

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Consider the )  
Annual Revenue Requirement Determination of )  
The California Department of Water Resources ) Rulemaking 13-02-019  
And Related Issues. ) (Filed February 28, 2013)  
\_\_\_\_\_ )

**Petition for Modification of *Decision 13-11-003*  
By San Diego Gas & Electric Company (U-902-E)**

Alvin S. Pak  
Attorney for San Diego Gas & Electric Company  
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San Diego, California  
August 15, 2014



3. The changes to the Department's annual revenue requirement related to the capacity release effected by SDG&E and consented to by Kern River shall be adopted by the Commission in the 2015 revenue requirement determination now pending in this docket; and,
4. Such further relief as the Commission may determine to be just and reasonable.

This *Petition for Modification* is being filed within one year of the issuance of *Decision 13-11-003* and pursuant to the requirements set forth in the Commission's order set forth in the decision, rendering the provisions of Rule 16.4(d) inapposite to this filing.

## II. Statement of Facts

By *Decision 13-11-003*, the Commission addressed the allocation of costs incurred by the Department under TSA 1724. Those costs had largely been assigned in their entirety to SDG&E prior to the issuance of the decision. *Decision 13-11-003* adopted a settlement reached among the parties under which SDG&E would be responsible for the future costs of TSA 1724, subject to the entry of a one-time \$30 million credit to the SDG&E Utility-Specific Balancing Account maintained by the Department and reflecting SDG&E's responsibility for the Department's power-related costs, and the corresponding entry of one-time \$15 million debits to each of the Utility-Specific Balancing Accounts maintained by the Department for Pacific Gas & Electric Company and Southern California Edison Company, such accounts reflecting the responsibilities of those two utilities for their share of the Department's power-related costs. Additionally, the settlement provided that SDG&E was to seek and obtain the consent of Kern River to a permanent and unconditional release of TSA 1724, with SDG&E to become the replacement shipper for the gas transportation capacity subject to TSA 1724.

On or about June 12, 2014, Kern River posted notice of the award of the TSA 1724 capacity to SDG&E.<sup>1</sup> This award followed the posting of the TSA 1724 capacity by the Department for permanent and unconditional release under the terms of Kern River's capacity release program and tariffs and the bid placed by SDG&E in response to the Department's posting. Pursuant to the foregoing posting, bid and award, SDG&E became the replacement shipper for the TSA 1724 capacity on July 1, 2014. Thus, without reservation or qualification, SDG&E possesses the rights and owes the obligations described in TSA 1724.

On or about July 16, 2014, the Department, Kern River and SDG&E executed a mutual release under which the Department was discharged from all future liabilities under TSA 1724.<sup>2</sup> This release will facilitate the Department's release of a certain amount of financial reserves currently held by the

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<sup>1</sup> A true and correct copy of the Kern River award is attached to this *Petition for Modification* as *Exhibit 1*. The notice of award is also available on Kern River's public website.

<sup>2</sup> A true and correct copy of the three-party release is attached to this *Petition for Modification* as *Exhibit 2*.

Department.<sup>3</sup> Having been relieved of any further liabilities arising from TSA 1724, the Department is not required to hold financial reserves in guarantee of SDG&E's performance.

### III. Procedural Posture and Next Steps

The parties to the settlement adopted in *Decision 13-11-003*, as well as the Commission, anticipated the TSA 1724 capacity release could be completed relatively early in 2014. As evidenced by *Exhibit 2* hereto, it was not until July 2014 that the Department's obligations under TSA 1724 were permanently and unconditionally terminated. In the interim, the Department commenced the proceedings which will lead to the Commission's adoption of the Department's 2015 annual revenue requirement determination by filing its *Proposed Determination of Revenue Requirement for the Period, January 1, 2015, through December 31, 2015*, on or about June 26, 2014. Given that we are well into 2014 and the 2015 phase of this proceeding is already underway, SDG&E submits the ratemaking effects of the capacity release should be deferred to and addressed in the upcoming 2015 annual revenue requirement determination rather than have the Commission attempt to modify the utilities' 2014 rates, only to rejigger them again on January 1, 2015. This would save the resources of the Commission and the parties, without any countervailing prejudice to the utilities' customers.

There are four principle ratemaking effects arising from the foregoing facts and circumstances. SDG&E describes them below and proposes they be addressed as follows.

First, since the beginning of the year and continuing through June 30, 2014, the Department has received revenues from the marketing of the capacity provided under TSA 1724. Generally, the Department records these revenues in the SDG&E Utility-Specific Balancing Account. SDG&E expects the Department's 2015 annual revenue requirement determination will reflect all such revenues as a credit due to SDG&E.<sup>4</sup>

Second, SDG&E expects Kern River will bill SDG&E directly as the replacement shipper to TSA 1724. As a result, the Department no longer bears responsibility for any costs associated with TSA 1724 and those costs should be removed from the Department's revenue requirement effective July 1, 2014, the effective date of the capacity release. Because those costs are reflected in the Department's 2014 annual

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<sup>3</sup> Generally, the Department holds financial reserves to assure the Department's bondholders that the Department's contractual and bond obligations will be met, in full and on a timely basis, even in the event any of the three investor-owned utilities fails to reimburse the Department in full and on a timely basis for their allocable share of the Department's annual revenue requirement.

<sup>4</sup> On or about July 18, 2014, SDG&E filed comments with the Department requesting that the Department in due course update its 2015 annual revenue requirement determination to reflect all revenues achieved by SDG&E in the marketing of TSA 1724 capacity. Because the Department's preliminary determination was issued prior to June 30, 2014, SDG&E believed there were some revenues omitted from the preliminary Department filing.

revenue requirement and are charged to SDG&E through December 31, 2014, SDG&E's Utility-Specific Balancing Account as maintained by the Department will show an overcollection to the extent SDG&E's payments to the Department for the costs of TSA 1724 exceed the Department's actual costs. That overcollection should be permitted to accrue in the SDG&E Utility-Specific Balancing Account and used to offset SDG&E's allocable share of the Department's 2015 revenue requirement. In addition, the Department included the costs of TSA 1724 in its proposed 2015 annual revenue requirement determination as filed on June 26, 2014. Those costs should be eliminated when the Department files updates to its 2015 annual revenue requirement determination.<sup>5</sup>

Third, effective July 1, 2014, SDG&E will record debits and credits from the TSA 1724 capacity release to its Energy Resource Recovery Account.<sup>6</sup> The debits will include all costs billed by Kern River to SDG&E and the credits will reflect the revenues SDG&E may receive from the marketing of capacity surplus to SDG&E's transportation needs.

Fourth, the Department is preparing to release financial reserves held against the threat of utility nonpayment of costs arising from TSA 1724. The Department should be encouraged to release those reserves in accordance with the Department's obligations and policies and at the earliest possible time. The Department should be encouraged to reflect the release of these financial reserves in its updates to its 2015 annual revenue requirement determination as credits to the Utility-Specific Balancing Accounts of each of the three investor-owned utilities. These credits should result in an overcollection in each of the three utilities' accounts for 2014 and the overcollections can be used to reduce the utilities' allocable share of the Department's 2015 revenue requirement.<sup>7</sup>

SDG&E submits its recommendations regarding the ratemaking and regulatory treatment of the capacity release it has effected with respect to TSA 1724 are reasonable and should be adopted.

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<sup>5</sup> On or about July 18, 2014, SDG&E filed comments with the Department requesting that the Department in due course reduce the Department's 2015 revenue requirement to reflect the consent of Kern River to the TSA 1724 capacity release.

<sup>6</sup> It is Kern River's practice to retire transportation service agreements upon Kern River's consent to a permanent and unconditional release executed pursuant to the Kern River capacity release program and replace them with a new agreement. Accordingly, TSA 1724, executed by and between Kern River and the Department, will be replaced by TSA 1849, executed by and between Kern River and SDG&E. The credits and debits to be recorded by SDG&E in its Energy Resource Recovery Account will be those arising from and relevant to the newly executed TSA 1849.

<sup>7</sup> On or about July 18, 2014, SDG&E filed comments with the Department requesting that the Department in due course update its 2015 annual revenue requirement determination to reflect the release of financial reserves held against liabilities related to TSA 1724.

#### IV. Summary and Relief Requested

For the foregoing reasons and based upon the facts set forth in this *Petition for Modification*, SDG&E respectfully requests the Commission issue an order granting the following relief:

1. SDG&E is relieved of any further obligations under Ordering Paragraph 3 of *Decision 13-11-003*, having effected the permanent and unconditional release of the gas transportation capacity heretofore subject to TSA 1724, as evidenced by the consent of Kern River to such release as shown in *Exhibit 1* hereto, and the further mutual and general release executed by the Department, Kern River and SDG&E as shown in *Exhibit 2* hereto; and,
2. SDG&E is authorized to record the reasonable costs and revenues related to the transportation capacity released to SDG&E by Kern River in its Energy Resource Recovery Account, effective July 1, 2014; and,
3. The changes to the Department's annual revenue requirement related to the capacity release effected by SDG&E and consented to by Kern River shall be adopted by the Commission in the 2015 revenue requirement determination now pending in this docket; and,
4. Such further relief as the Commission may determine to be just and reasonable.

