

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



PG&E Advice Letter (AL) 3175-E, SCE AL 2278-E, and SDG&E AL 2041-E

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February 25, 2009

Subject: Staff Disposition of revised Transitional Bundled Service (TBS) Tariffs to incorporate market changes resulting from the California Independent Systems Operator's (CAISO) Market Redesign and Technology Upgrade (MRTU)

Dear Sirs:

The Energy Division has verified that the ALs identified above comply with the criteria established by the Commission in Decision (D.) 04-01-013 for determining a pricing proxy for Temporary Bundled Service (TBS, as set forth in Finding of Fact 2 and Conclusion of Law 1), and shall be effective on the first trading date following the implementation of MRTU. If MRTU does not go live as planned, or if after Operational, MRTU is not workable so that the CAISO implements Reversion to Current Production (CP) Markets, then the most recently authorized TBS tariffs shall apply, or the utilities shall file advice letters to update TBS tariffs as applicable.

The Commission authorized the cost components identified for recovery in TBS in D.04-01-013. The significant change in the TBS rate inputs proposed in the utility ALs is the replacement of the ISO 10-Minute Settlement Interval Average Price with the day-ahead Integrated Forward Market (IFM) price to be introduced in the MRTU. PG&E and SDG&E in their ALs maintain that the utilities generally purchase power for TBS customers in advance of the real time market. SCE, in response to AReM's protest, argues that not updating the inputs used in TBS would create an inconsistency, following implementation of MRTU, between how SCE operates in the market and how TBS energy is priced. For example, following implementation of MRTU, SCE will likely procure incremental energy in the new IFM to serve the energy needs of direct access (DA) customers returning to bundled service. But if TBS is not modified, the price paid for energy by TBS customers would continue to reflect a real-time incremental settlement price.

The December 27, 2007 and November 12, 2008 protests of the Alliance for Retail Energy Markets (AReM) to Pacific Gas and Electric Company (PG&E) AL 3175-E and Southern California Edison Company (SCE) AL 2278-E respectively are rejected. Neither protest presented any substantive grounds to support either rejecting the ALs or modifying the TBS

tariffs as proposed. AReM believes that changes in the TBS rate calculation necessary with MRTU implementation would best be addressed in a consolidated proceeding that can address the TBS rates of all three utilities, such as Phase 3 of R.07-05-025, where the proceeding scope includes the DA Switching Rules.

We do not direct the utilities to make TBS proposals for consideration in R.07-05-025 at this time, due to uncertainty as to how that proceeding will unfold. Moreover, if MRTU becomes operational in March of 2009, the schedule of R.07-05-025 would not yield a timely result. Protests could have raised issues sufficient for Energy Division to reject ALs in favor of consideration in a formal proceeding. Alternatively, the advice letter procedures are adequate for the Commission to address issues with TBS computations by resolution, had any been raised. However, we recognize that uncertainty about the operation of the MRTU exists. Therefore, per Section 7.5.1 of General Order 96-B,¹ once MRTU has operated for a time, we will reopen the protest period so that parties have a chance to raise their concerns for Commission consideration, based on experience with the MRTU. The protest period will be re-opened for twenty days starting 90 days after the first trading date that the MRTU becomes operational.

Sincerely,



Julie A. Fitch, Director
Energy Division

cc: Megan Lawson, PG&E at mehr@pge.com
James Schichtl, SCE at James.Schichtl@sce.com
Megan Caulson, SDG&E at MCaulson@SempraUtilities.com
Protestant: Gregg Klatt for AReM at douglass@energyattorney.com
Steve Roscow, Supervisor, Energy Division at scr@cpuc.ca.gov
Maria Salinas at mas@cpuc.ca.gov
Honesto Gatchalian at jnj@cpuc.ca.gov
Kathryn Auriemma at kdw@cpuc.ca.gov

¹ “The reviewing Industry Division, on its own motion or at the request of any person, may issue a notice continuing or reopening the protest period. Any new protest shall be limited to the substance of the supplement or additional information.”



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November 13, 2008

ADVICE LETTER 2041-E
(U 902-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: MODIFICATION OF SCHEDULE ELECTRIC ENERGY COMMODITY COST – TRANSITIONAL BUNDLED SERVICE (EECC-TBS) TO ALIGN WITH IMPLEMENTATION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR’S (CAISO) MARKET REDESIGN AND TECHNOLOGY UPGRADE (MRTU)

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 filing is being made to revise Electric Rate Schedule EECC-TBS to incorporate market changes resulting from the CAISO MRTU implementation, which is expected to be executed during the first quarter of 2009.

BACKGROUND

The EECC-TBS rate schedule applies to Direct Access and Community Choice Aggregation Service customers who: (1) elect Transitional Bundled Service (TBS) as prescribed in Rule 25.1 (Switching Exemptions); or who take Bundled Service prior to the end of the mandatory six-month notice period required to elect Bundled Service as prescribed in Rules 25.1 and 27 (Community Choice Aggregation Rules). Currently, the EECC-TBS rate reflects the total hourly cost of procuring energy from the CAISO, based on the 10-minute Settlement Interval Average Price, and is adjusted for the cost of Unaccounted for Energy, Ancillary Services, and Grid Management Charges incurred by SDG&E in procuring energy for EECC-TBS customers. Upon implementation of MRTU, several of the CAISO charges that comprise the hourly market prices will be adjusted. Therefore, the proposed revisions are necessary to calculate the EECC-TBS rate upon MRTU implementation.

