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February 7, 2014

**ADVICE LETTER 2484-E-A**  
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: PARTIAL SUPPLEMENTAL FILING - REVISIONS TO ELECTRIC RULE 25 –  
DIRECT ACCESS IN COMPLIANCE WITH D.13-01-021**

San Diego Gas & Electric Company (SDG&E) hereby submits for approval the following revisions to its electric tariffs. The revised tariffs are attached hereto as Attachment A.

### **PURPOSE**

In compliance with Ordering Paragraph (OP) 15 of California Public Utilities Commission's (Commission) Decision (D.) 13-01-021, SDG&E is submitting revisions to its electric Rule 25, *Direct Access Rules*, to incorporate financial security and reentry fee requirements applicable to ESP's provision of DA to include incremental procurement cost risks for involuntary returns involving DA residential and small commercial customers not affiliated with a large customer.

### **BACKGROUND**

D.13-01-021, in order to implement § 394.25(e), 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). 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.

Per Appendix 1 of D.13-01-021, a 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 was developed.

On May 24, 2013, SDG&E submitted Advice Letter 2484-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 incorporating agreed upon tariff language regarding ESP Financial Security Requirements.

### TARIFF CHANGES

In compliance with D.13-01-021 and the Energy Division letter dated January 10, 2014, SDG&E proposes the tariff provisions for Section Q. ("ESP Financial Security Requirements") of Rule 25 *Direct Access Rules*.

### 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 be approved on March 9, 2014, which is 30 days after the date filed, with an effective date of June 23, 2013, per the Energy Division letter dated January 10, 2014.

### 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](mailto: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](mailto: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](mailto:SDG&ETariffs@semprautilities.com).

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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) #: 2484-E-A

Subject of AL: Partial Supplemental : Revisions to Electric Rule 25 - Direct Access Rules in Compliance with D13-01-021

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<sup>1</sup>: 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: 6/23/13

No. of tariff sheets: 12

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: Rule 25 & TOC

Service affected and changes proposed<sup>1</sup>: 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**

<sup>1</sup> 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 Chula Vista

M. Meacham

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  
ADVICE LETTER 2484-E-A

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 24205-E	RULE 25, DIRECT ACCESS RULES, Sheet 1	Revised 22714-E
Revised 24206-E	RULE 25, DIRECT ACCESS RULES, Sheet 35	Revised 11922-E
Revised 24207-E	RULE 25, DIRECT ACCESS RULES, Sheet 36	Revised 11923-E
Revised 24208-E	RULE 25, DIRECT ACCESS RULES, Sheet 37	Revised 11924-E
Revised 24209-E	RULE 25, DIRECT ACCESS RULES, Sheet 38	Revised 20297-E
Revised 24210-E	RULE 25, DIRECT ACCESS RULES, Sheet 39	Revised 11926-E
Original 24211-E	RULE 25, DIRECT ACCESS RULES, Sheet 44	
Original 24212-E	RULE 25, DIRECT ACCESS RULES, Sheet 45	
Original 24213-E	RULE 25, DIRECT ACCESS RULES, Sheet 46	
Original 24214-E	RULE 25, DIRECT ACCESS RULES, Sheet 47	
Revised 24215-E	TABLE OF CONTENTS, Sheet 1	Revised 24096-E
Revised 24216-E	TABLE OF CONTENTS, Sheet 7	Revised 23782-E





**RULE 25**

Sheet 35

DIRECT ACCESS RULES

M. Late or Partial Payments and Unpaid Bills

2. Under Consolidated ESP Billing

- a. The ESP is responsible for collecting both unpaid ESP and UDC charges, sending notices informing customers of unpaid ESP and UDC balances, and taking appropriate actions to recover the amounts owed. The UDC will not assume any collection obligations under this billing option.
- b. The UDC will hold the ESP liable for any late payments or unpaid bills. Unpaid, undisputed overdue balances owed the UDC will be considered late and subject to late payment fees and procedures and the provisions of Section N, Involuntary Service Changes.
- c. The UDC will apply the same terms applicable to commercial accounts under default UDC services to service accounts utilizing consolidated ESP billing services. The UDC will notify the ESP if payment of UDC charges has not been received within 17 days of the date delivered to the ESP.

