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October 30, 2008

**ADVICE LETTER 2037-E**  
(U-902 E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: ANNUAL ELECTRIC REGULATORY ACCOUNT UPDATE EFFECTIVE  
JANUARY 1, 2009**

**PURPOSE**

The purpose of this Advice Letter is to describe the adjustments that are being made to San Diego Gas & Electric Company's (SDG&E) electric distribution, commodity, and Competition Transition Charge (CTC) rates effective January 1, 2009, resulting from the amortization of certain electric regulatory accounts, as described below.

**BACKGROUND**

Pursuant to the provisions of its adopted tariffs, SDG&E is authorized to amortize the projected year-end balances of certain accounts in electric distribution rates on an annual basis. Additionally, SDG&E is removing the amortization component of overcollections in the Rate Reduction Bond Memo Account (RRBMA), as authorized in AL 1945-E, and the AB X1 43 subaccount of its TCBA in CTC rates, as authorized by California Public Utilities Commission (Commission) Resolution E-3781<sup>1</sup>. Furthermore, pursuant to D.08-07-046, SDG&E is amortizing the undercollections recorded in the General Rate Case Revenue Requirement Memorandum Account (GRCRRMA) electric distribution and commodity sub-accounts in electric distribution and commodity rates, respectively.<sup>2</sup>

**DISCUSSION**

**Electric Distribution Fixed Cost Account (EDFCA)**

The projected 2008 year-end balance for amortization in electric distribution rates effective January 1, 2009 is a \$0.3 million undercollection, resulting in a revenue requirement increase of \$29.9 million from the undercollection currently amortized in rates. This increase in the revenue requirement reflects the impacts of the General Rate Case Revenue Requirement Memorandum Account (GRCRRMA). The increase in the projected under-collected balance is mainly the result of the revenues transferred to the GRCRRMA as noted below.

<sup>1</sup> As authorized in AL 1934-E, SDG&E will transfer the remaining balance in the TCBA ABX1 sub-account on December 31, 2008, projected to be approximately \$300,000 undercollected, to the on-going TCBA account and eliminate the sub-account.

<sup>2</sup> This advice filing does not address changes in amortizations related to the ERRR Trigger, Rate Design Settlement Component Account (RDSCA) or Non-Fuel Generation Balancing Account (NGBA), as these accounts will be addressed in separate advice filings to be filed by the end of 2008 as authorized by prior Commission decisions.

Tree Trimming Balancing Account (TTBA)

The projected year-end balance in the TTBA is a \$0.7 million overcollection, to be amortized as a credit in electric distribution rates effective January 1, 2009, resulting in a \$1.1 million increase in revenue requirement from the \$1.8 million overcollection in current rates.

Electric Vehicle Balancing Account (EVBA)

Pursuant to D.08-07-046, the 2008 base margin revenue requirement includes funding to recover discretionary EV expenses. Therefore the EVBA will no longer record such costs effective January 1, 2008. The projected year-end balance, including balance account activity through December 31, 2007 and interest in 2008 in the EVBA is a \$0.3 million undercollection, to be amortized in electric distribution rates effective January 1, 2009, a reduction of \$0.4 million from the \$0.7 million undercollection in current rates. Any residual balance in the EVBA at the end of 2009 will be transferred to the EDFCA and the EVBA will be eliminated.

Self-Generation Program Memorandum Account (SGPMA)

The projected year-end undercollection in the SGPMA is \$10.0 million, a \$7.5 million reduction from the \$17.5 million undercollection in current rates. The 2009 revenue requirement, which remains unchanged from 2008 at \$10 million, will be collected in electric distribution rates effective January 1, 2009.

Rewards and Penalties Balancing Account (RPBA)

The RPBA includes the projected year-end balances in the Advanced Metering and Demand Response Memorandum Account, the Advanced Metering Infrastructure Memorandum Account, the Hazardous Substance Cleanup Cost Account, and the Gain/Loss on Sale Memorandum Account. The current electric RPBA balance in rates is a \$28.0 million undercollection. The projected 2008 year-end balance for amortization is a \$25.9 million undercollection, resulting in an electric revenue requirement decrease of \$2.1 million for 2009.

