

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Establish Policies and
Cost Recovery Mechanisms for Generation Procurement
and Renewable Resource Development

R.01-10-024
(Filed October 25, 2001)

**PETITION FOR MODIFICATION OF SAN DIEGO GAS & ELECTRIC COMPANY
OF DECISION (D.) 04-01-050 TO ESTABLISH A NEW FILING DATE FOR
ITS ANNUAL ERRA FORECAST APPLICATION**

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I. INTRODUCTION

Pursuant to Rule 16.4 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), San Diego Gas & Electric Company (“SDG&E”) hereby files this Petition for Modification (“Petition”) to request modification of Commission Decision (“D.”) 04-01-050 to establish new Application filing dates for SDG&E’s annual Energy Resource Recovery Account (“ERRA”) Forecast Application. As explained herein, new filing dates are warranted to provide ample time for the Commission to review and act upon SDG&E’s Forecast Application so that the new rates can be implemented on January 1 to recover the procurement-related costs that are forecasted to be incurred for that year. By having a timely Commission Order that can be implemented on January 1 of the following year, SDG&E customers will pay in rates for the forecasted procurement-related costs over the entire calendar year during which those costs are incurred. In doing so, customers will experience fewer rate changes, and SDG&E will be less likely to find itself, as it did twice in 2012, in a triggered position, necessitating further ERRA Applications and mid-cycle rate changes. In short, SDG&E is proposing only a filing schedule change that will benefit SDG&E’s customers.

II. DISCUSSION

A. Background on D.04-01-050, the Decision to be Modified

D.04-01-050 adopted “the long-term regulatory framework under which California’s three largest investor-own utilities, Pacific Gas and Electric Company (“PG&E”), San Diego Gas & Electric Company (“SDG&E”), and Southern California Edison Company (“SCE”), will plan for and procure the energy resources and demand-side investments necessary to ensure their customers receive reliable service at low and *stable* prices.”¹ The primary objective of this proceeding was to implement Assembly Bill (“AB”) 57 and Senate Bill (“SB”) 1976² and set forth:

a regulatory procurement framework for the Commission that (1) requires each utility to prepare and file a procurement plan that meets specified requirements; (2) provides the criteria by which the Commission should review and either adopt, modify, or reject each utility’s plan; (3) eliminates the need for after-the-fact reasonableness reviews of utility actions in compliance with an approved plan; (4) ensures timely recovery of prospective procurement costs incurred pursuant to an approved plan; and (5) requires that an approved plan enable the utility to fulfill its obligation to serve its customers at just and reasonable rates, with such just and reasonable rates to include an appropriate balancing of price *stability* and price level.³

Thus, paramount among the objectives of the Commission’s regulatory procurement framework has been the need for price stability, or stated differently, stability in the rates that utilities charge their customers.

As it pertains to ERRA filings, D.04-01-050 adopted a “2005 ERRA Schedule” that specifies the dates that each of the three utilities would follow, and in SDG&E’s case, has followed, since its issuance. For SDG&E, D.04-01-050 states that SDG&E’s “2005 ERRA

¹ D.04-01-050 at 2, emphasis added.

² Codified as California Public Utilities (“P.U.”) Code Section 454.5.

³ D.04-01-050 at 8-9 (footnote omitted; emphasis added).

Forecast” should be filed on October 1, 2004. Importantly, in connection with this filing date, the Decision notes: “The dates have been changed so the IOUs file earlier in the year. This will allow IOU/PUC to have decisions out by the end of the year.”⁴ The same schedule shows PG&E’s and SCE’s ERRA Forecast Application filing dates as occurring earlier than SDG&E’s. Thus, the Commission’s express objective in selecting these dates was to allow timely decisions to be rendered by the end of the calendar year.⁵

However, the Commission’s decisions on SDG&E’s ERRA Forecast Application have, in recent years, consistently not been issued by the end of the year and generally not until several months into the new year. For example, SDG&E’s 2012 ERRA Forecast Application, filed on September 30, 2011, received a Commission Decision on July 12, 2012.⁶ Similarly, SDG&E’s 2011 ERRA Forecast Application (“A.”) 10-10-001, filed on October 1, 2010, received a Commission Decision on August 1, 2011. When approval of the Forecast Application is delayed, the forecasted procurement costs beginning on January 1 are recovered under rates set using the prior year’s approved revenue requirement rather than rates that are intended to recover the procurement costs that are incurred beginning on January 1. Thus, there has been a systemic mismatch in timing between the forecast period and the time at which the costs are recovered in rates as well as a mismatch between the procurement-related revenues and expenses. This timing and revenues/expenses mismatch can easily be corrected by a year-end Commission decision on SDG&E’s Forecast Applications enabling SDG&E to put the new rates into effect on January 1.