3. Under Separate UDC/ESP Billing

- a. The UDC and the ESP are responsible for collecting their respective unpaid balances, sending notices to customers informing them of the unpaid balance, and taking appropriate actions to recover their respective unpaid balances. Customer disputes with ESP charges must be directed to the ESP, and customer disputes with UDC charges must be directed to the UDC. Late fees and fees for collections may be charged by the UDC as approved by the CPUC.
- b. Late payment of UDC charges by customers will be handled in accordance with applicable CPUC rules.

N. Involuntary Service Changes and Involuntary Returns

1. Service Changes

The customer may have service of electricity, billing, or metering from an ESP changed involuntarily in the following circumstances:

- a. The ESP Has Been Decertified by the CPUC or receives a CPUC order that otherwise prohibits the ESP from serving that customer;
- b. The ESP has materially failed to meet its obligations under the terms of the Service Agreement (including applicable tariffs) so as to constitute an event of default and the UDC exercises a contractual right to terminate the agreement;

(Continued)

35P4

Advice Ltr. No. 2484-E-A

Decision No. 13-01-021

Issued by  
**Lee Schavrien**  
Senior Vice President

Date Filed Feb 7, 2014

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_





**RULE 25**

DIRECT ACCESS RULES

N. Involuntary Service Changes and Involuntary Returns (Continued)

1. Service Changes (Continued)

- c. The ESP has materially failed to meet its obligations under the terms of the Service Agreement (including applicable tariffs) so as to constitute an event of default and the UDC exercises a contractual right to change billing options;
- d. The ESP has materially failed to meet its obligations under the terms of the Service Agreement (including applicable tariffs) so as to constitute an event of default and the UDC exercises a contractual right to change metering options;
- e. The ESP ceases to perform by failing to provide schedules through a Scheduling Coordinator wherever such schedules are required.
- f. The customer fails to meet its direct access requirements and obligations under the utility's rules and tariffs.
- g. Notices of involuntary service changes or termination in Direct Access will be sent to the ESP, the MDMA if different from the ESP and to each customer under contract as described in this Section N, and to the CPUC.

2. Change of Service Election In Exigent Circumstances

In the event the UDC finds that an ESP or the customer has materially failed to meet its obligations under this tariff or the UDC-ESP Service Agreement such that the UDC seeks to invoke its remedies under this Section N. (other than a termination of ESP consolidated billing under Section N.4. or metering under Section N.5., and the failure constitutes an emergency (i.e. the failure poses a substantial threat to the reliability of the electric system or to public health and safety or the failure poses a substantial threat of irreparable economic or other harm to the UDC or the customer), or the failure relates to ESP's unauthorized energy use, then the UDC may initiate a change, or, in some cases, terminate a customer's service election, or an ESP's ability to provide certain services under Direct Access.

In such case, the UDC shall initiate the change or termination by preparing a DASR, but the change or termination may be made immediately notwithstanding the applicable DASR processing times set forth in this tariff. The UDC shall provide such notice and/or opportunity to cure the problem to the ESP and/or the affected customer as is reasonable under the circumstances of this section, if any is reasonable. The ESP or the affected customer shall have the right to seek an order from the CPUC restoring the customer's service election and/or the ESPs ability to provide services. Unless expressly ordered by the CPUC, these provisions do not disconnect electric service provided to the customer.

(Continued)



**RULE 25**

DIRECT ACCESS RULES

N. Involuntary Service Changes and Involuntary Returns (Continued)

3. Change of Service Election absent Exigent Circumstances

In the event the UDC finds that an ESP has materially failed to meet its obligations under this tariff or the UDC-ESP Service Agreement such that the UDC seeks to invoke its remedies under this Section N. (other than a termination of consolidated ESP billing under Section N.4.or metering under Section N.5. but the failure does not constitute an emergency (as defined in Section N.2.) or involve ESP's unauthorized energy use, the UDC shall notify the ESP and the affected customer of such finding in writing stating specifically:

- a. The nature of the alleged non-performance;
- b. The actions necessary to cure it;
- c. The consequences of failure to cure it and the remedy the UDC proposes to invoke in the event of a failure to cure; and
- d. The name, address and telephone number of a contact person at the UDC authorized to discuss resolution of the problem.

