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07-05-06
10:58 AM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U-902-E) for Adoption of an Advanced Metering Infrastructure Deployment Scenario and Associated Cost Recovery and Rate Design.

Application 05-03-015
(Filed March 15, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING
DENYING SAN DIEGO GAS & ELECTRIC COMPANY'S MOTION
AND EXTENDING 18-MONTH DEADLINE**

Summary

This ruling denies San Diego Gas & Electric Company's (SDG&E's) June 9, 2006 Motion for leave to propose a critical peak pricing rate in its advanced metering infrastructure proceeding. The ruling also modifies the 18-month deadline for Commission decision due to a change in proceeding scope and grants two interventions.

SDG&E Motion and Responses

In Decision 06-05-038, the Commission directed SDG&E to incorporate default critical peak pricing (CPP) tariffs for all eligible customers with usage of 200 kilowatts and above "into their next comprehensive rate design proceeding or other appropriate proceeding if directed by the Commission." SDG&E filed the Motion on June 9, 2006 seeking leave to file a CPP rate for adoption in this proceeding. SDG&E proposes to augment its showing by July 7, 2006.

SDG&E believes this is the logical forum to consider CPP since this rate offering is integral to SDG&E's Advanced Metering Infrastructure (AMI)

business case. Further, SDG&E notes that the Commission will likely issue a decision in this proceeding before SDG&E files its next rate design window application or Phase 2 of its general rate case, which are the other candidates for SDG&E's next comprehensive rate design. SDG&E states that folding CPP into this proceeding would be relatively easy to accomplish, requiring only a supplement to certain chapters of SDG&E's AMI testimony.

Division of Ratepayer Advocates (DRA), City of San Diego,¹ Silicon Valley Leadership Group (SVLG),² and Utility Consumers' Action Network (UCAN) filed responses to the Motion. SVLG supports the Motion and urges the Commission to address CPP issues sooner rather than later. DRA does not object to the Motion, but expresses concern that the Motion, if granted, raises complex issues that may necessitate further delay of the AMI proceeding. DRA also notes that many parties in the CPP proceeding are not actively participating in this proceeding at this time and should be notified and given sufficient time to serve testimony if the Motion is granted. City of San Diego requests the Motion be denied. City of San Diego disagrees with SDG&E that this is the logical forum to consider CPP, as CPP implicates other rate design issues that will be addressed in the SDG&E Rate Design Window proceeding, and not here. UCAN encourages the Commission to either reject SDG&E's Motion or address CPP issues in a second phase of this proceeding. UCAN is concerned that adding

¹ City of San Diego filed a Motion to Intervene relative to critical peak pricing rate proposals on June 16, 2006. The intervention is granted.

² Silicon Valley Leadership Group filed a Motion to Intervene relative to critical peak pricing rate proposals on June 16, 2006. The intervention is granted.

CPP issues would disadvantage large customers due to the short timeline proposed by SDG&E.

Discussion

The Commission has clearly stated its intent to implement CPP rates for large customers in SDG&E's next comprehensive rate design proceeding. This proceeding is not a comprehensive rate design proceeding, as it only encompasses rates related to AMI. As City of San Diego notes, CPP rates are intertwined with various other rate issues, necessitating a broad view of CPP rate implications.

The Commission wants to move forward quickly with implementation of CPP rates. If CPP issues are added to this proceeding, I must add several weeks to the proceeding schedule to allow full consideration of SDG&E's proposal by existing and new parties, and add additional hearing dates. I estimate these changes would add two months or more to the schedule, leading to a final decision in April 2007 or later. This would not leave sufficient time to implement CPP rate for summer 2007; thus, the program would commence in summer 2008.

Further, a two-month or more delay in this proceeding would push back the implementation of AMI technology for SDG&E's residential and small commercial customers, should the Commission allow AMI to go forward. As SDG&E itself stated in its May 15, 2006 response to a DRA, UCAN, and The Utility Reform Network Motion for modification of the procedural schedule, "A two-month procedural delay would compromise SDG&E's AMI project schedule."

The SDG&E Rate Design Window proceeding is scheduled to commence around the end of 2006. A decision is expected around the end of 2007. If CPP

rates are determined in that proceeding, they would go into effect in the summer of 2008.

The timeframe for implementing CPP rates is the same under either scenario. A delay in this proceeding will delay potential AMI technologies for other SDG&E customers, while not advancing CPP implementation. Therefore, it makes more sense to consider CPP issues in the context of a comprehensive rate design proceeding, such as the Rate Design Window, as already envisioned by the Commission.

The Motion is denied.

Scope of Proceeding

This application was filed in March 2005. The Assigned Commissioner's Ruling establishing scope, schedule, and procedures for proceeding (including the scoping memo) was issued on July 1, 2005. That ruling anticipated a Commission decision by July 2006. Subsequent rulings have allowed SDG&E and parties to substantially change their testimony. Per an ALJ Ruling of November 18, 2005, SDG&E served additional testimony on March 28, 2006 reflecting updated rate assumptions and operational costs and benefits based on the results of some outstanding requests for proposals to AMI vendors. Effectively, this required additional testimony that was tantamount to a new application. Per an ALJ Ruling of May 19, 2006, a new schedule was adopted and SDG&E then served additional supplemental testimony on June 16, 2006 comparing its proposal to PG&E's AMI proposal. A final decision is now projected for February 2007.

These developments have changed the scope of this proceeding. This ruling modifies the scoping memo to take account of these changes in consultation with the Assigned Commissioner. Pursuant to Public Utilities Code

Section 1701.5, ratemaking proceedings usually must culminate within 18 months of the issuance of the scoping memo. With the July 1, 2005 scoping memo, a final decision is required by January 1, 2007. The scope of the proceeding was changed as of the November 18, 2005 ALJ Ruling to effectively restart the proceeding. Therefore, the deadline for final decision will now occur 18 months after November 18, 2005, which is on May 18, 2007.

IT IS RULED that:

1. San Diego Gas & Electric Company's Motion is denied.
2. The scope of the proceeding having been changed, the 18-month deadline for this proceeding is now May 18, 2007.
3. The Motions of City of San Diego and Silicon Valley Leadership Group to intervene are granted and the appearances are added to service list as set forth below.
4. The Commission Process Office shall add the following names as appearances:

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INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a copy of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the copy of the filed document is current as of today's date.

Dated July 5, 2006, at San Francisco, California.

 /s/ KE HUANG

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Last Update on 03-JUL-2006 by: SMJ
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