Rate Reduction Bond Memorandum Account (RRBMA)

As authorized by the Commission in AL 1945-E<sup>3</sup>, SDG&E has amortized the \$19 million overcollection related to the accumulation of quarterly financed tax credits received and recorded in the RRBMA through December 31, 2008. SDG&E is removing this amortization component effective January 1, 2009 and will transfer the residual balance in the account at December 31, 2008, projected to be approximately \$2.5 million overcollected, to the on-going TCBA and eliminate the RRBMA.

Transition Cost Balancing Account (TCBA) and ABX1 43 sub-account

As authorized by Advice Letter 1934-E, SDG&E is currently amortizing a \$10.2 million overcollection in the AB X1 43 subaccount of the TCBA through December 31, 2008. Effective January 1, 2009, SDG&E is removing this amortization component. Pursuant to Advice Letter 1934-E, any residual balance in the AB X1 43 subaccount will transfer to the ongoing TCBA and the subaccount will be eliminated.

In addition, as filed in Advice Letter 1900-E<sup>4</sup>, SDG&E is amortizing a \$22 million overcollection in its ongoing TCBA. That balance has now been fully amortized, and SDG&E is re-setting the TCBA amortization to zero effective January 1, 2009.

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<sup>3</sup> SDG&E filed Advice Letter 1945-E on 11/19/07 and received approval on 12/14/07.

<sup>4</sup> Approved by letter dated 7/1/07

General Rate Case Revenue Requirement Memorandum Account (GRCRRMA)

Pursuant to D.07-12-053, SDG&E was authorized to establish the GRCRRMA effective January 1, 2008 to track the shortfall 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 (A. 06-12-009)<sup>5</sup>. In recording the activity in the GRCRRMA, SDG&E recorded appropriate adjustments to the EDFCA, for electric distribution, and the Non-Fuel Generation Balancing Account (NGBA), for electric commodity, to ensure that the adopted GRC base margin revenue requirement is properly recovered through its regulatory accounts. The projected electric distribution and commodity revenue requirements included in the GRCRRMA are a \$39 million and \$10.5 undercollection to be amortized in electric distribution and commodity rates, respectively, effective January 1, 2009. Any residual balance in the GRCRRMA electric distribution or commodity sub-accounts remaining at the end of 2009 will be transferred to the EDFCA or NGBA, respectively, and the GRCRRMA will be eliminated.

Summary

This Advice Letter implements the above-described changes in SDG&E's electric distribution, commodity, and CTC rates commencing January 1, 2009. The total net \$125.1 million increase to the revenue requirement resulting from the amortization of SDG&E's regulatory accounts is summarized in Attachment A. SDG&E's total system average electric rates will increase by approximately 0.651 cents/kWh 4.21%. Attachment B shows the rate impact, by customer class, resulting from the amortization of the balances described above.

ACCOUNT NAME	Revenue Requirement Increase/(Decrease) (\$ Million)
Electric Distribution Fixed Cost Account (EDFCA)	29.9
Tree Trimming Balancing Account (TTBA)	1.1
Electric Vehicle Balancing Account (EVBA)	(0.4)
Self-Generation Program Memorandum Account (SGPMA)	(7.5)
Rewards & Penalties Balancing Account (RPBA)	(2.1)
Rate Reduction Bond Memorandum Account (RRBMA)	19.0
Transition Cost Balancing Account (TCBA)	32.2
General Rate Case Revenue Requirement Memorandum Account (GRCRRMA)	49.5
Total Increase/(Decrease) (w/o FF&U)	121.7
Total Increase/(Decrease) (w/ FF&U)	125.1

Prior to the end of this year, there will be additional electric rate adjustments authorized by the Commission to become effective on January 1, 2009. Therefore, at least three days prior to January 1, SDG&E will file an advice letter, including appropriate tariff sheets, to consolidate all of the rate changes to become effective on January 1, 2009. The advice letter will include the tariff revisions associated with the eliminated accounts described herein.

<sup>5</sup> SDG&E filed Advice Letter 1955-E/1741-G on 12/28/07 and received approval on 1/23/08.

**EFFECTIVE DATE**

SDG&E believes that this filing 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 become effective on January 1, 2009, more than 30 days after 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 ([inj@cpuc.ca.gov](mailto:inj@cpuc.ca.gov)) and Maria Salinas ([mas@cpuc.ca.gov](mailto: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  
8315 Century Park Court, Room 32  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1788  
E-mail: [tcahill@semprautilities.com](mailto: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 A.06-12-009, 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](mailto:SDG&ETariffs@semprautilities.com).

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KEN DEREMER  
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)**

Utility type:

ELC     GAS  
 PLC     HEAT     WATER

Contact Person: Aurora Carrillo

Phone #: (858) 654-1542

E-mail: acarrillo@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) #: 2037-E

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

Keywords (choose from CPUC listing): Compliance, Balancing Accounts

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 AL<sup>1</sup>: N/A

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

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: January 1, 2009

No. of tariff sheets: 0

Estimated system annual revenue effect (%): \$125.1 Million

Estimated system average rate effect (%): 4.21%

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 proposed<sup>1</sup>: Refer to Advice Letter

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**

<sup>1</sup> 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

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J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

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City of San Diego

J. Cervantes  
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Commerce Energy Group

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W. Chen

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Davis Wright Tremaine, LLP

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Dept. of General Services

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Douglass & Liddell

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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. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties In:

A.06-12-009

**SAN DIEGO GAS & ELECTRIC**  
**Advice Letter 2037-E**  
**Present and Proposed Regulatory Account Balances**  
**Attachment A**

Line	Regulatory Account Name	Present 1/1/08 Amortization (\$000)	Proposed 1/1/09 Amortization (\$000)	Change (\$000)
1	Electric Distribution Fixed Cost Account (EDFCA)	(29,626)	288	29,914
2				
3	Tree Trimming Balancing Account (TTBA)	(1,864)	(725)	1,139
4				
5	Electric Vehicle Balancing Account (EVBA)	686	315	(371)
6				
7	Self-Generation Program Memo. Account (SGPMA) <sup>1/</sup>	17,577	10,035	(7,542)
8				
9	Rewards & Penalties Balancing Account (RPBA)			
10	- Advanced Metering and Demand Response Memo. Account	17,600	15,390	(2,210)
11	- Advanced Metering Infrastructure Memo. Account	2,941	24	(2,917)
12	- Hazardous Substance Cleanup Cost Account	160	242	82
13	-Gain/Loss on Sale Memorandum Account	-	(923)	(923)
14	- Other (RPBA) <sup>2/</sup>	<u>7,369</u>	<u>11,188</u>	<u>3,819</u>
15	Sub-total RPBA	28,070	25,921	(2,149)
16				
17	Rate Reduction Bond Memo Account (RRBMA)	(19,000)	-	19,000
18				
19	Transition Cost Balancing Account (TCBA) - ABX1 43	(10,204)	-	10,204
20				
21	Transition Cost Balancing Account (TCBA) - Ongoing	(22,000)	-	22,000
22				
23	GRC Revenue Requirement Memorandum Account (GRCRRMA) <sup>3/</sup>	-	49,528	49,528
24				
25	Total	(36,361)	85,362	121,723
26	Total w/FF&U	(36,322)	88,732	125,054

1/ 2008 revenue requirement includes 2007 amortized undercollection as authorized in AL 1934-E.

2/ Includes the amortization of 2007 PBR rewards, which were authorized by approval of Advice letter 1988-E dated June 6, 2008.

3/ Includes Electric Distribution and Electric Commodity components forecasted to be \$39 million and \$10.5 million amortized as part of 2009 electric distribution and electric commodity rates, respectively.

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**Advice Letter 2037-E**  
**ATTACHMENT B**

<b>Class Average Total Rates (¢/KWhr)</b>				
<b>Customer Class</b>	<b>Current Total Rate 9/1/2008 Rates</b>	<b>Proposed Total Rate 1/1/2009 Rates</b>	<b>Rate Change</b>	
			<b>(¢/KWhr)</b>	<b>(%)</b>
Residential	<b>16.803</b>	<b>17.710</b>	<b>0.907</b>	<b>5.40%</b>
Small Commercial	<b>17.167</b>	<b>18.005</b>	<b>0.838</b>	<b>4.88%</b>
Medium and Large C&I	<b>14.239</b>	<b>14.674</b>	<b>0.436</b>	<b>3.06%</b>
Agriculture	<b>16.807</b>	<b>17.414</b>	<b>0.606</b>	<b>3.61%</b>
Lighting	<b>15.409</b>	<b>15.676</b>	<b>0.267</b>	<b>1.73%</b>
System Total	<b>15.460</b>	<b>16.112</b>	<b>0.651</b>	<b>4.21%</b>