonly known as the "Capacity Release Program"? **DWR has posted the capacity release on the Kern River system every month since the PPA expired and will continue its best efforts to mitigate costs.**

a. If so, please provide the dates on which and the terms and conditions under which the Department exercised its rights under Section 15 of Kern River's Tariff KRF-1. **See response to 9 above. DWR has posted both permanent and temporary capacity releases since June. The permanent release was intended to satisfy the**

reassignment to Sunrise, however Sunrise failed to bid. The postings and results are available on Kern River's Rapids system and are summarized below.

SUMMARY OF KRGT TSA CAPACITY RELEASE POSTINGS							
Type of Capacity Release	**Term**	**Conditions**	**Date Posted**	**Date Awarded**	**Results $/mmbtu Average**	**Total Capacity Fees Paid by Others**	**Total Capacity Fees Paid by CDWR**
Permanent	July Through April 2018	Minimum bid of $0.4704	6/21/2012	No bidders	N/A	N/A	N/A
Temporary	July 2102	Minimum bid of $0.1000	6/27/2012	6/28/2012	$0.1560	$411,014.65	$828,489.35
Temporary	August 2012	Prearranged Bid with Sunrise Power LLC	7/22/2012	7/23/2012	$0.4704	$1,239,504.00	$0.00
Temporary	Sept 2012	Minimum bid of $0.4707	8/23/2012	8/27/2012	$0.4704	$1,199,520.00	$0.00
Temporary	Oct 2012	Minimum bid of $0.1000	9/20/2012	9/21/2012	$0.1117	$294,329.50	$945,174.50
Temporary	Nov 2012	Minimum bid of $0.1200	10/17/2012	No bidders	N/A	N/A	N/A
Temporary	Nov 2012	Minimum bid of $0.0100	10/22/2012	10/24/2012	$0.02146	$54,735.00	$1,144,785.00
Temporary	Dec 2012	Minimum bid of $0.04	11/15/2012	11/20/2012	$0.04796	$126,362.20 (estimated)	$1,113,141.80 (estimated)
					TOTALS	$3,325,465.35	$4,031,590.65

b. Since the time the Restated Sunrise Power PPA expired, has the Department considered, or is the Department currently considering, exercising its rights under Section 15 of Kern River's Tariff KRF-1? If the answer to this question is anything other than an unqualified "no", please also describe the timing, terms and conditions of the Department's future exercise of its rights under Section 15 of Kern River's Tariff KRF-1. **See responses to 9 and 9a. above.**

10. For the following request, please assume the Commission adopts an allocation of the Department's forecasted 2013 costs of Restated TSA 1724 to each of the three investor-owned utilities based upon a ratio of any individual utility's load to the total combined loads of the three utilities (*i.e.*, upon a load-ratio share). Based upon the foregoing assumption, please provide the Determination of Revenue Requirement using the form shown in the *State of California Department of Water Resources Proposed Revision to the Determination of Revenue Requirement for the Period January 1, 2013, Through December 31, 2013; Transmitted to the California Public Utilities Commission Pursuant to Sections 80110 and 80134 of the California Water Code,* at Table A-1, "Summary of the Department's 2013 Power Charge Revenue Requirement and Power Charge Accounts and Company to 2012", dated and filed with the Commission on or about October 4, 2012. **The requested analysis is summarized below.**

2013 RR--10-15-2012 filing-KRTSA allocated per bundled bond volume

(Dollars in millions)

