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July 18, 2014

John Pacheco
Acting Deputy Director, California Energy Resources Scheduling
State of California Department of Water Resources
2033 Howe Avenue, Suite 220
Sacramento, CA 95825

Dear Mr. Pacheco:

Re: *Proposed Determination of 2015 Revenue Requirement* dated June 26, 2014

Pursuant to your request, San Diego Gas & Electric Company ("SDG&E") provides the following comments on the "*Proposed Determination of Revenue Requirement for the Period January 1, 2015, through December 31, 2015*" ("*Proposed Determination*") transmitted to the California Public Utilities Commission ("Commission") on or about June 26, 2014. SDG&E recognizes the *Proposed Determination* reflects the Department's current view of its revenue requirement and, further, that the revenue requirement forecasted therein is subject to updates as circumstances change between now and January 1, 2015. By these comments, SDG&E raises matters which should be clarified or addressed as the Department updates the information transmitted to the Commission and finalizes its 2015 revenue requirement determinations.

First, effective July 1, 2014, Kern River Gas Transmission Company ("Kern River") consented to the capacity release executed by SDG&E and the Department. Thus, the costs arising from the Kern River Transportation Services Agreement ("TSA") and included in the *Proposed Determination* will be direct-billed by Kern River to SDG&E and should be removed from the Department's revenue requirement as of that date. (See *Proposed Determination*, at pp.11-12.) In addition, the Department marketed the Kern River capacity during the period January 1, 2014, through February 10, 2014, and SDG&E marketed the Kern River capacity as the Department's agent during the period February 11, 2014, through June 30, 2014. The receipts from capacity sales during the period January 1, 2014, through June 30, 2014, should be credited to the SDG&E Utility-Specific Balancing Account ("USBA"). SDG&E was unable to determine whether credits in the full amount of any and all capacity transactions occurring during this period had been entered into the SDG&E USBA. SDG&E respectfully requests, to the extent any amounts reflecting capacity sales for the relevant period were omitted, that such further credits be fully reflected in the Department's final 2015 revenue requirement for SDG&E.

Second, SDG&E is informed and believes the Department is holding financial reserves in guaranty of payment of the liabilities arising from the Kern River TSA. (See, e.g., *Proposed Determination*, at pp. 2, 3, 5.) Effective July 1, 2014, SDG&E was accepted as the replacement shipper by Kern River and is contractually responsible for the payment of all liabilities arising from the Kern River TSA. SDG&E is also informed and believes Kern River recently agreed to release the Department from any further liability arising from the Kern River TSA. Because these events post-dated the issuance of the *Proposed Determination*, the *Proposed Determination* does not indicate the financial reserves held by the Department in guaranty of the Kern River TSA will be released by the Department in favor of the three investor-owned utilities during 2015. SDG&E respectfully requests the Department, in any future update to the *Proposed Determination* transmitted to the Commission, specify the date upon which the Department intends to post credits to the Utility-Specific Balancing Accounts and the amount of any such credits reflecting the release of these financial reserves.

Third, the *Proposed Determination* indicates funds received by the Department in disposition of litigation will be credited to the 2015 revenue requirement. (See *Proposed Determination*, at pp. 2, 5, 14.) SDG&E is informed and believes the Department received, on or about July 3, 2014, cash refunds resulting from settlements reached with TransAlta Energy Marketing (U.S.), Inc. and TransAlta Energy Marketing (California), Inc., and/or Avista Corporation d/b/a Avista Utilities and Avista Energy, Inc. SDG&E is also informed and believes the Department has received or will soon receive additional and substantial cash refunds from a settlement reached with Powerex Corporation. Because these events post-dated the issuance of the *Proposed Determination*, the *Proposed Determination* does not reflect the receipt of such refunds or the distribution of the refunds to the three investor-owned utilities. SDG&E respectfully requests the Department, in any future revisions to the *Proposed Determination* transmitted to the Commission, provide updates regarding the disposition of the proceeds it received or will receive, if any, from the foregoing settlements and the manner in which the Department's 2015 revenue requirement will reflect those proceeds.

SDG&E appreciates the opportunity to provide these comments to the Department on the *Proposed Determination* and the Department's consideration of the requests provided above. If the Department has any questions regarding these comments, please do not hesitate to contact us at your earliest convenience.

Respectfully submitted,

/s/ Alvin S. Pak

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cc: Service List in CPUC Rulemaking 13-02-019
Honorable Michel Peter Florio, Commissioner
Honorable Seaneen Wilson, Administrative Law Judge
Sue Garcia, SDG&E, Manager, Electric and Fuel Procurement