

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
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Ratesetting

## TO PARTIES OF RECORD IN APPLICATION 10-04-033

This is the proposed decision of Administrative Law Judge (ALJ) Robert Barnett. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Barnett at [rab@cpuc.ca.gov](mailto:rab@cpuc.ca.gov) and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

/s/ KAREN V. CLOPTON  
Karen V. Clopton, Chief  
Administrative Law Judge

KVC:jt2

Attachment

Decision **PROPOSED DECISION OF ALJ BARNETT** (Mailed 7/13/2010)

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Expedited Application of San Diego Gas & Electric Company (U902E) under the Energy Resource Recovery Account Trigger Mechanism.

Application 10-04-033  
(Filed April 30, 2010)

**DECISION APPROVING \$100 MILLION REFUND**

**1. Summary**

San Diego Gas & Electric Company's current Energy Resource Recovery Account balance is currently projected to be \$100 million overcollected at the end of June 30, 2010 (based on actual numbers through February 28, 2010 and projected numbers for March through June). This decision authorizes a refund of the projected \$100 million overcollection to ratepayers as a one-time bill credit beginning on September 1, 2010. This proceeding is closed.

**2. Background**

The Energy Resource Recovery Account (ERRA) balancing account was established by the Commission to record the investor-owned utilities' (IOUs') fuel and purchased power revenues against actual recorded costs, excluding revenues collected for the California Department of Water Resources (CDWR).<sup>1</sup> AB 57 mandated a trigger threshold for the balance in the ERRA of 5% of the

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<sup>1</sup> Public Utilities Code Section 454.5(d)(3), initiated by Assembly Bill (AB) 57.

electrical utility's actual recorded generation revenues for the prior calendar year.<sup>2</sup>

In accordance with Decision (D.) 02-10-062, which implemented AB 57, San Diego Gas & Electric Company's (SDG&E's) ERRRA is subject to a trigger mechanism designed to avoid ERRRA balances above the 5% threshold. The trigger mechanism requires the filing of an expedited application for approval within 60 days from the filing date when the recorded monthly ERRRA balance (undercollection or overcollection) exceeds a 4% trigger point and when the balance is projected to exceed the 5% threshold.<sup>3</sup> The application should address a projected account balance; an amortization period for the balance of not less than 90 days; and a proposed allocation of the overcollection and/or undercollection among customers for rate adjustment based on the existing allocation methodology recognized by the Commission.<sup>4</sup>

D.07-05-008 added a new rule to the trigger procedures by allowing SDG&E to file an advice letter seeking to maintain rates when it expected an overcollection or undercollection above the 4% trigger to self-correct within 120 days. Accordingly, on December 10, 2009, SDG&E filed Advice Letter (AL) 2131-E notifying the Commission that SDG&E's ERRRA balance exceeded its 4% trigger and 5% threshold,<sup>5</sup> and projecting that the balance would self-correct

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<sup>2</sup> *Id.*

<sup>3</sup> D.02-12-062 at 64.

<sup>4</sup> *Id.*

<sup>5</sup> At the time of the AL 2131-E filing, SDG&E's approved 4% trigger and 5% threshold amounts were \$41.2 and \$51.5 million, respectively. These amounts were approved in AL 2068-E, effective March 6, 2009.

below the 4% trigger within 120 days (by February 28, 2010). On February 28, 2010, SDG&E's ERRA balance did not self-correct below the 4% trigger, primarily due to unforeseen decreases in expenses and higher than anticipated Federal Energy Regulatory Commission (FERC) refunds. Accordingly, on April 22, 2010, SDG&E withdrew AL 2131-E, paving the way for the filing of this application.

Furthermore, pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each year to establish the current year's trigger amount. In AL 2147-E,<sup>6</sup> dated February 16, 2010, SDG&E reported that its 2009 electric commodity revenue, excluding CDWR revenue, was \$1,109 million. Consequently, SDG&E's currently approved 4% trigger point is \$44.4 million and the 5% threshold is \$55.4 million. The current and projected overcollections are above these new trigger and threshold amounts.

### **3. Requested Relief**

SDG&E seeks expedited authorization to offset a projected \$100 million ERRA overcollection (as of June 30, 2010) with a projected \$26 million NGBA undercollection (as of June 30, 2010), resulting in \$74 million to be returned to customers. SDG&E also seeks approval to make the return via a 12-month amortization period, beginning on September 1, 2010, which coincides with the implementation of changes to the FERC transmission rate.

DRA says SDG&E's proposal, that the overcollection be returned to ratepayers via a 12-month amortization period, should be denied. DRA sees no reason why ratepayers should be denied the benefit of immediate one-time relief.

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<sup>6</sup> Approved by the Commission on April 13, 2010.

