

Decision 11-10-029 October 20, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas and Electric Company (U902E) for Approval of: (i) Contract Administration, Least Cost Dispatch and Power Procurement Activities, and (ii) Costs Related to those Activities Recorded to the Electric Resource Recovery Account, Incurred During the Record Period January 1, 2009 through December 31, 2009, and (iii) the Entries Recorded in Related Regulatory Accounts.

Application 10-06-001
(Filed June 1, 2010)

**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2009 ENERGY RESOURCE RECOVERY ACCOUNT COSTS
AND RELATED MATTERS**

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**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2009 ENERGY RESOURCE RECOVERY ACCOUNT COSTS
AND RELATED MATTERS**

1. Summary

By this decision, the Commission approves San Diego Gas & Electric Company's (SDG&E) 2009 Energy Resource Recovery Account (ERRA) compliance application as discussed herein. The Commission finds SDG&E's contract administration, power purchase and least-cost dispatch activities in 2009 reasonable. The Commission also finds that: 1) entries in SDG&E's ERRA and Transition Cost Balancing Account for 2009 are reasonable; 2) over-collections of \$55.9 million and \$20.1 million, respectively, in these accounts be refunded to ratepayers; 3) recovery should be authorized of \$4.32 million recorded in the following SDG&E memorandum accounts - Procurement Transaction Auditing Memorandum Account, Renewables Portfolio Standard Memorandum Account, Market Redesign Technology Upgrade Memorandum Account, Independent Evaluator Memorandum Account, and the Generation Divestiture Transaction Cost Memorandum Account; and 4) revisions to SDG&E's Procurement Transaction Auditing Memorandum Account, Renewables Portfolio Standard Memorandum Account, Independent Evaluator Memorandum Account, and the Generation Divestiture Transaction Cost Memorandum Account are adopted. Recovery from SDG&E's Market Redesign Technology Upgrade Memorandum Account is subject to audit as ordered herein. Consideration of the impact of outages at the San Onofre Nuclear Generating Station are deferred until a decision is made on the same issue in Southern California Edison's Application 10-04-002.

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, based on the methods and inputs used.

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

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, 2010, San Diego Gas and Electric Company (SDG&E) filed Application (A.) 10-06-001, in which it requested: 1) approval of its contract administration, least cost dispatch and power procurement activities, 2) approval of entries to its ERRA and Transition Cost Balancing Account² (TCBA) during the period January 1, 2009 through December 31, 2009, and authority to refund in the year-end balances in the ERRA and TCBA; 3) recovery of the amounts recorded in selected balancing and memorandum accounts; and 4) revisions to selected memorandum accounts.

² Eligible above market power costs, Competition Transition Charge (CTC) revenues, and the applicable interest on any under or over collection are recorded in the TCBA.

The *Scoping Memo and Ruling of the Assigned Commissioner* (Scoping Memo) was issued on August 13, 2010, which confirmed the categorization and need for hearings, ruled on the scope and schedule, and addressed other procedural items. In part, the assigned Commissioner ruled that the question of whether to bifurcate consideration of recovery from the Market Redesign Technology Upgrade Memorandum Account (MRTUMA) is outside the scope of the current proceeding, referencing our recent denial of a similar request from the Division of Ratepayer Advocates (DRA) in D.10-07-049.³ We confirm the assigned Commissioner's ruling, except as noted below. This proceeding was originally assigned to Commissioner Nancy E. Ryan, but has since been re-assigned to Commissioner Michel Peter Florio. A prehearing conference (PHC) took place on August 2, 2010. On November 22, 2010, DRA served its direct testimony.

On December 16, 2010, SDG&E filed a motion requesting that the current proceeding either be bifurcated or stayed to address the same San Onofre Nuclear Generating Station (SONGS) outage issues in Southern California Edison Company's (SCE) A.10-04-002. SCE and SDG&E are joint owners of SONGS. DRA filed a response on December 20, 2010. SDG&E filed a reply on December 21, 2010. On December 23, 2010, the assigned Administrative Law

³ In D.10-07-049, which addressed Southern California Edison's request for recovery from its 2008 ERRAs and other regulatory accounts, the Commission denied DRA's request to address MRTUMA and non-ERRA regulatory accounts in a separate proceeding consolidated with PG&E and SDG&E. Examination of whether the recovery from selected regulatory accounts should be separated or consolidated into unique proceedings is a generic issue that would affect other energy utilities. Given the Commission's recent order, and since the purpose of the current proceeding is to address the recovery of balances in regulatory accounts of SDG&E only, questions of bifurcation are outside the scope of this proceeding.

Judge (ALJ) issued a ruling, granting SDG&E's request, that this proceeding is bifurcated to separately address DRA's concerns regarding the effect of outages at SONGS, regarding recovery from the ERRA balancing account. All other issues remained in the first phase of this proceeding.⁴ Since this same issue is being litigated in SCE's ERRA proceeding, it is most efficient to delay consideration of the SONGS issue in the current proceeding until after we make a decision in the SCE proceeding.

An opening brief on Phase 1 issues was filed by SDG&E on February 1, 2011 and a reply brief was filed by DRA on February 11, 2011.

⁴ The Commission ruled that:

- a. The current schedule in A.10-06-001 remains intact in order to address all remaining issues, other than the DRA's recommended disallowance due to outages at San Onofre Nuclear Generating Station. In this way, the Commission will have all the information it requires to make a determination regarding these remaining issues in the first phase of A. 10-06-001;
- b. The determination in A. 10-04-002 of whether the outages at San Onofre Nuclear Generating Station were reasonable or not will not be re-litigated in A.10-06-001;
- c. DRA's recommended disallowance due to outages at San Onofre Nuclear Generating Station in A.10-06-001 will be addressed in the second phase of A.10-06-001;
- d. After issuance of a decision in A.10-04-002, SDG&E, DRA, and all other parties that may be granted party status subsequent to December 21, 2010, in A.10-06-001, must meet and confer regarding the joint motion referenced in Item 5 below;
- e. Within 30 days after issuance of a decision in A.10-04-002, SDG&E, DRA, and all other parties that may be granted party status subsequent to December 21, 2010 in A.10-06-001, must file a joint motion, to request adoption of a proposed schedule to address the San Onofre Nuclear Generating Station issue, including dates for a second prehearing conference, service of testimony, evidentiary hearings, and filing of briefs; and
- f. A second prehearing conference will be held to determine how to proceed in the second phase of A.10-06-001.

Pursuant to authority granted by the assigned ALJ, SDG&E filed a sur-reply brief on February 18, 2011.

Over the course of this proceeding, the assigned ALJ issued several rulings via e-mail which we confirm herein. On December 16, 2010, SDG&E's request to serve its rebuttal testimony on December 28, 2010 was granted; on December 17, 2010, SDG&E's request to shorten the time to respond to its motion to bifurcate or stay the proceeding was granted; on December 21, 2010, SDG&E request to file a reply to DRA's response to its motion to bifurcate or stay was granted; on January 5, 2011, SDG&E's request on behalf of itself and DRA to take evidentiary hearings scheduled for January 19 and 29, 2011 off the calendar was granted; and on February 15, 2011, SDG&E's request to file a sur reply brief to DRA's reply brief was granted.

2.1. Admittance of Testimony into Record

Since evidentiary hearings were not held in A.10-06-001, there was no opportunity to enter prepared testimony into the record. In order to fairly assess the record, it is necessary to include the testimony served by SDG&E and DRA as discussed below.

In its opening brief, SDG&E requested that its direct testimony of Tony Choi Yvonne Le Mieux, and Sally Chen, and its rebuttal testimony of Yvonne Lee Mieux, (both public and confidential versions) be received into the record. The confidential versions of SDG&E's served testimony include information of a confidential and commercially sensitive nature pertaining to SDG&E's electric procurement and strategies.

In its reply brief, DRA requested that its testimony (both public and confidential versions) served on November 22, 2010, be received into the record. DRA's testimony included similarly confidential information as SDG&E's served

testimony. Portions of DRA's testimony address the bifurcation of the MRTUMA, which is outside the scope of this proceeding.

Given the necessity of SDG&E's and DRA's testimony to our assessment of the proposals put forth by both parties, we admit into evidence both the public and confidential testimonies of SDG&E and DRA (identified in Attachment A to this decision), except as noted below. All confidential testimony will remain so for three years, except for SDGE-1 at page TC-11 line 5, which SDG&E requests remain confidential for just one year.