The ESP shall have 30 days from receipt of such notice to cure the alleged non-performance or reach an agreement regarding it with the UDC. If the problem is not cured or an agreement is not reached following this 30 day period, the UDC may initiate the DASR process set forth in this tariff to accomplish the remedy set forth in the notice; provided that the UDC shall suspend the exercise of such remedy if, before the end of the cure period, the ESP has filed an application with the CPUC requesting an order from the CPUC that the ESP is entitled to continue the Service Agreement and the UDC is not entitled to exercise the remedy it has identified in its notice. The status of the ESP shall not change pending the CPUC's review of the UDC's request provided that an emergency, as described in Section N.2. does not arise. Unless expressly ordered by the CPUC, these provisions do not disconnect electric service provided to the customer. The UDC's action to defer the exercise of its remedies in accordance with this section does not constitute a waiver of any rights.

4. Termination of Consolidated ESP Billing

Consolidated ESP billing services will be terminated under the following circumstances. (Among other things, this section describes the notice and opportunity to cure provisions applicable to defaults that permit a remedy of terminating ESP consolidated billing):

- a. If the UDC finds that the information provided by the ESP in the UDC-ESP Service Agreement is materially false, incomplete, or inaccurate; the ESP attempts to avoid payment of CPUC-authorized UDC charges; or the ESP files for bankruptcy, fails to have a bankruptcy proceeding filed against it dismissed within sixty (60) calendar days, admits insolvency, makes a general assignment for the benefit of creditors, or is unable to pay its debts as they mature, or has a trustee or receiver appointed over all or a substantial portion of its assets, customers will be notified that consolidated ESP billing services will be terminated, and will be switched to separate UDC billing as promptly as possible.

(Continued)



**RULE 25**

DIRECT ACCESS RULES

N. Involuntary Service Changes and Involuntary Returns (Continued)

4. Termination of Consolidated ESP Billing (Continued)

- b. If the ESP does not pay the UDC (or dispute payment pursuant to the procedures set forth herein) the full amount of all UDC charges by the applicable past due date, the UDC shall notify the ESP of the past due amount within two (2) days of the applicable past due date. If the full amount has not been received by the UDC (or properly disputed) within seven (7) days of the applicable past due date, the ESP's customers and the ESP will be notified on approximately the 24<sup>th</sup> day following the date the bill was rendered to the ESP that consolidated ESP billing services will be terminated, and that they will be switched to separate UDC billing on the first regular scheduled meter reading date for each customer approximately 30 days after the bill was rendered.
- c. If the ESP fails to comply within 15 calendar days of the transmittal of a written notice from the UDC of any additional or increased credit requirements as set forth in Section P, the ESP's customers and the ESP will be notified on approximately the 24th day following the date of transmittal that consolidated ESP billing services will be terminated, and that they will be switched to separate UDC billing on the first regular scheduled meter reading date for each customer.
- e. Upon termination of consolidated ESP billing pursuant to this Section N, the UDC may deliver a separate bill for all UDC charges which were not previously billed by the ESP. The ESP or the affected customer shall have the right to seek an order from the CPUC restoring the ESP's eligibility to engage in consolidated ESP billing.
- f. At any time not less than 6 months after termination of consolidated ESP billing pursuant to this Section N, the ESP's eligibility to engage in consolidated billing services shall be reinstated upon a reasonable showing by the ESP that the problems causing revocation of its consolidated billing right have been cured, including payment of any late charges and re-establishment of compliance with credit requirements under Section P.

5. Termination of ESP Metering Services

The UDC will terminate an ESP's eligibility to provide metering services in the UDC's service territory if the ESP fails to comply with industry-accepted standards approved for the UDC by the CPUC for metering services. The UDC shall provide the ESP with 15 days written notice prior to such termination. ESP failure to comply is defined in Section G., Metering Services. The ESP or the affected customer shall have the right to seek an order from the CPUC restoring the ESP's eligibility to provide metering services.

(Continued)



**RULE 25**

Sheet 39

DIRECT ACCESS RULES

N. Involuntary Service Changes and Involuntary Returns (Continued)

6. Burden of Proof Before CPUC

In any case before the CPUC the party bearing the burden of going forward and the party bearing the burden of proof shall be established in the manner normally established at the CPUC.

