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January 15, 2010

ADVICE LETTER 2137-E/1917-G
(U 902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: MODIFICATION OF REGULATORY ACCOUNTS FOR RECOVERY OF
ASSEMBLY BILL (AB) 32 ADMINISTRATIVE FEES**

San Diego Gas & Electric Company (SDG&E) hereby submits for approval with the California Public Utilities Commission (Commission) revisions to its electric and gas tariffs as shown on Attachment A and B.

PURPOSE

This filing seeks approval to modify SDG&E's gas Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCFA), and electric Energy Resource Recovery Account (ERRA) to record AB 32 administrative fees paid to the California Air Resources Board (ARB) for cost recovery in future gas transportation and electric commodity rates, respectively.

DISCUSSION

On September 26, 2006, Governor Schwarzenegger signed AB 32, the Global Warming Solutions Act of 2006. The legislation requires a reduction of greenhouse gas (GHG) emissions to 1990 levels by 2020. The ARB is the lead agency for implementing AB 32 and is responsible for setting the major milestones for establishing the program. In addition, AB 32 authorizes the ARB to adopt, by regulation based on Health and Safety Code section 38597, a schedule of fees to be paid by sources of GHG emissions to support the administrative costs of implementing AB 32.

The ARB adopted the administrative fee during a public hearing on September 25, 2009 and is currently in the rulemaking process to institute this fee. SDG&E's allocation of the administrative fees has not been determined at this time but is anticipated to be billed by the ARB in the third quarter of 2010 for payment by the fourth quarter of 2010. Total administrative fees to fund the ongoing AB 32 program costs incurred by ARB and other State agencies, is estimated at \$36 million annually. The annual fees will also include the repayment of funds loaned to the ARB, including accrued interest, for expenditures associated with prior year fiscal periods.

Modification to the ERRA, CFCA and NFCA

To ensure SDG&E recovers these administrative fees from its customers, SDG&E plans to record these costs to the ERRA, CFCA and NFCA. The allocation of the gas costs between core and noncore customers will be on an equal cents per therm (ECPT) basis and will be recovered in rates in connection with SDG&E's Annual Gas Regulatory Account Balance Update filings for rates effective January 1 of the following year. The recovery of the electric costs will occur annually through SDG&E's ERRA.

Credit Adjustment for Customers Directly Billed by the ARB

Since the ARB will directly bill wholesale and electric generation customers for their allocation of AB 32 administrative fees, SDG&E plans to establish a credit surcharge adjustment to these noncore customers to prevent them from being charged twice for these costs through amortization of the NFCA balance.

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 must be 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:

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 Honesto Gatchalian (jni@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. A copy of the protest should 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: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1748
E-mail: mcaulson@semprautilities.com

EFFECTIVE DATE

SDG&E believes this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. This filing is consistent with Resolution 09-36 on ARB Rulemaking on Administration Fees Regulation and the Energy Division's agreement that these costs should be recoverable from ratepayers and therefore SDG&E respectfully requests that this filing be approved February 14, 2010, which is more than thirty (30) calendar days after the date filed.¹

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list which includes parties on service lists A.06-12-009 and A.08-02-001 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) 654-1748 or by e-mail at SDG&ETariffs@semprautilities.com.

RON VAN DER LEEDEN
Director – Rates, Revenues & Tariffs

(cc list enclosed)

¹ Energy Division letter dated June 23, 2009 to the Ms. Mary Nichols, Chair-California Air Resources Board.

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: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@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) #: 2137-E/1917-G

Subject of AL: Modification of Regulatory Accounts for Recovery of Assembly Bill (AB) 32

Administrative Fees _____

Keywords (choose from CPUC listing): Compliance, Tariffs, Balancing Account

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: None

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: None

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 2/14/2010

No. of tariff sheets: 9

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: ERRA, CFCA and NFCA

Service affected and changes proposed¹: None

Pending advice letters that revise the same tariff sheets: None

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: Megan Caulson

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mcaulson@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

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

Pacific Gas & Electric Co.

