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February 7, 2014

ADVICE LETTER 2540-E-A
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: SUPPLEMENTAL - SUBMITTAL OF SAN DIEGO GAS AND ELECTRIC'S
ELECTRIC SERVICE PROVIDER FINANCIAL SECURITY REQUIREMENTS
FOR INCREMENTAL PROCUREMENT COSTS IN COMPLIANCE WITH
DECISION 13-01-021**

PURPOSE

In compliance with Ordering Paragraph (OP) 6 of California Public Utilities Commission's (Commission) Decision (D.) 13-01-021 and pursuant to a letter dated January 10, 2014, from Edward Randolph – Director of the Energy Division, San Diego Gas & Electric (SDG&E) is resubmitting its semi-annual update to the financial security and reentry fee requirements applicable to the electric service provider's (ESP) provision of Direct Access (DA) to show the incremental procurement cost risks for involuntary returns involving DA residential and small commercial customers not affiliated with a large customer.

BACKGROUND

In D.13-01-021, the Commission adopted a methodology to determine financial security amounts and reentry fees necessary to ensure bundled service customer indifference in the event of an involuntary return of residential and small commercial customers (i.e., those having load of less than 20 kilowatts (kW), and not affiliated with a large customer) in order to implement § 394.25(e). Medium and large DA commercial and industrial (C&I) customers (i.e., those with loads 20 kW and above) bear their own procurement cost risks in the event of an involuntary return.

Appendix 1 of D.13-01-021 set forth the methodology to derive incremental procurement costs for the financial security requirement and reentry fees for an involuntary return of DA residential and small commercial customers.

On November 12, 2013, SDG&E submitted Advice Letter (AL) 2540-E, as directed in D.13-01-021. In a letter dated January 10, 2014, Edward Randolph, Director of the Energy Division, directed SDG&E, Pacific Gas and Electric (PG&E) and Southern California Edison (SCE) to file

a supplemental filing revising the methodology in calculating the ESP's financial security amounts.

This filing will replace AL 2540-E in its entirety.

ESP FINANCIAL SECURITY AMOUNTS

In order to calculate the ESP's initial financial security requirement, SDG&E provided a list to each ESP of its residential and small commercial accounts, including up to two years of historical usage data for those accounts. Each ESP then identified which accounts were affiliated with large customers and provided the requisite certifications of the affiliations. SDG&E then used the unaffiliated small commercial and residential customer accounts to determine the ESP financial security amounts associated with the incremental procurement cost exposure pursuant to D.13-01-021.

Attachment A to SDG&E AL 2484-E filed with the Commission on May 24, 2013 identified the ESPs' initial financial security requirements which consisted of two parts pursuant to D.13-01-021: (1) reentry fee for unaffiliated small customers based on incremental procurement and administrative costs associated with unaffiliated small customers; and (2) reentry fee for affiliated small customers and large customers based on administrative costs for total ESP customer excluding unaffiliated small customers.

D. 13-01-021 further required the utilities to submit semi-annual updates to the ESPs' financial security requirements. In order to calculate the updated financial security amounts, SDG&E refreshed the unaffiliated small commercial and residential customer usage data on the list for each ESP so that it reflects the average of the most recent two years of usage data. SDG&E also used current values for its system average bundled generation rate and the Forecasted Price of New Power, as defined in D.13-01-021, required to calculate the updated financial security requirement amounts.

The semi-annual updates to the specific financial security amounts required to be posted by ESPs pursuant to D.13-01-021 are set forth in Attachment A to this advice letter. The specific financial security amounts of each ESP are redacted in the public version of this advice letter to protect the confidentiality of the ESP information. An unredacted version of Attachment A will be filed under the Commission's confidentiality provisions with the Energy Division.

EFFECTIVE DATE

SDG&E believes this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SDG&E respectfully requests that this filing become effective on March 9, 2014, which is 30 days after the date filed.

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than February 27, 2014, 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 address shown below on the same date it is mailed or delivered to the Commission.

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

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.07-05-025, 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

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) #: 2540-E-A

Subject of AL: Supplemental - Submittal of San Diego Gas and Electric's Electric Service Provider Financial Security Requirements for Incremental Procurement Costs in Compliance with D.13-01-021

Keywords (choose from CPUC listing): Compliance, Direct Access

AL filing type: Monthly Quarterly Annual One-Time Other _____

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

D.13-01-021

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: 3/9/14

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.07-05-025

Attachment A - REDACTED
SAN DIEGO GAS AND ELECTRIC ADVICE LETTER 2540-E-A
Updated Electric Service Providers (ESPs) Financial Security Requirements
ESPs in San Diego Gas & Electric's Service Territory

Electric Service Providers (ESPs)	Incremental Procurement Cost Exposure for Unaffiliated Small ESP Customers (\$) (A)	Total Administrative Costs for All ESP Customers (B)	ESP Financial Security Amount (C=A+B or 0, whichever greater)
3 PHASES RENEWABLES LLC			
CALPINE POWERAMERICA-CA LLC			
COMMERCE ENERGY			
CONSTELLATION NEWENERGY INC			
DIRECT ENERGY BUSINESS LLC			
GLACIAL ENERGY OF CALIFORNIA			
LIBERTY POWER HOLDINGS LLC			
NOBLE AMERICAS ENERGY SOLUTIONS			
PILOT POWER GROUP INC			
SHELL ENERGY N AMER (US) LP			

Note:

- (1) SDG&E calculated the Incremental Procurement Cost Exposure (A) using the following, based on a methodology provided by the CPUC as follows:
 - (a) Forecasted Price of New Power of \$56.95/MWh for residential and \$57.14/MWh for small commercial customers for the subject period, pursuant to Step 1 of Appendix 1 to D.13-01-021.
 - (b) ESP Unaffiliated Small Customer Load (MWh) using the 2-year average of December 2011-July 2012 and December 2012-July 2013 historical loads of unaffiliated small customer accounts.
 - (c) System Average Bundled Generation Rate of \$81.67/MWh, based on SDG&E's Advice Letter 2513-E, Attachment A, to implement September 1, 2013 Rates, pursuant to Step 5 of Appendix 1 to D.13-01-021.
- (2) Administrative Costs (B & D) equal the SDG&E Tariff Authorized Administrative Reentry Fee of \$1.12 per customer account from Schedule CCA, pursuant to D.11-12-018 (p. 70), multiplied by the number of applicable ESP Customer Accounts.
- (3) If Incremental Procurement Cost Exposure plus Total Administrative Costs is less than zero, ESP Financial Security Amount is zero, pursuant to D.13-01-021 as modified based on the January 10, 2014 disposition letter from the Energy Division.