

February 17, 2000

PUC 120

SDG&E ADVICE LETTER 1185-G
(U 902-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT

Sempra Energy, on behalf of San Diego Gas & Electric Company ("SDG&E"), hereby transmits for filing the following changes in SDG&E's gas tariffs. The revised tariffs are listed on the enclosed Attachment.

PURPOSE

The purpose of this filing is to revise Section III--Listing of Memorandum Accounts, of SDG&E's gas Preliminary Statement, to reflect the establishment of a Gas Industry Restructuring Memorandum Account ("GIRMA"). The GIRMA would record incremental costs incurred by SDG&E which it is not presently recovering. These incremental costs relate to the planning and implementation of Gas Industry Restructuring that is being considered by the Commission in R.98-01-011, I.99-07-003, and any successor or associated proceedings that may be established.

BACKGROUND

The Commission may soon approve the implementation of a number of regulatory changes for the gas industry structure in California with the intention of enhancing competition and improving efficiency for the benefit of consumers. Some of these potential changes would more than likely cause SDG&E to incur significant incremental costs. When the Commission adopts such changes, SDG&E wants to be able to effectively implement the changes as soon as possible for the benefit of consumers. SDG&E believes that it is reasonable for it to recover incremental costs it incurs to implement and administer regulatory changes the Commission adopts for the benefit of consumers. Therefore, SDG&E is seeking approval of the GIRMA to ensure that recovery of such costs will not be barred by the rule against retroactive ratemaking should the Commission find after-the-fact that it is reasonable to allow SDG&E to recover such costs.

As previously stated, it is intended that the GIRMA will record costs incurred by SDG&E associated with the planning and implementation of Gas Industry Restructuring. The decision in SDG&E's most recent gas Cost of Service proceeding did not include authorization of any

amounts related to the implementation of Gas Industry Restructuring, and therefore, those costs are not currently included in rates.

By Advice Letter 1016-E, dated December 27, 1996, SDG&E established an electric Industry Restructuring Memorandum Account ("IRMA") to record all costs incurred by SDG&E prior to January 1, 1998, related to the implementation of electric industry restructuring, which were not being tracked in previously established memorandum accounts associated with restructuring or being recovered through other mechanisms. Costs incurred after January 1, 1998 were recorded directly in SDG&E's CTC Balancing Account subaccount. Advice Letter 1016-E was filed in compliance with Commission Decision ("D.") 96-12-077, in OIR 94-04-031/OII 94-04-032. By the filing of this Advice Letter, SDG&E is merely attempting to establish a similar memorandum account to record various incremental costs that SDG&E will incur associated with the restructuring of the gas industry. Entries recorded into the GIRMA would be subjected to review by the Commission before SDG&E would be allowed recovery of approved costs in its rates.

This filing establishes the GIRMA to record all costs associated with Gas Industry Restructuring which are not otherwise includable in other proceedings. These costs may include, but are not necessarily limited to: 1) Customer Education Program Costs, 2) Direct Access Implementation Costs, 3) UDC System Modifications Costs, and 4) Customer Information Release Costs.

INFORMATION

The GIRMA shall record all incremental costs incurred by SDG&E to enable the further provisions for Gas Industry Restructuring authorized by the Commission.

The above Gas Industry Restructuring costs shall be tracked separately in individual subaccounts. The following briefly describes each of these proposed subaccounts.

- 1) The Customer Education Program Subaccount will record the incremental expenditures incurred directly by SDG&E to inform customers and other stakeholders of the changes in the gas industry resulting from R.98-01-011, I.99-07-003, and any future successor or associated proceedings, and to provide customers with information to help them make appropriate choices as to their gas service.
- 2) The Direct Access Implementation Costs Subaccount will record costs related to incremental expenditures incurred related to Customer Service, Energy Service Providers (ESPs) Services, Employee Training, and Direct Access Support.
- 3) The UDC System Modification Costs Subaccount will record costs associated with incremental developing systems and processes within Retail Billing, Revenue Reporting, Credit and Collections, and Metering.
- 4) The Customer Information Release Systems Cost Subaccount will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to various Customer Service information release requests.

