



Ken Deremer
Director
Tariffs & Regulatory Accounts
8330 Century Park Court
San Diego, CA 92123-1548

Tel: 858.654.1756
Fax: 858.654.1788
kderemer@semprautilities.com

October 24, 2008

ADVICE LETTER 1808-G
(U 902-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: ANNUAL GAS REGULATORY ACCOUNT UPDATE EFFECTIVE JANUARY 1, 2009

San Diego Gas & Electric Company (SDG&E) hereby submits for filing revisions applicable to its gas rates effective January 1, 2009.

PURPOSE

This filing is being made in compliance with the authorized practice of updating regulatory account balances annually as established in Ordering Paragraphs 2 and 4 of D.94-12-052. This filing describes the adjustments that are being made to SDG&E gas transportation rates for the Year 2009 resulting from the: 1) amortization of gas regulatory account balances, and 2) the Southern California Gas Company (SoCalGas) transportation costs allocated to SDG&E pursuant to SoCalGas' authorized regulatory account balance update filing.

BACKGROUND

The revenue requirements related to the regulatory account balances are amortized in rates over 12 months beginning each January 1st. It should be noted that the revenue requirements herein do not include other revenue requirement adjustments authorized or expected to be authorized by the Commission for implementation in SDG&E's rates effective January 1, 2009. SDG&E will file an advice letter consolidating all Commission-authorized changes in its revenue requirements, and related changes to its rates, at least three days prior to the January 1, 2009 effective date of such rates.

Regulatory Accounts

This filing requests an increase of \$1.56 million in revenues to amortize over 12 months the projected year-end 2008 balances in SDG&E's regulatory accounts effective January 1, 2009,

as shown on Attachment A to this filing. Following is a summary of the significant core and noncore components of the revenue requirement increase:

Core Customers:

A \$1.5 million increase in the total core transportation revenue requirement is proposed to amortize the projected year-end 2008 regulatory account balances. The increase is primarily due to the Core Fixed Cost Account (CFCA) and the General Rate Case Revenue Requirement Memo Account (GRCRRMA) partially offset by the Gas Storage Balancing Account (GSBA-C) and the Rewards & Penalties Balancing Account (RPBA).

CFCA – The projected CFCA balance as of December 31, 2008, is a \$14.7 million under collection, representing a \$4.8 million increase in the revenue requirement compared to the \$9.9 million under-collection currently authorized in 2008 rates. The increase in the projected under-collected balance is mainly the result of the revenues transferred to the GRCRRMA as noted below.

GRCRRMA – Pursuant to D.07-12-053, SDG&E was authorized to establish the GRCRRMA effective January 1, 2008 to track the shortfall or over-collection resulting from the difference between the rates currently in effect and the final rates adopted in Phase 1 of SDG&E's 2008 General Rate Case application.¹ The GRCRRMA reflects the application of billed revenues transferred from the CFCA and NonCore Fixed Cost Account (NFCFA) compared against the new margin adopted in D.08-07-046. The GRCRRMA is projected to be \$6.4 million under-collected as of December 31, 2008, of which the core portion is \$6.2 million. SDG&E will amortize the projected under-collected balance in 2009 rates among its customer classes on an equal percent of marginal cost (EPMC) basis. Any residual balance remaining at the end of 2009 will be transferred to the CFCA and NFCFA based on the same allocation methodology.

GSBA-C – The projected GSBA core (GSBA-C) balance as of December 31, 2008, is a \$5.2 million under-collection, representing a \$5.9 million decrease in the revenue requirement compared to the \$11.1 million under-collection authorized in 2008 rates. The decrease in the projected undercollected balance is mainly the result of core portfolio consolidation², which decreased SDG&E's storage costs.

RPBA – The projected RPBA balance as of December 31, 2008, is a \$0.8 million under-collection. This represents a \$3.7 million decrease in the revenue requirement compared to the \$4.5 million under-collection currently authorized in 2008 rates. The decrease in the projected undercollected balance is mainly the result of lower Hazardous Substance costs recovered through the RPBA.

¹ In accordance with SDG&E's Advice Letter 1955-E/1741-G filed on December 28, 2007 and approved by the Commission on January 23, 2008.

² In accordance with SDG&E's Advice Letter 1739-G filed on December 21, 2007 and approved by the Commission on January 18, 2008.

