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September 3, 2008

ADVICE LETTER 2021-E
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: NOTIFICATION OF STATE STREET GLOBAL ADVISORS EAFE FUND
PERCENTAGE INCREASE**

PURPOSE

San Diego Gas & Electric Company (SDG&E) hereby notifies the California Public Utilities Commission (Commission) of the increase in State Street Global Advisors' (SSGA) allocation in foreign equity funds in the Qualified Nuclear Decommissioning Trust (NDT). In addition, this Advice Letter notifies the Commission of the removal of Mellon Bank, N.A. (Mellon) as an interim asset manager of the UBS Global Asset Management (UBS) legacy assets.

BACKGROUND

In Order Instituting Investigation No. 86 (OII 86) the Commission conducted an extensive investigation, on its own motion, into alternative methods of financing the ultimate cost of decommissioning the nuclear power plants owned by California utilities.¹ In Decision (D.) 87-05-062, dated May 29, 1987, the Commission adopted externally managed investment funds as vehicles for accruing funds for nuclear decommissioning.² In that Decision, the Commission also established guidelines for these trust agreements.³

In response to D.87-05-062, SDG&E established two trust agreements for its nuclear decommissioning costs. One trust agreement was established as the vehicle to hold the decommissioning funds for contributions, which qualify for an income tax deduction under Section 468A of the Internal Revenue Code (Qualified Trust),⁴ and the other was designed to hold the remaining funds (Nonqualified Trust).⁵ In D.87-05-062, the Commission concluded that Nonqualified Trust fund investments in high quality equity securities shall not exceed 60% of the trust fund's fair market value. Therefore, the fixed-income allocation must be at least 40% for the Nonqualified Trust. On November 25, 1987, SDG&E's trust agreements were approved by the Commission⁶, and executed shortly thereafter.

¹ OII 86, January 21, 1981, p. 3.

² D.87-05-062, May 29, 1987, Ordering Paragraph No. 2, pp. 37-38.

³ Id. Conclusions of Law 5 and 6, p. 37.

⁴ San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Stations.

⁵ San Diego Gas Electric Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Stations.

⁶ See, Resolution No. E-3060, November 25, 1987.

In relevant part, Section 3.01, of both trust agreements, provides for the establishment of the Committee consisting of five members, at least three of which cannot be employees, officers, directors, or agents of SDG&E.⁷ Pursuant to Sections 1.01 and 5.01 of the trust agreements, and subject to Commission approval of the investment management agreements, the Committee is authorized to appoint one or more Investment Managers to direct the investments of all or part of the trust assets.

DISCUSSION

On December 18, 2007, the NDT Committee unanimously voted to terminate the investment management services of UBS and appoint Mellon Bank, the current NDT Trustee and Custodian, as interim investment manager in accordance with Section 7 of the NDT Master Trust Agreement. SDG&E Advice Letter (AL) 1967-E, filed February 15, 2008 and approved effective March 16, 2008, sought CPUC approval of UBS' termination and the interim appointment of Mellon Bank, so that the Qualified Trust would be invested within the levels authorized by the Commission in D.87-05-062 and D.95-07-055, and also to achieve appropriate diversification to maximize returns on a risk-adjusted basis. In accordance with AL 1967-E, SDG&E is providing notification of the increase to the allocation percentage of the SSGA Europe, Australasia and Far East (EAFE) Index account and the subsequent removal of Mellon as the interim asset manager of the UBS legacy assets.

On July 1, 2008, the UBS legacy assets were rolled over into the SSGA EAFE Index portfolio, ending Mellon's role as the interim asset manager and making SSGA the sole foreign equity asset manager. The roll-over increased the Qualified Trust portfolio allocation to the existing SSGA EAFE account from about 10% to 20%. The maximum total percentage for foreign equity assets in the qualified trust remains at 20%. Moreover, the transfer did not affect the overall trust asset allocation.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

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 requests that this Advice Letter become effective October 3, thirty days from 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 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:

⁷ Qualified Trust and Nonqualified Trust Agreements, Article 3.01.

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 (inj@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: 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, 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 at SDG&ETariffs@semprautilities.com.

KEN DEREMER
Director – Tariffs & Regulatory Accounts

(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)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Will Fuller

Phone #: (858) 654-1885

E-mail: wfuller@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) #: 2021-E

Subject of AL: Notification of State Street Global Advisors EAFE Fund Percentage Increase

Keywords (choose from CPUC listing): Nuclear Decommissioning

AL filing type: Monthly Quarterly Annual One-Time Other

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

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: 10/3/08

No. of tariff sheets: 0

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: 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

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