⁴ D.04-01-050 at 177, footnote 2.

⁵ The only other reference in D.04-01-050 to ERRA filing requirements appears in Ordering Paragraph 5: “We revise the ERRA filings dates as set forth in the text of this decision.” There are no other supporting Findings of Fact or Conclusions of Law, or other indications in the text of the Decision, to support the ERRA filing schedule. Accordingly, as noted below, there are no “new or changed facts” driving this request; rather, it is the reality that an October 1 filing date does not afford ample time for the Commission to render a year-end decision.

⁶ D.12-07-006.

This pattern of mid-cycle Commission decisions and delayed rates implementation is clearly contrary to the Commission's stated objective of allowing the approved, forecasted costs to go into rates by January 1, following an end-of-year Commission decision. SDG&E respectfully submits that the October 1 filing date does not allow the Commission ample time to review and process SDG&E's ERRA Forecast Application. As indicated below, by this Petition, SDG&E proposes a new filing date that reasonably ensures a year-end decision and puts SDG&E on essentially on the same footing as other utilities in this regard.

B. SDG&E's 2012 Trigger Applications

When SDG&E's ERRA balance falls above or below its 4% trigger point and 5% threshold, and the balance is in either an under- or over-collected position, and that balance is not expected to self-correct to a point below the 4% trigger point within 120 days, SDG&E must file a supplemental Trigger Application requiring Commission action within 60 days of the filing of that Application.⁷ SDG&E found its ERRA balance to be in a triggered position twice during 2012, necessitating two Trigger Applications.

In SDG&E's April 9, 2012 Trigger Application (A.12-04-003), SDG&E identified the July 2012 issuance of a Commission decision in its 2011 ERRA Forecast Case, A.11-09-022, as a driving factor for its triggered position. In its testimony, SDG&E stated:

SDG&E is still awaiting approval of the 2012 ERRA forecast revenues, as filed in A.11-09-022, and updated on February 24, 2012. The approval and implementation of A.11-09-022 (the decision is expected to be approved in June with implementation date of July 1, 2012) will enable SDG&E to record updated revenues to match the costs currently incurred. Absent that approval, SDG&E has continued to book revenues under the 2011 forecast revenues approved in D.11-07-041. For every month that SDG&E books 2011 revenues instead of 2012, the undercollection will continue to grow.⁸

⁷ D.02-10-062; D.04-01-050 at 177.

⁸ A.12-04-003, Testimony of Gregory D. Shimansky at 4-5.

Thus, if a Commission decision is delayed on a Forecast Application that is intended to have procurement costs collected in rates beginning January 1 and actual costs are higher than the prior year's forecast, then the costs that would have been recovered in rates during the first part of the calendar year form an undercollection of forecasted ERRA costs. A second trigger was identified at the end of August 2012, necessitating a second Trigger Application for 2012, A.12-10-017, which was filed on October 26, 2012. In the ensuing Decision on that Application, the Commission noted:

We note that part of the reasons [for the second trigger] lie in delayed approval of SDG&E's original 2012 ERRA forecast revenue requirement and rate change, an increase of 2011 levels, such that each month of delay contributed to an increasing undercollection; this in turn contributed to the first trigger application, which was also approved later than SDG&E requested, thus delaying a second rate increase and leading to a further undercollection.⁹

Further, during the proceedings for this second Trigger Application, SDG&E conferred with Commissioner Michel P. Florio, the Division of Ratepayer Advocates, the Commission's Energy Division, and Administrative Law Judge ("ALJ") Stephen C. Roscow, who served as administrative law judge on both of SDG&E's Trigger Applications.¹⁰ During a workshop convened for A.12-10-017, SDG&E expressed its concern for the timing of its ERRA Forecast Applications and the associated timing of the Commission's decisions on these Applications. SDG&E understood that the workshop participants were receptive to considering a new ERRA filing schedule for SDG&E. Accordingly, SDG&E is now filing this Petition to implement a new ERRA Forecast Application filing date of April 15 both to avoid further Trigger Applications that are precipitated by the types of circumstances noted here and to provide stable rates to SDG&E's customers.

⁹ D.12-12-022 at 8-9.

¹⁰ This workshop, which occurred on November 19, 2012, was provided for in the November 9, 2012 Ruling of ALJ Roscow in A.12-10-017.

C. SDG&E's Proposed Schedule Modification and Its Justification

SDG&E's proposed change to D.04-01-050 is a purely procedural one of moving SDG&E's annual ERRA Forecast Application filing date from its current October 1 date to April 15. Advancing the filing date forward should give ample time to the Commission to render a final decision on those applications before year-end. Due to resource constraints, SDG&E also needs to provide a window of time between its ERRA Forecast Applications and its annual ERRA Compliance Applications, which are submitted on June 1 of each year.

Because SDG&E – and undoubtedly the Commission – would wish to avoid another Trigger Application before the ERRA Forecast Filing date of April 15 is implemented, SDG&E further proposes that for only the 2014 forecast year, SDG&E will commit to filing its 2014 ERRA Forecast Application by May 1, 2013, provided that a final decision on this Petition is rendered by April 1, 2013. While SDG&E recognizes that this proposal does not give the Commission much time to deliberate over this Petition, SDG&E urges the Commission to do so since it is a relatively simple, straight-forward change of one date that should have no downsides and would have the significant upsides of avoiding or significantly mitigating the prospect of further near-term triggering situations.

In sum, the proposed date change is a simple, procedural-only schedule modification that will benefit SDG&E's customers by eliminating or mitigating the likelihood of mid-year rate changes and thus produce more stable rates, which is the stated objective of D.04-01-050 in determining the current schedule in filing the utilities' ERRA Forecast Applications. Further, eliminating those Trigger Applications that are caused by the timing mismatch, explained above, will create efficiencies in the use of the Commission's and SDG&E's resources allocated to ERRA-related work.

III. ADDITIONAL PROCEDURAL REQUIREMENTS

A. Specific Wording to Carry Out Requested Modifications, Rule 16.4(b)

As noted above, SDG&E is seeking simply to change the filing date of its annual ERRA Forecast Application from October 1 to April 15.¹¹ The only change to D.04-01-050 necessary to effectuate that schedule change is to replace the “October 1, 2004” date appearing in the table on Page 177 with the date “April 15.”

If, as SDG&E urges, the Commission wishes to implement SDG&E’s new ERRA Forecast Application filing date for the 2014 year, then SDG&E respectfully requests that it receive a final Commission Order on this Petition by April 1, 2013 with authorization to file its 2014 ERRA Forecast Application no later than May 1, 2013. Then, for the following years, SDG&E will file its ERRA Forecast Applications on April 15.

SDG&E notes, as is the case with its current ERRA Forecast Application, that in November of each year, SDG&E will amend, among other things as necessary,¹² its Power Charge Indifference Adjustment (“PCIA”) based on updated information that SDG&E receives at that time. Updated amounts used in the PCIA calculation may include, but are not limited to, revised market price benchmarks (“MPB”), based on updated information provided by the Commission’s Energy Division, and updated forecasted revenue requirements for its procurement resource portfolio. This update will only change the MPB and PCIA amounts in SDG&E’s testimony; however, SDG&E will submit a final updated PCIA, if necessary,¹³ by

¹¹ If April 15 were to fall on a day that the Commission’s offices are closed, SDG&E would file its ERRA Forecast Application no later than the next day that the Commission’s offices are open.

¹² It may be the case that, at the time of the November update, there is some other issue that needs to be updated that was not anticipated at the time of the April 15 Forecast Application. In those instances, SDG&E would provide that further update in its November filing. If SDG&E’s testimony needs to be revised, it will do so at that time.

¹³ Forecasted revenue requirements used in calculating the PCIA presented in the updated November testimony may differ from the authorized revenue requirements used upon implementation of the PCIA.

Advice Letter upon its ERRRA Forecast implementation.¹⁴ This is consistent with the methodology used by other utilities to achieve a January 1 rate implementation.