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

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman
J. Porter

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. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

A.06-12-009
A.08-02-001

ATTACHMENT A
ADVICE LETTER 2137-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 21606-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ENERGY RESOURCE RECOVERY ACCOUNT (ERRA), Sheet 1	Original 19426-E
Revised 21607-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ENERGY RESOURCE RECOVERY ACCOUNT (ERRA), Sheet 2	Original 19427-E
Revised 21608-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ENERGY RESOURCE RECOVERY ACCOUNT (ERRA), Sheet 3	Revised 21122-E
Revised 21609-E	TABLE OF CONTENTS, Sheet 1	Revised 21600-E

ATTACHMENT B
ADVICE LETTER 1917-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 18013-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 1	Revised 17170-G
Revised 18014-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 3	Revised 16140-G
Revised 18015-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 1	Revised 17171-G
Revised 18016-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 3	Revised 16142-G
Revised 18017-G	TABLE OF CONTENTS, Sheet 1	Revised 18011-G



PRELIMINARY STATEMENT

Sheet 1

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

1. Purpose

Pursuant to D.02-10-062 and D.02-12-074, the purpose of the ERRA is to provide full recovery of the Utility's energy procurement costs associated with fuel and purchased power, Utility retained generation (URG), ISO related costs and costs associated with its residual net short procurement requirements to serve its bundled service customers. The ERRA shall include revenues received from the Utility's Electric Energy Commodity Charge (EECC) adjusted to exclude revenues assigned to any state agency, including the California Department of Water Resources (DWR). In addition, the ERRA shall include revenues from Schedule EECC-TBS. The ERRA shall also record the revenue over or under collections associated with the baseline allowance changes as authorized in Commission Decision D.02-04-026, as modified by D.02-05-010, and the provisions of D.04-02-057 and Assembly Bill (AB) 32 administrative fees paid to the California Air Resources Board (ARB) pursuant to Advice Letter AL 2137-E/1917-G. Pursuant to D.02-12-074, ongoing transition costs ("above market") associated with qualifying facilities and eligible purchase power contracts should be recorded in the Transition Cost Balancing Account (TCBA).

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2. Applicability

The ERRA shall be applied only to the Utility's bundled service customers.

3. ERRA Rate

The ERRA rate will be included as part of the Utility's total Schedule EECC rate. The Utility will file its first ERRA application on June 1, 2003 to establish the initial ERRA rate. Until such time that the initial ERRA rate becomes effective, revenues derived from the current and effective Schedule EECC rate, less revenues assigned to DWR, shall be recorded to the ERRA on a monthly basis.

4. Effective Date

This tariff is effective for service rendered on and after January 1, 2003.

5. Accounting Procedure

The Utility shall maintain the ERRA by making entries at the end of each month as follows:

- a. An entry equal to the at or below market costs associated with the Portland General Electric contract.
- b. An entry equal to the at or below market costs associated with the Utility's eligible qualifying facility (QF) contracts.
- c. An entry equal to the costs associated with the Utility's other purchase power, including renewable energy procurement.
- d. A debit entry for electric AB 32 administrative fees paid to the ARB.

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Advice Ltr. No. 2137-E

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Jan 15, 2010

Effective _____

Resolution No. _____



PRELIMINARY STATEMENT

Sheet 2

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

5. Accounting Procedure (Continued)

- e. An entry equal to the Utility pro rata share of the net proceeds from sales of surplus Utility and DWR energy. T
- f. An entry equal to the costs associated with SONGS and electric generation fuel and fuel-related expenses, including in lieu payments payable to communities where SDG&E-owned power plants are located pursuant to D.05-08-005 or other applicable Commission decisions. T
- g. An entry equal to ISO-related costs charged to the Utility. T
- h. An entry equal to the costs associated with the Utility's energy procurement commitments and self procured ancillary service costs to fulfill its net short electric requirement. T
- i. An entry equal to other energy procurement-related costs not recovered through the Utility's Cost of Service or other cost recovery mechanism. T
- j. An entry equal to the revenue billed during the month from the Schedule EECC rate adjusted to exclude revenues assigned to the DWR net of franchise fees and uncollectible accounts expense. The revenue shall be adjusted to credit the revenue shortfall, associated with the Family Electric Rate Assistance (FERA) Program, recorded in the FERA Subaccount in the electric Baseline Balancing Account (BBA) as authorized in Commission D.04-02-057. T
- k. An entry equal to the revenue billed during the month from the Electric Energy Commodity Cost – Transitional Bundled Service Schedule (Schedule EECC-TBS), net of franchise fees and uncollectible accounts expense. T
- l. An entry equal to the revenue received from the CCA Cost Responsibility Surcharge, net of the revenue assigned to DWR. T
- m. An entry equal to the shortfall associated with the baseline allowance changes as authorized in Commission D.02-04-026 and as modified by D.02-05-010, until a decision is issued in Phase 2 of OIR 01-05-047. T
- n. An entry to reflect any transfers from other regulatory accounts as authorized by the Commission. T
- o. A debit entry equal to incentive payments to customers participating in the Statewide Pricing Pilot (SPP) Program authorized in the Phase 1 decision of the advanced metering, demand response, and dynamic pricing proceeding. T
- p. An entry, as applicable, to reflect the ratepayer portion of the electric generator refunds as directed in Resolution E-3893. T

