



J. Steve Rahon
Director
Tariffs & Regulatory Accounts
8330 Century Park Court
San Diego, CA 92123-1548

Tel: 858.654.1773
Fax: 858.654.1788
srahon@semprautilities.com

April 27, 2005

ADVICE LETTER 1689-E/1524-G
(U 902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST TO ESTABLISH NEW MEMORANDUM ACCOUNTS FOR ADVANCED
METERING INFRASTRUCTURE PRE-DEPLOYMENT COSTS**

San Diego Gas & Electric Company (SDG&E) hereby submits for approval the following revisions to its electric and gas tariffs, as shown in Attachment A and B, respectively.

PURPOSE

This filing requests Commission approval to revise SDG&E's electric and gas Preliminary Statements to establish a new Advanced Metering Infrastructure Memorandum Account (AMIMA) to record pre-deployment costs incurred as a result of Advanced Metering Infrastructure (AMI) prior to the Commission's approval of SDG&E's AMI Application (A.) 05-03-015.

BACKGROUND

The Commission issued Rulemaking (R.) 02-06-001 on June 6, 2002 to begin a process to assess ways to implement programs and tools to enable utilities to meet demand response targets. Pursuant to a July 21, 2004 ALJ Ruling, on October 22, 2004, SDG&E filed its Advanced Metering Infrastructure preliminary business case. A supplemental AMI preliminary analysis was filed on January 12, 2005. On March 15, 2005, and amended on March 30, 2005, SDG&E filed its final AMI business case analyses, including Application (A.) 05-03-015, recommending an aggressive start-up implementation proposal.

SDG&E's pre-deployment efforts require incurring costs to meet the schedule set forth in A. 05-03-015. These new AMI project costs were not reflected in the 2004 Cost of Service approved in D.04-12-015. Therefore, SDG&E is requesting authority to record the costs associated with the pre-deployment AMI as follows:

Revisions to Preliminary Statement

SDG&E is revising its electric Preliminary Statement, Part III, and gas Preliminary Statement, Part V, to establish a new AMI memorandum account. The purpose of the AMIMA is to record the pre-deployment Capital-related and Operating and Maintenance (O&M) expenses incurred as a result of AMI pre-deployment in years 2005 and 2006, prior to AMI program implementation and activities necessary to develop and process SDG&E's AMI Project Application. SDG&E will request recovery of

the balance in the AMIMA through the proposed AMI balancing account as outlined in SDG&E's A.05-03-015, or other mechanism as authorized by the Commission.

This filing will not create any deviations from SDG&E's tariffs, cause withdrawal of service from any present customers, or impose any more or less restrictive conditions.

EFFECTIVE DATE

SDG&E believes this filing is subject to Energy Division disposition and therefore respectfully requests that this filing become effective on May 27, 2005, which is 30 calendar days after the date filed.

PROTEST

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impacts, 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 CPUC. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jrr@cpuc.ca.gov) and Honesto Gatchallian (jnj@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest also 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: Monica Wiggins
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-mail: mwiggins@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.02-06-001, et. al., by either providing them a copy electronically or by mailing them a copy hereof properly stamped and addressed.

Address changes should be directed to Christina Sondrini by facsimile at (858) 654-1788 or by e-mail at csondrini@semprautilities.com.

J. STEVE RAHON
Director — Tariffs & Regulatory Accounts

Enclosures
(cc list enclosed)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC/U 902-M**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Margee Moore

Phone #: (858) 654-1748

E-mail: mmoore@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 1689-E/1524-G

Subject of AL: Request to Establish New Memorandum Accounts for Advanced Metering Infrastructure Pre-Deployment Costs

Keywords (choose from CPUC listing): Memorandum Account, AMI

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: 5/27/05 No. of tariff sheets: 6

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement and TOC

Service affected and changes proposed¹: new memorandum accounts

Pending advice letters that revise the same tariff sheets: 1620-E-A, 1666-E, 1680-E, 1517-G

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Monica Wiggins

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mwiggin@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-A, Sec. III. G.
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

PUBLIC UTILITIES COMMISSION

William Ahern – Exec. Dir.

ORA

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L. Maack
D. Morse
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Energy Division

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D. Lafrenz

CA. ENERGY COMMISSION

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Advantage Energy, LLC (U.S. MAIL)

Alcantar & Kahl

AMDAX

American Energy Institute

Anza Electric Cooperative

Arter & Hadden LLP

BP Energy Company

Barkovich & Yap, Inc.

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R. McKillip

T. Rodriguez

C. Tammaro

Davis Wright Tremaine, LLP

E. O'Neill

J. Pau

Dept. of General Services

Dept. of Vet. Affairs Med. Ctr.

Duke Energy North America

Dynegy, Inc.

Eisenman, Eric

Ellison Schneider & Harris LLP

Energy Law Group LLP

D. Fellman

Energy Solutions

Energy Strategies, Inc.

Enron Capital & Trade (2)

G.A. Koteen Associates, Inc

G.E. Goodrich Co

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg

J. Heather Patrick

J. Squeri

Green Mountain.Com Company

Grueneich Resource Advocates

Dian M. Grueneich

Jack P. McGowan

Hanna and Morton LLP

Henwood Energy Services

C. Castagnoli

HMH Resources, Inc.