SDG&E acknowledges that Commission approval of the GIRMA does not automatically authorize recovery of incremental restructuring costs but simply allows SDG&E the opportunity to subsequently request future rate recovery of the amounts recorded in the GIRMA.

This filing will not increase or decrease any rate or charge, conflict with any rate schedules or rules nor cause the withdrawal of service.

EFFECTIVE DATE

It is requested that this filing become effective either on March 28, 2000, which is forty (40) days after the date filed, or on the effective date of a Commission resolution should approval by resolution be deemed necessary.

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 either in writing or by facsimile and received within 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:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102

A copy should also be mailed to the Energy Division-IMC Branch, Room 4005 (at the address shown above). It is also requested that a copy of the protest be sent via both e-mail and Facsimile to Sempra Energy on the same date it is mailed or delivered to the Commission (at the address shown below).

Attn: C. Richard Swanson
Regulatory Tariff Manager
Sempra Energy - HQ14B
101 Ash Street
San Diego, CA 92101-3017
Facsimile No. (619) 696-4027
E-mail: rswanson@sempra.com

NOTICE

In accordance with Section III-G, of General Order 96-A, Sempra Energy, on behalf of SDG&E, has mailed copies of this filing to the utilities and interested parties shown on the attached distribution list and to interested parties in R. 98-01-011.

Address changes should be directed to Jennifer Valeri of Sempra Energy by facsimile at (619) 696-4027 or by e-mail at jvaleri@sempra.com.

LEE SCHAVRIEN
Director -- Regulatory Case Management
and Tariff Administration

Enclosures

(cc list enclosed)

(S:Reg_aff/Data/Adviceletters/GIRMA.DOC)

ATTACHMENT A
ADVICE LETTER 1185-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 10915-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS	Revised 10608-G
Original 10916-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, Sheet 16	
Original 10917-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, Sheet 17	
Original 10918-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, Sheet 18	
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Original 10920-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, Sheet 20	
Original 10921-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, Sheet 21	
Original 10922-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, Sheet 22	
Revised 10923-G	TABLE OF CONTENTS, Sheet 1	Revised 10914-G



PRELIMINARY STATEMENT
V. MEMORANDUM ACCOUNTS

<u>Description</u>	<u>Sheet No.</u>
Memorandum Accounts (defined)	1
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B. Core Reclassification Shortfall Memorandum Account (CRSMA)	4
C. Women/Minority/Disabled Veterans Business Enterprise (WMDVBE) Memorandum Account	5
D. Gas DSM Memorandum Account	6
E. Cogeneration Shortfall Memorandum Account (CSMA)	7
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K. Applicant Installation Trench Inspection Memorandum Account (AITIMA)	15
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NOTE: For information relating to the Hazardous Substance Memorandum Account (HSMA), which is part of the Hazardous Substance Cleanup Cost Account (HSCCA), see Section VIII.E.

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Vice President
Chief Regulatory Officer

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PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

L. GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA)

Purpose: The purpose of the GIRMA is to record the incremental costs incurred by the utility related to the planning and implementation of gas industry restructuring. Incremental costs, for purposes of the GIRMA, shall mean expenditures that exceed the amount, if any, explicitly included in base rates, for the activities covered by each subaccount in the GIRMA at the time the expenditures booked to the Account are made.

Costs recorded to the GIRMA shall exclude any costs incurred by the utility that have already been recorded in the electric Industry Restructuring Memorandum Account (IRMA) prior to the date of the effectiveness of the GIRMA. Costs incurred by the utility after the date of effectiveness of the GIRMA, and that are incurred in common with both gas and electric restructuring, shall be recorded such that the total costs recorded to the GIRMA and the IRMA combined do not exceed such costs in total incurred by the utility. The allocation of recorded costs between the GIRMA and the IRMA may be reviewed by the Commission and may be reallocated between the two accounts by the Commission.

Applicability: The GIRMA shall apply to all customer classes, except for those specifically excluded by the Commission.

GIRMA Rates: The GIRMA does not currently have a rate component.

Accounting Procedure: The GIRMA consists of four (4) Subaccounts.

- The Customer Education Program Subaccount (item 1. below) records the incremental expenditures incurred directly by the utility to inform customers and other stakeholders of the changes in the gas industry resulting from R.98-01-011, I.99-07-003, and any future successor or associated proceedings, and to provide customers with information to help them make appropriate choices as to their gas service.

- The Direct Access Implementation Costs Subaccount (item 2. below) will record the following costs:

a) Customer Service

The utility will record costs associated with incremental expenditures incurred directly related to Customer Service such as: 1) fielding requests for information about direct access; 2) processing requests for direct access and returning to bundled service; and 3) coordinating customer direct access elections. Costs recorded in this subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

Any revenues received from customers for these activities shall be tracked separately and may be applied against these costs associated with Customer Service when approved by the Commission.

b) Energy Service Providers (ESPs) Services

The utility will record costs associated with incremental expenditures incurred directly related to ESPs Services such as: 1) coordinating ESPs requests; 2) developing policies and procedures for interactions with ESPs; 3) developing standard interfaces with ESPs; and 4) developing and implementing agreements with ESPs; and 5) processing direct access service requests.

(Continued)



PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

L. GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

Accounting Procedure (Continued)

• The Direct Access Implementation Costs Subaccount (Continued)

c) Employee Training

The utility will record costs associated with incremental expenditures incurred directly related to Employee Training activities such as: 1) informing employees about the changes required to implement direct access capabilities; 2) developing training materials required to prepare the workforce for processing customer inquiries, direct access elections, billing options and other protocols; and 3) training time for employees performing direct access related functions.

d) Direct Access Support

The utility will record costs associated with incremental expenditures incurred directly related to Direct Access Support such as: 1) overall project management; 2) coordinating the efforts for setting policies and procedures; 3) developing and implementing direct access controls and accounting treatment; and 4) building the technical infrastructure to support direct access.

• UDC Systems Modification Costs Subaccount (item 3. below) will record the following costs:

a) Retail Billing

SDG&E will record costs associated with incremental developing systems and processes within Retail Billing such as: 1) billing per unbundled charge factors; 2) updating charge factors based on market energy cost; 3) computing avoided energy cost for direct access customers; 4) obtaining market energy cost to UDC energy customers; 5) providing billing data to ESPs for presentation to customers; 6) receiving billing data from external sources for bill presentation to customers; 7) displaying new bill components; and 8) the cost of EDI transfers of data and the cost for developing Internet accessing tools. Costs recorded in this subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

Any revenues received from customers for these activities shall be tracked separately and may be applied against these costs associated with Retail Billing when approved by the Commission.

b) Revenue Reporting

The utility will record costs associated with incremental expenditures incurred, directly related to developing and modifying existing Revenue Reporting systems for unbundled rate components such as: 1) reporting revenue per unbundled charge factors; 2) reporting revenue for multiple entities; and 3) tracking and reporting revenues received for providing direct access services. Costs recorded in this subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

(Continued)



PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

L. GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

Accounting Procedure (Continued)

• UDC Systems Modification Costs Subaccount (Continued)

c) Credit and Collections

The utility will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to Credit and Collections activity, such as: 1) implementing new and modified credit policies and collections rules for the tracking of UDC receivables; 2) developing receivables priorities and posting receivables collected on behalf of others to SDG&E's customer accounting system; 3) risk assessment; 4) obtaining securities from ESPs and direct access customers; 5) tracking and remitting receivables collected on behalf of others; and 6) interface development with external parties for exchange of credit and payment related information. Costs recorded in this subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

d) Metering

The utility will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to third party ownership of meters, such as: 1) changing meter record systems to track and identify meters owned by third parties, 2) developing data bases to record and archive the meter performance history of third party meters, 3) changing other operation-related data systems to identify third party meters for proper installation, testing, maintenance and handling, 4) changing accounting systems to track actual costs associated with installation, maintenance and other related meter services performed on third party meters, 5) implementing training programs for employees who will work on third party meters, 6) changing meter set assembly (MSA) components and/or vaults to accommodate third party meters, and 7) expanding data systems for more frequent retrieval of meter reads, related data processing, and more data communication requirements. Costs recorded in this Subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

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PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

L. GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

Accounting Procedure (Continued)

- Customer Information Release Systems Cost Subaccount (item 4. below) will record the following cost:

Customer Service

The utility will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to Customer Service information release requests such as: 1) developing policies and procedures for release of customer information; 2) providing a data base of customer-specific usage information and locational and SIC information, with the customer identity removed; 3) fielding third party requests for direct access information; 4) tracking and reporting of requests handled and in backlog; 5) authorizing customer release of information; 6) developing standard interfaces with external parties, including electronic interchange of information; and 7) handling standard requests for information. Costs recorded in this subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

Any revenues received from customers for these activities shall be tracked separately and may be applied against these costs associated with Customer Service when approved by the Commission.

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PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

L. GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

The utility shall maintain this GIRMA by making entries to the subaccounts as follows:

1. Customer Education Program Subaccount

The following entries will be made to this subaccount each month:

- a. A debit entry equal to the utility's recorded Customer Education Program costs associated with its efforts of providing an overview of consumer education.
- b. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 1.a., at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

2. Direct Access Implementation Costs Subaccount

The following entries will be made to this subaccount each month:

- a. A debit entry equal to the amounts recorded in the utility's Operations and Maintenance, and Administration and General Expense Accounts that were incurred as a result of the Direct Access Implementation Costs.
- b. A debit entry equal to:
 - (1) depreciation expense on the average of the beginning and the end-of month balance of plant installed for the Direct Access Implementation Costs at one twelfth the annual depreciation rates approved by the CPUC for these plant accounts; plus
 - (2) the return on investment on the average of the beginning and the end-of-month balance of plant installed for Direct Access Implementation, at one-twelfth of the annual rate of return on investment last adopted for the Gas Department by the CPUC; less
 - (3) the return on the average of beginning and end-of-month accumulated depreciation, and on average accumulated net deferred taxes on income resulting from the normalization of federal tax depreciation, at one-twelfth the annual rate of return on investment last adopted for the Gas Department by the CPUC.

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PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

L. GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

2. Direct Access Implementation Costs Subaccount (Continued)

c. A debit entry equal to federal and state taxes based on income associated with item 2.b above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments.

For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the percentage of net investment last adopted by the CPUC with respect to the utility.

d. A debit entry equal to the monthly property taxes on the plant installed.

e. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 2.a. through 2.d. above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

3. UDC System Modification Costs Subaccount

The following entries will be made to this subaccount each month:

a. A debit entry equal to the amounts recorded in the utility's Operations and Maintenance, and Administration and General Expense Account that were incurred as a result of the UDC System Modification Costs.

b. A debit entry equal to:

(1) depreciation expense on the average of the beginning and the end-of-month balance of plant installed for the UDC System Modification Costs at one-twelfth the annual depreciation rates approved by the CPUC for these plant accounts; plus

(2) the return on investment on the average of the beginning and the end-of-month balance of plant installed for the UDC System Modification Costs, at one-twelfth of the annual rate of return on investment last adopted for the Gas Department by the CPUC; less

(3) the return on the average of the beginning and end-of-month accumulated net deferred taxes on income resulting from the normalization of federal tax depreciation, at one-twelfth the annual rate of return on investment last adopted for the Gas Department by the CPUC.

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PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

L. GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

3. UDC System Modification Costs Subaccount (Continued)

c. A debit entry equal to federal and state taxes based on income associated with item 3.b. above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments

For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the percentage of net investment last adopted by the CPUC with respect to the utility.

d. A debit entry equal to the monthly property taxes on the plant installed.

e. A credit entry equal to amounts received for services for billing on behalf of the ESP.

f. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 3.a. through 3.e. above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

4. Customer Information Release Systems Costs Subaccount

The following entries will be made to this subaccount each month:

a. A debit entry equal to the amounts recorded in the utility's Operations and Maintenance, and Administration and General Expense Accounts that were incurred as a result of the Customer Information Release System Costs.

b. A credit entry equal to any revenue received from ESPs or other parties for offsetting the costs related to this subaccount.

c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after 4.a. and 4.b. at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

Financial Reporting: The utility may, at its discretion, record the balance in the GIRMA as a deferred debit on its balance sheet with entries to the appropriate income statement accounts, as necessary.

The utility may request recovery of the balances in the GIRMA by separate application to the Commission, or by any other means deemed appropriate by the Commission.



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The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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