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September 26, 2013

ADVICE LETTER 2520-E/2228-G
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: REQUEST OF SAN DIEGO GAS ELECTRIC COMPANY FOR ITS 2011 ENERGY EFFICIENCY INCENTIVE AWARD IN COMPLIANCE WITH DECISION 12-12-032

PURPOSE

San Diego Gas & Electric Company (SDG&E) hereby submits for approval by the California Public Utilities Commission (Commission) its program year 2011 Energy Efficiency (EE) incentive award in the amount of \$3,904,664. This filing is made in compliance with Decision (D.) 12-12-032, dated December 20, 2012, in Rulemaking (R.) 12-01-005.

BACKGROUND

D.12-12-032 adopted an Energy Efficiency Incentive mechanism applicable to SDG&E for its 2010-2012 EE programs. The Commission authorized an annual incentive to be earned in the form of 1) a management fee equal to 5 percent of actual EE portfolio expenditures, and 2) an additive performance bonus associated with conformance with the *ex ante* workpaper and custom project review processes. For each of these awards, the Commission directed utilities to use actual expenditures for the respective award year, as reported in the Utility Audit, Finance and Compliance Branch (UAFCB) reports.

D.12-12-032 Ordering Paragraph (OP) 8 directs the utilities, as soon as each UAFCB report is made public, to file a Tier 3 Advice Letter setting forth the claim for awards to be served on the docket of R.12-01-005.¹ The UAFCB Report was issued on September 19, 2012, finding that SDG&E did not properly accrue in 2010 seven contractor invoices total \$514,316 for the work completed in the months of October to December 2010.² While SDG&E respectfully disagrees with this UAFCB finding³, this submission is being made consistent with the findings and

¹ D.12-12-032, p.39.

² "Memorandum re Energy Efficiency Programs (EE) Financial Compliance Examination Report of San Diego Gas & Electric Company (SDG&E) for the Period January 1, through December 31, 2011," September 19, 2012, page A-3.

³ The invoices in question or estimated invoices were not submitted by the contractors in time for 2010 year-end accrual. Therefore, based on its accrual policies, SDG&E had no valid basis for recording expenditures as 2010 accruals. Instead, the vendors submitted their invoices between January and

conclusions of the UAFCB Report and in compliance with Commission orders, in order to accommodate the processing schedule outlined in D.12-12-032 which contemplated an Advice Letter filing in the 3rd quarter of 2013 with an anticipated incentive award in 4th quarter of 2013.⁴

Calculation of 2011 Energy Efficiency Incentive Award

D.12-12-032 OP 2 directs that SDG&E utilize the incentive mechanism in D.12-12-032 OP 1, with the following combined incentive earnings rates (composed of the 5% management fee and the performance bonus percentage). This results in an annual EE incentive award rate of 5.31% of recorded 2011 expenditures.

The UAFCB reported SDG&E 2011 EE expenditures (less the Evaluation, Measurement and Verification expenditures and the recommended reduction to amounts eligible for incentive awards of \$514,316) is \$73,534,155.^{5, 6}

Therefore SDG&E's EE Total Incentive Award is calculated as follows:

$$\$73,534,155 \times 0.0531 = \$3,904,664$$

Cost Recovery of 2011 Energy Efficiency Incentive Award

SDG&E has met the Commission's requirements to submit this request for its 2011 EE incentive award resulting from its successful administration and implementation of its 2011 Energy Efficiency portfolio. SDG&E is requesting \$3,904,664 as calculated using D.12-12-032 OP 1 methodology.

SDG&E's incentive award will be divided as 80% electric and 20% gas awards based on the authorized 2010-2012 EE gas and electric budget split. Therefore, SDG&E will record \$3,123,731 in rewards to its electric "Rewards and Penalties Balancing Account" ("RPBA"). The remaining \$780,933 will be recorded in its gas RPBA. The balances in the RPBAs will be recovered as a twelve-month amortization in electric and gas rates in connection with SDG&E's applicable annual consolidated rate change advice letter filings effective January 1 of the following year.

EFFECTIVE DATE

Pursuant to OP 8 of D.12-12-032, SDG&E was ordered to file this Advice Letter as Tier 3 and as such requires a resolution to be issued by the Commission. SDG&E respectfully requests that this filing be approved at its earliest opportunity, and before year-end 2013, so that it may be included into the year-end rate implementation effective January 1, 2014, as discussed in D.12-12-032.

June 2011. At time of receipt, SDG&E reviewed, approved and recorded the invoices in 2011 consistent with its payment policies. These were then recorded in 2011 and any savings resulting from this work were not reported until 2011. UAFCB does not dispute that these are valid payments only when it was appropriate to report them.

⁴ D.12-12-032, p.40.

⁵ *Ibid*, Appendix B Table B-1.

⁶ This amount accounts for the disputed \$514,316 in expenditures (at page A-3).

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than October 16, 2013, which is 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. **A copy of the protest should also be sent via both e-mail and facsimile** to the addresses shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1879
E-mail: MCaulson@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.12-01-005, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by email to SDG&ETariffs@semprautilities.com.

CLAY FABER
Director – Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. SAN DIEGO GAS & ELECTRIC (U 902)

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Christina Sondrini

Phone #: (858) 636-5736

E-mail: csondrini@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2520-E/2228-G

Subject of AL: Request of San Diego Gas and Electric Company for its 2011 Energy Efficiency Incentive Award in Compliance with Decision 12-12-032

Keywords (choose from CPUC listing): Compliance, Energy Efficiency

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.12-12-032

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Does AL request confidential treatment? If so, provide explanation: N/A

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 1/1/14

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

EDTariffUnit@cpuc.ca.gov

San Diego Gas & Electric

Attention: Megan Caulson

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mcaulson@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

S. Cauchois
R. Pocta
W. Scott

Energy Division

P. Clanon
S. Gallagher
D. Lafrenz
M. Salinas

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Cameron

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

H. Nanjo
M. Clark

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynergy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell

M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg

J. Heather Patrick

J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

San Diego Regional Energy Office

S. Freedman

J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Southern California Edison Co.

M. Alexander
K. Cini
K. Gansecki
H. Romero

TransCanada

R. Hunter
D. White

TURN

M. Hawiger

UCAN

D. Kelly

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties In:

R.12-01-005