



PRELIMINARY STATEMENT

Sheet 1

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

1. Purpose

Pursuant to D.02-10-062 and D.02-12-074, the purpose of the ERRA is to provide full recovery of the Utility's energy procurement costs associated with fuel and purchased power, Utility retained generation (URG), ISO related costs and costs associated with its residual net short procurement requirements to serve its bundled service customers. The ERRA shall include revenues received from the Utility's Electric Energy Commodity Charge (EECC) adjusted to exclude revenues assigned to any state agency, including the California Department of Water Resources (DWR). In addition, the ERRA shall include revenues from Schedule EECC-TBS. The ERRA shall also record the revenue over or under collections associated with the baseline allowance changes as authorized in Commission Decision D.02-04-026, as modified by D.02-05-010, and the provisions of D.04-02-057. Pursuant to D.02-12-074, ongoing transition costs ("above market") associated with qualifying facilities and eligible purchase power contracts should be recorded in the Transition Cost Balancing Account (TCBA). Pursuant to D.10-12-034, the ERRA shall record the revenues or costs related to convergence billing. In compliance with Assembly Bill (AB) 920, the ERRA shall record any net surplus compensation payment made to eligible customer-generators in accordance with SDG&E's Net Surplus Compensation Program.

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2. Applicability

The ERRA shall be applied only to the Utility's bundled service customers.

3. ERRA Rate

The ERRA rate will be included as part of the Utility's total Schedule EECC rate. The Utility will file its first ERRA application on June 1, 2003 to establish the initial ERRA rate. Until such time that the initial ERRA rate becomes effective, revenues derived from the current and effective Schedule EECC rate, less revenues assigned to DWR, shall be recorded to the ERRA on a monthly basis.

4. Effective Date

This tariff is effective for service rendered on and after January 1, 2003.

5. Accounting Procedure

The Utility shall maintain the ERRA by making entries at the end of each month as follows:

- a. An entry equal to the at or below market costs associated with the Portland General Electric contract.
- b. An entry equal to the at or below market costs associated with the Utility's eligible qualifying facility (QF) contracts.
- c. An entry equal to the costs associated with the Utility's other purchase power, including renewable energy procurement.

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Issued by

Date Filed

Sep 23, 2011

Advice Ltr. No. 2269-E-A

Lee Schavrien

Effective

Dec 9, 2011

Decision No. _____

Senior Vice President
Regulatory Affairs

Resolution No. _____



PRELIMINARY STATEMENT

Sheet 2

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

5. Accounting Procedure (Continued)

- d. An entry equal to the Utility pro rata share of the net proceeds from sales of surplus Utility and DWR energy.
- e. An entry equal to the costs associated with SONGS and electric generation fuel and fuel-related expenses, including in lieu payments payable to communities where SDG&E-owned power plants are located pursuant to D.05-08-005 or other applicable Commission decisions.
- f. An entry equal to ISO-related costs charged to the Utility, including ISO charges related to DWR contracts where SDG&E is the scheduling coordinator on behalf of DWR.
- g. An entry equal to the costs associated with the Utility's energy procurement commitments and self procured ancillary service costs to fulfill its net short electric requirement.
- h. An entry equal to other energy procurement-related costs not recovered through the Utility's Cost of Service or other cost recovery mechanism.
- i. An entry equal to the revenue billed during the month from the Schedule EECC rate adjusted to exclude revenues assigned to the DWR net of franchise fees and uncollectible accounts expense. The revenue shall be adjusted to credit the revenue shortfall, associated with the Family Electric Rate Assistance (FERA) Program, recorded in the FERA Subaccount in the electric Baseline Balancing Account (BBA) as authorized in Commission D.04-02-057.
- j. An entry equal to the revenue billed during the month from the Electric Energy Commodity Cost – Transitional Bundled Service Schedule (Schedule EECC-TBS), net of franchise fees and uncollectible accounts expense.
- k. An entry equal to the revenue received from the CCA Cost Responsibility Surcharge, net of the revenue assigned to DWR.
- l. An entry equal to the shortfall associated with the baseline allowance changes as authorized in Commission D.02-04-026 and as modified by D.02-05-010, until a decision is issued in Phase 2 of OIR 01-05-047.
- m. An entry to reflect any transfers from other regulatory accounts as authorized by the Commission.
- n. A debit entry equal to incentive payments to customers participating in the Statewide Pricing Pilot (SPP) Program authorized in the Phase 1 decision of the advanced metering, demand response, and dynamic pricing proceeding.
- o. An entry, as applicable, to reflect the ratepayer portion of the electric generator refunds as directed in Resolution E-3893.

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**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

5. Accounting Procedure (Continued)

- p. A debit entry equal to energy incentive payments for applicable programs adopted in D.05-01-056.
- q. An entry to reflect any rewards or penalties associated with the adopted heat rate incentive authorized in D. 04-06-011 for the Palomar Energy Center.
- r. A debit entry to record the fees associated with participation in the Western Renewable Energy Generation Information System (WREGIS).
- s. An entry to reflect the revenues or costs associated with procurement transactions for Congestion Revenue Rights (CRRs).
- t. A debit entry equal to Peak Time Rebate (PTR) incentive payments made to residential and small commercial customers as authorized in D.08-02-034.
- u. A credit or debit entry equal to the revenues or costs related to convergence billing as authorized in D.10-12-034.
- v. A debit entry equal to the costs associated with the procurement and/or trading transactions for tradable renewable energy credits (TREC)s as authorized in D.11-01-025.
- w. A credit entry equal to the proceeds received from the sale of TREC)s as authorized in D.11-01-025.
- x. A debit entry equal to net surplus compensation payments made to eligible customer-generators for the Net Surplus Compensation Program in compliance with AB 920.
- y. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 5.a. through 5.w. at a rate equal to one-twelfth 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.

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6. Trigger Mechanism

In accordance with Assembly Bill (AB) 57, a trigger mechanism will be in place that will consider the relationship between the cumulative balance in the ERRA and the prior year recorded generation revenues excluding revenues collected for DWR. Recorded generation revenues for 2010, excluding revenues collected for DWR, were \$1,019 million. D.11-07-041 modifies the monthly ERRA trigger calculation to allow offsets of Under- or Over-collections with the balance in its NGBA as follows:

- a. Offset an ERRA under-collected balance with a NGBA over-collected balance; or
- b. Offset an ERRA over-collected balance with a NGBA under-collected balance; and
- c. Offset the ERRA balance with the NGBA balance prior to dividing it by the prior year's annual recorded electric revenues, excluding DWR revenue; and
- d. Advise the Commission that it has implemented a NGBA-offset by including both the standard ERRA trigger calculation and the NGBA-offset trigger calculation in its monthly ERRA compliance report to the Commission.

Applying the NGBA balance to the ERRA balance, when calculating the trigger, would only occur if the account balances are offsetting and would result in reducing the ERRA under/overcollection.

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II. BALANCING ACCOUNTS
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6. Trigger Mechanism (Continued)

Pursuant to D. 07-05-008, in any month when the balance in the ERRA, adjusted by the NGBA balance as applicable, reaches 4% (\$40.8 million) of the prior year recorded electric commodity revenues excluding DWR revenue, the Utility will notify the Commission through advice letter filing, instead of expedited application, that no rate change will be necessary if the Utility forecasts that the ERRA balance will self-correct below the trigger within 120 days of filing. The Utility shall include the necessary documentation to support this advice letter filing. The Utility shall continue to file an expedited application during those instances where the ERRA balance exceeds the trigger point and rate changes are necessary to amortize the balance. In those instances where the Commission rejects an advice letter filing, the Utility shall file an application within 15 days after rejection. The application will include a projected account balance in 60 days or more from the date of filing depending on when the balance will reach the 5% (\$51.0 million) threshold. The application will also propose an amortization period for the five percent of not less than 90 days to ensure timely recovery of the projected ERRA balance. The application should also include allocation of the amortized balance among customers based on the existing allocation methodology recognized by the Commission. The AB 57 trigger mechanism application should not be used to refund overcollections until it has been in operation for a full 12 months (D.02-10-062, Conclusion of Law 18).

7. Filing and Update Process

The ERRA will follow a semiannual update process as described in D.02-10-062 and D.02-12-074. The Utility will file applications on June 1 and October 1 of each year. The June 1 application will address the review of the balancing account, contract administration, energy resources expenses and energy dispatch. The October 1 application will propose an energy resource forecast for the upcoming 12 months and a new ERRA rate based on that forecast.

8. Baseline Shortfall Subaccount (BSS)

a. Purpose

Pursuant to D. 04-02-057, the purpose of the Baseline Shortfall Subaccount (BSS) is to record the commodity shortfall to maintain revenue neutrality resulting from 1) amortization of the Baseline Balancing Account (BBA) in the electric distribution rate, and 2) the adjustment to the Distribution and CTC rates to eliminate the ongoing shortfall related to the baseline allowance changes to utility distribution company (UDC) rates made pursuant to D.02-04-026.

b. Accounting Procedure

The Utility shall maintain the BSS by making entries at the end of each month as follows:

1. An entry equal to the BBA amortization shortfall described in 8.a above, as calculated by multiplying the BBA amortization rate by the applicable residential sales volumes.
2. An entry equal to the ongoing baseline allowance shortfall described in 8.a above, as calculated by multiplying the rate change needed to eliminate the ongoing baseline shortfalls by the applicable residential sales volumes.

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PRELIMINARY STATEMENT

**II. BALANCING ACCOUNTS
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

8. Accounting Procedure (Continued)

3. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the entries from b.1 and b.2 above at a rate equal to one-twelfth 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.

c. Disposition

Disposition of the balance in this subaccount shall be determined in an appropriate proceeding authorized by the Commission.

9. AB 1X Shortfall Account (ASA)

a. Purpose

Pursuant to D. 04-02-057, the purpose of the AB 1X Shortfall Account (ASA) is to record the shortfall caused by reduced commodity rates contained in Schedule EEC for usage up to 130% of baseline, which were designed to make the rates equal to February 1, 2001 levels. Pursuant to Resolution E-3907, AB 1X protection is expanded to include non-residential CARE (Schedule E-LI) customers. The ASA is separated into two subaccounts: an ASA applicable to residential customers and an ASA applicable to non-residential customers under Schedule E-LI.

b. Accounting Procedure

The Utility shall maintain the ASA by making entries at the end of each month as follows:

1. An entry equal to the AB 1X shortfall described in 9.a. above, as calculated by multiplying the rate changes required to maintain AB 1X rate levels for 130% of baseline usage by the applicable residential sales volumes.
2. An entry equal to the AB 1X shortfall described in 9.a above, as calculated by multiplying the rate changes required to maintain AB 1X rate levels for Schedule E-LI customers.
3. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the entry from b.1 above at a rate equal to one-twelfth 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.

c. Disposition

Disposition of the balance in this subaccount shall be determined in an appropriate proceeding authorized by the Commission.