Line	Description	PG&E	SCE	SDG&E	Total	Reference
1	Allocation Percentages	42.20%	47.50%	10.30%	100.00%	Decision 05-06-060
2						
3	2004-2011 Expenses	12,033	15,090	4,436	31,560	Actuals
4	2004-2011 Revenues	11,963	14,400	4,549	30,913	Actuals
5	Amount to be collected from/(returned to) the IOU USBA	$ 70	$ 690	$ (113)	$ 647	Line 3 - Line 4
6						
7	2012 Expenses	85	46	124	255	actuals through Aug-12 then projected
8	2012 Revenues	(267)	(328)	83	(512)	actuals through Aug-12 then projected
9	Amount to be collected from/(returned to) the IOU USBA	$ 352	$ 374	41.08	$ 768	Line 7 - Line 8
10						
11	**Balancing Calculation**					
12	December 31, 2013 Projected PCA Balance: Desired Allocation	51	57	12	121	
13	January 1, 2004 Starting PCA Balance: Desired Allocation	701	789	171	1,660	
14	Amount to be collected from/(returned to) the IOU USBA	$ (650)	$ (731)	$ (159)	$ (1,540)	Line 12 - Line 13
15						
16	Fixed Transfer Payments	180	(414)	234	0	
17	2004-2012 True-up	422	1,064	(72)	1,415	Line 5 + Line 9
18	Starting and Ending balance True-up	(650)	(731)	(159)	(1,540)	Line 14
19	Cumulative True-up to be collected from/(returned to) IOU USBA	$ (48)	$ (81)	$ 3	$ (125)	Subtotal
20						
21	**2013 Revenue Requirement Determination**					
22	Avoidable Costs	5	-	-	5	2013RptRR
23	Net CFC	17	6	19	42	2013RptRR
24	Fixed Transfer Payments	(2)	2	(0)	(0)	
25	Administrative and General	8	9	2	19	2013RptRR
26	Interest Earnings on Fund Balance	(0)	(0)	(0)	(1)	2013RptRR
27	Balancing Transfer between IOUs [(+) is pmt, (-) is receipt]	(48)	(81)	3	(125)	Line 19
28	Net Allocation of Revenue Requirements	$ (20)	$ (64)	$ 24	$ (60)	
29						
30	Remittance Table					
31	Negative RR with DWR Deliveries	27			27	Amount based on power costs only (Lines 22-26)
32	Negative RR without DWR Deliveries		(64)		(64)	Amount based on net RR (Line 28)
33	Positive RR with DWR Deliveries			24	24	Amount based on net RR (Line 28)
34	Subtotal	27	(64)	24		
35						
36	DWR Delivered Energy (GWh)	88	NA	289	376	RR
37	Calendar Year Remittance Rates ($/MWh)	308.31	NA	82.29		Line 34 divided by Line 36
38						
39	IOU Remitances	27		24		
40	Return of Excess Amounts	(48)	(64)	-	(111)	
41	Final Allocation of Revenue Requirements (after remittances)	(20)	(64)	24	(60)	

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Attachment A. Question 3a. Total costs directly related to TSA 1724 from 9/1/2003 to 11/30/2012

Payments made to Kern River Gas Transmission for TSA 1724

Capacity Month	Payment Posting Date	Amount
Oct-2012	11/13/2012	$945,174.50
Sep-2012	N/A *	$0.00
Aug-2012	N/A *	$0.00
Jul-2012	8/15/2012	$828,489.35
Jun-2012	7/17/2012	$1,214,746.68
May-2012	6/18/2012	$1,254,317.66
Apr-2012	5/16/2012	$1,213,661.57
Mar-2012	4/16/2012	$1,255,314.47
Feb-2012	3/19/2012	$1,173,358.41
Jan-2012	2/14/2012	$1,254,902.92
Dec-2011	1/20/2012	$1,257,533.04
Nov-2011	12/20/2011	$1,216,688.27
Oct-2011	11/17/2011	$1,257,564.21
Sep-2011	10/17/2011	$1,218,928.58
Aug-2011	9/15/2011	$1,259,642.12
Jul-2011	8/15/2011	$1,259,129.71
Jun-2011	7/14/2011	$1,218,524.10
May-2011	6/16/2011	$1,256,635.75
Apr-2011	5/16/2011	$1,217,891.66
Mar-2011	4/15/2011	$1,257,464.13
Feb-2011	3/15/2011	$1,136,994.99
Jan-2011	2/15/2011	$1,252,546.49
Dec-2010	1/18/2011	$1,257,770.57
Nov-2010	12/14/2010	$1,218,426.23
Oct-2010	11/16/2010	$1,324,193.98
Sep-2010	10/18/2010	$1,285,967.40
Aug-2010	9/20/2010	$1,329,558.82
Jul-2010	8/16/2010	$1,326,376.84
Jun-2010	7/20/2010	$1,282,235.33
May-2010	6/16/2010	$1,321,009.77
Apr-2010	5/13/2010	$1,282,831.88
Mar-2010	4/19/2010	$1,328,780.46
Feb-2010	3/16/2010	$1,207,451.19
Jan-2010	2/16/2010	$1,335,604.16
Dec-2009	1/14/2010	$1,336,264.47
Nov-2009	12/15/2009	$1,291,398.20
Oct-2009	11/16/2009	$1,337,515.57
Sep-2009	10/19/2009	$1,292,061.67
Aug-2009	9/15/2009	$1,335,803.27
Jul-2009	8/13/2009	$1,336,013.82
Jun-2009	7/20/2009	$1,292,865.91
May-2009	6/13/2009	$1,333,614.44
Apr-2009	5/19/2009	$1,292,843.20
Mar-2009	4/15/2009	$1,546,756.83
Feb-2009	3/13/2009	$1,397,412.39
Jan-2009	2/13/2009	$1,547,177.17
Dec-2008	1/16/2009	$1,273,363.76
Nov-2008	12/16/2008	$1,282,132.27
Oct-2008	11/17/2008	$1,540,267.23
Sep-2008	10/16/2008	$1,492,246.98
Aug-2008	9/15/2008	$1,543,807.72
Jul-2008	8/19/2008	$1,543,549.35
Jun-2008	7/17/2008	$1,493,680.84
May-2008	6/14/2008	$1,542,985.34
Apr-2008	5/16/2008	$1,494,952.75
Mar-2008	4/15/2008	$1,547,428.54
Feb-2008	3/14/2008	$1,445,243.40
Jan-2008	2/15/2008	$1,540,820.16

