



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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Rulemaking Regarding Whether, or Subject to
What Conditions, the Suspension of Direct
Access May Be Lifted Consistent with
Assembly Bill 1X and Decision 01-09-060.

Rulemaking 07-05-025
(Filed May 24, 2007)

**REPLY BRIEF OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)**

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May 27, 2011

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I. INTRODUCTION AND BACKGROUND

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), San Diego Gas & Electric Company (“SDG&E”) provides its Reply Brief in the above-captioned proceeding.

In Opening Briefs, parties propose ways to address the remaining unresolved issues related to the limited reopening of Direct Access (“DA”). The remaining unresolved issues relate to:

1. Whether non- bypassable charges (“NBC”) that have been imposed on DA customers should be modified to ensure that they continue to be fair and ensure bundled customer indifference;
2. Whether the transitional bundled service (“TBS”) rate accurately compensates for the incremental cost to serve customers switching from (or to) DA;
3. Whether the current rules in D.03-05-034 governing the switching of customers between bundled and DA service should be modified; and
4. What are the financial security requirements for Electric Service Providers (“ESPs”), pursuant to Public Utilities (“P.U.”) Code § 394.25(e).

Based on parties’ Opening Briefs, there is general agreement that the NBC and TBS rate should be modified to reflect recent market changes and ensure bundled customer indifference. The

more contentious issues surround proposed changes to the DA switching rules and the proposed method for determining the ESP financial security requirement.

II. DISCUSSION

A. DA Switching Rules

1. Six-Month Notice

SDG&E recommends that the Commission retain the current six-month notice period for customers to go to DA service or return to utility bundled procurement service because the six-month notice period is still needed to mitigate risk and ensure bundled customer indifference. The six-month notice period provides the utilities with sufficient time to adjust their portfolios to accommodate the returning or departing DA load in the normal course of business. This ensures that bundled procurement service customers do not have to bear additional costs that might be incurred in order to serve the returning or departing load.

2. Eighteen-Month Minimum Term

In order to achieve a balance between customer flexibility and concerns with gaming and resource procurement planning, SDG&E proposes to shorten the current three-year minimum term to an eighteen-month minimum term for returning DA customers. SDG&E chose an eighteen-month term, and not twelve-month term, because consistent with D.03-05-034, the eighteen-month minimum term will minimize stranded costs, allow the utilities sufficient time to adjust their procurement portfolios to address departing load, and provide DA customer with adequate flexibility to switch between utility and DA services. As such, SDG&E believes that eighteen months strikes a more reasonable balance between utilities' needs to manage and optimize their long-term procurement obligations and the desires of customers to switch back to DA.

3. 1-year TBS Term for Customers Who Involuntarily Return En Masse

SDG&E proposes to update the existing DA switching rules to address en masse involuntary returns caused by conditions other than customers' return due to default in payment or other contractual obligations or because the customers' contract with their ESP has expired. Because an involuntary return of DA customers to utility service could essentially be classified as "business as usual" involuntary returns; or "en masse" involuntary returns,¹ SDG&E believes that an additional safeguard should be adopted to protect bundled customers from incremental procurement costs for customers who return under en masse involuntary conditions. SDG&E proposes a six-month TBS period for voluntary and business as usual involuntary returns, and a 12-month TBS period for en masse returns. Extending the TBS period to 12 months for involuntary en masse-returning customers as SDG&E proposes would allow more time for market conditions to stabilize and reduce the possibility that bundled customers are harmed.

Additionally, in order to ensure that customers are fully aware of and appreciate the risks associated with a potential en masse involuntary return to utility procurement service under the TBS rate, and to further provide comfort to SDG&E that it has provided its customers with information they need to make fully-informed decisions, SDG&E proposes that customers who elect to transfer to DA Service should be required to sign and return an acknowledgement form to the utility at least five days prior to the ESP submitting a DA Service Request on behalf of the customer. By signing the form, customers transferring to DA acknowledge and agree to pay the TBS rate, even if it is higher than the utility's bundled service rate.

¹ An en masse involuntary return could be characterized by a large and sudden shift in movement of all of an ESP's customers to utility service.

B. ESP Financial Security Requirements

The assessment of the appropriate ESP financial security requirements hinges on how the Commission ultimately defines the DA re-entry fee. SDG&E proposes that unlike the CCA re-entry fee, the DA re-entry fee should only be comprised of the administrative costs to switch customers to bundled utility service. As such, SDG&E does not propose that the DA re-entry fee should include procurement-related costs, because such costs will be reflected in the TBS rate that will be applied to involuntarily returned customers. And as stated above, SDG&E proposes a six-month TBS period for voluntary and business as usual involuntary returns, and a 12-month TBS period for en masse returns.

III. CONCLUSION

SDG&E strongly believes that its suggested proposals are consistent with the dual goals of making certain bundled customers remain indifferent to departing load and supporting customers' rights to choice. SDG&E appreciates this opportunity to provide input and looks forward to working with other parties in the proceeding.

Respectfully submitted,

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