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June 13, 2014

ADVICE LETTER 2612-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: UPDATE TO CONSUMER RISK TOLERANCE LEVEL IN SAN DIEGO GAS & ELECTRIC COMPANY'S BUNDLED PROCUREMENT PLAN

INTRODUCTION

In accordance with pages 23-24 of Decision (D.)12-01-033, San Diego Gas and Electric Company ("SDG&E") hereby submits to the California Public Utilities Commission (Commission) this advice filing to update SDG&E's Consumer Risk Tolerance (CRT) level for year 2014.

BACKGROUND

Pursuant to D.12-01-033, the Commission directed that all utilities update the CRT every two years in each Long-Term Procurement Plan (LTPP) filing or via a Tier 1 advice letter two years from the filing of the previous LTPP¹. SDG&E's previous LTPP filing was in May 18, 2012 via Advice Letter (AL) 2362-E, which was approved by the Commission on October 11, 2012 in Resolution E-4543. Because there was no LTPP filing during the 2012 cycle, SDG&E submits this AL to update its CRT.

UPDATED SHEET

Sheet 76 in SDG&E's approved LTPP describes SDG&E's CRT. Consistent with the Commission's directive on pages 23-24 of D.12-01-033 to update the CRT, SDG&E has made the following modification on Sheet 76²:

The CRT rate of 1.9554 cents/kWh will be updated every two years in each LTPP filing. If the LTPP filing is delayed or not made, the CRT rate will be updated two years from the filing of the previous LTPP via a Tier 1 Advice Letter.

Consistent with past practice, SDG&E provides clean and redlined versions of the replacement Sheet to the Bundled LTPP in the attachments to this advice filing as follows:

Attachment A – Clean version of sheet 76

Attachment B – Redlined version of sheet 76

¹ See D.12-01-033 at 23-24.

² The system average rate value for the CRT does not include the California Climate Credit.

EFFECTIVE DATE

SDG&E believes this filing is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to GO 96-B and D.12-01-033. SDG&E respectfully requests that this filing become effective on June 13, 2014, which is 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 July 3, 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.12-03-014, 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 e-mail at SDG&ETariffs@semprautilities.com.

CLAY FABER
Director – Regulatory Affairs

cc: President Michael R. Peevey
Commissioner Catherine J.K. Sandoval
Commissioner Mike Florio
Commissioner Carla Peterman
Commissioner Michael Picker
Frank Lindh, General Counsel
Chief ALJ Karen Clopton
Edward Randolph, Director, Energy Division
Energy Division Tariff Unit, Energy Division
Service List for R.12-03-014

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: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@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) #: 2612-E

Subject of AL: Update to Consumer Risk Tolerance Level in San Diego Gas & Electric Company's Bundled Procurement Plan

Keywords (choose from CPUC listing): Procurement

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.12-01-033

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: None

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: 6/13/2014

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: None

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

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

Y. Schmidt
W. Scott

Energy Division

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

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

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

CCSE

S. Freedman
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

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

Dynegy, 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

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate
Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio
M. Hawiger

UCAN

M. Shames

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.12-03-014

San Diego Gas & Electric Advice Letter 2612-E
June 13, 2014

ATTACHMENT A

Clean version of Sheet 76



2012 LONG TERM PROCUREMENT PLAN

SDG&E resources. Any forecast gas volumes that are unhedged are at risk through exposure to rising market prices. SDG&E develops plans to hedge some portion of this, consistent with the risk strategy and hedge targets presented in Appendix B.

1. Customer Risk Tolerance

In D.12-01-033, the Commission set the CRT rate for SDG&E equal to ten percent (10%) of SDG&E's system average rate.^{1/} SDG&E uses the CRT measure as a guide to manage customer risk in the rolling 12-month risk management strategy. SDG&E calculates its CRT every month using a forward 12-month period. To calculate the CRT, the total bundled load forecast for the appropriate rolling forward 12-month period is multiplied by the current CRT rate, which is expressed in cents/kWh. The resulting CRT is compared to the VaR-to-Expiration (VtE) calculation.

1. VaR-to-Expiration

SDG&E uses the term VtE synonymously with TeVaR (Terminal VaR). TeVaR presumes that all positions are held to expiration. Value at Risk refers to the statistical dollar amount that can be lost on the net open position of a portfolio over a specific time horizon and with a given confidence interval. TeVaR accounts for the increasing potential distribution of prices as time passes, as well as the expiration of the positions in the portfolio with the passage of time. The result is the estimation of loss, at the specified confidence level, assuming that the portfolio remains constant over time until all positions within it have expired.

^{1/} The CRT rate of 1.95 cents/kWh will be updated every two years in each LTPP filing. If the LTPP filing is delayed or not made, the CRT rate will be updated two years from the filing of the previous LTPP via a Tier 1 Advice Letter.

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ATTACHMENT B

Redlined Version of Sheet 76



2012 LONG TERM PROCUREMENT PLAN

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1. Customer Risk Tolerance

In D.12-01-033, the Commission set the CRT rate for SDG&E equal to ten percent (10%) of SDG&E's system average rate.^{1/} SDG&E uses the CRT measure as a guide to manage customer risk in the rolling 12-month risk management strategy. SDG&E calculates its CRT every month using a forward 12-month period. To calculate the CRT, the total bundled load forecast for the appropriate rolling forward 12-month period is multiplied by the current CRT rate, which is expressed in cents/kWh. The resulting CRT is compared to the VaR-to-Expiration (VtE) calculation.

1. VaR-to-Expiration

SDG&E uses the term VtE synonymously with TeVaR (Terminal VaR). TeVaR presumes that all positions are held to expiration. Value at Risk refers to the statistical dollar amount that can be lost on the net open position of a portfolio over a specific time horizon and with a given confidence interval. TeVaR accounts for the increasing potential distribution of prices as time passes, as well as the expiration of the positions in the portfolio with the passage of time. The result is the estimation of loss, at the specified confidence level, assuming that the portfolio

^{1/} The CRT rate of 1.9554 cents/kWh will be updated every two years in each LTPP filing. If the LTPP filing is delayed or not made, the CRT rate will be updated two years from the filing of the previous LTPP via a Tier 1 Advice Letter.

Advice Ltr. <u>2612-E362-E-A</u> / Decision.12-01-033	<u>Date</u>
Filed: <u>June 13ly 25, 2012</u> 2014	
	Effective: <u>June 13September 27, 2014</u> 2