In response to an almost identical SDG&E ERRA trigger application last year, the Commission ordered the funds returned immediately to ratepayers:

SDG&E shall return the Energy Resource Recovery Account overcollection of \$124 million to ratepayers for its latest updated Energy Resource Recovery Account revenues, as a one-time bill credit to be effective October 1, 2009. (D.09-09-042 at 8-9, Ordering Paragraph 1.)

DRA proposes that the Commission order SDG&E to rebate the overcollection the same manner here, as an immediate one-time bill credit.

DRA opposes SDG&E's proposal to recover a projected \$26 million undercollection to its Non-fuel Generation Balancing Account (NGBA) by taking a credit against the ERRA overcollection. DRA argues that consideration of the NGBA within this trigger application flies in the face of the purpose of a trigger application and should be rejected. The trigger application exists to keep the ERRA balance within the state-mandated parameters of 5%. Including consideration of the NGBA expands the scope of what the Legislature and the Commission intended a trigger application to accomplish.

In response, SDG&E asserts that DRA has failed to appreciate that the one-time bill credit allowed in D.09-09-042 constituted a unique exception to the normal ERRA rules requiring that overcollections/undercollections be returned via amortized rate changes. That is, pursuant to D.02-10-062, utility trigger applications are required to "propose an amortization period for the five percent of not less than 90 days." (D.02-10-062, Conclusion of Law 15.) In past ERRA trigger applications (e.g., D.07-12-042 and D.05-09-019), the Commission has found a 12-month amortization period to be reasonable.

Further, SDG&E's request for implementation on September 1, 2010, was designed to coincide with the implementation of an increase in SDG&E's FERC

transmission rate. Since the FERC transmission rate is expected to rise by nearly \$70 million, coordination with the ERRA overcollection will mitigate this increase.

SDG&E has proposed that it be allowed to return the projected \$100 million ERRA overcollection minus a projected undercollection of \$26 million in the NGBA. Thus, the total amount to be returned would be \$74 million. Contrary to DRA's suggestion that such an offset will leave ERRA outside the state-mandated parameters of 5%, SDG&E says that allowing SDG&E to combine the two accounts for purposes of generating a single rate impact actually keeps the ERRA balance within the state-mandated parameters. Without the offset, the ERRA balance would result in greater rate volatility for customers since they would be seeing a larger rate decrease only to be subject to an increase related to the NGBA amortization several months later. Thus, allowing for this offset would provide customers with greater rate stability. Offsetting the ERRA overcollection with the NGBA undercollection simply moves the beginning cost recovery period for the NGBA from January 2011 to September 2010, and minimizes the size and the number of rate changes customers will endure over the next year.

#### **4. Discussion**

DRA's proposed one-time bill credit is consistent with SDG&E's prior ERRA overcollection (D.09-09-042). It is reasonable. However, SDG&E's proposal to use the undercollection NGBA to offset the impact of the ERRA overcollection is not reasonable under the facts of this application.

In prior trigger applications we have authorized one-time bill credits rather than amortization; and we have permitted offsets to mitigate rate fluctuation. In this application, we are not persuaded that we should deviate

from our prior SDG&E ERRRA decision; nor should we consider the proposed NGBA off-set. The potential fluctuation in rates is minor, and consideration would expand the scope of the trigger application's purpose. The offset might be appropriate in some circumstances, but not at present.

#### **5. Comments on Proposed Decision**

The proposed decision of ALJ Barnett in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_ and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

#### **6. Assignment of Proceeding**

Nancy Ryan is the assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

#### **Findings of Fact**

1. SDG&E's ERRRA balance is currently projected to be \$100 million overcollected at the end of June 30, 2010 (based on actual numbers through February 28, 2010, and projected numbers for March through June).

2. The projected \$100 million should be returned to ratepayers via a one-time bill credit beginning on September 1, 2010.

#### **Conclusions of Law**

1. SDG&E's proposal to recover a projected \$26 million undercollection to its NGBA by taking a credit against the ERRRA overcollection should be denied.

2. SDG&E should file an Advice Letter as near to September 1, 2010 as possible to show the final amount of overcollection to be refunded to ratepayers.

**O R D E R**

**IT IS ORDERED** that:

1. San Diego Gas & Electric Company shall file a Tier 1 advice letter on or about September 1, 2010 to show the final amount of bill credits, based on recorded data and its most recent estimate of the end-of-year Energy Resource Recovery Account overcollection.

2. San Diego Gas & Electric Company shall return the estimated end-of-year Energy Resource Recovery Account overcollection as a one-time bill credit.

3. Application 10-04-033 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

**INFORMATION REGARDING SERVICE**

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated July 13, 2010, at San Francisco, California.

\_\_\_\_\_  
/s/ JOYCE TOM  
Joyce Tom

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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