

July 16, 2001

PUC 110

ADVICE LETTER 1346-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: ESTABLISHMENT OF A MEMORANDUM ACCOUNT TO RECORD THE REIMBURSEMENT COSTS INCURRED BY SAN DIEGO GAS & ELECTRIC COMPANY TO REIMBURSE THE STATE OF CALIFORNIA FOR THE STATE'S COSTS AND EXPENSES THAT ARE RELATED TO THE DWR/SDG&E MOU NEGOTIATIONS AND IMPLEMENTATION

San Diego Gas & Electric Company ("SDG&E") hereby transmits for filing the following revisions to its electric tariffs, as shown in the enclosed Attachment.

PURPOSE

The purpose of this filing is to establish a *State of California Transaction Costs Memorandum Account* ("SCTCMA") to record SDG&E's costs to reimburse the State of California ("State") for the reasonable costs and expenses incurred by the State in connection with the negotiation and effectuation of the Memorandum of Understanding ("DWR/SDG&E MOU") by and between the State (through the California Department of Water Resources ("DWR")), SDG&E, and, as to certain provisions, Sempra Energy.

The costs SDG&E incurs to reimburse the State will be recorded in the SCTCMA at the time of such reimbursement. Those costs of reimbursement shall be fully recoverable, and SDG&E shall be authorized to recover the costs as part of its next applicable Cost of Service proceeding, if the following conditions are met:

- 1) SDG&E incurs no reimbursement costs until all the CPUC Implementing Decisions, as described in Section 11 of the DWR/SDG&E MOU, have become effective or are otherwise resolved; and
- 2) With each request for reimbursement the State provides a detailed statement of its costs and expenses and verifies that the costs and expenses were incurred in connection with the negotiation or effectuation of the DWR/SDG&E MOU and Definitive Agreement, including legal fees, financial advisors and accountants, as further described on Page 22 of the DWR/SDG&E MOU.

BACKGROUND

On June 18, 2001, SDG&E and DWR entered into the DWR/SDG&E MOU for the primary purpose of providing affordable and reliable electricity to customers of SDG&E. One of the primary objectives of the DWR/SDG&E MOU is to eliminate the balancing account undercollection, caused by implementation of AB 265, through the implementation of certain "CPUC Implementing Decisions." A provision within the DWR/SDG&E MOU requires SDG&E to pay all of the reasonable costs and expenses incurred by the State directly in connection with the negotiation or effectuation of the DWR/SDG&E MOU and the Definitive Agreements. In accordance with this provision, SDG&E hereby seeks approval to revise its electric Preliminary Statement to incorporate a SCTCMA for the purpose of recording the State's expenses. Approval of this advice letter will constitute the effectuation of one of the CPUC Implementing Decisions identified in the DWR/SDG&E MOU.

EFFECTIVE DATE

SDG&E respectfully requests that this Advice Letter become effective on July 16, 2001, 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 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/1346-E.doc)

ATTACHMENT A
ADVICE LETTER 1346-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 14654-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, Sheet 1	Revised 14537-E
Original 14655-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, Sheet 54	
Revised 14656-E	TABLE OF CONTENTS, Sheet 1	Revised 14650-E



PRELIMINARY STATEMENT

Sheet 1

III. MEMORANDUM ACCOUNTS

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Note: 1) SONGS 2&3 Property Tax Memorandum Account, see Section V.G.
 2) SONGS 2&3 Unamortized Nuclear Fuel Inventory Memorandum Account, see Section V.I.
 3) SONGS 2&3 Permanent Closure Noninvestment-Related Expenses Memorandum Account, see Section V.J.

(Continued)



PRELIMINARY STATEMENT

III. MEMORANDUM ACCOUNTS

HH. STATE OF CALIFORNIA TRANSACTION COSTS MEMORANDUM ACCOUNT (SCTCMA)

1. Purpose: The purpose of the SCTCMA is to record the costs incurred by the utility to reimburse the State of California for the reasonable costs and expenses incurred by the State in connection with the negotiation and effectuation of the Memorandum of Understanding (MOU) signed by the California Department of Water Resources and the utility, dated June 18, 2001. As soon as all the California Public Utilities Commission's Implementing Decisions, as described in Section II of the DWR/SDG&E MOU, have become effective and after the State provides SDG&E a statement requesting reimbursement of its reasonably incurred costs in connection with the negotiation or effectuation of the DWR/SDG&E MOU and definitive agreement, including legal fees, financial advisors and accountants, as further described on Page 22 of the DWR/SDG&E MOU, SDG&E shall reimburse the State for the costs incurred and SDG&E shall be authorized to recover these costs as part of its next applicable Cost of Service proceeding.
2. Applicability: The SCTCMA shall apply to all customers, unless specifically excluded by the Commission.
3. Rates: The SCTCMA does not have a rate component.
4. Accounting Procedure: The utility shall maintain the SCTCMA by making entries at the end of each month as follows:
 - a. A debit entry equal to the transaction costs incurred by the utility to reimburse the State of California for the reasonable costs and expenses incurred by the State associated with the negotiation and effectuation of the MOU and Definitive Agreements, including legal fees, fees of financial advisors and accountants, and expenses of its representatives.
 - b. Interest shall accrue on the average of the balance at the beginning of the month and the balance after entry 4.a above, at a rate equal to one-twelfth of 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 publication.
5. Disposition: The cumulative balance in the SCTCMA shall be recovered as part of the utility's next applicable Cost of Service proceeding.



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Advice Ltr. No. 1346-E

Decision No. _____

Issued by
William L. Reed
Vice President
Chief Regulatory Officer

Date Filed Jul 16, 2001

Effective _____

Resolution No. _____