Capacity Month	Payment Posting Date	Amount
Dec-2007	1/18/2008	$1,547,053.23
Nov-2007	12/14/2007	$1,496,277.63
Oct-2007	11/13/2007	$1,546,100.56
Sep-2007	10/16/2007	$1,494,775.17
Aug-2007	9/19/2007	$1,543,989.24
Jul-2007	8/21/2007	$1,532,748.52
Jun-2007	7/19/2007	$1,496,683.37
May-2007	6/14/2007	$1,545,494.89
Apr-2007	5/17/2007	$1,495,785.14
Mar-2007	4/13/2007	$1,546,664.18
Feb-2007	3/15/2007	$1,396,958.71
Jan-2007	2/20/2007	$1,546,416.81
Dec-2006	1/17/2007	$1,545,597.39
Nov-2006	12/15/2006	$1,496,202.46
Oct-2006	11/14/2006	$1,545,962.51
Sep-2006	10/16/2006	$1,497,520.14
Aug-2006	9/18/2006	$1,543,448.28
Jul-2006	8/16/2006	$1,547,557.22
Jun-2006	7/14/2006	$1,497,240.89
May-2006	6/16/2006	$1,523,935.17
Apr-2006	5/16/2006	$1,453,021.72
Mar-2006	4/17/2006	$1,522,497.91
Feb-2006	3/14/2006	$1,377,641.86
Jan-2006	2/15/2006	$1,515,645.73
Dec-2005	1/17/2006	$1,530,080.72
Nov-2005	12/9/2005	$1,479,973.87
Oct-2005	11/15/2005	$1,491,296.84
Sep-2005	10/17/2005	$1,453,387.98
Aug-2005	9/16/2005	$1,549,111.11
Jul-2005	8/17/2005	$1,561,023.52
Jun-2005	7/18/2005	$1,473,194.43
May-2005	6/15/2005	$1,520,076.16
Apr-2005	5/20/2005	$1,480,786.54
Mar-2005	4/22/2005	$1,517,917.91
Feb-2005	3/18/2005	$1,381,776.68
Jan-2005	2/18/2005	$1,499,563.57
Dec-2004	1/21/2005	$1,511,386.97
Nov-2004	12/20/2004	$1,496,731.61
Oct-2004	11/19/2004	$1,305,902.22
Sep-2004	10/21/2004	$1,336,096.72
Aug-2004	9/24/2004	$1,336,903.49
Jul-2004	8/19/2004	$1,328,763.87
Jun-2004	7/22/2004	$1,267,914.58
May-2004	6/18/2004	$1,329,836.83
Apr-2004	5/21/2004	$1,299,197.53
Mar-2004	4/19/2004	$1,326,519.30
Feb-2004	3/19/2004	$1,230,381.17
Jan-2004	2/20/2004	$1,328,959.34
Dec-2003	1/22/2004	$1,292,384.83
Nov-2003	12/18/2003	$1,249,377.53
Oct-2003	11/25/2003	$1,279,415.10
Sep-2003	10/27/2003	$1,297,024.77
	Total	$148,940,124.44
2008 FERC Rate Settlement		-$11,835,700.92
2010 FERC Rate Settlement		-$1,385,455.17
	Total	$135,718,968.35

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Attachment B. Question 3B. breakout of TSA 1724 costs and settlements by IOU

	Allocations of Cost by IOU (per CPUC Decision)			
	PG&E	SCE	SDG&E	Total
2003 Percent Allocators	46.16%	44.49%	9.35%	100.00%
2003	1,765,997.31	1,702,106.16	357,713.93	3,825,817.40
2004	-	-	15,879,591.49	$ 15,879,591.49
2005	-	-	17,919,495.58	$ 17,919,495.58
2006	-	-	18,050,754.61	$ 18,050,754.61
2007	-	-	18,187,491.61	$ 18,187,491.61
2008	-	-	18,014,167.81	$ 18,014,167.81
2009	-	-	16,276,826.23	$ 16,276,826.23
2010	-	-	15,578,700.53	$ 15,578,700.53
2011	-	-	14,809,780.58	$ 14,809,780.58
2012	-	-	10,397,498.60	$ 10,397,498.60
Total ($)	$ 1,765,997.31	$ 1,702,106.16	$145,472,020.97	$148,940,124.44

	Allocations of Settlements by IOU (per CPUC Decision)			
	PG&E	SCE	SDG&E	Total
2003	-	-	-	-
Fixed Percent Allocators	42.20%	47.50%	10.30%	100.00%
2004	-	-	-	$ -
2005	-	-	-	$ -
2006	-	-	-	$ -
2007	-	-	-	$ -
2008	(4,994,665.79)	(5,621,957.94)	(1,219,077.19)	$ (11,835,700.92)
2009	-	-	-	$ -
2010	(584,662.08)	(658,091.21)	(142,701.88)	$ (1,385,455.17)
2011	-	-	-	$ -
2012	-	-	-	$ -
Total ($)	$(5,579,327.87)	$(6,280,049.14)	$ (1,361,779.08)	$ (13,221,156.09)

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APPENDIX B

Letter dated June 22, 2012, from John Pacheco, Acting Deputy Director, California Department of Water Resources, to Kelly S. Lucas, Executive Director, Sunrise Power Company, LLC

STATE OF CALIFORNIA – CALIFORNIA NATURAL RESOURCES AGENCY EDMUND G. BROWN JR., Governor

DEPARTMENT OF WATER RESOURCES
CALIFORNIA ENERGY RESOURCES SCHEDULING
P.O. BOX 219001
ACRAMENTO, CA 95821-9001
16) 574-1291

June 22, 2012

Mr. Kelly S. Lucas, Executive Director
Sunrise Power Company, LLC
Post Office Box 81617
Bakersfield, California 93380

Dear Mr. Lucas:

The California Department of Water Resources ("CDWR") references the Amended and Restated Master Power Purchase and Sale Agreement (the "Master Agreement"), the Amended and Restated Cover Sheet (the "Cover Sheet"), and the Amended and Restated Confirmation Agreement (the "Confirmation") between CDWR and Sunrise Power Company, LLC ("Sunrise") dated December 31, 2002, the Assignment and Consent to Assignment of Firm Transportation Service Agreement dated August 28, 2003, wherein Sunrise assigned all of its rights, interests, and obligations in the Second TSA to CDWR, Contract No. 1724 (the "TSA") and the Agreement on Reassignment of Firm Transportation Service Agreement dated September 1, 2003, wherein CDWR agreed to re-assign the TSA to Sunrise at the termination of the PPA (the "Reassignment Agreement"). Collectively, the Master Agreement, the Cover Sheet, and the Confirmation shall be referred to hereinafter as the "PPA."

This notifies Sunrise that CDWR has put the TSA up for permanent release on the Kern River Gas Transmission Company RAPIDS portal to effectuate the reassignment pursuant to the Reassignment Agreement and PPA. CDWR has used its best efforts to release the TSA to Sunrise. However, Sunrise has communicated to CDWR its unwillingness to post the security required by Kern River Gas Transmission Company in order to facilitate the reassignment. Failure by Sunrise to bid on and assume the permanent release constitutes a breach under the Reassignment Agreement. In the event of a breach CDWR will seek any and all remedies available to it, including, but not limited to, putting the TSA up for temporary release in order to mitigate the damages caused by Sunrise's breach.

Nothing herein constitutes a waiver of CDWR's rights under the PPA, TSA and Reassignment Agreement and CDWR expressly reserves all rights, objections, and claims it may otherwise have.

If you have any questions, please contact me at (916) 574-1288.

Sincerely,

John Pacheco
Acting Deputy Director

cc: (See attached page)

cc: Mr. Ryan Miller
San Diego Gas and Electric
8306 Century Park Court
San Diego, CA 92123

Ms. Sue Garcia
San Diego Gas and Electric
8306 Century Park Court
San Diego, CA 92123