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Advice Ltr. No. 2137-E

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Regulatory Affairs

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Resolution No. _____



PRELIMINARY STATEMENT

Sheet 3

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

5. Accounting Procedure (Continued)

- q. A debit entry equal to energy incentive payments for applicable programs adopted in D.05-01-056. T
- r. An entry to reflect any rewards or penalties associated with the adopted heat rate incentive authorized in D. 04-06-011 for the Palomar Energy Center. T
- s. A debit entry to record the fees associated with participation in the Western Renewable Energy Generation Information System (WREGIS). T
- t. An entry to reflect the revenues or costs associated with procurement transactions for Congestion Revenue Rights (CRRs). T
- u. A debit entry equal to Peak Time Rebate (PTR) incentive payments made to residential and small commercial customers as authorized in D.08-02-034. T
- v. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 5.a. through 5.t. 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, H.15. or its successor. T

6. Trigger Mechanism

In accordance with Assembly Bill (AB) 57, a trigger mechanism will be in place that will consider the relationship between the cumulative balance in the ERRA and the prior year recorded generation revenues excluding revenues collected for DWR. Recorded generation revenues for 2008, excluding revenues collected for DWR, were \$1,030 million. Pursuant to D. 07-05-008, in any month when the balance in the ERRA reaches 4% (\$41.2 million) of the prior year recorded electric commodity revenues excluding DWR revenue, the Utility will notify the Commission through advice letter filing, instead of expedited application, that no rate change will be necessary if the Utility forecasts that the ERRA balance will self-correct below the trigger within 120 days of filing. The Utility shall include the necessary documentation to support this advice letter filing. The Utility shall continue to file an expedited application during those instances where the ERRA balance exceeds the trigger point and rate changes are necessary to amortize the balance. In those instances where the Commission rejects an advice letter filing, the Utility shall file an application within 15 days after rejection. The application will include a projected account balance in 60 days or more from the date of filing depending on when the balance will reach the 5% (\$51.5 million) threshold. The application will also propose an amortization period for the five percent of not less than 90 days to ensure timely recovery of the projected ERRA balance. The application should also include allocation of the amortized balance among customers based on the existing allocation methodology recognized by the Commission. The AB 57 trigger mechanism application should not be used to refund overcollections until it has been in operation for a full 12 months (D.02-10-062, Conclusion of Law 18).

7. Filing and Update Process

The ERRA will follow a semiannual update process as described in D.02-10-062 and D.02-12-074. The Utility will file applications on June 1 and October 1 of each year. The June 1 application will address the review of the balancing account, contract administration, energy resources expenses and energy dispatch. The October 1 application will propose an energy resource forecast for the upcoming 12 months and a new ERRA rate based on that forecast.

8. Baseline Shortfall Subaccount (BSS)

- a. Purpose: Pursuant to D. 04-02-057, the purpose of the Baseline Shortfall Subaccount (BSS) is to record the commodity shortfall to maintain revenue neutrality resulting from 1) amortization of the Baseline Balancing Account (BBA) in the electric distribution rate, and 2) the adjustment to the Distribution and CTC rates to eliminate the ongoing shortfall related to the baseline allowance changes to utility distribution company (UDC) rates made pursuant to D.02-04-026.

