

Decision 15-01-004 January 15, 2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902E) for Adoption of its 2015 Energy Resource Recovery Account Revenue Requirement, Competition Transition Charge Revenue Requirement and Local Generation Revenue Requirement Forecasts.

Application 14-04-015
(Filed April 15, 2014)

DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S 2015 ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT FORECAST

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**DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S
2015 ELECTRIC PROCUREMENT COST REVENUE
REQUIREMENT FORECAST**

Summary

Today's decision adopts 2015 forecast revenue requirements for San Diego Gas & Electric Company's (SDG&E) Energy Resource Recovery Account (ERRA), Competition Transition Charge (CTC), and Local Generation Charge (LGC). The total 2015 forecast of \$1,246.4 million¹ adopted herein consists of 2015 forecast revenue requirements of: 1) \$1,224.2 million for ERRA; 2) \$14.65 million for CTC; and 3) \$7.55 million for LGC. Even though we adopt these figures, in order to provide rate stability, SDG&E requested and we authorize herein, a slightly lower revenue requirement in rates for the total of ERRA, CTC, and LGC figures in 2015 as follows: 1) Total effect on rates of \$1,229.535 million; which consist of a) \$1,206.603 million for ERRA; b) \$15.983 million for CTC; and c) \$6.949 million for LGC.

1. Background

1.1. Historical

In Decision (D.) 02-10-062, the Commission established the Energy Resource Recovery Account (ERRA) balancing account - the power procurement balancing account required by Public Utilities Code Section 454.5(d)(3). Pursuant to D.02-10-062 and D.02-12-074, the purpose of the ERRA is to provide recovery of energy procurement costs, including expenses associated with fuel and purchased power, utility retained generation, California Independent System

¹ Includes Franchise Fees and Uncollectibles and excludes greenhouse gas compliance-related costs.

Operator related costs, and costs associated with the residual net short procurement requirements to serve San Diego Gas & Electric Company's (SDG&E's) bundled electric service customers.²

The ERRA regulatory process includes: (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year, and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account.

As set forth in D.02-10-062, the balance of the ERRA is not to exceed 5% of the electric utility's actual recorded generation revenues for the prior calendar year, excluding revenues collected for the California Department of Water Resources (DWR).³ D.02-10-062 also established a trigger calculation designed to avoid the 5% threshold point that requires SDG&E to file an expedited application for approval to adjust its rates 60 days from when the ERRA balance reaches an under-collection or over-collection of 4% and is projected to exceed the 5% trigger.

The purpose of the Transition Cost Balancing Account (TCBA) is to accrue all ongoing Competition Transition Charge (CTC) revenues and recover all ongoing CTC-eligible generation-related costs. Pursuant to D.02-12-074 and D.02-11-022, payments to Qualifying Facilities (QFs) that are above the market benchmark proxy are charged to the TCBA. Eligible ongoing CTC expenses

² We also established an update process for fuel and purchased power forecasts and the ERRA mechanism.

³ See D.02-10-062 at 62.

reflect the difference between the market proxy and the costs associated with the Portland General Electric and QF contracts.

In D.06-07-030 (as modified by D.07-01-030), we adopted the total portfolio methodology and market benchmark for determining the above-market costs associated with the utility/DWR total portfolio for deferring departing load charges, and we replaced the DWR Power Charge Indifference Adjustment (PCIA). The PCIA applies to departing load customers that are responsible for a share of the DWR power contracts or new generation resource commitments. The PCIA is intended to ensure that the departing load customers pay their share of the above-market portion of the DWR contract or new generation resource costs, and that bundled customers remain indifferent to customer departures.

The purpose of the total portfolio methodology is to reasonably ensure that bundled customers are indifferent with respect to departing load. Rather than focus on each individual resource cost, the total portfolio method recognizes that bundled customers are served from the entire portfolio of commodity resources and that when load departs the utility may, in general, offset a portion of the costs of departing load through additional market sales.

1.2. Procedural

On April 15, 2015, SDG&E filed Application (A.) 14-04-015, its *Application of San Diego Gas & Electric Company (U-902-E) for Adoption of its 2015 Energy Resource Recovery Account Revenue Requirement and Competition Transition Charge Revenue Requirement Forecasts* (Application) and served associated testimony, in which SDG&E requests that the Commission adopt a forecasted 2015 energy procurement revenue requirement of \$1,229.535 million.

On May 1, 2014, Resolution ALJ-176-3335 preliminarily determined that this proceeding was ratesetting and that hearings would be necessary. On May 19, 2014, protests were filed by the Office of Ratepayer Advocates (ORA),

and jointly by the Alliance for Retail Energy Markets (AREM) and Direct Access Customer Coalition (DACC). On May 29, 2014, SDG&E replied to these protests.

On June 11, 2014, a prehearing conference took place in San Francisco to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding. On June 27, 2014, Commissioner Michel P. Florio, the assigned Commissioner, issued his Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo).

No intervenor or rebuttal testimony was served in this proceeding. No opening or reply briefs were filed in this proceeding.

SDG&E filed an updated application (Update) and served associated testimony on November 6, 2014. No parties filed comments to the Update.

All rulings by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed herein.

2. SDG&E's ERRA, CTC, and Market Benchmark Forecasts

2.1. Overview

In its Update, SDG&E requests a total 2015 forecast revenue requirement of \$1,246.4 million,⁴ which consists of: 1) \$1,224.2 million for ERRA; 2) \$14.65 million for CTC; and 3) \$7.55 million for Local Generation Charge (LGC). In order to provide rate stability, SDG&E requested a slightly lower revenue requirement in rates for the total of ERRA, CTC, and LGC figures in 2015 as follows: 1) Total effect on rates of \$1,229.535 million; 2) \$1,206.603 million for ERRA; 2) \$15.983 million for CTC; and 3) \$6.949 million for LGC.

The forecast 2015 ERRA revenue requirement does not include GHG costs, which are being addressed in A.14-04-018.

⁴ Includes Franchise Fees and Uncollectibles and excludes GHG compliance-related costs.

SDG&E posits that the combined decrease of \$1.11 million⁵ would result in a rate decrease of \$0.009/month for a typical non-CARE residential customer in the inland climate zone, during the summer, using 500 kilowatt-hours.

Except for their protests, no party criticized or provided alternatives to SDG&E's proposed forecast ERRA and CTC revenue requirements and LGC. Additionally, no party claimed that SDG&E's proposed forecasts were not in compliance with existing applicable Commission decisions, rules, and regulations. In its protest, ORA stated that it planned to investigate the reasonableness of SDG&E's 2015 ERRA forecast, including but not limited to: 1) SDG&E's analysis of the underlying natural gas prices, load, and other cost inputs to the model used by SDG&E in determining the forecasted revenue requirement; and 2) whether SDG&E's estimates of revenue requirement, ERRA, CTC, LGC, and electric sales forecast, and rate proposals should be adopted. In its protest, AReM/DACC's primary interest was in: 1) the calculation and rate treatment of costs that are charged to Direct Access customers; and 2) SDG&E's compliance with applicable decisions.

2.2. Discussion and Conclusion

As neither ORA nor AReM/DACC served testimony on these issues, and all parties agreed that neither hearings nor briefing was necessary, we conclude that the issues presented by the interested parties in their protests have been resolved. We adopt SDG&E's requested forecast 2015 ERRA and CTC revenue requirements and market benchmarks.

⁵ $-\$3.71 \text{ million} + \$0.87 \text{ million} + \$1.73 \text{ million} = -\$1.11 \text{ million}.$

2.3. Implementation of Rates

In order to implement the authority granted herein, SDG&E must file a Tier 1 Advice Letter (AL) within 30 days of the issuance date of this decision.

3. Other Procedural Matters

3.1. Change in Determination of Need for Hearings

In Resolution ALJ 176-3335, dated May 1, 2014, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner stated that evidentiary hearings would be held if necessary. It was determined that hearings were not necessary. Given that no hearings were held in the current proceeding, we changed our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

3.2. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in A.14-04-015, 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. In its motion of November 20, 2014, SDG&E requested, pursuant to Rule 13.8 of the Commission's Rules of Practice and Procedure,⁶ that the Commission receive the public version of its Exhibit SDG&E-3 and the public and confidential versions of its Exhibits SDG&E-1, -2 and -4, into the record of A.14-04-015. In addition to the supporting testimony, these exhibits include SDG&E's Application. As applications are already filed, we do not receive them into the record as exhibits. Therefore, we identify the public and confidential

⁶ For the remainder of this decision all reference to Rules refer to the Commission's Rules of Practice and Procedure.

versions of SDG&E's supporting testimony as Exhibits SDG&E-1,-2, -3, and -4,⁷ and Exhibits SDG&E-1C, -2C, and -4C.⁸ 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 -4.

3.3. Motion to Seal

Pursuant to D.06-06-066 and D.08-04-023, as well as Rule 11.5, SDG&E requests leave to seal portions of the evidentiary record and to treat as confidential, its Exhibits SDG&E-1C, -2C, and -4C. SDG&E states that these exhibits contain information that is market sensitive and, 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 ERRA forecast decision, D.14-05-022. We agree that the information contained in these exhibits is market sensitive electric procurement-related information. Therefore, pursuant to D.06-06-066 and D.08-04-023, as well as Rule 11.5, we grant SDG&E's request to treat as confidential and seal those portions of the evidentiary record consisting

⁷ Exhibit SDG&E-1 - Direct Testimony of Benjamin A. Montoya; Exhibit SDG&E-2 - Direct Testimony of Sheri S. Miller; Exhibit SDG&E-3 - Direct Testimony of Yvonne M. Le Mieux; and SDG&E-4 - SDG&E 2015 ERRA Update to Prepared Testimony (Montoya, Miller, and Le Mieux).