Since we did not include bifurcation of MRTUMA as an issue in this proceeding, we accept all but the following sections of DRA's served testimony (both public and confidential versions) into evidence:

1. Page 1-4 at lines 23-28;
2. Page 1-5 at lines 1-12 and line 15 through the word "consolidation";
3. Page 7-1 at lines 24-26;
4. Page 7-2 at lines 1-19;
5. Page 7-3 at lines 17-27;
6. All of page 7-4; and
7. Page 7-5 at lines 1-17 through the word "proceedings" and lines 21-28.

3. SDG&E Request

SDG&E requests Commission approval of: (i) its contract administration, least cost dispatch and power procurement activities, (ii) approval of entries to and refunding of the year end balance in the ERRA and TCBA for the period January 1, 2009 through December 31, 2009, and (iii) recovery of the amounts recorded in related regulatory accounts. In particular, SDG&E requests recovery from various memorandum accounts, including TCBA Procurement Transaction

Auditing Memorandum Account (PTAMA),⁵ Renewables Portfolio Standard Memorandum Account (RPSMA),⁶ MRTUMA,⁷ Independent Evaluator Memorandum Account (IEMA),⁸ and the Generation Divestiture Transaction Cost Memorandum Account (GDTICMA).⁹ SDG&E presents an overcollection in its ERRA balancing account of \$55.9 million and an overcollection in its TCBA of \$20.1 million, both as of December 31, 2009. Since these are over-collections, SDG&E is requesting no rate increase. Subsequent to filing this application, SDG&E refunded these over-collections to ratepayers.¹⁰ SDG&E requests recovery from the MRTUMA, PTAMA, IEMA, RSPMA, and GDTICMA of \$4.32

⁵ The cost of: the independent auditor that audits and certifies compliance of procurement; the independent audit of the risk management committee structure for SDG&E procurement operations as well as any rules or reporting needed for SDG&E's energy procurement transactions with Southern California Gas Company; and applicable interest on any under or over collection, is recorded in the PTAMA.

⁶ The costs of the Renewable Portfolio Standard (RPS) technical contractor that is allocated by the Commission (pursuant to D.06-10-050) to SDG&E for the purpose of performing tasks related to advancing RPS Program goals, and applicable interest on any under or over collection, is recorded in the RPSMA.

⁷ 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.

⁸ 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.

⁹ The transaction costs, other than SDG&E labor, associated with divestiture of SDG&E generating resources, including fossil power plants, combustion turbines, SDG&E's 20% interest in SONGS, and SDG&E's portfolio of long-term power contracts, is included in the GDTICMA.

¹⁰ See D.10-08-020 and Advice Letter 2201-E.

million through its Non-fuel Generation Balancing Account¹¹ (NGBA), ERRA, and TCBA.

SDG&E also requests authority to:

1. Eliminate the PTMA and GDTCMA from its preliminary statement, as it is no longer using these accounts;
2. Transfer the balance in its GDTCMA to the TCBA;
3. Update its IEMA tariff disposition to allow it to transfer the balance in the IEMA to the ERRA on an annual basis. SDG&E proposes that these transactions would continue to be reviewed in the ERRA balancing account proceeding, however the number of memo accounts individually listed in the filing would be reduced;
4. Update its RPSMA tariff disposition to allow it to transfer the balance at the end of 2010 to the ERRA and to eliminate the account from SDG&E's preliminary statement. The RPSMA transactions will continue to be reviewed in the annual ERRA proceeding, but the number of memo accounts will be reduced.

In its application, testimony, and exhibits, SDG&E presented a prima facie case in support of its requests. In particular, SDG&E provided documentation of its compliance with applicable Public Utilities Code and Commission decisions in its calculation of, requests for, and determination of reasonableness of entries to its ERRA, TCBA, PTAMA, RPSMA, MRTUMA, IEMA, and GDTCMA. SDG&E also provided documentation of its compliance with applicable contract terms, Pub. Util. Code, Commission decisions, and legal standards, verifying that

¹¹ The NGBA provides recovery of approved electric generation non-fuel costs (fixed and variable operation and maintenance expenses) that are not recovered by any other component of SDG&E's rates.

