

**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 11-03-006
(Filed March 10, 2011)

**NOTICE OF EX PARTE COMMUNICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY (U902E)**

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Dated: March 19, 2013

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In accordance with Rules 8.2, 8.3 and 8.4 of the Commission's Rules of Practice and Procedure, San Diego Gas and Electric Company ("SDG&E") hereby gives notice of the following *Ex Parte* communications in the above captioned proceeding.

On Thursday March 14, 2013 at approximately 11:30 a.m., Alvin S. Pak, Senior Counsel for SDG&E and Kari Kloberdanz-Yu, Regulatory Relations Manager for SDG&E met with Matthew Tisdale, Advisor to Commissioner Florio. Matt Burkhart, Vice President of Electric and Fuel Procurement for SDG&E, joined via telephone. The communication was initiated by Ms. Kloberdanz-Yu to discuss the annual revenue requirement determination of the California Department of Water Resources ("CDWR"). The communication was oral and the written materials provided are attached to this notice.

Mr. Burkhart explained the issues surrounding the dispute over the cost allocation of the Kern River natural gas Transportation Services Agreement ("TSA"). Mr. Burkhart detailed that the stranded TSA costs have been inappropriately assigned to SDG&E customers. The situation is a new revenue requirement issue not previously dealt with by the Commission and, as such, there are no directly controlling Commission precedents and the issue should be decided under the Commission's fairness principles adopted in previous decisions addressing CDWR annual revenue requirements. Mr. Burkhart stressed that SDG&E customers should not bear the full

costs of the TSA after the expiration of CDWR's Power Purchase Agreement ("PPA") with Sunrise Power Company ("Sunrise") because SDG&E's role in administering the Sunrise PPA and the TSA ended on June 30, 2012. Mr. Burkhart noted that allocating the costs among all the utilities would be more equitable and explained the disproportionate effect that would occur if borne by SDG&E customers alone; costs would be roughly eight times the amount per customer meter than if spread amongst all California IOU customers. Mr. Pak pointed out that SDG&E did not raise this issue in earlier proceedings, i.e., in 2002, 2003, 2008, or prior to October 2012, because the costs related to the TSA could not have been foreseen and would not have otherwise represented a credible claim prior to October 2012. SDG&E ratepayers should not be charged with greater knowledge than might have been held by CDWR regarding the potential contractual breach. Mr. Pak urged that the Commission consider these issues and suggested a workshop with all parties involved to consider potential solutions to the issue. Mr. Pak noted that SDG&E's proposed allocation of future TSA costs would have the benefit of giving all three utilities a stake in assisting the CDWR and the Commission in mitigating or eliminating the TSA costs altogether, which would be the ideal outcome for all California ratepayers.

To request a copy of this notice, please contact:

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Dated this 19th day of March, 2013, at San Francisco, California.

Respectfully submitted,

By: /s/ Kari Kloberdanz-Yu
Kari Kloberdanz-Yu

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