Respectfully submitted,

/s/ Alvin S. Pak

Alvin S. Pak

Attorney for San Diego Gas & Electric Company  
101 Ash Street, HQ 12C  
San Diego, California 92101  
Direct Telephone: 619.696.2190  
Facsimile: 619.699.5027  
Electronic Mail: APak@SemptraUtilities.com

August 15, 2014  
San Diego, California

**EXHIBIT 1**



Kern River Gas Transmission Company  
Award Download

TSP Name: KERN RIVER GAS TRANSMISSION COMPANY TSP: 621617372

**Award Summary**

Status: Confirmation      Bid-Awarded      Rate Sch:      KRF-1  
Rel K: 1724      Offer No: 40      Bid No: 1      Awd No: 1849  
Post Date: 06/12/2014      Post Time: 01:25 PM  
Cap Awd Date: 06/12/2014      Cap Awd Time: 01:25 PM

**Releaser Contact Information**

Releaser Name: CALIFORNIA DEPARTMENT OF WATER  
RESOURCES  
Releaser: 024806957  
Rel Contact: JAMES VARNEY  
Rel Phone: (916) 574-1297  
Rel Fax: (916) 574-2569  
Rel Email: jvarney@water.ca.gov  
Rel Address: 2033 Howe Ave  
Suite 220  
Sacramento CA 95825  
Repl SR Role Ind: OTH

**Bidder Contact Information**

Bidder Name: SAN DIEGO GAS & ELECTRIC  
Bidder: 006911457      RTSA: 11595  
Bidder Contact: \*STEVE READ  
Bidder Phone: (858) 650-6194  
Bidder Fax: (858) 650-6191  
Bidder Email: sread@semprautilities.com  
Bidder Addr: 8315 Century Park Court  
CP21D  
San Diego CA 92123-1548  
Prearr Deal Desc: Offer is not subject to a prearranged deal  
Affil: NONE





**Kern River Gas Transmission Company**  
**Award Download**

**Release Term Dates**

Rel St Date: 7/1/2014      Rel End Date: 4/30/2018      Term Days: 1,400

**Rate Specifications**

Rate Form/Type Desc: Reservation charge only      Awd Rate: \$0.4717  
 Rate ID Desc: Reservation  
 Bidder Bid Basis Desc: Non-Index-Based Release - Absolute dollars and cents per unit basis  
 Res Rate Basis Desc: Per day      Surchg Ind Desc: Rate(s) stated include only rates; no surcharges applicable.  
 Mkt Based Rate Ind: N  
 IBR Ind: N  
 Max Trf Rate: \$0.5833

**Award Quantity**

Awd Qty-K (DMDQ): 85,000      Awd Qty-K (TMDQ): 85,000  
 Meas Basis Desc: Million BTU's

**Location Quantities (DMDQ)**

Loc:	Loc Prop:	Loc Purp Desc:	Loc Name:	Awd Qty-Loc:
39298	014001	Receipt Location	Opal - WFS	85,000
80473	025011	Delivery Location	Wheeler Ridge - SoCal Gas	30,000
315815	025032	Delivery Location	Kramer Junction - SoCal Gas	55,000

Cap Type Loc Desc: Primary  
 Loc/QTI Desc: Mainline Quantity

**Recall / Reput Details**

Recall/Reput Desc: Not Recallable



Kern River Gas Transmission Company  
Award Download

**Other Terms and Conditions**

Stand-ain Offer: Y Prev Rel Desc: Offer does not contain any capacity which was previously released  
Perm Rel Desc: Offer made available for permanent release  
All Re-rel Desc: Replacement Shipper may re-release this capacity.  
Cap Mkt Desc: Marketing requested  
RAPP Desc: Yes, unconditionally

Terms/Notes: Special Terms  
Releasing Shipper is permanently releasing capacity effective July 1, 2014 through the remainder of the term (04/30/2018). Replacement Shipper's rates for Transportation service will be in accordance with Transporter's effective rate Schedule KRF-1 for 15-year incremental rate service related to the 2003 Expansion Project, subject to the parties' understanding and agreement that Transporter may change the rates from time to time in accordance with the Natural Gas Act.