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Jan 15, 2010

Advice Ltr. No. 2137-E

Lee Schavrien

Effective

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Senior Vice President
Regulatory Affairs

Resolution No. _____



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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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Advice Ltr. No. 2137-E

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Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Jan 15, 2010

Effective _____

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PRELIMINARY STATEMENT

Sheet 1

IV. BALANCING ACCOUNTS
CORE FIXED COST ACCOUNT (CFCA)

1. Purpose

The CFCA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to record the difference between the Utility's authorized gas core transportation base margin revenue requirement (excluding transmission revenue requirements upon implementation of system integrated rates pursuant to D.06-04-033) and the corresponding recorded base margin revenues from authorized gas transportation rates, in accordance with Commission D.08-07-046.

The CFCA shall also record the difference between recorded expenses and revenues related to the recovery of transportation charges billed by SoCalGas to SDG&E, Unaccounted For (UAF) gas and Company Use (CU) gas. In addition, the CFCA will record administrative costs and uncollected deferred billings associated with implementing the Energy Payment Deferral Plan for qualifying citrus growers and other qualifying affected agricultural growers pursuant to Resolution E-4065 and Assembly Bill (AB) 32 administrative fees paid to the California Air Resources Board (ARB) pursuant to Advice Letter 2137-E/1917-G.

This account shall be divided into three subaccounts: 1) base margin revenue requirement, 2) SoCalGas transportation costs and 3) other SDG&E costs.

The effective date of this account shall be June 1, 2005.

2. Applicability

The CFCA shall apply to all core customers unless otherwise specified by the Commission.

3. Rates

The CFCA will be recovered through the core transportation rate.

4. Authorized Gas Base Margin Revenue Requirement

The Utility's authorized gas base margin revenue requirement reflects the revenue requirement adopted in Commission D.08-07-046. The authorized revenue requirement shall be revised annually pursuant to in D.08-07-046.

The authorized gas core transportation base margin revenue requirement is recorded to the CFCA on a monthly basis to reflect the following seasonality percentage factors:

JAN	14.32	JUL	5.61
FEB	12.87	AUG	4.92
MAR	11.17	SEP	5.01
APR	8.65	OCT	5.55
MAY	6.76	NOV	7.05
JUN	6.40	DEC	11.69

The seasonality percentage factors may be updated, if needed, pursuant to the applicable Biennial Cost Allocation Proceeding (BCAP) or other appropriate proceeding.

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Advice Ltr. No. 1917-G

Decision No. _____

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Lee Schavrien
Senior Vice President
Regulatory Affairs

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PRELIMINARY STATEMENT

Sheet 3

IV. BALANCING ACCOUNTS
CORE FIXED COST ACCOUNT (CFCA)

7. Energy Payment Deferral Plan for Citrus and Agricultural Growers

Resolution E-4065 authorizes an Energy Payment Deferral Plan to provide relief to growers' whose crops were destroyed by frost damage in January 2007. It permits growers to defer up to 50% of their bills from February 2007 through January 2008 associated with citrus and other qualifying agricultural production without incurring interest charges. Beginning February 2008 growers will be billed the accrued deferral in up to twelve equal monthly installment payments. The Utility is authorized to recover the monthly administrative costs and any uncollected deferred billings. Administrative costs will be allocated to the CFCA based on the number of core customers in the plan to the total number of customers in the plan.

8. Accounting Procedure – Other SDG&E Costs

The Utility shall maintain this subaccount by making entries at the end of each month, net of FF&U, as follows:

- a. A debit entry equal to the costs to recover core UAF and CU gas.
- b. A debit entry equal to the recorded costs of intervenor compensation payments that are not collected through gas transportation rates.
- c. A debit entry for core's allocation of gas AB 32 administrative fees paid to the ARB.
- d. A credit entry equal to the UAF and CU revenues, equal to the rate component embedded in rates to recover specific costs related to UAF and CU gas, multiplied by the applicable gas deliveries.
- e. A debit entry equal to the incremental administrative costs and any amounts written off as uncollectible as a result of the 2007 citrus and other agricultural growers' Energy Payment Deferral Plan.
- f. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 8.a through 8.d 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, H.15, or its successor publication.

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9. Disposition

The Utility shall file in October of each year its annual update of regulatory account balances by advice letter to amortize the projected year-end balance in the CFCA in the core transportation rate effective January 1 of the following year.