⁸ Exhibit SDG&E-1C - Direct Testimony of Benjamin A. Montoya - Confidential; Exhibit SDG&E-2C - Direct Testimony of Sheri S. Miller - Confidential; and Exhibit SDG&E-4C - SDG&E 2015 ERRA Update to Prepared Testimony - Confidential (Montoya, Miller, and Le Mieux).

of SDG&E's Exhibits SDG&E-1C, -2C, and -4C. The confidential version of each of these exhibits will be denoted by a "C" after the number of the exhibit.

3.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, we require SDG&E to file a Tier 1 AL within 30 days of the date of this decision.

4. Comments on Proposed Decision

The proposed decision of the ALJ 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 January 2, 2015 by SDG&E. No reply comments were filed. Comments have been considered herein.

5. Assignment of Proceeding

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

Findings of Fact

1. SDG&E filed its Application and served associated testimony on April 15, 2014.
2. SDG&E filed its Update and served associated testimony on November 6, 2014.
3. SDG&E's Updated 2015 forecast ERRRA revenue requirement is \$1,224.2 million, but SDG&E requests that \$1,206.603 million be included in 2015 rates.
4. SDG&E's Updated 2015 forecast CTC revenue requirement is \$14.65 million but SDG&E requests that \$15.983 million be included in 2015 rates.
5. SDG&E's Updated LGC is \$7.55 million but SDG&E requests that \$6.949 million be included in 2015 rates.
6. Protests to the Application were filed by ORA and AReM/DACC.

7. Interested parties did not serve direct testimony and SDG&E did not serve rebuttal testimony.

8. SDG&E served its Update on November 6, 2014. No parties filed comments to this Update.

9. In Resolution ALJ 176-3335, dated May 1, 2014, the Commission preliminarily categorized A.14-04-015 as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner stated that evidentiary hearings would be held if necessary. No hearings were held.

10. SDG&E requested the admittance of its exhibits into evidence pursuant to Rule 13.8.

11. Pursuant to D.06-06-066 and D.08-04-023, as well as Rule 11.5, SDG&E requested the sealing of and confidential treatment of selected exhibits.

12. 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.

Conclusions of Law

1. The Commission should adopt SDG&E's Updated 2015 forecast:
 - a. ERRRA revenue requirement of \$1,224.2 million, but include \$1,206.603 million in 2015 rates;
 - b. CTC revenue requirement of \$14.65 million but SDG&E include \$15.983 million in 2015 rates; and
 - c. LGC is \$7.55 million but SDG&E requests that \$6.949 million be included in 2015 rates.

2. All rulings issued by the assigned Commissioner and ALJ should be affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, should be denied.

3. Given that no hearings were held in the current proceeding, we should change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

4. The public and confidential versions SDG&E's Exhibits SDG&E-1-4 should be received into evidence.

5. SDG&E's request to treat as confidential and seal portions of the evidentiary record, in particular, Exhibits SDGE-1C, -2C, and -4C, should be approved.

6. SDG&E should file a Tier 1 AL to implement the revenue requirement in this order within 30 days of the date of this decision.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's amended 2015 request for the following ratesetting inputs are adopted as adjusted herein: 1) an Energy Resource Recovery Account forecast revenue requirement of an estimated \$1,206.603 million; 2) Ongoing Competition Transition Charge forecast revenue requirement of \$15.983 million; and 3) 2015 Local Generation Charge of \$6.949 million.

2. San Diego Gas & Electric Company must file a Tier 1 Advice Letter to implement the authority granted herein within 30 days of the date of this decision.

3. All rulings issued by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

4. The prepared testimony of San Diego Gas & Electric Company, consisting of the public and confidential versions of Exhibits SDG&E-1 through -4, are received into evidence.

5. San Diego Gas & Electric Company's (SDG&E) request to treat as confidential and seal portions of the evidentiary record, in particular, Exhibits SDG&E-1C, -2C, and -4C, is approved. 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 will remain under seal and confidential, and shall not be made accessible or disclosed to anyone other than the Commission staff or on the further order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge, the Law and Motion Judge, the Chief Judge, or the Assistant Chief, 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 stating the justification of further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

6. The determination made in the Assigned Commissioner's Scoping Memo and Ruling that hearings were necessary is changed to no hearings necessary.

7. Today's decision is effective immediately.
8. Application 14-04-015 is closed.

This order is effective today.

Dated January 15, 2015, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners