

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
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TO PARTIES OF RECORD IN APPLICATION 12-06-003

This is the proposed decision of Administrative Law Judge (ALJ) Wilson. 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. 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 Wilson at smw@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.

/s/ MARYAM EBKE for
Karen V. Clopton, Chief
Administrative Law Judge

SMW:avs

Decision PROPOSED DECISION OF ALJ WILSON (Mailed 6/25/2013)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902E) for Approval of: (i) Contract Administration, Least Cost Dispatch and Power Procurement Activities in 2011, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account and Transition Cost Balancing Account in 2011; and (iii) Costs Recorded in Related Regulatory Accounts in 2011.

Application 12-06-003
(Filed June 1, 2012)

DECISION ADOPTING SETTLEMENT – SAN DIEGO GAS & ELECTRIC COMPANY’S 2011 ENERGY RESOURCE RECOVERY ACCOUNT COSTS AND RELATED MATTERS

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**DECISION ADOPTING SETTLEMENT - SAN DIEGO GAS & ELECTRIC
COMPANY'S 2011 ENERGY RESOURCE RECOVERY ACCOUNT COSTS
AND RELATED MATTERS**

1. Summary

By this decision, the Commission approves the settlement between San Diego Gas & Electric Company (SDG&E) and the Division of Ratepayer Advocates, regarding SDG&E's 2011 Energy Resource Recovery Account compliance application, as discussed herein.

2. Background

The Commission established the Energy Resource Recovery Account (ERRA) balancing account mechanism in Decision (D.) 02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism (to address balances exceeding certain benchmarks), and a schedule for semiannual ERRA applications. Since that time, subsequent decisions regarding the ERRA balancing account have adopted minimum standards of conduct that regulated energy utilities must follow in performing their procurement responsibilities and requires that the Commission perform a compliance review as opposed to a reasonableness review of these items.¹ A compliance review looks at whether a utility has complied with all applicable rules, regulations, opinions, and laws, while a reasonableness review looks at not only a utility's compliance, but also whether the data or actions resulting from, for example, the calculation of a forecasted expense, are realistic,

¹ See D.05-01-054, D.05-04-036, and Public Utilities (Pub. Util.) Code 454.5(d)(2).

based on the methods and inputs used. In the annual ERRA forecast application, the utility requests adoption of the utility's forecast of what it expects its annual fuel and purchased power costs for the upcoming 12 months to be. In a separate annual ERRA compliance application a utility requests a determination of whether it is in compliance with applicable rules governing energy resource contract administration and least cost dispatch conducted during a prior year and therefore able to address any over- or under-collection in its ERRA balancing account. This decision resolves the ERRA compliance application.

On June 1, 2012, San Diego Gas and Electric Company (SDG&E) filed Application (A.) 12-06-003, in which it requested adoption and recovery of: 1) contract administration, least cost dispatch and power procurement activities in 2011; 2) costs related to those activities recorded to the ERRA and Transition Cost Balancing Account (TCBA) in 2011; and 3) costs recorded in related regulatory accounts in 2011, including the Market Redesign and Technology Upgrade Memorandum Account (MRTUMA) and Independent Evaluator Memorandum Account (IEMA).

On July 6, 2012, the Division of Ratepayer Advocates (DRA) filed a protest to A.12-06-003 in both public and confidential formats. On that same date, DRA filed a motion requesting leave to file the confidential version of its protest under seal. We address this and other requests regarding confidential treatment and receipt of testimony into the record in Section 6 below. On July 16, 2012, SDG&E filed its reply to DRA's protest.

On July 9, 2012, a prehearing conference was held to establish the service list, discuss the scope of this proceeding, and develop a procedural timetable for the management of this proceeding. On August 1, 2012, Commissioner Michel P. Florio, the assigned Commissioner, issued his *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo).

On August 13, 2012, the San Diego Consumers' Action Network (SDCAN) filed a motion for party status, which the assigned Administrative Law Judge (ALJ) granted via an electronic mail (e-mail) ruling on August 17, 2012. Also on August 13, 2012, SDCAN filed a late-filed Notice of Intent to claim intervenor compensation, which the assigned ALJ granted on October 30, 2012.

On May 3, 2013, SDG&E and DRA filed a *Joint Motion of the San Diego Gas & Electric Company and the Division of Ratepayer Advocates' for Approval of Proposed Settlement* (Joint Motion), with the *Settlement Agreement Between San Diego Gas & Electric Company and the Division of Ratepayer Advocates* (Settlement Agreement) attached. On May 28, 2013, SDCAN filed an untimely response to the Joint Settlement. Even though this response is untimely, we discuss the issues raised by SDCAN in order to address the concerns raised.

All rulings made by the assigned Commissioner and ALJ during the pendency of this proceeding are affirmed herein.

3. SDG&E Request

SDG&E requests Commission approval of its: 1) contract administration, least cost dispatch and power procurement activities; 2) entries to and refunding of the year-end balance in the ERRA and TCBA for the period January 1, 2011 through December 31, 2011; and 3) recovery of the amounts recorded in related

regulatory accounts, including its MRTUMA² and IEMA³. With respect to the MRTUMA and IEMA, SDG&E requests approval to increase its revenue requirement by \$2.9 million for recovery of the 2011 entries in these accounts.

Based on its requested revenue requirement of \$2.9 million, a typical monthly summer electric bill (based on 500 kilowatt-hours (kWh) of electricity) would increase from approximately \$81.32 to \$81.36 for inland customers and from approximately \$88.10 to \$88.17 for coastal customers. A typical monthly bill for residential customers who use 1,000 kWh per month would increase from approximately \$216.28 to \$216.58 for inland customers and from approximately \$224.98 to \$225.31 for coastal customers. SDG&E's small commercial customers would see an increase of approximately \$0.31 on their monthly summer electric bill, based on 1,500 kWh of electricity for secondary service.

SDG&E also requests that the Commission find:

1. That during 2011, SDG&E prudently administered and dispatched its Utility Retained Generation (URG) resources and portfolio of contracts, including San Onofre Nuclear Generating Station (SONGS), Miramar Energy Facility (Miramar), Palomar Energy Center (Palomar); and allocated California Department of Water Resources (DWR) contracts, power purchase agreements, Qualified Facilities (QF) and non-QF resources, and renewable energy resources, in compliance with SDG&E's Commission-approved procurement plan;

² The incremental operation and maintenance and capital-related costs associated with implementing the California Independent System Operators (CAISO) Market Redesign Technology Upgrade (MRTU) initiative, and applicable interest on any under or over collection, is recorded in the MRTUMA.

³ The costs associated with the use of independent evaluators in SDG&E's long-term procurement activities and RPS programs (pursuant to D.04-12-048 and D.05-07-039), and applicable interest on any under or over collection, is recorded in the IEMA.

2. That all 2011 entries and costs recorded in SDG&E's ERRRA (including in lieu gas franchise fees), TCBA, MRTUMA, and IEMA are appropriate and correctly stated;
3. That rate recovery for 2011 costs entered in SDG&E's MRTUMA and IEMA are reasonable and authorized;
4. That SDG&E's other 2011 MRTU-related costs are reasonable; and
5. That the confidential versions of SDG&E's testimony are treated as such.

4. Settlement Agreement

4.1. Overview

The proposed Settlement Agreement, which resolves all scoped and contested issues, is signed by two of the three active parties, SDG&E and DRA (Joint Parties). Even though the other party, SDCAN did not sign the Settlement Agreement, it did participate in the Settlement Conference. SDCAN's opposition to the proposed Settlement Agreement is discussed in Section 4.2 of this decision. Rather than summarize every term of the Settlement Agreement attached to the Joint Motion, the key portions of the Settlement Agreement are summarized below.

The proposed Settlement Agreement resolves both retrospective and prospective issues. Retrospectively, the Joint Parties agree that the Settlement Agreement is comprehensive in resolving issues regarding the 2011 record period; and that SDG&E complied with its Conformed 2006 Long-Term Procurement Plan (LTPP) in the areas of: (1) Non-QF Contract Administration and its related costs; (2) QF purchased power agreement (PPA) administration and its associated costs; (3) fuel procurement for URG; and (4) Least Cost Dispatch (LCD) of URG and Power Purchase Agreement (PPA) resources.

The Settlement Agreement also addresses prospective actions recommended by DRA in Exhibit DRA-1. The Commission has authorized

similar prospective actions in previous ERRA proceedings. For example, in D.09-12-002⁴ and D.11-07-039,⁵ the Commission ordered Pacific Gas & Electric Company (PG&E) to confer with and receive comments from DRA regarding an internal audit in a future ERRA compliance proceeding. In D.10-02-018,⁶ the Commission ordered SDG&E to perform a complete audit of its ERRA every four years.

Specifically, the Settling Parties have agreed that:

1. SDG&E will continue to validate the effectiveness of its Least Cost Dispatch (LCD)⁷-related activities and studies using the Bid Evaluator⁸ and will document changes to its LCD models and business practices as indicated in to-be-developed procedures.
 - a. SDG&E will provide a copy of its newly documented LCD procedures to DRA for comment prior to the documented procedures being final.
 - b. SDG&E will create a document with enhanced listing procedures including results, logs, and corrective actions.
 - c. SDG&E will develop formal documentation by the end of 2013 for implementation no later than January 1, 2014.

⁴ See D.09-12-002 at Ordering Paragraph 3.

⁵ See D.11-07-039 at Ordering Paragraph 2.

⁶ See D.10-02-018 at Ordering Paragraph 4.

⁷ See D.02-10-062 at Conclusion of Law 11, Standard of Conduct 4 “The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner. Our definitions of prudent contract administration and least cost dispatch are the same as our existing standard.

⁸ <http://www.cpuc.ca.gov/PUC/energy/electric/RenewableEnergy/faqs/procurement.htm>.

2. SDG&E's 2012 ERRA review testimony will be consistent with the contents of its past ERRA review testimony.
 - a. SDG&E will delineate findings and resulting corrective actions from the Bid Evaluator and provide documentation of LCD-related results, logs, and corrective actions beginning with SDG&E's 2014 ERRA Compliance proceeding, to be filed on June 1, 2015.
3. SDG&E will not oppose audits recommended by DRA of SDG&E's to-be-developed LCD documentation.
 - a. SDG&E will request Sempra Energy Audit Services to conduct an audit of the new documentation developed pursuant to the Settlement within three years of their implementation or by 2017, whichever occurs first.
 - b. SDG&E will make this request no later than February 1, 2014. SDG&E's obligations in this regard will be fully discharged by requesting no later than February 1, 2014 that Sempra Energy Audit Services conduct an audit of the to-be-developed documentation of its LCD procedures no later than February 1, 2017.

SDG&E will document its audit request to Sempra Energy Audit Services in SDG&E's 2014 ERRA compliance application. When such audit is performed, SDG&E will notify DRA regarding when the audit will be performed.

4.2. SDCAN Opposition to Settlement Agreement

SDCAN opposes the Settlement Agreement, stating that it is not in the public interest, at odds with DRA's recommendations, and is not enforceable. SDCAN requests that the Commission issue a decision that requires an audit by February 2017 or within three years after the new LCD procedures go into effect. SDCAN also recommends that SDG&E's 2014 ERRA compliance filing be

conditioned upon including the results of an audit of the LCD procedures that are in effect during that compliance filing timeline. As discussed below, we disagree with all of SDCAN's concerns and approve the Settlement Agreement.

In support of its recommendation, SDCAN posits that information in next year's ERRRA compliance filing (2014) will be unaudited, as similar information was in this year's application. This will not occur, as pursuant to Section 1.16 of the Settlement Agreement, DRA will perform an audit of SDG&E's balancing accounts as part of next year's SDG&E ERRRA compliance proceeding.

SDCAN's concern that the Settlement Agreement is at odds with DRA's recommendations in its testimony is not supported by the Joint Motion and Settlement Agreement. DRA and SDG&E have now reached an agreement, after consideration of the application, their respective testimonies, and settlement meetings with the parties. We therefore consider all concerns raised by DRA in its testimony to be resolved.

SDCAN also recommends that the Commission should not accept SDG&E's "illusory commitment" to an audit. We find that the Settlement Agreement, especially the language in Section 2.3.3, is enforceable. SDG&E and DRA agree that SDG&E "will not oppose" a recommendation for an audit by DRA. Pursuant to the Merriam Webster Dictionary,⁹ antonyms of oppose include submit to, yield to, and support. Support of a DRA requested audit is a certain commitment.

⁹ <http://www.merriam-webster.com/dictionary/oppose>.

5. Standard of Review for Settlement Agreement

We review this settlement pursuant to Rule 12.1(d) of the Commission's Rules of Practice and Procedure (Rule), which provides that, prior to approval, the Commission must find a settlement "reasonable in light of the whole record, consistent with the law, and in the public interest." We find the Settlement Agreement meets the Rule 12.1(d) criteria, and discuss each of the three criteria below.

5.1. Settlement Agreement is Reasonable in Light of the Whole Record

The Settlement Agreement is signed by two of the three active parties to this proceeding, the third party, SDCAN, participated in the settlement conference. SDG&E and DRA (Joint Parties) reached a Settlement Agreement after discovery, careful analysis of the issues, and serving of testimony by SDG&E and DRA. These Joint Parties represent a broad array of affected interests. The record also shows that the Settlement Agreement was reached after substantial give-and-take between the parties which occurred during settlement conferences. This give-and-take is demonstrated by the positions initially taken by parties and the final positions agreed upon in the Settlement Agreement. The Settlement Agreement this represents a reasonable compromise between the principles and legal theories of the adverse parties.

The Settlement Agreement is also consistent with Commission decisions on settlements, which express the strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record. This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results. Here, the

Settlement Agreement resolves all disputes between DRA and SDG&E, which avoids further litigation in this matter. Thus, we conclude the Settlement Agreement is reasonable.

5.2. Settlement Agreement is Consistent with Law

The Joint Parties believe that the terms of the Settlement Agreement comply with all applicable statutes. These include, e.g., Pub. Util. Code § 451, which requires that utility rates must be just and reasonable, and Pub. Util. Code § 454, which prevents a change in public utility rates unless the Commission finds such an increase justified. We agree that the required showings under Pub. Util. Code §§ 451 and 454 have been made. Further, nothing in the Settlement Agreement contravenes statute or prior Commission decisions.

5.3. Settlement Agreement is in the Public Interest

The Settlement Agreement is in the public interest and in the interest of the Joint Parties' customers. The Settlement Agreement resolves all scoped issues in the current application.

Approval of the Settlement Agreement avoids the cost of further litigation, and reduces the use of valuable resources of the Commission and the parties. We find that the evidentiary record of A.12-06-003 contains sufficient information for us to determine the reasonableness of the Settlement Agreement and for us to discharge any future regulatory obligations with respect to this matter. For all these reasons, we approve the Settlement Agreement as proposed.

6. Other Procedural Matters

6.1. Change in Determination of Need for Hearings

In Resolution ALJ 176-3295, dated June 7, 2012, the Commission preliminarily categorized A.12-06-003 as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner scheduled evidentiary hearings, though eventually it was determined that hearings were not necessary. Given that no hearings were held in the current proceeding, we change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

6.2. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in A.12-06-003 there was no opportunity to enter prepared testimony and exhibits into the record. In order to fairly assess the record, it is necessary to include all testimony and exhibits served by SDG&E and DRA.

In its motion of May 3, 2013, DRA requested, pursuant to Rule 13.7(e), that the Commission receive the public and confidential versions of its Exhibit DRA-1 into the record of A.12-06-003. Rule 13.8 (d) addresses requests for testimony to be offered into evidence by written motion. Therefore, the Commission identifies the public and confidential versions of DRA's Exhibit DRA-1. Given the necessity of DRA's testimony to our assessment of the Settlement Agreement, we admit into evidence the public and confidential versions of DRA's Exhibit DRA-1.

In its motion of May 17, 2013, SDG&E requested, pursuant to Rule 13.8, that the Commission receive the public and confidential versions of its Exhibits SDG&E-1 and 2 into the record of A.12-06-003.¹⁰ In addition to the supporting testimony, SDG&E-1 includes SDG&E's Application. As the application is already filed, we do not receive it into the record as an exhibit. Therefore, we identify the public and confidential versions of SDG&E's supporting testimony to its Application as Exhibits SDG&E-1,-2, and - 3;¹¹ its rebuttal testimony as Exhibit SDG&E-4;¹² and the declarations attached to the May 17, 2013 motion as Exhibit SDG&E-5.¹³ Given the necessity of SDG&E's testimony to our assessment of the proposals put forth, we admit into evidence the public and confidential versions of SDG&E's Exhibits SDG&E-1 through - 5.

