

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) for Adoption of its 2007 Energy Resources Recovery Account (ERRA) Forecast Revenue Requirement and Review of its Power Procurement Balancing Account.

Application 06-10-007
(Filed October 2, 2006)

**OPINION ON SAN DIEGO GAS & ELECTRIC COMPANY'S
2007 ENERGY RESOURCE RECOVERY ACCOUNT FORECAST****Summary**

This decision adopts a 2007 Energy Resource Recovery Account (ERRA) revenue requirement forecast of \$577.5 million, a Competitive Transition Charge (CTC) Market Proxy Price of \$74.35 per megawatt hour (MWh), and a CTC revenue requirement of \$69.3 million for San Diego Gas & Electric Company (SDG&E). This forecast represents an increase of approximately \$99 million, or 20.7%, over its 2006 ERRA revenue requirement forecast. Rather than increase rates by \$99 million, SDG&E is authorized to consolidate into one advice letter filing all its Commission-authorized revenue requirements from other proceedings currently being addressed by the Commission. This matter is uncontested and the proceeding is closed.

Background

The ERRA records fuel and purchased power billed revenues against actual recorded costs. The ERRA process provides for a utility to file semiannual

applications, one application to forecast a utility's annual fuel and purchased power and revenue requirements for the upcoming year and the other application to provide for a compliance review of a utility's energy resource contract administration, least cost dispatch, and ERRA balancing account. The purpose of this proceeding is to determine SDG&E's 2007 ERRA forecast revenue requirement, ongoing CTC forecast revenue, and ongoing rates.

SDG&E filed its 2007 ERRA forecast application on October 2, 2006. There were no protests to the application. A Prehearing Conference was held on November 27, 2006 to identify and receive into the record SDG&E's prepared testimony, to authorize SDG&E to update its testimony to take advantage of data not available until after the filing of its application, and to consider a motion to seal confidential information.

Discussion

SDG&E identifies the forecast of its load, the resources available to meet the load, fuel costs, and costs for various energy resources in its application and supporting testimony. SDG&E uses these forecasts to develop its 2007 ERRA forecast revenue requirement of \$592.8 million and CTC revenue requirement of \$53.9 million based on a market benchmark price of \$81.00 per MWh, as identified in its application and exhibits. This ERRA forecast was approximately \$114 million higher than its 2006 ERRA forecast of \$478.8 million and approximately \$16 million lower than its 2006 CTC forecast, respectively.

Subsequent to the filing of its application, SDG&E received updated market proxy price data from the Energy Division for the period October 1 through October 31, 2006. SDG&E used this data to update its 2007 ERRA forecast, cost estimates and exhibits on December 29, 2006. This update resulted

in a revised 2007 ERRR forecast of \$577.5 million; \$15.3 million lower than its \$592.8 million ERRR forecast set forth in its application and exhibits.

The update also resulted in a revised 2007 CTC rate of \$74.35 per MWh, \$6.65 lower than an \$81.00 per MWh CTC rate used in its application and exhibits. This decrease in the market proxy price has a direct impact on ERRR expenses because only the costs up to the market proxy price on CTC-qualified contracts are recorded in the ERRR. Hence, SDG&E increased its 2007 CTC revenue requirement forecast by the \$15.3 million corresponding reduction in its 2007 ERRR forecast to \$69.3 million from the \$53.9 million used in its application and exhibits.

SDG&E's 2007 ERRR forecast of \$577.5 million is approximately \$99 million higher than its 2006 ERRR forecast of approximately \$478 million. The most significant reason for SDG&E's higher forecast is the loss of about 1,200 MW of dispatchable capacity in its electric resource portfolio from the William D California Department of Water Resources contract, as ordered in D.05-12-021. Other changes in the 2007 ERRR forecast from 2006 are three renewable contracts that are expected to deliver a total of about 9 MW of additional capacity in 2007. Unlike 2006 when large quantities of San Onofre Nuclear Generating Station (SONGS) replacement power were required due to major maintenance on SONGS Units 2 and 3, the 2007 ERRR forecast is not significantly impacted by SONGS scheduled outages. SDG&E will also take all of its 13 qualifying facilities must-take 2007 portfolio obligation on an as-available basis.