7. Action in the Event of Termination

Upon termination of ESP Direct Access services pursuant to this Section N, unless the customer has previously selected another ESP under the procedures set forth in Section E, service changes for the ESP's involuntarily returned customers will be in accordance with Section Q.3.e.

8. Prohibition

The UDC is prohibited from using any of the involuntary service changes in an anti-competitive manner.

9. Involuntary Returns

a. An Involuntary Return is defined in Section B.18 herein.

b. Action in the Event of Involuntary Return

Upon the involuntary return of a DA customer, the customer will be returned to default UDC bundled service on a transitional basis pursuant to Section Q.3 and Rule 25.1, unless the customer has previously selected another ESP under the procedures set forth in Section E.

O. Service Disconnections and Reconnections

1. Consolidated UDC Billing

a. The UDC will notify the customer of the UDC's right to disconnect electric service for the non-payment of UDC charges pursuant to electric Rule 8. The customer, and not the UDC, is responsible for contacting the ESP in the event it receives notice of late payment or service termination from the UDC for any of its DA Service Accounts. If a customer has been disconnected, and is not reconnected within two days, the UDC will promptly notify the ESP. To the extent authorized by the CPUC, a service charge will be imposed on the customer if a field call is performed to disconnect electric service.

b. The UDC will not disconnect electric service to the customer for the non-payment of ESP charges. In the event of non-payment of ESP charges by the customer, the ESP may submit a DASR requesting transfer of the service account to bundled UDC service according to Section E.

c. The UDC will reconnect electric service for a CPUC-authorized service fee when the criteria for reconnection, as specified in Rule 11, Discontinuance of Service, have been met.

(Continued)



**RULE 25**

DIRECT ACCESS RULES

**Q. ESP Financial Security Requirements**

As described in Section D.3, all new and existing ESPs are required to post a bond, an irrevocable letter of credit, a cash security deposit, equivalent evidence of insurance or parental guarantee from an investment grade rated institution or corporate parent, or other financial instrument or security reasonably acceptable to the CPUC (collectively, "Financial Security") sufficient to cover the re-entry fees associated with the involuntary return DA customers to SDG&E's bundled service. In accordance with the Ordering Paragraphs of D.13-01-021 (as corrected by D.13-02-017 and D.13-04-001), the calculated Financial Security amount shall be the higher of the amounts determined based on PU Code Section 394.25(e) or the minimum deposit required for ESP registration pursuant to PU Code Section 394(b)(9). Pursuant to the methodology set forth in Appendix 1 of D.13-01-021 and corrected by D.13-02-017 and D.13-04-001, the calculated Financial Security amount will include the administrative costs related to switching a customer back to bundled service and the incremental procurement costs for involuntarily returned residential and small commercial service accounts that are not affiliated with a large DA customer for a sixty (60) day safe harbor period and then for an additional six-month period. For purposes of the ESP financial security amount, as described in D.13-01-021, a commercial service account is considered "small" if it has a billing demand of less than twenty (20) kW for three (3) consecutive months. The incremental administrative costs shall be calculated for each involuntarily returned customer service account using the Customer Re-entry Fee set forth in rate Schedule CCA in effect at the time the Financial Security is calculated. As described in Sections Q.1.b and Q.2, below, the ESP is responsible for the identification and certification of the residential and small commercial service accounts that are affiliated with a large customer. Residential and small commercial service accounts that are not timely certified by the ESP as being affiliated with a large customer will be deemed to be unaffiliated residential or small commercial service accounts for purposes of determining the Financial Security amount.