PRELIMINARY STATEMENT

Sheet 1

IV. BALANCING ACCOUNTS
NONCORE FIXED COST ACCOUNT (NFCA)

1. Purpose

The NFCA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to record the difference between the Utility's authorized gas noncore transportation base margin revenue requirement (excluding transmission revenue requirements upon implementation of system integrated rates pursuant to D.06-04-033) and the corresponding recorded base margin revenues from authorized gas transportation rates, in accordance with Commission D.08-07-046.

The NFCA shall also record the difference between recorded expenses and revenues related to the recovery of transportation charges billed by SoCalGas to SDG&E, Unaccounted For (UAF) gas and Company Use (CU) gas. In addition, the NFCA will record administrative costs and uncollected deferred billings associated with implementing the Energy Payment Deferral Plan for qualifying citrus growers and other qualifying affected agricultural growers pursuant to Resolution E-4065 and Assembly Bill (AB) 32 administrative fees paid to California Air Resources Board (ARB) pursuant to Advice Letter 2137-E/1917-G.

This account shall be divided into three subaccounts: 1) base margin revenue requirement, 2) SoCalGas transportation costs and 3) other SDG&E costs.

The effective date of this account shall be June 1, 2005.

2. Applicability

The NFCA shall apply to all noncore customers unless otherwise specified by the Commission.

3. Rates

The NFCA will be recovered through the noncore transportation rate.

4. Authorized Gas Base Margin Revenue Requirement

The Utility's authorized gas base margin revenue requirement reflects the revenue requirement adopted in Commission D.08-07-046. The authorized revenue requirement shall be revised annually pursuant to D.08-07-046.

The authorized gas noncore transportation base margin revenue requirement is recorded to the NFCA on a monthly basis to reflect the following seasonality percentage factors:

JAN	7.52	JUL	9.02
FEB	7.43	AUG	9.68
MAR	7.60	SEP	9.19
APR	7.19	OCT	8.86
MAY	6.97	NOV	8.88
JUN	8.21	DEC	9.45

The seasonality percentage factors may be updated, if needed, pursuant to the applicable Biennial Cost Allocation Proceeding (BCAP) or other appropriate proceeding.

(Continued)

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Advice Ltr. No. 1917-G

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Jan 15, 2010

Effective _____

Resolution No. _____

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PRELIMINARY STATEMENT

Sheet 3

IV. BALANCING ACCOUNTS
NONCORE FIXED COST ACCOUNT (NFCA)

7. Energy Payment Deferral Plan for Citrus and Agricultural Growers

Resolution E-4065 authorizes an energy payment deferral plan to provide relief to growers' whose crops were destroyed by frost damage in January 2007. It permits growers to defer up to 50% of their bills from February 2007 through January 2008 associated with citrus and other qualifying agricultural production without incurring interest charges. Beginning February 2008 growers will be billed the accrued deferral in up to twelve equal monthly installment payments. The Utility is authorized to recover the monthly administrative costs and any uncollected deferred billings. Administrative costs will be allocated to the NFCA based on the percentage of the number of noncore customers in the plan to the total number of customers in the plan.

8. Accounting Procedure – Other SDG&E Costs

The Utility shall maintain this subaccount by making entries at the end of each month, net of FF&U, as follows:

- a. A debit entry equal to the costs to recover noncore UAF and CU gas.
- b. A debit entry equal to the recorded costs of intervenor compensation payments that are not collected through gas transportation rates.
- c. A debit entry equal to noncore's allocation of gas AB 32 administrative fees paid to the ARB.
- d. A credit entry equal to the UAF and CU revenues, equal to the rate component embedded in rates to recover specific costs related to UAF and CU gas, multiplied by the applicable gas deliveries.
- e. A debit entry equal to the incremental administrative costs and any amounts written off as uncollectible as a result of the 2007 citrus and other agricultural growers' Energy Payment Deferral Plan.
- f. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 8.a through 8.d 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, H.15, or its successor publication.

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9. Disposition

The Utility shall file in October of each year its annual update of regulatory account balances by advice letter to amortize the projected year-end balance in the NFCA in the noncore transportation rate effective January 1 of the following year.



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Sheet 1

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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