

Decision 07-12-042 December 20, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application of SAN DIEGO GAS & ELECTRIC (U 902-E) under the Energy Resource Recovery Account (“ERRA”) Trigger Mechanism.

Application 07-10-007
(Filed October 5, 2007)

OPINION REQUIRING SAN DIEGO GAS & ELECTRIC COMPANY TO REFUND ENERGY RESOURCES RECOVERY ACCOUNT OVERCOLLECTION

1. Summary

This decision requires San Diego Gas & Electric Company (SDG&E) to refund its Energy Resources Recovery Account (ERRA) overcollection, estimated to be \$55.5 million, to ratepayers starting January 1, 2008.

2. Background

The ERRA balancing account was established to record the utility’s 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 threshold for the balance in the ERRA of 5% of the electrical utility’s actual recorded generation revenues for the prior calendar year.²

¹ Pub. Util. Code § 454.5(d)(3), initiated by AB 57.

² *Id.*

In accordance with Decision (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 The application is required to 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.⁴ Although the statutory trigger requirement expired on January 1, 2006, it has been extended to the term of the long-term CDWR contracts, or ten years, whichever is longer.⁵

Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1st of each year to establish the current year's trigger amount. In Advice Letter 1883-E5, SDG&E reported that its 2006 electric commodity revenue, excluding CDWR revenue, was \$617 million. Consequently, SDG&E's currently approved 4% trigger point is \$24.7 million and the 5% ERRA threshold is \$30.9 million. SDG&E projects that the overcollection will increase to approximately \$55.5 million by the end of 2007, exceeding the 5% threshold. SDG&E proposes a 12-month amortization period.

³ D.02-10-062, p. 64.

⁴ *Id.*

⁵ D.04-12-048 (2004), p. 103.

The Division of Ratepayer Advocates (DRA) and Aglet Consumer Alliance (Aglet) protested the application on November 9 and 13, 2007, respectively. A Prehearing Conference (PHC) was held November 27, 2007. DRA subsequently withdrew its protest,⁶ and now accepts SDG&E's proposals. Aglet opposes consolidation of this proceeding with Application (A.) 07-10-008, and seeks an immediate rate decrease.⁷

SDG&E originally requested that this Application and the concurrently filed 2008 ERRa Application (A.07-10-008) be consolidated into a single proceeding, resulting in a single Commission decision. Rather than change rates now, SDG&E also requested that the Commission include the projected year-end overcollection as an offset to the 2008 ERRa revenue requirement, separately filed as A.07-10-008. SDG&E contended its proposal would stabilize rates by preventing the rate volatility that would result from reducing rates in late 2007, due to a projected ERRa overcollection, only to have them increase again in early 2008 as a result of the increase in SDG&E's ERRa revenue requirement.

Consistent with its concurrently filed 2008 ERRa Application, SDG&E also requested that its offsetting proposal be implemented on an interim basis as of January 1, 2008, pending final approval by the Commission.

3. Discussion

3.1. Consolidation and Timing

SDG&E's request to consolidate this case with A.07-10-008 would have implemented separate rate changes together, on an interim basis. On

⁶ DRA also protested A.07-10-008 and subsequently withdrew that protest as well.

⁷ Aglet clarified at the PHC that its recommendation to dismiss the Application should be interpreted as seeking a denial of the application. Transcript, p. 14.

December 4, 2007, after discussion with Aglet, SDG&E informed the ALJ of its desire to withdraw its request for consolidation of the proceedings. D.02-10-062 requires SDG&E to propose approval within 60 days of its application to adjust rates due to the ERRA trigger. SDG&E seeks approval in time for a January 1, 2008 adjustment, but does not specify an approval date. We note that 60 days from SDG&E's October 5, 2007 application date was December 4, 2007. In future ERRA trigger applications, SDG&E should propose a process to achieve an approval date within 60 days of its application.

3.2. Return of Overcollection

There is no disagreement that SDG&E should return the ERRA trigger overcollection as soon as possible. The only disagreement concerned the proposed method for such return to ratepayers, which we have resolved by deciding against consolidation with the 2008 ERRA forecast proceeding.

We will require SDG&E to reduce rates on January 1, 2008 by the ERRA overcollection amount, estimated to be \$55.5 million. SDG&E proposes to effectuate the rate change by consolidating the rate impacts with other January 1, 2008 changes in electric rates.⁸ SDG&E intends to file for these consolidated rate changes in a late December 2007 advice letter, which would go into effect January 1, 2008. We will allow SDG&E to include the ERRA trigger overcollection amount, as finalized, in its December 2007 consolidated rate change filing.

⁸ On January 1, 2008, SDG&E expects to implement rate changes including the 2008 CDWR revenue requirement, the 2008 Non-Fuel Generation Balancing Account revenue requirement and 2008 transmission revenue requirements.

D.02-10-062 requires the ERRA trigger adjustment to be amortized over a period of not less than 90 days. SDG&E proposes a 12-month amortization, consistent with the other rate changes occurring January 1, 2008. This amortization period is reasonable. D.02-10-062 also requires SDG&E to propose an allocation of the overcollection among customers for rate adjustment based on the existing allocation methodology recognized by the Commission.⁹ SDG&E's December 2007 consolidated rate change filing shall reflect this allocation methodology.

4. Assignment of Proceeding

The assigned Commissioner is Timothy Alan Simon and the Administrative Law Judge is David M. Gamson.

5. Comments on Proposed Decision

The Proposed Decision was mailed on December 10, 2007. Pursuant to Rule 14.6(b) of the Rules of Practice and Procedure, all parties stipulated to reduce the comment period on the Proposed Decision to five days,¹⁰ with no reply comments. SDG&E and Aglet filed comments.

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.

⁹ D.02-10-062, pp. 65-66.

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 DWR, to file an expedited application for approval to adjust its rates in 60 days from the filing date.

4. SDG&E's \$36.649 million overcollected ERRA balance at the end of August 2007 exceeded both its four percent trigger point of \$24.7 million and five percent threshold point of \$30.9 million.

5. SDG&E estimates a 2007 year end ERRA overcollection of \$55.5 million.

6. SDG&E will file for consolidated rate changes in December 2007 resulting in rate adjustments effective January 1, 2008.

Conclusions of Law

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

2. SDG&E's proposed 12-month ERRA trigger overcollection amortization period, starting January 1, 2008, is reasonable.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company shall return the Energy Resource Recovery Account (ERRA) overcollection to ratepayers as part of its consolidated rate change filing in December 2007, using the existing adopted allocation

¹⁰ Because five days after December 10, 2007 falls on a Saturday, comments will be due by December 17, 2007.

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methodology and the latest updated ERRA revenues, to be effective January 1, 2008.

2. Application 07-10-007 is closed.

This order is effective today.

Dated December 20, 2007, at San Francisco, California.

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