1. The initial Financial Security amount for existing and new ESPs will be established as follows:
  - a. For existing ESPs, pursuant to D.11-12-018, SDG&E will perform the initial Financial Security calculation based upon the administrative costs of switching an ESP's customer back to bundled service and submit the proposed Financial Security amount in separate Tier 2 advice letter filings for each applicable ESP for CPUC approval. For the purpose of calculating the number of customer service accounts for each ESP, any customers that have submitted DASRs to switch to DA service may be included in the calculation of the respective ESP's financial security amount, and any customers that have submitted DASRs to switch to bundled service may be excluded. Any confidential data relating to an ESP utilized in the calculation shall be redacted. An unredacted version of each advice letter will be filed under confidential seal to the CPUC's Energy Division (Energy Division). Concurrent with submitting the advice letter to the Energy Division, SDG&E will serve by electronic means on each applicable ESP a copy of the advice letter, with the relevant supporting data and calculations of each respective ESP's Financial Security amount provided confidentially only to that specific ESP in complete and unredacted form. Financial Security amounts must be posted with the CPUC by June 30, 2012, subject to approval by the Energy Division.

(Continued)



**RULE 25**

DIRECT ACCESS RULES

Q. ESP Financial Security Requirements (Continued)

1. The initial Financial Security amount for existing and new ESPs will be established as follows: (Continued)

b. Per D.13-01-021, D.13-02-017, and D.13-04-001, for a new ESP that begins service in Month M + 2 (where M denotes the month when SDG&E will calculate the Financial Security amount), the Financial Security calculation will be performed using Month M-1 data, and the Financial Security amount will be for the period from the start date through the next semi-annual calculation. SDG&E will submit the proposed Financial Security amount for each ESP in a Tier 2 advice letter filing for each applicable ESP for CPUC approval. Any confidential data relating to an ESP utilized in the calculation shall be redacted. An unredacted version of the advice letter will be filed under confidential seal to the Energy Division. Upon CPUC approval of the relevant ESP Financial Security amounts, the Energy Division will notify each ESP of the final Financial Security amounts due on an aggregate statewide basis. The ESP's Financial Security amount must be posted with the CPU before the ESP may begin serving customers. It is the responsibility of the ESP to provide SDG&E with an accurate forecast of the expected number of customers and associated loads, including a break-down by unaffiliated residential and small commercial service accounts, by the date specified by SDG&E.

2. Semi-annual Financial Security Amount Calculation:

On an annual basis, the ESP shall provide SDG&E with a certified list of the residential and small commercial service accounts that are affiliated with a large DA customer for use in the semi-annual Financial Security calculations. Upon request, SDG&E will provide the ESP with a list of residential and small commercial service accounts for use in the certification process. Residential and small commercial service accounts not certified by the ESP as being affiliated with a large DA customer will be deemed to be unaffiliated residential or small commercial service accounts. If SDG&E does not receive the information from the ESP by no later than thirty (30) calendar days before the date SDG&E's semi-annual update filing is due to the CPUC, SDG&E may proceed with the semi-annual updates based upon the assumption that none of the ESP's residential and small commercial service accounts are affiliated with a large DA customer.

SDG&E will update the amount of an ESP's Financial Security amount semi-annually and submit the updated calculation to the Energy Division by May 10 and November 10 of each year and any adjustments to the Financial Security amount implemented on the following July 1 or January 1, respectively. Updated Financial Security amounts for each ESP will be submitted in a separate Tier 2 advice letter to the Energy Division. Any confidential data relating to an ESP utilized in the calculation shall be redacted. An unredacted version of the advice letter will be filed under confidential seal to the Energy Division.

(Continued)

45P4

Issued by

Date Filed

Feb 7, 2014

Advice Ltr. No. 2484-E-A

**Lee Schavrien**

Effective

Decision No. 13-01-021

Senior Vice President

Resolution No.



**RULE 25**

DIRECT ACCESS RULES

Q. ESP Financial Security Requirements (Continued)

2. Semi-annual Bond Calculation: (Continued)

The ESP shall adjust the required posted Financial Security amount if and when it is more than ten percent (10 %) above or below the ESP's current posted bond amount. Upon CPUC approval of the relevant ESP Financial Security amounts, the Energy Division will notify each ESP of the final Financial Security amounts due on an aggregate statewide basis.

An ESP is required to post the Financial Security amounts in the advice letter(s) within thirty (30) days of notification by the Energy Division, subject to correction for any errors. If an ESP believes that its Financial Security amount has been calculated inaccurately or in conflict with the adopted processes, the ESP shall confer with SCE to resolve the inaccuracies, and may file comments with the Energy Division, and served upon SDG&E, indicating any appropriate corrections with relevant supporting explanation and detail within twenty (20) days of the advice letter filing.

