

July 16, 2001

PUC 110

ADVICE LETTER 1345-E

(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST TO TRANSFER APPROXIMATELY \$104 MILLION FROM THE
TRANSITION COST BALANCING ACCOUNT TO THE ENERGY RATE
CEILING REVENUE SHORTFALL ACCOUNT**

PURPOSE

San Diego Gas & Electric Company (SDG&E) is filing this Advice Letter to seek authority from the California Public Utilities Commission (Commission) to transfer the current balance of Utility Retained Generation (URG) revenue recorded in the Transition Cost Balancing Account (TCBA) to the Energy Rate Ceiling Revenue Shortfall Account (ERCRSA). This Advice Letter is being filed in accordance with the Memorandum of Understanding (DWR/SDG&E MOU) by and between the State of California (through the California Department of Water Resources (DWR)), SDG&E, and, as to certain provisions, Sempra Energy.

BACKGROUND

On June 18, 2001, SDG&E and DWR entered into the DWR/SDG&E MOU for the primary purpose of ensuring that SDG&E can continue to provide affordable and reliable electricity to its customers. One of the objectives in the DWR/SDG&E MOU is to effectuate a plan whereby the settlement, disposition and elimination of the undercollected balance in SDG&E's ERCRSA can be accomplished without increasing base electric rates. The plan requires the approval by the Commission of certain Implementing Decisions, which are listed on pages 18 and 19 of the DWR/SDG&E MOU. Item g in the list is the subject of this Advice Letter.

SDG&E hereby requests approval to transfer the sum of approximately \$104 million, plus accrued interest, from the TCBA to the ERCRSA. This amount represents the overcollection in URG revenues initially allocated to large (non-Assembly Bill (AB) 265) customers recorded to the TCBA from June 1, 2000 through December 31, 2000. Over-collected URG revenue previously allocated to AB 265 customers has already been recorded to the ERCRSA pursuant to Decision (D.) 00-09-040 and AB 265. The over-collected URG revenue recorded in the TCBA for large customers during this period reflects the difference between the market revenues received and the authorized costs incurred for electricity from SDG&E's share of San Onofre Nuclear Generating Stations, its Qualifying Facilities contracts, and its Portland General Electric and Public Service of New Mexico contracts.

Attached is a letter dated May 2, 2001 addressed to President Lynch from Senator Dede Alpert that addresses her legislative intent regarding URG as addressed in SB X1 43. In pertinent part, Senator Alpert, the author of the bill, states that "It was and continues to be my assumption as I carried SB X1 43 that 100% of SDG&E's retained generation was being used to serve its 100kw and below customers (i.e. AB 265 customers)." The proposal contained in this Advice Letter comports with this legislative intent by allocating the remaining over-collected URG revenue to the benefit of AB 265 customers. This proposal is also made in anticipation of a Commission decision in A.00-10-045/A.01-01-044 adopting Senator Alpert's characterization of the allocation of URG. Consequently, while this filing is being made today, it is intended to be a filing in A.00-10-045/A.01-01-044 made in compliance with the Commission's future decision addressing SDG&E's rate design for DWR's revenue requirement.

EFFECTIVE DATE

SDG&E respectfully requests that this Advice Letter become effective on the date the Commission issues its decision on SDG&E's rate design for DWR's revenue requirement in A.00-10-045/A.01-01-044.

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 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:

Energy Division – IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

It is also requested that a copy of the protest 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: C. Richard Swanson
Regulatory Tariff Manager
101 Ash Street - HQ14D
San Diego, CA 92101-3017
Facsimile No. (619) 696-4027
E-mail: rswanson@sempa.com

NOTICE

In accordance with Section III-G of General Order 96-A, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in A.00-10-045/A.01-01-044, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to Martha Ulloa by facsimile at (619) 696-4027 or by e-mail to mulloa@sempira.com.

LEE SCHAVRIEN
Director, Regulatory Case Management
& Tariff Administration

Enclosures

(cc list attached)

(S:Reg_aff/Data/AdviceLetters/1345-E.doc)