As set forth in the Application, testimony and updated information filed on December 4, 2006 and December 29, 2006 pursuant to the process established

at the Prehearing Conference, SDG&E has provided the necessary showing to support its request.

With no opposition to SDG&E's application and a record that affirms the reasonableness of its 2007 forecasts, we find SDG&E's resource supply and revenue requirement forecast for 2007 to be reasonable. We also find SDG&E's proposal to adopt a 2007 CTC Market Proxy Price of \$74.35 per MWh and 2007 CTC revenue requirement forecast of \$69.3 million reasonable. SDG&E should be authorized to combine its adopted 2007 ERRRA revenue requirement with other components of its total electric commodity revenue requirement currently being addressed in other proceedings as described in Exhibit B of its direct testimony.

Confidential Information

On December 4, 2006, SDG&E filed a motion to seal exhibits containing confidential information, pursuant to General Order 66-C. SDG&E's motion is unopposed. SDG&E seeks to place confidential information under seal for three years pursuant to the confidential information guidelines set forth in D.06-06-066, a rulemaking proceeding regarding the treatment of confidential information.

We affirm that the information SDG&E requested be sealed is consistent with the confidential information guidelines set forth in D.06-06-066 and should remain sealed for three years from the effective date of this decision. If SDG&E believes further protection is needed after that time, it may file a motion stating the justification for further withholding the material from public inspection at least 30 days before the expiration of this order.

Categorization and Need for Hearings

In Resolution ALJ 176-3181 dated October 19, 2006, the Commission preliminary categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received and there is no apparent reason why the application should not be granted. Our examination of the record persuades us that a public hearing is not necessary. Accordingly, we affirm the preliminary determination made in Resolution ALJ 176-3181.

Comments on Proposed Decision

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment on Proceeding

Michael R. Peevey is the Assigned Commissioner and Michael J. Galvin is the assigned ALJ in this proceeding.

Findings of Fact

1. No party protested this application.
2. SDG&E's 2007 ERRA forecast revenue requirement is \$577.5 million.
3. SDG&E's proposed 2007 CTC market proxy price is \$74.35/MWh.
4. SDG&E's 2007 CTC forecast revenue requirement is \$69.3 million.
5. SDG&E proposes to combine in one advice letter filing the authorized 2007 ERRA and CTC revenue requirements with other authorized revenue requirements currently being addressed in other proceedings.

Conclusions of Law

1. SDG&E's 2007 ERRA revenue requirement forecast as shown in its application, supporting testimony, and filings should be adopted.

2. SDG&E's proposal to combine in one advice letter filing the revenue requirement authorized herein with the revenue requirements authorized in other proceedings currently being addressed by the Commission should be adopted.
3. SDG&E's motion to seal confidential information should be granted.
4. An evidentiary hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's (SDG&E) 2007 Energy Resource Recovery Account (ERRA) forecast shall be adopted, consisting of: (a) a 2007 ERRA forecast revenue requirement of \$577.7 million; (b) a 2007 Competition Transition Charge (CTC) market proxy price of \$74.35 per MWh; and, (c) a 2007 CTC revenue requirement of \$69.3 million.
2. SDG&E's proposal to combine in one advice letter filing the revenue requirement authorized herein with the revenue requirements authorized in other proceedings currently being addressed by the Commission should be adopted.
3. All information placed under seal shall remain sealed for a period of three years from the effective date of this order. If SDG&E believes further protection is needed after that time, it may file a motion stating the justification for further withholding the material from public inspection at least 30 days before the expiration of this order.
4. Application 06-10-007 is closed.

This order is effective today.

Dated _____, at San Francisco, California.