Interstate Gas Services, Inc.

J.B.S. Energy

Kyocera America Inc

LeBoeuf, Lamb, Greene & MacRael

LSW Engineers, California Inc.

J. Mascarro

B. Mahoney

Luce, Forward, Hamilton & Scripps LLP

ManageAmerica

Manatt, Phelps & Phillips

Matthew V. Brady & Associates

Modesto Irrigation District

Morrison & Foerster

MRW & Associates

Naval Facilities Eng. Command

NCR Corp

New Energy, Inc, An AES Company

O'Rourke & Company

Pacific Gas & Electric Co.

N. Avendano

W. Edwards

Pacific Utility Audit

Poway Unified School District

R. M. Hairston Company

Recon Research Corp

Robinsons-May Dept. Stores

Rohr, Inc.

San Diego Regional Energy Office

Susan Freedman

Scott J. Anders

School Project for Utility Rate

Reduction

Scott, Addis

Scripps Health

Shute, Mihaly & Weinberger LLP

K. Johanson

J. Schue

O. Armi

Sithe Energies

Solar Turbines

Sutherland, Asbill & Brennan LLP

Southern California Edison Co.

H. Romero

C. Rosskopf

S. Smith

TURN, Michel Florio

UCAN, Michael Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

UtiliHost/Electric America

Utility Cost Management LLC

Utility Solutions Inc.

B. Dotson

T. Rodriguez

Utility Specialists, Southwest, Inc.

Vulcan Materials - CalMat Div.

Viterra Energy Services

Western Manufactured Housing

Communities Association

White & Case LLP

L. Cottle

P. Lacourciere

Interested Parties

R.02-06-001

ATTACHMENT A
ADVICE LETTER 1689-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 18222-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, Sheet 1	Revised 18114-E
Original 18223-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, Sheet 60	
Revised 18224-E	TABLE OF CONTENTS, Sheet 1	Revised 18178-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

LL. ADVANCED METERING INFRASTRUCTURE MEMORANDUM ACCOUNT (AMIMA)

1. Purpose: The purpose of the Advanced Metering Infrastructure Memorandum Account (AMIMA) is to record the incremental pre-deployment Capital-related and Operating and Maintenance (O&M) expenses incurred as a result of advanced metering infrastructure (AMI) pre-deployment in years 2005 and 2006 prior to AMI program implementation as filed in A. 05-03-015. The costs recorded to the AMIMA shall exclude any costs that are being recovered through the Utility's Cost of Service. The costs recorded to the AMIMA shall be net of any benefits as authorized by the Commission. The AMIMA shall be allocated 78% and 22% between electric distribution and gas, respectively. These percentages are subject to true-up, if necessary, as directed by a final decision in A.05-03-015.
2. Applicability: The AMIMA applies to all customer classes, except for those specifically excluded by the Commission.
3. Rates: The current AMIMA does not have a rate component.
4. Accounting Procedure: The Utility shall maintain the AMIMA by making entries to this account at the end of each month as follows:
 - a. An entry equal to the Utility's costs associated with the development of customer policies, field procedures and practices in advance of 2007 field deployment for O&M expenses incurred in pre-deployment of AMI as outlined in A.05-03-015 including the following areas:
 - AMI Project Management
 - Billing
 - Customer Contact Center
 - Claims
 - Communication Systems
 - Load Control Technology
 - Facilities
 - Meter Installation
 - Human Resources
 - Information Technology
 - Load Research
 - Mass Markets/Major Markets
 - Meter Reading
 - b. An entry equal to the Utility's Capital-related costs, including depreciation, return on investment and related taxes, attributed to pre-deployment of AMI. Capital investment for the AMI pre-deployment includes but is not limited to costs to purchase and install capital equipment and system modification in the following areas:
 - Communication Systems
 - Facilities
 - Gas & Electric Meters
 - Information Technology
 - c. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entries in 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, H.15 or its successor.
5. Disposition: SDG&E shall request the recovery of the balance in the AMIMA through the Utility's AMI application. The balance in the AMIMA will be transferred to the AMI balancing account proposed in A.05-03-015, or other mechanism as authorized by the Commission.

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PRELIMINARY STATEMENT

V. MEMORANDUM ACCOUNTS

<u>Description</u>	<u>Sheet No.</u>
Memorandum Accounts (defined)	1
A. Catastrophic Event Memorandum Account (CEMA)	1
B. Core Reclassification Shortfall Memorandum Account (CRSMA)	4
C. Gas DSM Memorandum Account	5
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J. Annual Earnings Assessment Proceeding Memorandum Account (AEAPMA)	14
K. El Paso Settlement Proceeds Memorandum Account (EPSPMA)	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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0W15
Advice Ltr. No. 1524-G
Decision No. _____

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Apr 27, 2005
Effective _____
Resolution No. _____



PRELIMINARY STATEMENT

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ATTACHMENT B
ADVICE LETTER 1524-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 14658-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS	Revised 14505-G
Original 14659-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, Sheet 16	
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