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November 17, 2008

ADVICE LETTER 2043-E
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: ANNUAL NON-FUEL GENERATION BALANCING ACCOUNT UPDATE

PURPOSE

The purpose of this Advice Letter is to request California Public Utilities Commission (Commission) approval of SDG&E's 2009 Non-Fuel Generation Balancing Account (NGBA) revenue requirement, reflecting updates to the San Onofre Nuclear Generating Station (SONGS) Steam Generator Replacement Project and SDG&E's Generation Plants (Miramar Combustion Turbine (CT) facility and Palomar Energy Center).

DISCUSSION

The NGBA applies to SDG&E's bundled service customers and provides recovery of approved electric generation non-fuel costs not being recovered by another component of SDG&E's electric commodity rates. Currently, SDG&E has ownership interest in SONGS, the Miramar CT facility, and the Palomar Energy Center facility, of which the non-fuel revenue requirement for each is reflected in the NGBA. The generation non-fuel revenue requirement adjustments presented in the instant advice letter have received prior Commission authorization, and are consolidated to produce an NGBA revenue requirement effective January 1, 2009.¹

As part of this advice letter, SDG&E proposes to adjust electric commodity rates to reflect the updated NGBA revenue requirement effective January 1, 2009. The NGBA change will be included in the advice letter consolidating all Commission-authorized changes in SDG&E's revenue requirements, and related changes to its rates, filed at least three days prior to the January 1, 2009 effective date of such rates. A summary of the NGBA revenue requirement for 2009 and a summary of present and proposed rates are both included herein as Attachments A and B respectively.

The following adjustments to SDG&E's NGBA, resulting in an \$8.0 million increase to the 2009 NGBA revenue requirement, are therefore effective January 1, 2009:

SONGS

The 2009 revenue requirement for SONGS margin and refueling outages remains unchanged from 2008. The 2009 authorized amounts are pending until a final decision is issued in Southern California Edison's (SCE) General Rate Case (GRC), A.07-11-011. Upon issuance, SDG&E will update the margin and refueling outage amounts, and also modify related tariff

¹ D. 06-11-026 in SONGS Steam Generator Replacement Proceeding A.06-04-018 and D.08-07-046 in SDG&E's 2008 General Rate Case Proceeding A.06-12-009.

language for SONGS for 2009. The 2009 SONGS revenue requirement includes \$1.3 million representing SDG&E's ownership share of the removal and disposal costs of the original steam generators related to the Steam Generator Replacement Program (SGRP) as approved in Decision (D.) 06-11-026. Consequently, the 2009 SONGS non-fuel revenue requirement is \$121.8 million.

SDG&E Generation

The 2009 Miramar CT and Palomar revenue requirement is \$113.5 million, a \$3.6 million increase over the 2008 revenue requirement due to attrition in the SDG&E generation revenue requirement as approved in SDG&E most recent GRC, D.08-07-046.

Amortization of December 31, 2008 Balances

The projected NGBA balance as of December 31, 2008 is a \$1.0 million overcollection and will be amortized over the next 12 months beginning January 1, 2009. The projected amount includes the balance of the SONGS O&M Balancing Account (SONGSBA), which is transferred annually to the NGBA.

This filing will not create any deviations from SDG&E's tariffs, cause withdrawal of service from any present customers, or impose any more restrictive conditions.

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 respectfully requests that this filing be approved by December 17, 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 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) #: 2043-E

Subject of AL: Annual Non-Fuel Generation Balancing Account Update

Keywords (choose from CPUC listing): _____

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: 12/17/08

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

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

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

SAN DIEGO GAS & ELECTRIC COMPANY
ADVICE LETTER 2043-E
ATTACHMENT A

2009 NGBA REVENUE REQUIREMENT
(\$ In Thousands)

	Proposed 2009 ^{1/}	Authorized 2008 ^{1/ 2/}
SONGS		
Margin (SCE GRC) ^{3/}	88,120	88,120
Margin (SDG&E GRC) ^{4/}	16,642	16,642
Refueling ^{3/}	15,736	15,736
SGRP Removal & Disposal ^{5/}	1,310	1,229
SONGS Total	121,808	121,727
SDG&E Generation (Miramar & Palomar) ^{4/}	113,517	109,887
2009 Authorized NGBA Revenue Requirement	235,325	231,614
December 31, 2008 Balances ^{6/}		
NGBA	50	500
SONGS O&M ^{7/}	(1,000)	(5,700)
Amortization of 12/31/08 Balances	(950)	(5,200)
NGBA Revenue Requirement effective 1/1/09 ^{8/}	234,375	226,414

Notes:

1/ Dollar amounts exclude FF&U.

2/ Authorized 2008 dollars reflect amounts as approved in Advice Letter 1944-E and D.08-07-046.

3/ 2008 revenue requirement approved in A.04-12-014/D.06-05-016, SCE GRC proceeding. 2008 revenue requirement level will continue pending a decision in A.07-11-011, SCE GRC proceeding.

4/ Approved in D.08-07-046, SDG&E GRC, including fixed attrition for SDG&E Generation.

5/ 2009 revenue requirement approved in A.06-04-018/D.06-11-026, SONGS Steam Generator Replacement Project proceeding.

6/ Year-end balances reflect actual data through August 2007 and forecasted amounts for September through December 2008.

7/ Under SDG&E's tariffs, the balance in the SONGSBA is transferred annually to the Non-fuel Generation Balancing Account.

8/ Amount including FF&U is \$237,188,000. Franchise fee factor is 1.028% and uncollectible factor is .141% which computes to a 1.012 gross-up factor 1/(1-.01028-.00141).

SAN DIEGO GAS & ELECTRIC COMPANY - ELECTRIC DEPARTMENT
SDG&E Advice Letter 2043-E
Attachment B

Class Average Rates (¢/kWhr)

	9/1/2008 Rates	NGBA 1/1/2009	Change (¢/kWhr)	Change (%)
Residential	16.805	16.849	0.044	0.26%
Small Commercial	17.166	17.215	0.049	0.29%
Med. & Large C&I	14.240	14.288	0.048	0.34%
Agriculture	16.807	16.853	0.046	0.27%
Lighting	15.410	15.443	0.033	0.21%
System Total	15.460	15.506	0.046	0.30%