Notable differences in the MRTU market include: the introduction of a day ahead market (referred to as the Integrated Forward Market – IFM) and a Location Marginal Pricing (LMP) methodology.

TARIFF REVISIONS

SDG&E proposes to replace the existing price inputs to the EECC-TBS rate calculation with the comparable components available under MRTU.

Unaccounted for Energy (UFE), Ancillary Services, and Total System Load

UFE, ancillary services costs, and total system load will continue to be calculated using data available in MRTU that corresponds to data available today.

An adjustment for the cost of UFE is made by multiplying the hourly energy price by a factor equal to one plus the UFE percentage. The UFE percentage under MRTU is conceptually unchanged.

An adjustment for ancillary service costs paid by SDG&E to the ISO is currently included in the hourly TBS Energy Cost. SDG&E intends to include ancillary service costs and system load data available in MRTU consistent with data currently used.

Development of Hourly Power Costs

The hourly market price, currently calculated based on the real time market prices, will be calculated based on the day ahead LMPs at SDG&E's Load Aggregation Point (LAP).

The primary component of the TBS Energy Cost is the hourly market price. This is currently based on the 10-minute Settlement Interval Average Price as published by the ISO OASIS website each trading day. While this hourly market price represents a real-time price for energy, over the course of the six month period that returning customers are on the TBS rate SDG&E will generally purchase power for these customers in advance of the real time market. Therefore, the TBS rate should be based on day ahead prices in the Integrated Forward Market, after adjustments for distribution loss factors, franchise fees, and uncollectibles.

Adjustment for Cost of Grid Management (GMC)

Charge codes new to MRTU are being added to the EECC-TBS because these charges are also part of the marginal cost of power procured to serve TBS customers. GMC charge types reflected in the current TBS calculation are replaced with the corresponding GMC to be implemented in MRTU, including GMC for Energy and Transmission Services, and Market Usage.

An adjustment for the ISO grid management charges (GMC) is currently included in the hourly Procured Energy Cost. The GMC are published by the ISO and are subject to modification. The GMC adjustment includes charges for Energy and Transmission-Net Energy, for Energy and Transmission Service deviations and for Market Usage.

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 on the first trading date following the implementation of MRTU, but no sooner than February 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 R.02-01-011, 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) #: 2041-E

Subject of AL: Modification of Electric Schedule EECC-TBS to Align with Implementation of the California Independent System Operator's (CAISO's) Market Redesign and Technology Upgrade (MRTU)

Keywords (choose from CPUC listing): Transition Cost, Energy Charge

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: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: First trading day after implementation of MRTU, but no sooner than 2/1/2009

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: Schedule EECC-TBS and 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

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

Energy Division

P. Clanon
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Alcantar & Kahl LLP

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American Energy Institute

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APS Energy Services

J. Schenk

BP Energy Company

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Barkovich & Yap, Inc.

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California Energy Markets

S. O'Donnell
C. Sweet

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Children's Hospital & Health Center

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City of Chula Vista

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City of Poway

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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
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Goodin, MacBride, Squeri, Ritchie & Day

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J. Heather Patrick
J. Squeri

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M. Harrington

Hanna and Morton LLP

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Itsa-North America

L. Belew

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J. Nahigian

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J. Leslie

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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
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TransCanada

R. Hunter

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TURN

M. Florio
M. Hawiger

UCAN

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U.S. Dept. of the Navy

K. Davoodi
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Utility Specialists, Southwest, Inc.

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Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.02-01-011

ATTACHMENT
ADVICE LETTER 2041-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 20920-E	Schedule EECC-TBS, ELECTRIC ENERGY COMMODITY COST - TRANSITIONAL BUNDLED SERVICE, Sheet 1	Revised 19748-E
Revised 20921-E	Schedule EECC-TBS, COMMODITY COST - TRANSITIONAL BUNDLED SERVICE, Sheet 2	Revised 19749-E



Schedule EECC-TBS

Sheet 1

ELECTRIC ENERGY COMMODITY COST - TRANSITIONAL BUNDLED SERVICE

APPLICABILITY

Applicable to all Direct Access (DA) eligible customers for whom the Utility procures energy on a temporary basis, subject to the Transitional Bundled Service (TBS) provisions adopted by D.03-05-034 and D.04-01-013, and as set forth in Rule 25.1, Switching Exemptions. The TBS provisions require that DA eligible customers returning to Bundled Service while switching Energy Service Providers or for similar reasons, pay for procurement a proxy price relating to the actual cost of utility service, plus other relevant costs associated with the power procured to serve them. In addition, DA eligible customers switching from DA Service to Bundled Service or electing to switch from Bundled Service to DA Service, who receive TBS from the Utility during the advance notice period as required under Rule 25.1, will also be required to pay the procurement charge as set forth below prior to being transferred to the full Bundled Service rates of the customer's otherwise applicable tariff. Service under this schedule must be taken in conjunction with the payment of charges under Schedule DA-CRS for those customers to whom Schedule DA-CRS is applicable.