The major components of the core revenue requirement increase are noted below:

Account Name	Core Revenue Requirement Increase/(Decrease) (\$Million)
Core Fixed Cost Account (CFCA)	4.8
General Rate Case Revenue Requirement Memo Account (GRCRRMA)	6.2
Gas Storage Balancing Account (GSBA-C)	(5.9)
Rewards and Penalties Balancing Account (RPBA)	(3.8)
Other Regulatory Account Balances - net	0.1
Total (w/o FF&U³):	1.4
Total (w/ FF&U):	1.5

Noncore Customers:

A \$0.04 million increase in the total noncore transportation revenue requirement is proposed to amortize the projected year-end 2008 regulatory account balances. The increase is primarily due to the implementation of the GRCRRMA (as mentioned above) offset by an over-collection in the Natural Gas Vehicles Balancing Account (NGVA).

SoCalGas Transportation Costs

This filing reflects a decrease of approximately \$4.6 million in SoCalGas transportation costs allocated to SDG&E as reflected in SoCalGas' regulatory account balance update Advice Letter 3910, dated October 15, 2008. Core customer costs are reduced by approximately \$1.5 million and noncore customer costs are reduced by approximately \$3.1 million as a result of the change in SoCalGas transportation costs.

Summary

The table below shows the combined revenue requirement impact of SDG&E's regulatory account activity (Attachment A) and the allocation of SoCalGas' transportation costs described above, resulting in no increase to SDG&E's core customers' gas transportation rates and a \$1 million (3.0%) decrease to noncore customers' gas transportation rates. The net effect is a total gas transportation revenue requirement decrease of 0.4%, effective January 1, 2009. A summary of the revenue changes and present and proposed rates is included as Attachment B to this filing.

	Core Revenue Requirement Increase/(Decrease) (\$Million)	Noncore Revenue Requirement Increase/(Decrease) (\$Million)	Total Revenue Requirement Increase/(Decrease) (\$Million)
Regulatory Accounts	\$1.5	\$0.04	\$1.5
SoCalGas Transp.	(\$1.5)	(\$3.1)	(\$4.6)
EG Adjustment	--	\$2.1	\$2.1
TOTAL:	\$0.0	(\$1.0)	(\$1.0)

³ Franchise fees and uncollectibles.

EFFECTIVE DATE

SDG&E believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore, SDG&E respectfully requests that this filing be approved effective January 1, 2009.

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 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 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 should also be sent via e-mail to the attention of Honesto Gatchallian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest should also be sent via e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Todd Cahill
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-Mail: tcahill@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 A.02-12-028, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1788 or by e-mail to SDG&ETariffs@semprautilities.com.

KEN DEREMER
Director—Tariffs & Regulatory Accounts

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)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Megan Caulson

Phone #: (858) 654-1748

E-mail: MCaulson@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) #: 1808-G

Subject of AL: Annual Gas Regulatory Account Update Effective January 1, 2009.

Keywords (choose from CPUC listing): Compliance

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

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

D.94-12-052

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: N/A

Does AL request confidential treatment? If so, provide explanation: _____

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 1/1/09

No. of tariff sheets: 0

Estimated system annual revenue effect (%): See AL

Estimated system average rate effect (%): See AL

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: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

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 Ave.,

San Francisco, CA 94102

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Todd Cahill

8330 Century Park Ct, Room 32C

San Diego, CA 92123

tcahill@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling
S. Cauchois
J. Greig
R. Pocta
W. Scott

Energy Division

P. Clanon
S. Gallagher
H. Gatchalian
D. Lafrenz
M. Salinas

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

H. Nanjo
M. Clark

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate Reduction

M. Rochman
Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander
K. Cini
K. Gansecki
H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi
N. Furuta
L. DeLa Cruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

San Diego Gas & Electric Company
Present and Proposed Regulatory Account Balances 1/
For Proposed Rates Effective January 1, 2009

(Over) / Under Collection M\$

Attachment A
Advice Letter 1808-G

Line	Regulatory Account Name	Present 1/1/08 Amortization 2/			Proposed 1/1/09 Amortization			Proposed Change		
		Core A	Noncore B	Total C	Core D	Noncore E	Total F	Core G	Noncore H	Total I
1	Core Fixed Cost Account (CFCA)	9,929	--	9,929	14,684	--	14,684	4,754	--	4,754
2	General Rate Case Rev. Rqmt. Memo Acct. (GRCRRMA)				6,189	240	6,429	6,189	240	6,429
3	Noncore Fixed Cost Account (NFCA)	--	3,254	3,254	--	3,304	3,304	--	50	50
4	Gas Storage Balancing Account - Core (GSBA-C)	11,058	--	11,058	5,185	--	5,185	(5,873)	--	(5,873)
5	Gas Storage Balancing Account - Noncore (GSBA-NC)	--	553	553	--	428	428	--	(126)	(126)
6	Hazardous Substance Cleanup Cost Account (HSCCA)	138	297	435	157	335	492	18	38	57
7	Rewards & Penalties Balancing Account (RPBA)	4,521	176	4,696	793	31	823	(3,728)	(145)	(3,873)
8	Natural Gas Vehicles Balancing Account (NGVA)	175	374	549	76	162	238	(99)	(212)	(311)
9										
10	Integrated Transmission Balancing Account (ITBA) 3/	--	--	--	50	98	148	50	98	148
11	Interstate Transition Cost Surcharge Account (ITCS)	(45)	(96)	(140)	0	0	0	45	96	140
12	Advanced Metering Infrastructure Memo. Acct. (AMIMA)	894	35	928	5	0	6	(888)	(35)	(923)
13	Gain/Loss on Sale Memorandum Account (GLOSMA)	(945)	(37)	(982)	--	--	0	945	37	982
14	FERC Settlement Proceeds Memo. Acct. (FSPMA)	--	--	--	69	--	69	69	--	69
15										
16	Self-Generation Program Memorandum Account (SGPMA) 4/	727	28	755	727	28	755	--	--	--
17										
18	Total Amortization (w/o FF&U)	\$26,452	\$4,585	\$31,037	\$27,934	\$4,628	\$32,562	\$1,482	\$43	\$1,525
19	Total Amortization (w/ FF&U)	\$27,063	\$4,691	\$31,754	\$28,580	\$4,734	\$33,314	\$1,516	\$44	\$1,561

1/ Forecasted year-end balances are based upon recorded data through August 2007 and August 2008 respectively.

2/ Amortization amount pursuant to Consolidated Advice Letter 1740-G (12/27/07) effective January 1, 2008, which was approved by the Commission on January 31, 2008.

3/ Stand-alone ITBA is \$1,667,401 undercollected (SDG&E) and \$673,051 overcollected (SCG) resulting in combined undercollected balance of \$994,350. Combined balance re-allocated between utilities results in SDG&E allocation of \$148,158 (14.9%).

4/ Represents the authorized annual revenue requirement.

Summary of Annual Gas Transportation Revenues

SAN DIEGO GAS & ELECTRIC
 Regulatory Account Filing October 2008
 Advice Letter 1808-G
 Attachment B

		BCAP Volumes	At Present Rates		At Proposed Rates		Changes				
			Oct-1-08 Revenues	Average Rate	Jan-1-09 Revenues	Average Rate	Revenues	Rates	Percent		
		A	B	C	D	E	F	G	H		
		<i>mtherms</i>	<i>\$1,000</i> <i>1/</i>	<i>¢/therm</i>	<i>\$1,000</i> <i>1/</i>	<i>¢/therm</i>	<i>\$1,000</i>	<i>¢/therm</i>			
1	Residential	1/	326,207	\$195,086	59.804	\$195,507	59.933	\$421	0.129	0.2%	1
2	Comml & Industrial	1/	129,794	\$38,123	29.372	\$37,741	29.077	(\$382)	(0.294)	(1.0%)	2
3	NGV	1/	4,030	\$3,829	95.004	\$3,815	94.662	(\$14)	(0.342)	(0.4%)	3
4	Total CORE		460,031	\$237,037	51.526	\$237,062	51.532	\$25	0.005	0.0%	4
5											5
6	Comml & Industrial	1/	86,211	\$6,820	7.911	\$6,590	7.644	(\$230)	(0.267)	(3.4%)	6
7	<u>Elec Generation :</u>										7
8	Pre-Semprawide	1, 2/	897,926	\$30,053	3.347	\$27,137	3.022	(\$2,916)	(0.325)	(9.7%)	8
9	Adjustment	1, 2/		(\$1,683)	(0.187)	\$423	0.047	\$2,106	0.234	125.1%	9
10	EG Totals		897,926	\$28,371	3.160	\$27,560	3.069	(\$811)	(0.090)	(2.9%)	10
11											11
12	Total NCORE		984,137	\$35,191	3.576	\$34,150	3.470	(\$1,041)	(0.106)	(3.0%)	12
13											13
14	TRANSPORT RATE REV		1,444,168	\$272,228	18.850	\$271,212	18.780	(\$1,016)	(0.070)	(0.4%)	14

- Notes** 1/ Present Rates reflect gas rates filed in AL 1796-G, effective October 1, 2008.
 Both Present and Proposed Rates exclude all costs related to SDG&E procurement, including CITCS charges.
- 2/ The Totals reflect a "stand-alone" EG rate for transportation service through both SDG&E and SoCalGas.
 The Adjustment reflects the Semprawide rate adjustment to equalize the EG rates of SDG&E and SoCalGas.