The posted Financial Security amount may be in the form of a third-party guarantee from an investment grade guarantor, a surety bond, an irrevocable letter of credit, cash or cash equivalent financial instrument or security, or other financial instrument or security reasonably acceptable to the CPUC and should be payable directly to the CPUC. The issuer of a bond or irrevocable standby letter of credit must have an investment grade rating equivalent to at least an A- by S&P and A3 by Moody's and must be acceptable to the CPUC. Furthermore, the bond forms, irrevocable standby letter of credit forms, and guarantee forms must be acceptable to the CPUC. In the event an ESP fails to timely pay the re-entry fees demanded by SDG&E pursuant to Section Q.3, below, SDG&E will notify the CPUC's Executive Director in writing of the amount of the unpaid re-entry fee owed by the ESP along with the relevant supporting data and calculation. Upon notification by SDG&E, the CPUC will take the necessary measures to secure funds from the ESP's Financial Security instrument to cover the ESP's re-entry fee liability. Following its review and approval of SDG&E's request for reimbursement, the CPUC will disburse the funds for payment of the ESP's re-entry fee liability to SDG&E.

3. Re-Entry Fees For The Involuntary Return Of Customers

The ESP is responsible for all applicable re-entry fees for its customers that are involuntary returned.

a. SDG&E will calculate re-entry fees pursuant to the methodology set forth in Appendix 1 of D.13-01-021 within sixty (60) days of the earlier of (i) the start of the involuntary return of customers, or (ii) SDG&E's receipt of the ESP's written notice of involuntary return. The re-entry fee will be a binding estimate of:

i) The administrative cost to switch the involuntarily returned large DA customers and their affiliated residential and small commercial service accounts to bundled service, which will be established for each customer service account using the Customer Re-entry Fee set forth in rate Schedule CCA; plus,

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**RULE 25**

DIRECT ACCESS RULES

Q. ESP Financial Security Requirements (Continued)

3. Re-Entry Fees For The Involuntary Return Of Customers (Continued)

- ii) The administrative cost to switch the involuntarily returned unaffiliated residential and small commercial DA service accounts to bundled service, which will be established for each customer service account using the Customer Re-entry Fee set forth in rate Schedule CCA; plus,
- iii) The incremental procurement costs for involuntarily returned residential and small commercial service accounts, that are not certified by the ESP as being affiliated with a large customer, for a sixty (60) day safe harbor period and then for an additional six-month period for those customers remaining on bundled service as set forth in Rule 25.1.

At no time shall the sum of the administrative costs and the incremental procurement costs for involuntarily returned customers be less than zero dollars (\$0). The re-entry fees will not be subject to true-up.

- b. SDG&E's demand to the ESP for payment of the re-entry fees shall be made no later than sixty (60) days after the start of the involuntary return of DA customers to bundled service.
- c. Re-entry fees are due and payable to SDG&E within fifteen (15) days after issuance of the demand for payment. An involuntary return by an ESP and the failure of the ESP to make payment within fifteen (15) days of SDG&E's demand shall be an event of default under the ESP's financial security instrument, entitling SDG&E to immediately draw on the Financial Security posted by the ESP under Sections Q.1 or Q.2. to cover the re-entry fees.
- d. The ESP is responsible for covering all applicable re-entry fees for its customers that are involuntarily returned. Only if, or to the extent, the ESP is unable to cover all of the applicable re-entry fees any unreimbursed fees from the ESP must be covered by the involuntarily returned DA customers. Any re-entry fees not recovered from the ESP shall be paid by the involuntarily returned DA customers over a time period specified by SDG&E, but not to exceed the bundled service commitment period. If SDG&E subsequently recovers additional re-entry fees from the ESP, a refund up to the recovered amount will be provided to the involuntarily returned DA customers in proportion to the amount collected by SDG&E.
- e. Service changes for the ESP's involuntarily returned customers will be as follows:
  - i. Residential and unaffiliated residential and small commercial service accounts will be switched to Bundled Portfolio Service, but are otherwise subject to the same rights and obligations of other DA customers with respect to Transitional Bundled Service, advance notices required for switching, and the minimum stay provisions in SDG&E's authorized direct access tariffs.

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