¹⁰ Instead of summarizing SDG&E's exhibits into just two exhibits, we break out the individual pieces of testimony and identify them as Exhibits SDG&E-1, - 2, and - 3 (SDG&E's proposed Exhibit 1), and Exhibits SDG&E-4 and - 5 (SDG&E's proposed Exhibit 2).

¹¹ Exhibit SDG&E-1 – Direct Testimony of Tony Choi; Exhibit SDG&E-2 – Direct Testimony of Amanda D. Jenison; and Exhibit SDG&E-3 – Direct Testimony of Sally Chen.

¹² Exhibit SDG&E-4 – Rebuttal Testimony of Andrew Scales.

¹³ The Declarations of Andrew Scales (who is now sponsoring SDG&E-1), Norma G. Jasso (who is now sponsoring SDG&E-2), and Sally Chen as required by Rule 13.8(d).

6.3. Motions for Confidential Treatment

6.3.1. SDG&E

Pursuant to D.06-06-066 General Order (GO) 66-C, and Rule 11.5, SDG&E requests leave to seal portions of the evidentiary record and to treat as confidential its Application and Exhibits SDG&E-1C, -2C, and -3C. SDG&E states that these documents contain information that is market sensitive, are listed in D.06-06-066 as data that should be treated confidentially.

Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

A similar request was granted in SDG&E's last ERRRA recovery decision, D.12-07-006. We agree that the information contained in these exhibits is market sensitive electric procurement-related information. Therefore, pursuant to D.06-06-066 and Rule 11.5, we grant SDG&E's request to treat as confidential and seal those portions of the evidentiary record consisting of SDG&E's Exhibits SDG&E-1C, - 2C, and - 3C as detailed in the ordering paragraphs of this decision. The confidential version of each of these exhibits will be denoted by a "C" after the number of the exhibit. As the Application without the associated testimony does not contain confidential information, we do not grant it confidential treatment and do not seal it.

6.3.2. DRA

On July 6, 2012, DRA filed a motion requesting that the confidential version of its protest to A.12-06-003 be filed under seal pursuant to Rule 11.4. DRA also states that the confidential version of its protest include information identified by SDG&E as confidential pursuant to D.06-06-066 and G.O. 66-C.

Rule 11.4 addresses a request to seal documents that have been filed. Since DRA's request addresses information that we have deemed confidential in Section 4.3.1 above, and in compliance with applicable rules, general orders, and decisions, we grant DRA's request to file the confidential version of its protest to A.12-06-003 under seal.

On May 3, 2013, DRA filed a motion requesting, pursuant to Rule 11.5, D.06-06-066, and GO 66-C, leave to seal portions of the evidentiary record and to treat as confidential its Exhibit DRA-1C. DRA states that these exhibits contain information that includes information identified by SDG&E as confidential. Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission. Since DRA's request addresses information that we have deemed confidential in Section 4.3.1 above and in compliance with applicable rules, general orders, and decisions, we grant DRA's request to seal the confidential version of its Exhibit DRA-1C.

6.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, SDG&E must file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these Advice Letters shall be effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

7. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311 and comments were allowed under Rule 14.3. Opening comments were filed on _____ by _____. Reply comments were filed on _____ by _____.

8. Assignment of Proceeding

Michel P. Florio is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. On May 3, 2013, SDG&E and DRA filed a Joint Motion, with the Settlement Agreement attached.
2. On May 28, 2013, SDCAN filed an untimely response to the Settlement Agreement.
3. The Settlement Agreement resolves all scoped and contested issues.
4. The Commission has authorized similar actions to those in the Settlement Agreement in previous ERRA proceedings. In D.09-12-002 and D.11-07-039, the Commission ordered PG&E to confer with and receive comments from DRA regarding an internal audit in a future ERRA compliance proceeding. In D.10-02-018, the Commission ordered SDG&E to perform a complete audit of its ERRA every four years.
5. The evidentiary record of A.12-06-003, including the Settlement Agreement, contains sufficient information for us to determine the reasonableness of the Settlement Agreement and for us to discharge any future regulatory obligations with respect to this matter.
6. Pursuant to Section 1.16 of the Settlement Agreement, DRA will perform an audit of SDG&Es balancing accounts as part of next year's SDG&E ERRA compliance proceeding.
7. Pursuant to the Merriam-Webster Dictionary, antonyms of oppose include submit to, yield to, and support. Support of a DRA requested audit is a certain commitment.

