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October 10, 2008

ADVICE LETTER 2032-E
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: REVISIONS TO THE LITIGATION COST MEMORANDUM ACCOUNT (LCMA)

San Diego Gas & Electric Company (SDG&E) hereby submits for approval the following revisions to its electric tariffs as shown in the enclosed attachment.

PURPOSE

This Advice Letter revises SDG&E's Litigation Cost Memorandum Account (LCMA) to clarify its intent, which is to record refund settlement litigation fees associated with the 2000-2001 energy crisis, as directed by Ordering Paragraph 7 of California Public Utilities Commission (Commission) Resolution E-3893 dated November 19, 2004.

DISCUSSION

Resolution E-3893 authorized SDG&E, among other things, to retain litigation proceeds that were "set aside" as part of Federal Energy Regulatory Commission (FERC) approved refunds for the energy crisis period of October 2000 to January 2001. The Resolution directed SDG&E to establish a memorandum account to track differences between the actual energy crisis litigation costs incurred by SDG&E and the actual "set aside" litigation proceeds in each agreement. For this purpose, SDG&E established the LCMA via Advice letter 1642-E, filed December 6, 2004. Amounts recorded in the LCMA are subject to review in SDG&E's annual ERRR proceeding, filed on June 1 of each year.

As written, SDG&E's LCMA only records litigation costs associated with FERC jurisdictional refunds. However, SDG&E is incurring litigation costs for refunds that are related to the energy crisis, but are not legally deemed FERC-jurisdictional.¹ Thus, SDG&E has clarified its LCMA to include litigation costs associated with all refunds resulting from the 2000-2001 energy crisis. This treatment comports with Resolution E-3893, which states:

Allowing the IOUs to recover attorneys' fees provides them an incentive to continue to fight for ratepayer interests when otherwise they might take a more limited role...It is reasonable for the Commission to apply this policy consistently to SDG&E for litigation fees associated with obtaining refunds related to the energy crisis. (p. 7)

¹ See *Pacific Gas and Electric Co., et al. v. Arizona Electric Power Cooperative, Inc., et al.*, Case No. BC 369141, which is pending in Los Angeles County Superior Court.

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. SDG&E respectfully requests that this filing be approved effective November 9, 2008, 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:

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: 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 to service list R.06-02-013, 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) #: 2032-E

Subject of AL: Revisions to the Litigation Cost Memorandum Account (LCMA)

Keywords (choose from CPUC listing): Energy Crisis, litigation costs, memorandum account

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: 11/9/08

No. of tariff sheets: 3

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: See Table of Contents

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

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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. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.06-02-013

ATTACHMENT
ADVICE LETTER 2032-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 20893-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, LITIGATION COST MEMORANDUM ACCOUNT (LCMA), Sheet 1	Original 19494-E
Revised 20894-E	TABLE OF CONTENTS, Sheet 1	Revised 20891-E
Revised 20895-E	TABLE OF CONTENTS, Sheet 3	Revised 20871-E



PRELIMINARY STATEMENT

Sheet 1

III. MEMORANDUM ACCOUNTS
LITIGATION COST MEMORANDUM ACCOUNT (LCMA)

1. Purpose

Pursuant to Resolution E-3893, the purpose of the LCMA is to record the litigation costs associated with refunds resulting from the energy price crisis in October 2000 through January 2001. Recovery of litigation costs shall not exceed the proceeds provided for under the Claimants' Escrow accounts in the refund provisions.

2. Applicability

The LCMA shall apply to the utility's bundled service electric customers.

3. Rates

The LCMA does not have a rate component.

4. Accounting Procedure

The utility shall maintain the LCMA by making entries at the end of each month as follows:

- a. A debit entry equal to the litigation costs associated with refunds as directed by Resolution E-3893.
- b. A credit entry equal to the litigation expense "set aside" in the Claimants' Escrow accounts.
- c. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance after entries 3.a through 3.b above at a rate equal to 1/12 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.

5. Disposition

The LCMA shall be subject to review in the ERRA proceeding. Any remaining credit balance in the LCMA after the utility has fully recovered its incurred litigation costs and paid off any outstanding liabilities related to refunds should be credited to the ERRA. The utility shall make a separate filing to recover any litigation expenses that exceed the totals of the Claimants' Escrow.



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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. 2032-E

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Oct 10, 2008

Effective Nov 9, 2008

Resolution No. _____



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