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Pursuant to California Public Utilities Commission Decision 05-12-041, except for customers returning to Bundled Service during the Follow-up notification period, as defined in Rule 27, this rate schedule may also be applicable to Community Choice Aggregation (CCA) customers returning to Bundled Service pursuant to the provisions set forth in Rule 27, CCA Rules. As applicable, CCA customers will be charged the rates set forth below in addition to the charges contained within the customer's otherwise applicable rate schedule. In addition, CCA customers are responsible for the charges shown on Schedule DWR-BC and Schedule CCA-CRS.

TERRITORY

Applicable throughout the territory served by the Utility.

RATES

The rates as set forth below are calculated using prices, costs and CAISO Tariff rates which are available on the ISO's OASIS website at www.oasis.caiso.com and the ISO's website at www.caiso.com.

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1. Development of Hourly Power Costs

The Hourly Short Term Power Cost is calculated as follows:

$$[(\text{Hourly LMP} \times \text{UFE}) + \text{AS} + \text{GMC}] \times \text{FF\&U} \times \text{DLF}$$

N

The hourly market price for energy is set at the Day-Ahead LMPs, as published by the ISO on the Cal ISO OASIS website for SDG&E's Load Aggregation Point (LAP).

N

N

The Unaccounted for Energy (UFE) factor is equal to one plus a percentage, which is determined as the straight average of the most recent six month actual UFE percentages available from the ISO Monthly Operation Report for the Board of Governors posted on the CAISO website at www.caiso.com. The UFE allowance will be revised semi-annually (January and July).

An adjustment for ancillary services (AS) costs paid by SDG&E to the ISO shall be included in the hourly TBS Energy Cost. The hourly ancillary service cost will be derived by using the ISO AS Results report. The average cost of Procured ancillary services will be applied to the Procured and Self-Procured ancillary service MWs. This total cost will be divided by the ISO System load to produce the \$/MWh ancillary service adder.

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(Continued)



Schedule EECC-TBS

Sheet 2

COMMODITY COST - TRANSITIONAL BUNDLED SERVICE

RATES (Continued)

1. Development of Hourly Power Costs (Continued)

FF&U means the non-differential franchise percentage and the uncollectibles percentage, and currently is equal to a factor of 1.012 to be used in the above rate calculation

The ISO Grid Management Charge (GMC) applicable to TBS is equal to the sum of the following GMC Charge Codes: 4505, 4506, 4546, and the weighted average rate per commodity MWh applied for Charge Codes 4534, 4535, 4536 and 4537. The GMC shall be charged on the customer's hourly metered demand. GMCs are posted on the ISO's website.

2. Franchise Fees

A Franchise Fee Differential of 5.78% will be applied to the total bills calculated under this Schedule for all customers residing within the corporate limits of the City of San Diego. Such Franchise Fee Differential shall be so indicated and added as a separate item to bills rendered to such customers.

3. Distribution Loss Factors (DLFs)

The DLF_{TLL} for each voltage level includes a factor for lost and unaccounted for energy. DLF_{TLL} will be calculated by the Utility based on the forecast hourly SDG&E UDC Service Area Load (Direct Access or CCA, plus UDC customers, including the Hourly EECC Rate Option Service) per Decision 97-08-056, as modified by Decision 97-11-026. The hourly DLF_{TLL} will be broken out by service voltage level and made available each day to market participants during the day-ahead market. The Utility will calculate the hourly DLF_{TLL} by applying the following formulae:

a. Secondary Voltage Class Customers

$$\begin{aligned} DLF_{DLL} &= 1 + [\text{Losses/Load}] \\ DLF_{TLL} &= 1.0065 \times DLF_{DLL} \end{aligned}$$

Where: Losses = $[0.0000090935 \times (\text{SysLoad})^2] + 27.21$
Load = $-[0.00000804463 \times (\text{SysLoad})^2] + [0.8586372 \times \text{SysLoad}] - 24.0524567$
SysLoad = SDG&E system load during hourly period in MW.

b. Primary Voltage Class Customers

$$\begin{aligned} DLF_{DLL} &= 1 + (\text{Losses/Load}) \\ DLF_{TLL} &= 1.0065 \times DLF_{DLL} \end{aligned}$$

Where: Losses = $[0.0000001523524 \times (\text{SysLoad})^2] + 0.427367656$
Load = $-[0.000001181634 \times (\text{SysLoad})^2] + [0.12612 \times \text{SysLoad}] - 3.533$
SysLoad = SDG&E system load during hourly period in MW.

(Continued)

2H8

Advice Ltr. No. 2041-E

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Nov 13, 2008

Effective Apr 1, 2009

Resolution No. _____

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