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May 6, 2010

**ADVICE LETTER 2155-E-A**  
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: SUPPLEMENTAL FILING: REQUEST OF SAN DIEGO GAS & ELECTRIC COMPANY FOR APPROVAL OF THE SALE OF LICENSE RIGHTS TO INTELLECTUAL PROPERTY TO JUICE TECHNOLOGIES, LLC, PURSUANT TO PUBLIC UTILITIES CODE SECTION 851, RESOLUTION ALJ-186 AS EXTENDED AND MODIFIED BY RESOLUTION ALJ-202 AND ALJ-244 (SECTION 851 PILOT PROGRAM)**

### **INTRODUCTION**

Pursuant to Section 851 of the California Public Utilities Code and Resolution ALJ-186 (the Section 851 Pilot Program) as extended and modified by Resolution ALJ-202 and ALJ-244, San Diego Gas & Electric Company (“SDG&E”) respectfully requests authority to transfer an exclusive license to intellectual property (patent pending) and provide up to 12 hours per week of support to Juice Technologies, LLC (“Licensee”), on the terms and conditions specified in the Research and Development Collaboration Agreement (“Agreement”) dated December 1, 2009, between SDG&E and the Licensee. A true and correct copy of the Agreement is attached as Attachment B. This supplemental filing is being filed at the request of the Energy Division and replaces Advice Letter 2155-E in its entirety.

### **BACKGROUND**

In the course of a non-RD&D college intern project, SDG&E has invented certain intellectual property which it believes has value and, if fully developed, would result in a product which will enhance the ability of the utilities to meter electricity consumption by plug-in electric vehicles (PEVs). SDG&E believes this sophisticated new technology could potentially aid in the adoption of PEVs, which is an expressed goal of the CPUC. However, as a regulated utility, SDG&E does not believe it is the proper party to further develop and market this technology, nor does SDG&E have the necessary internal resources to efficiently and effectively prototype, manufacture, market and sell such an end product. Consequently, SDG&E has decided to license the technology concept to a knowledgeable company with specific expertise and resources available for product development and commercialization. After discussions with several prospective licensees, SDG&E has reached an agreement with Juice Technologies, LLC.

The proposed transaction consists of SDG&E providing an exclusive license to its intellectual property (patent pending) and up to 12 hours per week of labor support to Licensee Juice Technologies in return for royalties and warrants to purchase stock in the Licensee.

In accordance with the requirements for advice letter formats directed in Resolution ALJ-202, Appendix A, Section IV, SDG&E provides the following information related to the proposed transaction:

**1. Identity and addresses of all parties to the proposed transaction;**

**San Diego Gas & Electric Company, Licensor**  
101 Ash Street, HQ12B  
San Diego, California 92101

**Juice Technologies, LLC., Licensee**  
930 Kinnear Road  
Columbus, Ohio 43212

Attn: Allen K. Trial  
Telephone: (619) 699-5162  
Facsimile: (619) 699-5027  
E-mail: atrial@sempra.com

Attn: Tom Hurkmans  
Email: Tom\_Hurkmans@Plugsmart.net

**2. A complete description of the property, including its present location, condition, and use;**

Property consists of license rights to intellectual property, embodied in a patent application (U.S. Patent Application No. 12/265,678, filed 11/5/08), regarding a modularized interface and related method for connecting a plug-in electric vehicle (PEV) to the energy grid in a flexible, secure and controlled manner. The patent has not yet been awarded, however, the application has been published by the U.S. Patent and Trademark Office as Publication No. US-2010-0045232-A1.

**3. Transferee's intended use of the property;**

Licensee intends to use SDG&E's intellectual property to assist in development of a charging device or devices to enable plug-in electric vehicles to communicate charging information (such as electricity consumption and pricing information) to and from the electric grid. Eventual production and marketing of the device or devices will depend on Licensee's ability to develop and market the device as well as on the evolution of the PEV market.

**4. A complete description of the financial terms of the proposed transaction;**

In exchange for an exclusive license to use SDG&E's IP in the development, marketing and sale of charging devices, Licensee has granted to SDG&E warrants to purchase 4.99% (subject to dilution) of Licensee's equity interests, as well as a royalty of 2% of Licensee's gross revenues derived from sales of the device as well as certain other Licensee products, provided that licensee has achieved aggregate cumulative revenues of at least \$500,000.00. The grant of the License, the exercise of the warrants and payment of royalties are conditioned upon CPUC approval of the transaction. In addition, SDG&E will provide Licensee with up to 12 hours per week of labor to support the development of the technology. (See Attachment B)

**5. A description of how the financial proceeds of the transaction will be distributed;**

SDG&E requests that the Commission approve the allocation of any realized gains using the methodology as authorized by the Commission in D.06-05-041, modified by D.06-12-043, regarding the distribution of proceeds between shareholders and ratepayers from the sale of utility assets. SDG&E is proposing that any after-tax gains<sup>1</sup> resulting from the above mentioned warrants or stock, should they be converted, be allocated 67% to ratepayers and 33% to shareholders. The ratepayer portion of the allocation will be recorded to the Gain/Loss on Sale Mechanism Account (GLOSMA) on a cash basis and provided to ratepayers through the GLOSM as approved by the Commission.

SDG&E also requests that any royalties received from this transaction on a gross basis be shared between ratepayers and shareholders on a 50/50 basis, such that 50% of any royalties received will be recorded in the Rewards and Penalties Balancing Account (RPBA)<sup>2</sup> for the benefit of the ratepayers.

**6. The impact of the transaction on ratebase and any effect on the ability of the utility to serve customers and the public;**

The transaction will have no impact on ratebase. The transaction will not have an adverse effect on the public interest and will not have an adverse affect on the ability of SDG&E to continue to provide safe and reliable service to customers at reasonable rates. The proposed use of the property will not interfere in any way with the continued safe operations of utility services. If the transaction results in the development and availability of a device which enables PEV to grid communications, SDG&E and other utilities will have an additional option to consider in competitive procurement of such devices. The transaction does not warrant the more comprehensive review that would be provided through a formal Section 851 application. This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

**7. For sales of real property and depreciable assets, the original cost, present book value, and present fair market value, and a detailed description of how the fair market value was determined (e.g., appraisal);**

The transaction does not include real property or depreciable assets since the initial development costs of the underlining intellectual property was expensed by SDG&E. To determine the fair market value, SDG&E explored potential development partners through electric vehicle industry contacts. Licensing of the intellectual property was discussed with several potential parties including Eaton Corporation, Google, Pacific Northwest National Laboratories, a venture capitalist, and Juice Technologies. The only parties who expressed advanced interest in licensing the technology were the venture capitalist and Juice Technologies. Neither party offered a cash transaction. Both parties initially asked for a cash investment by SDG&E. Through a competitive bidding process between the venture capitalist and Juice Technologies, Juice agreed to license the technology for the terms specified in the attached agreement with no cash investment by SDG&E. The realized fair value would be based upon what a willing buyer would pay for

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<sup>1</sup> Calculated using tax gross-up formula as authorized in Resolution G-3399 dated July 26, 2007.

<sup>2</sup> See Attachment A for proposed revisions to the preliminary statement.

either the warrants or the stock of Licensee, should the warrants be exercised, and the royalties net of cost to support the license. If Juice Technologies holds an IPO and its stock begins to be publicly traded, SDG&E will exercise its warrant if the stock value is higher than the cost to exercise the warrant.

The expected value of the transaction is<sup>3</sup>:

	<u>Cost</u>	<u>Revenue</u>	<u>Net</u>
<b>Warrants</b>	499,900	562,000	62,100
<b>Royalties</b>		1,670,000	1,670,000
<b>Total</b>	499,900	2,232,000	1,732,100

This expected value is based on a forecast of revenues. Given the developmental stage of this intellectual property and the many uncertainties in the electric vehicle marketplace, there is no way to determine the actual value at this time. However, in no event will ratepayers share in any loss.

**8. A complete description of any recent past (within the prior two years) or anticipated future transactions that may appear to be related to the present transaction, such as sales or leases of real property that are located near the property at issue or that are being transferred to the same transferee; or for depreciable assets, sales of similar assets or sales to the same transferee;**

SDG&E is unaware of, and does not anticipate, any related transactions. Separate and apart from the proposed license transaction with Juice, SDG&E is contemplating a potential RD&D project with Juice to explore technical issues related to PEV roaming. This potential RD&D project, if selected in accordance with the criteria applicable to all RD&D projects, would not involve any amendment, change or modification to the Agreement. In addition, such potential RD&D project would be conducted in accordance with all criteria and rules applicable to all SDG&E RD&D projects.

**9. Sufficient information and documentation (including environmental documentation) to show that all of the eligibility criteria stated in Section II. of Resolution ALJ 202 have been met;**

SDG&E has provided sufficient information in this Advice Letter to establish that the transaction constitutes solely a change in rights to intellectual property and labor and no direct or indirect environmental impacts will occur as a result of the transaction. Accordingly, this Advice Letter is exempt from further action under the California Environmental Quality Act (CEQA).

**CONFIDENTIAL TREATMENT**

Attachment B contains confidential information and, therefore, is protected from disclosure under the statutory provisions of Section 583 of California Public Utilities Code and the Commission's General Order 66-C.

<sup>3</sup> Warrant valuation is based on a fourth-quarter 2009 investment made by another investor. The estimated royalties are based on Juice Technologies' internal revenue forecast over the life of the agreement discussed here within discounted 25%.

**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, or May 26, 2010. 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 Honesto Gatchalian (jn@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: Megan Caulson  
Regulatory Tariff Manager  
8330 Century Park Court, CP 32  
San Diego, CA 92123-1550  
Facsimile No. (858) 654-1788  
E-mail: [Mcaulson@semprautilities.com](mailto:Mcaulson@semprautilities.com)

**EFFECTIVE DATE**

SDG&E believes that this filing is subject to Energy Division disposition and should be classified as Tier 3 (effective after Commission approval) pursuant to GO 96-B.

**NOTICE**

A copy of this filing has been served on the utilities and interested parties in R.09-08-009, R.08-12-009 and the those 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](mailto:SDG&ETariffs@semprautilities.com).

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CLAY FABER  
Director – Regulatory Affairs

(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) #: 2155-E-A

Subject of AL: Supplemental Filing: Request of SDG&E for Approval of the Sale of License Rights to Intellectual Property to Juice Technologies, LLC., Pursuant to PUC 851, Resolution ALJ-186 as Extended and Modified by Resolution ALJ-202 and ALJ-244 (Section 851 Pilot Program)

Keywords (choose from CPUC listing): PUC Section 851

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

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

ALJ-186, ALJ-202 and ALJ-244

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: Upon Commission Disposition

No. of tariff sheets: 2

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 proposed<sup>1</sup>: 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: Megan Caulson

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mcaulson@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

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

Interested Parties in:

R.09-08-009  
R.08-12-009

ATTACHMENT A  
ADVICE LETTER 2155-E-A

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 21857-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA), Sheet 2	Revised 20036-E
Revised 21858-E	TABLE OF CONTENTS, Sheet 1	Revised 21853-E



**PRELIMINARY STATEMENT**

Sheet 2

**II. BALANCING ACCOUNTS**  
**REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)**

4. Accounting Procedure (Continued)

- b. (4) Costs allocated to the Electric Department as a result of the sharing mechanism for over-expenditures in the Advanced Metering Infrastructure (AMI) pursuant to the settlement adopted in D.07-04-043.
- (5) Royalties allocated to the Electric Department due to the licensing of intellectual property related to PlugSmart to Juice Technologies.
- c. An entry shall be made to reflect the amount collected from/returned to customers due to the amortization of the prior year ending balance, pursuant to item 5. below.
- d. The current month balance shall equal the expenses in 4.a. above less the revenues in 4.b. above, plus or minus any adjustment from 4.c.
- e. The accumulated month ending balance shall equal the sum of:
  - (1) the current month's entries from 4.d.;
  - (2) the account balance at the beginning of the month;
  - (3) the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

5. Account Disposition

The Utility shall file in October of each year an advice letter requesting to apply the projected year-end balance as a twelve-month amortization to electric rates effective January 1 of the following year.

N  
N



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Sheet 1

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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(Continued)

Attachment B

SDG&E Advice Letter 2155-E-A

Research & Development Collaboration Agreement

Confidential & Protected from Disclosure