SDG&E prudently dispatched its portfolio of resources in a least cost manner for the period January 1, 2009 through December 31, 2009.

4. Contract administration, least cost dispatch and power procurement activities

Based on DRA's review of SDG&E's testimony and related documents, DRA does not object to SDG&E's: 1) Management of its Non Qualified Facilities (QF) purchase contracts during the 2009 Record Period; 2) Exercise of its contract management, compliance and general administration of SDG&E's QF Power Purchase Agreements (PPA); and 3) Recovery of QF related costs it incurred during the Record Period. DRA did not address SDG&E's Least-Cost Dispatch.

DRA recommends that the Commission order SDG&E to include all of its contract administration processes directly in its testimony in future ERRA applications. In its Opening Brief, SDG&E agreed to include "substantially similar"¹² information, where possible, in future ERRA proceedings, to that provided by it in testimony in the current proceeding regarding its California Department of Water Resources (CDWR) contracts. SDG&E does not agree that a Commission order is necessary.

Based on a careful review of the testimony and exhibits, we find that SDG&E reasonably administered its Non-QF and QF contracts and Least Cost Dispatch, and should recover the requested associated costs.

We deny DRA's request that we order SDG&E to include all of its contract administration processes directly in its testimony in future ERRA applications, but remind SDG&E to include all information necessary both to support its request and for parties to understand such requests.

¹² SDGE-1 at 17.

5. Recovery of Costs Related to Activities Recorded in the ERRA and TCBA

DRA reviewed SDG&E's ERRA and TCBA and, except as noted below regarding Utility Retained Generation (URG), found no exceptions of a material nature requiring adjustment to these accounts.

DRA also recommended that, in accordance with D.10-02-018, SDG&E be required to perform an audit of the ERRA Balancing Account at least once every four years with the first audit to be for the 2009 or 2010 Record Period, and anticipates that SDG&E will do so for the 2010 Record Period prior to filing its ERRA compliance application for the 2010 record period. SDG&E agrees that such an audit is necessary to comply with D.10-02-018, and has now completed this audit and served it as part of its ERRA compliance filing for the 2010 record year.

Based on a careful review of the record, we find that, except for the proposed adjustment to costs associated with SDG&E's URG, which will be litigated in Phase 2 of this proceeding, the entries to the ERRA and TCBA for the period January 1, 2009 through December 31, 2009 as well as the end of year balance (over-collection) are reasonable. As noted by SDG&E in its Opening Comments,¹³ it has already refunded the over-collection in its ERRA and TCBA as of the end of year 2009.

¹³ SDG&E Opening Comments at 2-3.

5.1. Utility Retained Generation

DRA reviewed SDG&E's URG operations and fuel procurement activities from January 1, 2009 to December 31, 2009. DRA also reviewed generation outage information, including the underlying factors for certain outages, and SDG&E's internal audit program for its URG facilities. DRA found that, except for two outages at the San Onofre Nuclear Generating Station (SONGS), SDG&E's fuel procurement activities as well as its audit program for its URG facilities were not unreasonable. Based on its review, DRA recommends that the Commission disallow \$950,000, which it estimates is the total replacement energy cost of what it considers two unreasonable outages at the SONGS. As discussed in her ruling dated December 23, 2010, the assigned ALJ bifurcated the current proceeding in order to address this one issue regarding outages at SONGS in Phase 2 of the current proceeding. We confirm this ruling.

6. Recovery from Memorandum Accounts

DRA reviewed SDG&E's testimony, work papers, and written data request responses related to its administration of costs associated with SDG&E's PTAMA, RPSMA, MRTUMA, IEMA, and GDTTCMA. SDG&E requested recovery of a total of \$4.32 million from these accounts.¹⁴ In Exhibit DRA-1 at 1-5, DRA states that it does not recommend a disallowance for costs recorded by SDG&E in its PTAMA, RPSMA, IEMA, and GDTTCMA. DRA also stated in its testimony that, barring bifurcation of the MRTUMA issue, it does not contest recovery of amounts recorded in the MRTUMA through the end of 2009.

¹⁴ PTAMA - \$0.35 million; RPSMA - \$0.08 million; MRTUMA - \$2.58 million; IEMA - \$1.17 million; and GDTTCMA - \$0.14 million.

Based on a careful review of the record, we find that SDG&E should recover the requested amounts from its PTAMA, RPSMA, IEMA, and GDTICMA. With regard to recovery of MRTUMA, DRA would prefer that this issue be bifurcated but, barring such, DRA does not contest SDG&E's requested recovery from this account. In its Reply Brief, DRA changed its position, stating that recovery of MRTUMA dollars should be denied until the Commission rules on its recommendation to bifurcate. DRA has not presented any new information in support of its new position. As discussed in Section 2 of this decision, we confirm the assigned Commissioners ruling that bifurcation is outside the scope of this proceeding.

We authorize the recovery of the expenses and capital costs recorded in SDG&E's MRTUMA for the years 2007, 2008, and 2009, which is subject to refund, based on the Commission's determination regarding the need for an audit of the MRTUMA. This audit must be completed within 12 months from the issuance date of this decision. This audit will be paid for by SDG&E, and performed by an independent auditor chosen by the Commission's Division of Water and Audits - Utility Audit, Finance, and Compliance Branch (DWA). The resulting audit report must be filed and served by DWA as a compliance filing in SDG&E's 2010 ERRRA proceeding (or a consolidated proceeding addressing MRTU costs). Within 30 days of the audit being filed and served, SDG&E must file and serve a response to the audit. DRA and any interested party may then file and serve a reply to such response within 20 days of the SDG&E's response.

The audit must include but not be limited to the following items:

1. Compliance with requirements of Resolution E-4088, in which the MRTUMA was authorized;

2. Verification that amounts recorded in the MRTUMA since inception have been spent on the incremental costs of the MRTU program;
3. Verification that amounts recorded in the MRTUMA since inception are incremental to the amounts otherwise authorized by this Commission for SDG&E's Information Technology program;
4. Verification that amounts recorded in the MRTUMA since inception have not been spent on non-MRTU Information Technology programs; and
5. Verification that amounts recorded in the MRTUMA are separately identified in SDG&E's accounting system.

7. Eliminate or Update various Memorandum Accounts

Except for the PTAMA, DRA stated that it has no objection to any of SDG&E's requested revisions to the IEMA, RPSMA, and GDTCMA. DRA did not comment on the proposed elimination of the PTAMA. It is reasonable for SDG&E to revise its PTAMA, RPSMA, IEMA, and GDTCMA as requested.

8. Procedural Matters

Numerous changes to SDG&E's Preliminary Statement and tariffs are authorized herein. Therefore, within 30 days of the issuance of this decision, SDG&E must file an advice letter in compliance with General Order 96-B, in order to implement the changes authorized herein.

9. Comments on Proposed Decision

The proposed decision of ALJ Wilson 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. Opening comments were filed on August 29, 2011 by SDG&E, and reply comments were filed on September 6, 2011 by DRA. We have considered the comments in our final order.

10. 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 June 1, 2010, SDG&E filed A. 10-06-001, in which it requested:
 - 1) approval of its contract administration, least cost dispatch and power procurement activities, 2) approval of entries to its ERRA and TCBA during the period January 1, 2009 through December 31, 2009, and authority to refund in the year-end balances in the ERRA and TCBA; 3) recovery of the amounts recorded in selected balancing and memorandum accounts; and 4) revisions to selected memorandum accounts.
2. In the Scoping Memo, the assigned Commissioner ruled that the question of whether to bifurcate consideration of recovery from the MRTUMA is outside the scope of the current proceeding, and the proceeding would focus only on the regulatory accounts of SDG&E.
3. In its application, testimony, and exhibits, SDG&E provided documentation of its compliance with applicable Public Utilities Code and Commission decisions in its calculation of, requests for, and reasonableness of entries to its ERRA, TCBA, PTAMA, RPSMA, MRTUMA, IEMA, and GDTCMA.
4. In its application, testimony, and exhibits, SDG&E provided documentation of its compliance with applicable contract terms, Public Utilities Code, Commission decisions, and legal standards, verifying that SDG&E prudently dispatched its portfolio of resources in a least cost manner for the year 2009.

5. In its application, testimony, and exhibits, SDG&E provided documentation in support of its request to revise its PTMA, GDTCMA, IEMA, and RPSMA.

6. In its application, testimony, and exhibits, SDG&E presented a prima facie case in support of its requests.

7. DRA reviewed SDG&E's application, testimony, and related documents that addressed its review and position regarding SDG&E's requests.

8. Except for the following recommendations, DRA does not object to SDG&E's requests;

- a. DRA recommends that the Commission order SDG&E to include all of its contract administration processes directly in its testimony in future ERRA applications;
- b. DRA recommends that the Commission disallow \$950,000, which DRA estimates is the total replacement energy cost incurred by SDG&E due to two outages at SONGS, which DRA believes are unreasonable;
- c. DRA recommends that, in accordance with D.10-02-018, SDG&E be required to perform an audit of the ERRA Balancing Account at least once every four years, with the first audit to be for the 2009 or 2010 Record Period; and
- d. DRA recommends that review of the MRTUMA should be bifurcated, but barring such, DRA recommends that recovery of MRTUMA dollars should be denied until the Commission rules on its recommendation to bifurcate.

9. The record of this proceeding, including the application, and testimony and exhibits of SDG&E and DRA, provide a sufficient basis on which we can make a determination regarding SDG&E's requests and DRA's recommendations.

10. The over-collected end of year balances in SDG&E's ERRA and TCBA as of December 31, 2009, of \$55.9 million and \$20 million, respectively, have already been refunded to customers.

11. SDG&E has performed the audit of the ERRA balancing account required by D.10-02-018.

Conclusions of Law

1. In the Scoping Memo, the assigned Commissioner ruled that the question of whether to bifurcate consideration of recovery from the MRTUMA was outside the scope of the current proceeding. We should confirm the assigned Commissioners ruling herein.

2. While the Scoping Memo determined hearings were necessary, neither the parties nor the ALJ required them to develop the record. Therefore, that determination should be revised to hearings are not required.

3. We should confirm all rulings made by the assigned Commissioner and/or the assigned ALJ, herein.

4. Except for the \$950,000 associated with SONGS outages, deferred to Phase 2 of this proceeding, the entries to SDG&E's ERRA and TCBA for the period January 1, 2009 through December 31, 2009 are reasonable.

5. SDG&E has reasonably administered its Non-QF contracts, QF contracts, and Least Cost Dispatch, and should recover the requested associated costs.

6. Except for the \$950,000 adjustment proposed by DRA regarding SDG&E's URG costs related to SONGS, SDG&E's URG operations and fuel procurement activities for the period January 1, 2009 through December 31, 2009 are reasonable and recoverable.

7. SDG&E should recover the amounts it has requested that are recorded in its PTAMA, RPSMA, IEMA, and GDTCMA, totaling \$1.74 million.

8. SDG&E should recover the \$2.58 million it has requested from its MRTUMA, subject to refund, based upon review of an audit of the MRTUMA. The details of the audit process are set forth in the ordering paragraphs.

9. SDG&E should revise its PTAMA, RPSMA, MRTUMA, IEMA, and GDTCMA as follows:

- a. Eliminate the PTAMA and GDTCMA from its preliminary statement, as it is no longer using these accounts.
- b. Transfer the balance in its GDTCMA to the TCBA;
- c. Update its IEMA tariff disposition to allow it to transfer the balance in the IEMA to the ERRA on an annual basis. SDG&E proposes that these transactions would continue to be reviewed in the ERRA balancing account proceeding, however the number of memo accounts individually listed in the filing would be reduced;
- d. Update its RPSMA tariff disposition to allow it to transfer the balance at the end of 2010 to the ERRA and to eliminate the account from SDG&E's preliminary statement. The RPSMA transactions will continue to be reviewed in the annual ERRA proceeding, but the number of memo accounts will be reduced.

10. SDG&E should file an advice letter in compliance with General Order 96-B in order to implement the changes to its Preliminary Statement and Tariffs, authorized herein.

11. The prepared testimony of SDG&E (identified in Attachment A to this decision) should be received into evidence.

12. The prepared testimony of DRA (identified in Attachment A to this decision) except for the following sections, should be received into evidence:

- a. Page 1-4 at lines 23-28;
- b. Page 1-5 at lines 1-12 and line 15 through the word "consolidation";
- c. Page 7-1 at lines 24-26;

- d. Page 7-2 at lines 1-19;
- e. Page 7-3 at lines 17-27;
- f. All of page 7-4; and
- g. Page 7-5 at lines 1-17 through the word “proceedings” and lines 21-28.

13. SDG&E’s request to treat the confidential versions of it’s testimony as confidential for three years is reasonable except as noted in Conclusion of Law 15.

14. SDG&E’s request to treat the confidential version of Exhibit SDGE-1C at page TC-11, line 5 as confidential for one year is reasonable.

15. DRA’s request to treat the confidential version of it’s testimony as confidential for three years, except for those portions not received, is reasonable.

16. This proceeding should remain open for consideration of remaining issues.

O R D E R

IT IS ORDERED that:

1. Except for the \$950,000 associated with the San Onofre Nuclear Generating Station, the consideration of which is deferred to Phase 2 of this proceeding, the end of year balances in San Diego Gas & Electric Company’s Energy Resource Recovery Account and Transition Cost Balancing Account as of December 31, 2009, are reasonable.

2. We confirm all rulings by the assigned Commissioner and the assigned Administrative Law Judge in the current proceeding, except that hearings are not required.

3. San Diego Gas & Electric Company is authorized to recover \$1.74 million in its Procurement Transaction Auditing Memorandum Account, Renewables

Portfolio Standard Memorandum Account, Independent Evaluator Memorandum Account, and Generation Divestiture Transaction Cost Memorandum Account.

4. San Diego Gas & Electric Company is authorized to recover the \$2.58 million in its Market Redesign Technology Upgrade Memorandum Account, subject to refund, based upon the Commissions determination regarding an audit of the Market Redesign Technology Upgrade Memorandum Account.

5. The audit of the Market Redesign Technology Upgrade Memorandum Account required by Ordering Paragraph 6 must be completed within 12 months from the issuance of this decision.

6. An audit of the Market Redesign Technology Upgrade Memorandum Account must be performed by an independent auditor chosen by the Commission's Division of Water and Audits and paid for by San Diego Gas & Electric Company.

- a. The resulting audit report must be filed and served by Division of Water and Audits as a compliance filing in San Diego Gas & Electric Company's 2010 Energy Resource Recovery Account proceeding (or a consolidated proceeding addressing Market Redesign Technology Upgrade costs).
- b. Within 30 days of the audit being filed, San Diego Gas & Electric Company should file and serve a response to the audit.
- c. Division of Ratepayer Advocates and any interested party may then file and serve a reply to such response within 20 days of the San Diego Gas & Electric Company response.
- d. The audit must include but not be limited to the following items:

- i. Compliance with requirements of the Resolution E-4088, in which the Market Redesign Technology Upgrade Memorandum Account was authorized;
- ii. Verification that amounts recorded in the Market Redesign Technology Upgrade Memorandum Account since inception have been spent on the incremental costs of the Market Redesign Technology Upgrade program;
- iii. Verification that amounts recorded in the Market Redesign Technology Upgrade Memorandum Account since inception are incremental to the amounts otherwise authorized by this Commission for San Diego Gas & Electric Company's Information Technology program;
- iv. Verification that amounts recorded in the Market Redesign Technology Upgrade Memorandum Account since inception have not been spent on non- Market Redesign Technology Upgrade Information Technology programs; and
- v. Verification that amounts recorded in the Market Redesign Technology Upgrade Memorandum Account are separately identified in San Diego Gas & Electric Company's accounting system.

7. San Diego Gas & Electric Company must revise its Procurement Transaction Auditing Memorandum Account, Renewable Portfolio Standard Memorandum Account, Independent Evaluator Memorandum Account, and Generation Divestiture Transaction Cost Memorandum Account as follows:

- a. Eliminate the Procurement Transaction Auditing Memorandum Account, and Generation Divestiture Transaction Cost Memorandum Account from its preliminary statement, as it is no longer using these accounts.
- b. Transfer the balance in its GDTCA to the Transition Cost Balancing Account;

- c. Update its Independent Evaluator Memorandum Account tariff disposition to allow it to transfer the balance in the IEMA to the Energy Resource Recovery Account on an annual basis. These transactions would continue to be reviewed in the Energy Resource Recovery Account proceeding;
- d. Update its Renewable Portfolio Standard Memorandum Account tariff disposition to allow it to transfer the balance at the end of 2010 to the Energy Resource Recovery Account and to eliminate the account from San Diego Gas & Electric Company's preliminary statement. The Renewable Portfolio Standard Memorandum Account transactions will continue to be reviewed in the annual Energy Resource Recovery Account proceeding.

8. The prepared testimony of San Diego Gas & Electric Company (listed in Attachment A to this decision) is received into evidence.

9. The prepared testimony of the Division of Ratepayer Advocates (listed in Attachment A to this decision) , except for the following sections, is received into evidence:

- a. Page 1-4 at lines 23-28;
- b. Page 1-5 at lines 1-12 and line 15 through the word "consolidation";
- c. Page 7-1 at lines 24-26;
- d. Page 7-2 at lines 1-19;
- e. Page 7-3 at lines 17-27;
- f. All of page 7-4; and
- g. Page 7-5 at lines 1-17 through the word "proceedings" and lines 21-28.

10. The request of San Diego Gas & Electric Company to treat selected exhibits as confidential, including Exhibits SDGE-1C, -2C, -and 3C, is granted, except as ordered in Ordering Paragraph 12 of this decision. The information will remain

under seal for a period of three years from 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, the Assistant Chief Administrative Law Judge, or the Chief Administrative Law Judge, except as agreed to in writing by San Diego Gas & Electric Company, or as ordered by a court of competent jurisdiction. If San Diego Gas & Electric Company believes that it is necessary for this information to remain under seal for longer than three years, San Diego Gas & Electric Company may file a motion providing a justification for a further extension at least 30 days before the expiration of the three-year period granted by this order.

11. The request of San Diego Gas & Electric Company (SDG&E) to treat selected exhibits as confidential, including Exhibits SDGE-1C at page TC-11, line 5, is granted. The information will remain under seal for a period of one year from the date of this order. During this one-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge, the Assistant Chief Administrative Law Judge (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 one year, SDG&E may file a motion providing a justification for a further extension at least 30 days before the expiration of the one-year period granted by this order.

12. The request of the Division of Ratepayer Advocates (DRA) to treat its Exhibit DRA-1C as confidential, is granted for three years, except for those sections listed in Ordering Paragraph 10 as not received into evidence. The information will remain under seal 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, the Assistant Chief Administrative Law Judge (ALJ), or the Chief ALJ, except as agreed to in writing by the DRA, or as ordered by a court of competent jurisdiction. If the DRA believes that it is necessary for this information to remain under seal for longer than three years, it may file motion providing a justification for a further extension at least 30 days before the expiration of the three-year period granted by this order.

13. Within 30 days of the date of this decision, San Diego Gas & Electric Company must file a Tier 1 advice letter in compliance with General Order 96-B in order to implement the changes to its Preliminary Statement and Tariffs, authorized and ordered herein. The advice letter shall become effective on filing subject to Energy Division determining that it is in compliance with this decision.

14. Application 10-06-001 remains open.

This order is effective today.

Dated October 20, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

Attachment A Exhibit List

Exh. No.	Sponsor/Witness	Description
SDGE-1	Tony Choi	San Diego Gas & Electric Company Prepared Direct Testimony of Tony Choi
SDGE-1C	Tony Choi	San Diego Gas & Electric Company Prepared Direct Testimony of Tony Choi - Confidential
SDGE-2	Yvonne Le Mieux	San Diego Gas & Electric Company Prepared Direct Testimony of Yvonne Le Mieux
SDGE-2C	Yvonne Le Mieux	San Diego Gas & Electric Company Prepared Direct Testimony of Yvonne Le Mieux - Confidential
SDGE-3	Sally Chen	San Diego Gas & Electric Company Prepared Direct Testimony of Sally Chen
SDGE-3C	Sally Chen	San Diego Gas & Electric Company Prepared Direct Testimony of Sally Chen - Confidential
SDGE-4	Yvonne Le Mieux	San Diego Gas & Electric Company Prepared Rebuttal Testimony of Yvonne Le Mieux
DRA-1	Multiple	Amended Report on Application of San Diego Gas & Electric Company
DRA-1C	Multiple	Amended Report on Application of San Diego Gas & Electric Company - Confidential

(END OF ATTACHMENT A)