**EXHIBIT 2**

**DEPARTMENT OF WATER RESOURCES**

CALIFORNIA ENERGY RESOURCES SCHEDULING  
P.O. BOX 219001  
SACRAMENTO, CA 95821-9001  
(916) 574-1291



July 22, 2014

Mr. Alvin S. Pak, Attorney  
San Diego Gas & Electric Company  
101 Ash Street, HQ12C  
San Diego, California 92102

Dear Mr. Pak:

Enclosed are three original copies of the Settlement Agreement among Kern River Gas Transportation Company, San Diego Gas & Electric Company, and the California Department of Water Resources, California Energy Resources Scheduling Division for Transportation Services Agreement No.1724.

Please execute all three originals. Retain one for your records and return the other two to me at:

2033 Howe Avenue, Suite 220  
Sacramento, California 95814

If you have any questions on this matter, please call me at (916) 574-0311.

Sincerely,

A handwritten signature in cursive script that reads "John Pacheco".

John Pacheco  
Acting Deputy Director

Enclosures

**SETTLEMENT AGREEMENT**

**THIS SETTLEMENT AGREEMENT** (“Agreement”) is entered into this 16 day of July, 2014, by and among Kern River Gas Transmission Company, a Texas general partnership (“Kern River”), the California Department of Water Resources, an agency of the State of California, by and through its California Energy Resources Scheduling Division, and acting solely under the authority and powers created by California Assembly Bill 1 of the First Extraordinary Session of 2001-2002, codified in Sections 80000 through 80270 of the California Water Code and not under its power and responsibilities with respect to the State Water Resources Development System (“CDWR”), and San Diego Gas & Electric Company, a California utility (“SDG&E”). All three parties are hereinafter referred to as “Parties” or individually as “Party.”

**RECITALS**

WHEREAS, CDWR and Kern River are parties to a Transportation Services Agreement dated August 12, 2009, (“TSA 1724”) under which CDWR purchased natural gas transportation services from Kern River;

WHEREAS, CDWR permanently released the capacity under TSA 1724 to SDG&E effective July 1, 2014 (the “Effective Date”);

WHEREAS, consistent with the Federal Energy Regulatory Commission’s capacity release program, SDG&E, as a replacement shipper in the permanent capacity release assumed CDWR’s obligations under TSA 1724 and entered into a Transportation Service Agreement with Kern River (“TSA 1849”), which shall not be altered in any manner by this Agreement and shall remain in full force and effect for the duration of its term; and

WHEREAS, CDWR, SDG&E and Kern River desire to resolve all issues relating to TSA 1724 as among themselves only as follows.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants set forth herein, it is hereby agreed by and among the Parties as follows:

1. **Release.** Except as specifically provided herein, as of the Effective Date, the Parties hereby acknowledge full and complete satisfaction of, and do hereby forever release, discharge and acquit each other (and each of their partners, agents, officers, employees, managers, directors, principals, owners, affiliates, attorneys, insurers, predecessors-in-interest, successors, and assigns) from any and all past and present claims, demands, defenses, offsets, damages, liabilities, actions and causes of action of every kind, nature and description, asserted or unasserted, now existing or hereafter arising, known or unknown, of whatever nature,

character or description that were or could be or could have been asserted against each other in relation to TSA 1724. In addition, as of the Effective Date, Kern River completely discharges CDWR from any future liabilities and obligations from TSA 1724. The provision of this release by SDG&E shall not in any way limit or impair any rights to which SDG&E is entitled as a Replacement Shipper under the terms of TSA 1724, or any successor agreement to TSA 1724, or any subsequent order of the FERC unrelated to the capacity release of TSA 1724.

By executing this release, neither CDWR nor SDG&E intend, in any way, to waive, limit or impair any rights, claims, or causes of action that CDWR or SDG&E may have against any third party, including Sunrise Power Company (and each of its partners, agents, officers, employees, managers, directors, principals, owners, affiliates, attorneys, insurers predecessors in interest, successors, and assigns), and Kern River agrees not to dispute in any action brought in any forum by CDWR and/or SDG&E that their agreement to this release was not intended to affect any such rights, claims, or causes of action.

2. Final Settlement. It is intended that this Agreement be a full and final settlement of all claims that were raised or could have been raised against each other in relation to the TSA 1724 as set forth hereinabove. Therefore, each Party acknowledges that they may hereafter discover facts different from or in addition to those which they now know or believe to be true with respect to the claims released herein. Each Party expressly agrees that this Agreement shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery thereof, except as to those material facts known to any Party which were not disclosed to the other Parties prior to the execution of this Agreement. The Parties, with respect to the specific matters released herein, each knowingly, voluntarily, intentionally, and expressly waives, as against each other, any and all rights and benefits conferred by California Civil Code Section 1542 and any law of any state or territory of the United States or principle of common law that is similar to Section 1542. The Parties acknowledge and agree that the releases provided for in this Agreement are specific to the matters set forth in this Agreement and are not intended to create general releases as to all claims, or potential claims, between the Parties.

3. Representations and Warranties. The Parties each hereby make the following representations and warranties to each other:

a. The person signing this Agreement on behalf of each Party has full authority to do so and to bind such Party hereby. Each Party has full authority to enter into this Agreement and to compromise and release the claims and potential claims released by this Agreement, and to perform its obligations hereunder.

b. This Agreement constitutes the legal, valid and binding obligations of each Party, enforceable against it in accordance with its terms.

4. Integration. This Agreement constitutes the entire agreement between the Parties with regard to the mutual releases and the permanent capacity release of TSA 1724. There are no terms, obligations, covenants or conditions other than those contained herein. All prior

negotiations, conversations and writings are merged herein and are extinguished. No amendment, modification or variation hereof shall be deemed valid unless evidenced by an agreement in writing, signed by the Parties.

5. Severability. In the event one or more of the provisions of this Agreement should be held invalid, illegal or unenforceable by a tribunal of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any of the remaining provisions of this Agreement and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

6. Construction and Interpretation. The Parties acknowledge that this Agreement is the product of negotiations in which each Party has been represented by legal counsel of their own selection. The Parties therefore agree that the Agreement is to be construed and interpreted fairly and reasonably in accordance with its terms and not as against any Party as the drafter thereof. The captions and headings that precede the paragraphs of this Agreement are for convenience only and shall in no way affect the manner in which any provision hereof is construed. Whenever the context or circumstance so requires, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof and any gender shall include both other genders.

7. Binding Effect. This Agreement shall inure to the benefit of and be binding on and enforceable by each of the Parties and their respective heirs, successors and assigns.

8. Further Assurances. The Parties covenant and agree that each of them will perform such other acts and provide such other documents and/or assurances as are reasonably required to implement the intent of this Agreement.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah

10. Costs and Fees. Each Party shall pay its own attorneys' fees and costs incurred in connection with the preparation and review of this Agreement.

11. Counterparts. This Agreement may be executed in any number of duplicate originals and each such duplicate original shall be deemed to constitute but one and the same instrument.

12. No Admission of Liability. Each Party acknowledges that the promises made herein in consideration of the claims referred to herein do not constitute an admission of liability by any Party on account of any said claims or matters, liability for which is expressly denied.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date set forth below his or her signature, to be effective as of the date first above written.

KERN RIVER GAS TRANSMISSION  
COMPANY

JAH

By: Greg Porter  
Its: Vice President & General Counsel  
Date signed: *Greg Porter*

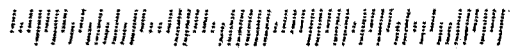
THE CALIFORNIA DEPARTMENT OF  
WATER RESOURCES

By: *John Pacheco*  
Its: *Acting Deputy Director John Pacheco*  
Date signed: *7-15-14*

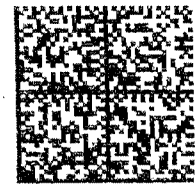
SAN DIEGO GAS & ELECTRIC COMPANY

By: *[Signature]*  
Its: *Sr Vice President - Power Supply*  
Date signed: *7-16-14*





P.O. BOX 71400  
SALT LAKE CITY, UT 84171-0400



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JUL 21 2014

CERS

first class

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

DECLARATION OF VICTOR E. VILAPLANA

I, Victor Vilaplana, do hereby declare under penalty of perjury that the facts stated in the Petition for Modification of *Decision 13-11-003 By San Diego Gas & Electric Company (U-902-E)* dated August 15, 2014, to which this declaration is attached, are true and correct. I make this declaration on the basis of facts known by me to be true or information provided to me which I believe to be true. I further declare that the exhibits attached to the Petition for Modification of *Decision 13-11-003 By San Diego Gas & Electric Company (U-902-E)* are true and correct copies of the documents referenced in the petition.

I declare that I was on the date set forth below an officer of SDG&E and authorized to execute this declaration in my capacity as an officer of SDG&E.

Executed this 15<sup>th</sup> day of August 2014, in San Diego, California.

A handwritten signature in black ink, appearing to read 'Victor E. Vilaplana', is written over a horizontal line. The signature is stylized and cursive.

Victor E. Vilaplana  
Vice President, Electric and Fuel Procurement  
San Diego Gas & Electric Company