SDG&E submits that no additional facts are required to support this change. However, as noted above, the Commission may wish to take notice of the fact that its recent final Orders on SDG&E's ERRRA Forecast Applications have occurred well into the forecast year. The Commission may also wish to note that, as indicated above, that SDG&E filed two Trigger Applications during 2012, and in the latter filing, the Commission took notice of the "delayed approval of SDG&E's original 2012 ERRRA forecast revenue requirement and rate change."¹⁵

Further, SDG&E appends to this Petition a Declaration from Lee Schavrien, who declares that facts noted in this Petition are true and correct to the best of his knowledge.

B. Service of this Petition for Modification, Rule 16.4(c)

To ensure a broad distribution of this Petition, it is served on all parties to the following proceedings: R.01-10-024; A.12-06-003; A.12-10-002; A.12-10-017; and R.12-03-014.

C. Explanation of Why this Petition Could Not Have been Presented Within One Year of D.04-01-050, Rule 16.4(d)

SDG&E submits that it could not have filed this Petition within one year of the issuance of D.04-01-050 because it was not apparent at that time that consistently SDG&E would not receive Commission decisions on its ERRRA Forecast Applications until well into the calendar year for which its ERRRA costs were forecasted. Also, it has become apparent in the past year that the mismatch in timing between the calendar year of forecasted ERRRA costs and the mid-year Commission decision regarding the forecasted costs has been a significant factor in causing

¹⁴ SDG&E will use the same approach successfully used by other utilities. There is no change needed to D.04-01-050 to effectuate this change in the manner by which SDG&E updates its PCIA calculation.

¹⁵ D.12-12-022 at 8-9.

SDG&E's ERRA balancing account to be in a triggered position, necessitating a further, interim ERRA application.

IV. SUMMARY

SDG&E submits this Petition to obtain a schedule change for its annual ERRA Forecast Applications filings from October 1 to April 15 to provide the Commission with sufficient time to review the Applications, render year-end decisions, and enable the new rates to take effect on January 1 of the new year. This change promotes price stability for its customers and holds the prospect of minimizing Trigger Applications that are caused by mid-year issuances of ERRA Forecast Application decisions, and that in turn militate against price stability.

If the Commission approves the schedule change proposed by this Petition by April 1, 2013, SDG&E will file its next ERRA Forecast Application, for 2014 forecasted costs, on or before May 1, 2013. ERRA Forecast Applications for subsequent years would be filed on or before April 15 with forecasts of procurement-related costs for the following calendar year. SDG&E strongly recommends this course of action. If, however, the Commission is unable to render a decision on this Petition by April 1, 2013, then SDG&E requests that the Commission approve SDG&E's request to adopt April 15 as the date of its annual ERRA Forecast Application filing date.

Respectfully submitted,

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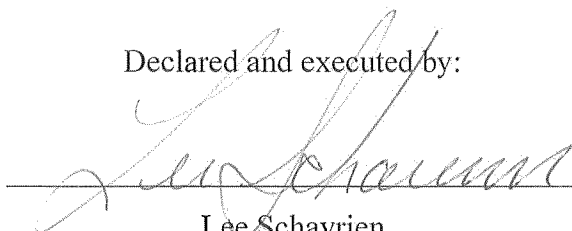
Declaration of Lee Schavrien

I, Lee Schavrien, am a duly elected officer of San Diego Gas & Electric Company, holding the title of Senior Vice President – Finance, Regulatory & Legislative Affairs. I have read the foregoing Petition for Modification of Decision (D.) 04-01-050 by San Diego Gas & Electric Company and know its contents. To the extent the Petition states facts, I have personal knowledge that they are true and correct and, as to matters of which I do not have personal knowledge, I believe them to be true based upon the information available to me or my beliefs after having made reasonable inquiry into these matters.

I declare that the Petition is submitted in good faith. I further declare that the relief requested is warranted under law and based upon the facts and circumstances known to me and set forth in the Petition.

I have the full authority to make these declarations on behalf of San Diego Gas & Electric Company, and do so under penalty of perjury.

Declared and executed by:

A handwritten signature in cursive script, appearing to read "Lee Schavrien", is written over a horizontal line.

Lee Schavrien
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Executed on February 7, 2013
San Diego, California