8. Rule 12.1(d) provides that, prior to approval, the Commission must find a settlement “reasonable in light of the whole record, consistent with the law, and in the public interest.”

9. SDG&E and DRA reached a Settlement Agreement after discovery, careful analysis of the issues, serving of testimony by SDG&E and DRA, and substantial give-and-take between the parties which occurred during settlement conferences.

10. The settling parties comprise the majority of the active parties in this proceeding, and the other party to this proceeding participated in the Settlement Conference.

11. In Resolution ALJ 176-3295, dated June 7, 2012, the Commission preliminarily categorized A.12-06-003 as ratesetting, and preliminarily determined that hearings were necessary.

12. In the Scoping Memo, the assigned Commissioner scheduled evidentiary hearings, though eventually it was determined that hearings were not necessary.

13. Rule 11.5 addresses sealing all or part of an evidentiary record.

14. D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

15. Rule 11.4 addresses a request to seal documents that have been filed.

Conclusions of Law

1. The Joint Motion and Settlement Agreement proposed by SDG&E and DRA should be adopted.

2. Adoption of the Settlement Agreement is in the public interest.

3. Adoption of the Settlement Agreement is reasonable in light of the record, is consistent with law, is in the public interest, and is in the interest of SDG&E’s customers.

4. The Settlement Agreement is consistent with Commission decisions on settlements, which express the strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.

5. The terms of the Settlement Agreement comply with all applicable statutes, and do not contravene statute or prior Commission decisions.

6. Approval of the Settlement Agreement avoids the cost of further litigation, and reduces the use of valuable resources of the Commission and the parties.

7. All rulings made by the assigned Commissioner and/or the assigned ALJ should be affirmed.

8. In order to implement the authority granted herein, SDG&E should file a Tier 1 Advice Letter within 30 days of the date of this decision.

9. The prepared testimony of DRA and SDG&E should be identified and received into evidence.

10. SDG&E's request to seal the confidential versions of its testimony should be granted, as detailed herein.

11. DRA's request to seal the confidential version of its protest and testimony should be granted, as detailed herein.

O R D E R

IT IS ORDERED that:

1. *The Settlement Agreement Between San Diego Gas & Electric Company and the Division of Ratepayer Advocates* filed by the *Joint Motion of the San Diego Gas & Electric Company and the Division of Ratepayer Advocates' for Approval of Proposed Settlement* is adopted.

2. The determination in Resolution ALJ-176-3295 and the Assigned Commissioner's Scoping Memo and Ruling that hearings were necessary, is revised to hearings are not required.

3. All rulings made by the assigned Commissioner and/or the assigned Administrative Law Judge are affirmed.

4. San Diego Gas & Electric Company shall file a Tier 1 Advice Letter within 30 days of the date of this decision to implement the terms of the *Settlement Agreement Between San Diego Gas & Electric Company and the Division of Ratepayer Advocates*. The tariffs filed in the Advice Letter shall become effective on or after the date filed subject to Energy Division determining the tariffs are in compliance with this decision.

5. The public and confidential versions of the prepared testimony of San Diego Gas & Electric Company, specifically Exhibits SDG&E-1 through -5, and SDG&E-1C, -2C, and -3C, are identified and received into evidence.

6. The public and confidential versions of the prepared testimony of the Division of Ratepayer Advocates, specifically Exhibits DRA-1 and DRA-1C, are identified and received into evidence.

7. San Diego Gas & Electric Company's (SDG&E) request to seal the confidential versions of its testimony, in particular, Exhibits SDG&E-1C, -2C, and -3C is granted. The information will remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by SDG&E, or as ordered by a court of competent jurisdiction. If SDG&E believes that it is necessary for this

information to remain under seal for longer than three years, SDG&E may file a new motion at least 30 days before the expiration of this limited protective order.

8. The Division of Ratepayer Advocate's (DRA) requests to seal the confidential version of its protest and testimony (Exhibit DRA-1) are granted. The information will remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by DRA, or as ordered by a court of competent jurisdiction. If DRA believes that it is necessary for this information to remain under seal for longer than three years, DRA may file a new motion at least 30 days before the expiration of this limited protective order.

9. Application 12-06-003 is closed.

This order is effective today.

Dated _____, at San Francisco, California.