Decision 09-09-042 September 24, 2009

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 09-08-002 (Filed August 4, 2009)

DECISION GRANTING THE TRIGGER APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY

Summary

This decision grants San Diego Gas & Electric Company's application to refund approximately $124 million to ratepayers as a result of an overcollection in its Energy Resource Recovery Account.

The Application and Protests

Pursuant to Decision (D.) 02-10-062, San Diego Gas & Electric Company (SDG&E) submits this Trigger Application to address the disposition of SDG&E's current Energy Resource Recovery Account (ERRA) balance. The ERRA balance was projected to be approximately $80 million overcollected at the end of July 2009 (based on actual numbers through June 2009 and projected numbers for July 2009). Based on current actual recorded activity, the overcollection as of August 31, 2009, is $124 million. SDG&E seeks to return this overcollection in the form of a one-time bill credit to the appropriate ratepayers beginning with electric bills issued to customers on or after October 1, 2009, or as soon as the Commission is able to issue its approval. The main advantage to ratepayers of such a credit is that they will more quickly receive a return of their share of the overcollection (as opposed to the return being amortized in rates over the following 12 months, which has been the typical practice in the past). By providing the credit immediately, SDG&E can provide much needed assistance to customers during both these difficult economic times and the annual period of higher summer bills due to increased usage.

The 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).[1] Assembly Bill (AB) 57 mandated a trigger threshold for the balance in the ERRA of 5% of the electrical utility's actual recorded generation revenues for the prior calendar year.[2]

In accordance with D.02-10-062, which implemented the provisions of AB 57, SDG&E's ERRA is subject to a trigger mechanism designed to avoid ERRA 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 ERRA balance (undercollection or overcollection) exceeds a 4% trigger point and when the balance is projected to exceed the 5% threshold,[3] plus an amortization period for the balance of not less than 90 days.

With respect to SDG&E's proposed allocation methodology and the required amortization period of not less than 90 days, past overcollections have

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[1] Public Utilities Code Section 454.5(d)(3), initiated by AB 57.

[2] *Id.*

[3] D.02-10-062 at 64.

been returned to customers over one-year amortization periods.[4] Here, SDG&E is seeking to deviate from the not-less-than-90-day amortization requirement by returning the overcollection via a one-time bill credit to the appropriate ratepayers beginning with electric bills issued to customers on or after October 1, 2009, or as soon as the Commission is able to issue its approval. SDG&E believes this deviation is necessary to provide ratepayers immediate assistance to alleviate some of the pressures caused by the struggling economy and high summer bills.

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 Advice Letter 2068-E,[5] SDG&E reported that its 2008 electric commodity revenue, excluding CDWR revenue, was $1,030 million. Consequently, SDG&E's currently approved 4% trigger point is $41.2 million and the 5% ERRA threshold is $51.5 million. SDG&E's ERRA balance on May 31, 2009 was $39.026 million overcollected and increased to $63.014 million overcollected during the month of June 2009. As noted above, the ERRA balance is projected to be approximately $80 million, as of July 31, 2009, which is well over the 5% threshold amount. Moreover, there is no expectation that these overcollections will self-correct within 120 days.[6] Indeed, the overcollection is projected to increase to $107 million as of December 31, 2009.

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[4] D.07-12-042 at 6 and D.05-09-019 at 4 as modified by Resolution E.-4030 at 11 to extend the amortization period to 15 months.

[5] This Advice Letter was approved by the Commission on April 28, 2009, with an effective date of March 6, 2009.

[6] Pursuant to D.07-05-008, SDG&E is authorized to notify the Commission via advice letter filing, instead of expedited application, when the ERRA balance exceeds its trigger

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SDG&E proposes the one-time bill credit be calculated as a credit rate applied to a customer's aggregated 12 months of historic usage (August 2008 – July 2009). The one-time bill credit of $124 million will be allocated to customer classes consistent with the electric commodity rate allocation adopted in D.08-02-034. The credit rate used to determine the one-time bill credit will be an equal cent per kilowatt hour by customer class with the residential customer rate class having two credit rates: (1) one rate for tiered residential rate schedules which will be applied to usage not capped by AB 1X[7] (i.e., usage in Tier 3 and Tier 4); and (2) another rate for non-tiered residential schedules which would be applied to all usage. Usage in Tier 1 and Tier 2 will receive an effective credit rate of zero due to the AB 1X rate cap applicable to usage in these Tiers. This treatment is consistent with the net effect of the Total Rate Adjustment Component and commodity cost under a traditional ERRA trigger rate amortization methodology and the manner in which customers contributed to the overcollection.

The Division of Ratepayer Advocates filed a response in which it said it did not object to SDG&E's application.

The Utility Consumers Action Network (UCAN) filed a protest. It argues that SDG&E is only offering credits for residential usage in excess of 130% of baseline. Those customers would get unduly large credits. All customers below 130% of baseline would get no refund at all. This result, in UCAN's opinion, is unlawful.

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point and SDG&E does not seek a change in rates, if the ERRA balance will self-correct below the trigger point within 120 days of filing.

[7] AB 1X as codified in Water Code § 80110(e): a rate freeze up to 130% of baseline.

UCAN raises two issues:

1. It challenges the justification of denying the majority of SDG&E residential customers any share in the $80 million refund. It argues applying the totality of the refund for upper-tier customers is not consistent with the law; and
2. It is concerned about the temporal effects of this refund. If SDG&E has future increases in its plans for late 2009, UCAN believes it would be confusing and inappropriate to offer a refund late in the year only to have it followed up by an increase shortly thereafter. Thus, SDG&E should be required to disclose what, if any, future rate increases may be imposed upon residential customers in early 2010.

SDG&E responded and argues that its proposed allocation of the refund is consistent with law. UCAN's protest focuses on the rate design for residential customers and claims that SDG&E's applying all of the refund to upper-tier customers is not consistent with the law. However, SDG&E points out, UCAN completely fails to identify what "law" it is referring to, or the "law" that should apply.

SDG&E states its proposed allocation methodology is consistent with the law governing trigger applications and Commission-approved cost allocation methodology. D.02-10-062 mandates that a trigger application should "include allocation of the over-and-under collection among customers for rate adjustment based on existing allocation methodology recognized by the Commission."[8] Pursuant to this directive, the one-time bill credit (1) will be allocated to customer classes consistent with the electric commodity rate allocation adopted in D.08-02-034; (2) is designed to result in credit levels to residential customers

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[8] D.02-10-062 at 64.

similar to a traditional 12-month amortization methodology; and (3) will provide relief to the ratepayers who have been impacted by the overcollection. With respect to the lower tiers for residential customers (Tiers 1 and 2), as explained in the testimony of SDG&E witness Michelle Somerville:

> For residential customers served under tiered rate schedules, a reduction in the electric commodity rates would be offset through the Total Rate Adjustment Component (TRAC) to comply with AB1X with the net effect being that usage under Tier 1 and Tier 2 would receive an effective rate reduction of zero.[9]

Thus, residential customers will experience similar net rate impacts regardless of whether or not the refund is in the form of a one-time bill credit or a rate reduction amortized over 12 months.

Discussion

SDG&E has proposed a credit methodology that is consistent with the law and the manner in which residential electric rates are currently structured, as mandated by AB 1X. To use an alternate method would require giving the refund not only to those who paid higher than actual costs and thus contributed to the overcollection, but also to those who did not pay higher than actual costs and thus did not contribute to the overcollection.

We disagree with UCAN's concern that SDG&E's proposed refund could cause customer confusion if followed by increases later in the year. Given the recent economic downturn combined with higher electric bills experienced during the summer, the circumstances warrant an immediate one-time credit to provide relief to the appropriate customers. We are confident that the ratepayers are capable of handling a rate refund.

For the reasons stated above, we grant SDG&E' s expedited authorization to return the current overcollection to the appropriate ratepayers as a one-time bill credit, beginning with bills issued on or after October 1, 2009. SDG&E is proposing a simplified credit rate structure to allow for implementation of the one-time bill credit in the requested time frame. This simplified credit rate structure is designed to result in credit levels similar to a traditional 12-month amortization methodology, and to provide relief to the appropriate ratepayers who have contributed to the overcollection.

Reduction of Comment Period

We reduce the 30-day public comment period because public necessity requires a prompt refund of overcollection (Rule 14.6(c)(9)). Comments to the proposed decision shall be filed no later than Friday, September 18, 2009. There shall be no replies. Comments were filed only by SDG&E, which increased the refund from $80 million to $124 million.

Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Section 454.5(d)(3) provides for the timely recovery of procurement costs incurred by electric utilities that are under an approved procurement plan.
2. The balance in an ERRA balancing account is not to exceed 5% of the electric utility's actual recorded generation revenues for the prior calendar year excluding revenues collected for the CDWR.

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[9] Somerville Testimony at MS-5.

3. A trigger mechanism was established that requires any electrical corporation whose ERRA balance reaches 4% of its prior year's recorded generation revenues excluding revenues collected for the CDWR, to file an expedited application for approval to adjust its rates in 60 days from the filing date.

4. SDG&E's $63 million overcollected ERRA balance at the end of June 2009, exceeded both its 4% trigger point of $41.2 million and 5% threshold point of $51.5 million.

5. SDG&E estimated a July 31, 2009 ERRA overcollection of $80 million. The current recorded balance in the ERRA as of August 31, 2009, is a $124 million overcollection.

6. SDG&E will file for consolidated rate changes resulting in rate adjustments effective October 1, 2009.

Conclusions of Law

1. SDG&E meets the required threshold triggering a return of its ERRA overcollection to ratepayers.

2. SDG&E's ERRA trigger overcollection refund period should be a one-time bill credit, starting October 1, 2009.

3. To expedite the refund, the 30-day public comment period should be reduced as set forth in the decision.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company 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.

2. The 30-day public comment period is reduced as set forth in the decision.
3. Application 09-08-002 is closed.

This order is effective today.

Dated September 24, 2009, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners