

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**06-27-11
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June 27, 2011

Agenda ID #10522
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 10-10-001

This is the proposed decision of Administrative Law Judge (ALJ) Seaneen M. Wilson. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Wilson at smw@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MICHELLE COOKE for
Karen V. Clopton, Chief
Administrative Law Judge

KVC:lil

Attachment

Decision **PROPOSED DECISION OF ALJ WILSON** (Mailed 6/27/2011)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902E) for Adoption of its 2011 Energy Resource Recovery Account Revenue Requirement and Competitive Transition Charge Revenue Requirement Forecasts.

Application 10-10-001
(Filed October 1, 2010)

DECISION ADOPTING SAN DEIGO GAS & ELECTRIC COMPANY'S 2011 ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT FORECAST

1. Summary

Today's decision adopts a 2011 Energy Resource Recovery Account revenue requirement forecast of \$755.413 million for San Diego Gas & Electric Company, which is approximately \$72.543 million lower than the 2010 figure; a 2011 Ongoing Competition Transition Charge revenue requirement forecast of \$63.354 million, which is approximately \$16.446 million higher than the 2010 figure; and 2011 market benchmark prices of \$42.50/Megawatt-hour and \$44.33/Megawatt-hour for calculation of the Ongoing Competition Transition Charge and the Power Charge Indifference Adjustment, respectively, which are lower than the 2010 figures by \$16.04 and \$16.74, respectively. The combined revenue requirement results in a decrease in electric rates of \$56.097 million. We also grant San Diego Gas & Electric Company authority to continue to recover equity rebalancing costs associated with its revised Power Purchase Agreement

with the Otay Mesa Energy Center, and to modify its current Energy Resource Recovery Account trigger calculation, as discussed herein.

2. Background

2.1. Historical

In Decision (D.) 02-10-062, the Commission established the Energy Resource Recovery Account (ERRA) balancing account – the power procurement balancing account required by Pub. Util. Code § 454.5(d)(3). Pursuant to D.02-10-062 and D.02-12-074, the purpose of the ERRA is to provide recovery of energy procurement costs, including expenses associated with fuel and purchased power, utility retained generation, California Independent System Operator related costs, and costs associated with the residual net short procurement requirements to serve San Diego Gas & Electric Company's (SDG&E's) bundled electric service customers.¹

The ERRA regulatory process includes: (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year, and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account.

As set forth in D.02-10-062, the balance of the ERRA is not to exceed 5% of the electric utility's actual recorded generation revenues for the prior calendar year, excluding revenues collected for the California Department of Water

¹ We also established an update process for fuel and purchased power forecasts and the ERRA mechanism.

Resources (DWR).² Decision 02-10-062 also established a trigger calculation designed to avoid the 5% threshold point that requires SDG&E to file an expedited application for approval to adjust its rates 60 days from when the ERRR balance reaches an under-collection or over-collection of 4% and is projected to exceed the 5% trigger.

The purpose of the Transition Cost Balancing Account (TCBA) is to accrue all ongoing Competitive Transition Charge (CTC) revenues and recover all ongoing CTC-eligible generation-related costs. Pursuant to D.02-12-074 and D.02-11-022, payments to Qualifying Facilities (QF) that are above the market benchmark proxy are charged to the TCBA. Eligible ongoing CTC expenses reflect the difference between the market proxy and the costs associated with the Portland General Electric and QF contracts.

In D.06-07-030 (as modified by D.07-01-030), we adopted the total portfolio methodology and market benchmark for determining the above-market costs associated with the utility/DWR total portfolio for deferring departing load charges, and we replaced the DWR Power Charge Component with the Power Charge Indifference Adjustment (PCIA). The PCIA applies to departing load customers that are responsible for a share of the DWR power contracts or new generation resource commitments. The PCIA is intended to ensure that the departing load customers pay their share of the above-market portion of the DWR contract or new generation resource costs, and that bundled customers remain indifferent to customer departures.

² See D.02-10-062 at 62.

The purpose of the total portfolio methodology also is to reasonably ensure that bundled customers are indifferent with respect to departing load. Rather than focus on each individual resource cost, the total portfolio method recognizes that bundled customers are served from the entire portfolio of commodity resources and that when load departs the utility may, in general, offset a portion of the costs of departing load through additional market sales.

2.2. Procedural

On October 1, 2010, SDG&E filed Application (A.) 10-10-001, its *Application of San Diego Gas & Electric Company (U902E) for Adoption of its 2011 Energy Resource Recovery Account Revenue Requirement and Competitive Transition Charge Revenue Requirement Forecasts* (Application).

On October 14, 2010, Resolution ALJ-176-3262 preliminarily determined that this proceeding was ratesetting and that hearings would not be necessary. On November 5, 2010, the Division of Ratepayer Advocates (DRA) filed a protest, to which SDG&E responded on November 15, 2010.

On December 6, 2010, we held a prehearing conference in San Francisco to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding. Party status was granted to the DRA and the Alliance for Retail Energy Markets (AREM). On December 23, 2010, the then-assigned Commissioner, Nancy Ryan, issued her *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo), which set the scope of this proceeding, and set a schedule that included hearings. The scope of this proceeding was limited to determining: 1) Whether SDG&E's proposed request for approval of its 2011 forecast of ERRRA revenue requirement, CTC revenue requirement, PCIA, and market benchmark price, are in compliance with existing applicable Commission decisions, rules, and

regulations, and should be adopted; 2) Whether SDG&E should be authorized to modify its current trigger calculation by offsetting an ERRA over/under-collection by a Non-Fuel Generation Balancing Account (NGBA) over/under-collection when determining the monthly ERRA trigger balance; and 3) Whether SDG&E's request for recovery of costs associated with the equity rebalancing associated with the Otay Mesa Power Purchase Agreement (PPA) should be authorized.

On January 14, 2011, SDG&E filed its amended application, which presented amended ERRA and CTC revenue requirements based on an estimated benchmark price.

On February 15, SDG&E, DRA, and AREM requested, via email, that the schedule be revised. The assigned Administrative Law Judge (ALJ) granted the parties' request via email on the same day.

On February 18, 2011, both DRA and AREM served testimony in the current proceeding. On February 24, 2011, SDG&E filed an expedited motion to strike the served testimony of AREM (Motion), arguing that AREM's testimony was outside the scope of the current proceeding. In its testimony, AREM recommended that the current PCIA values be retained until the Commission acts in Rulemaking (R.) 07-05-025 as to whether the PCIA calculation methodology should be changed. The assigned ALJ granted SDG&E's Motion in her ruling dated February 25, 2011.

On March 22, 2011, SDG&E requested, via email, that evidentiary hearings be taken off the calendar, to which DRA agreed. The assigned ALJ granted SDG&E's request via email on March 24, 2011.

DRA requested, via email, a one-day delay in the filing of both the Opening and Reply Briefs, which the assigned ALJ granted on April 19, 2011.

SDG&E and DRA each filed Opening Briefs on April 20, 2011. DRA filed its reply brief on May 2, 2011 and SDG&E filed its Reply Brief on May 4, 2011.

We confirm the assigned ALJ's rulings dated February 15, February 25, March 22, and April 19, 2011 herein.

3. SDG&E's ERRR, CTC, and Market Benchmark Forecasts

In its amended Application, SDG&E requests a 2011 ERRR revenue requirement of \$755.413 million, which is \$72.543 million lower than its 2010 ERRR forecast; a 2011 CTC revenue requirement forecast of \$63.354 million, which is \$16.446 million higher than its 2010 CTC forecast; and 2011 market benchmark prices of \$42.50/megawatt-hour (MWh) for calculating the CTC and \$44.33/MWh for calculating the PCIA, which are \$16.04 and \$16.74 respectively less than its 2010 forecasts. Based on the proposed combined decrease in rates of \$56.097 million,³ SDG&E states that a typical monthly bill for a residential inland customer who uses 1,000 kilowatt-hours (kWh) per month will decrease from approximately \$232.83 to \$227.01, or 2.5%, and from approximately \$244.00 to \$237.52, or 2.7%, for a residential coastal customer. SDG&E's small commercial customers will see a decrease of approximately \$6.12 on their monthly summer electric bill or 2.0%.⁴

Except as noted below, with respect to the Otay Mesa a PPA, party criticized or provided alternatives to SDG&E's proposed forecast ERRR and CTC revenue requirements and market benchmarks. Neither did any party find that SDG&E's proposed forecast ERRR and CTC revenue requirements or market

³ SDG&E's proposed ERRR reduction of \$72.54 million minus the proposed CTC increase of \$16.446 million results in a net reduction in rates of \$56.097 million.

⁴ Based on 1,500 kWh for secondary service.

benchmarks were not in compliance with existing applicable Commission decisions, rules, and regulations. We adopt SDG&E's requested forecast 2011 ERRR and CTC revenue requirements and market benchmarks.

4. SDG&E's Costs Associated with its PPA with OMEC

SDG&E and DRA disagree regarding the treatment of certain costs associated with SDG&E's PPA with the Otay Mesa Energy Center (OMEC). SDG&E states that, pursuant to D.06-09-021,⁵ it may recover through the ERRR, subject to a cap, the costs associated with equity rebalancing, required by its compliance with Generally Accepted Accounting Principles (GAAP) Financial Accounting Standards Board Interpretation No. 46 (FIN 46 (R)).⁶ Based on this GAAP requirement, SDG&E states that it is the primary beneficiary of the power produced at OMEC, therefore it must consolidate the financial statements of OMEC with its own.⁷ This consolidation results in SDG&E's reported capital structure differing from its authorized capital structure. Specifically, this consolidation results in the equity component of SDG&E's reported consolidated capital structure being lower than its authorized capital structure, which is used for ratesetting.⁸ Rebalancing accounts for this difference between the two capital structures, so that SDG&E implicitly recovers its authorized rates.

⁵ See D.06-09-021 at Ordering Paragraph 4.

⁶ See D.06-09-021 at 9-10.

⁷ Exhibit SDGE-4 at pages KJD-7 through -14.

⁸ The authorized capital structure is a major component in the determination of the rates charged to utility customers.

In support of its request, SDG&E provided its 2009 and 2010 SEC 10-K reports,⁹ both of which include a discussion of its compliance with FIN 46 (R). We also reviewed SDG&E's 2011 SEC 10-K report, which confirms its continued compliance with FIN 46(R).

Based on DRA's review of D.06-09-021 and D.07-12-049,¹⁰ DRA contends that SDG&E does not have Commission authority to recovery equity rebalancing costs associated with the OMEC PPA. In particular, DRA concludes that D.06-09-021 only authorized a cap on rebalancing costs associated with the OMEC PPA; that a future showing was required to recovery rebalancing costs, which SDG&E has not provided; and that D.07-12-049 denied institution of an automatic equity rebalancing mechanism requested by SDG&E, thereby overturning the Commission's authorization of the OMEC PPA recovery of equity rebalancing costs in D.06-09-021.

We do not agree with DRA's interpretation of D.06-09-021 and D.07-12-049. In Ordering Paragraphs 3 and 4 of D.06-09-021, we granted SDG&E authority to recover equity rebalancing costs through the ERRA, as we explained above, and capped such recovery at specific dollar amounts for each year from 2009 through 2018:

⁹ Exhibits SDGE-5 and SDGE-6 provide excerpts from SDG&E's SEC 10-K reports for 2009 and 2010. SDG&E's SEC 10-K reports were audited by Deloitte & Touche LLP. These excerpts include a discussion of SDG&E's inclusion of OMEC financial statements in its consolidated statements, details regarding OMEC, and the support for its consolidation in accordance with GAAP.

¹⁰ D.07-12-049 addresses the 2008 ratemaking returns on common equity and returns on rate base for SDG&E, Southern California Edison Company, and Pacific Gas and Electric Company.

3. SDG&E is authorized to record the costs of this Revised PPA in the Electric Resource Recovery Account and other appropriate accounts, depending on the cost allocation mechanism that is ultimately adopted for the Otay Mesa plant.

4. SDG&E is authorized to recover the costs, subject to the agreed upon caps and potential future adjustment to SDG&E's capital structure, associated with the equity re-balancing SDG&E deems necessary due to filing and reporting requirements of FIN 46(R) and the consolidation of the OMEC financial data with SDG&E's quarterly and annual financial statements to the Securities and Exchange Commission.

We also ruled that "future evidence"¹¹ would only be considered if/when SDG&E no longer had to increase its equity to comply with FIN 46 (R). Therefore, as long as SDG&E is required to comply with FIN 46 (R), our authority granted in D.06-09-021 to rebalance its capital structure remains in effect. Also, D.06-09-021 did not require any further submissions by SDG&E to recover the equity rebalancing costs it was authorized. It is also evident from the excerpts from SDG&E's SEC 10-K's¹² that SDG&E is still required to comply with FIN 46(R).

Although we denied SDG&E's request to authorize an automatic equity rebalancing mechanism in D.07-12-049, we did not make or otherwise address any revisions to the existing rebalancing authority associated with the OMEC PPA which we granted in D.06-09-021.¹³ Given SDG&E's continued need to comply with FIN 46(R), the authority we granted SDG&E in D.06-09-021 to

¹¹ See D.06-09-021 at 10.

¹² Exhibit SDGE-5 and -6.

¹³ See D.07-12-049 at 39-41, 52 and 55.

recover equity rebalancing costs associated with the OMEC PPA, and the inapplicability of D.07-12-049 regarding the equity rebalancing costs associated with the OMEC PPA, we find that SDG&E's request for continued recovery of equity rebalancing costs associated with the OMEC PPA is reasonable and should be authorized. We remind SDG&E that its recovery of costs associated with equity rebalancing of the OMEC PPA must be within the cap authorized in D.06-09-021.

5. SDG&E's Proposed Modification to its ERRRA Trigger Calculation

SDG&E also proposed a modification to its ERRRA trigger calculation to allow offsets of: 1) an ERRRA under-collected balance with a NGBA over-collected balance; and 2) an ERRRA over-collected balance with a NGBA under-collected balance. SDG&E proposes to advise the Commission that it has implemented a NGBA-offset by including both the standard ERRRA trigger calculation and the NGBA-offset trigger calculation in SDG&E's monthly ERRRA compliance report to the Commission.

DRA does not oppose SDG&E's proposed modification to its ERRRA trigger calculation, but DRA recommends that this be a "one-time modification" to the trigger calculation, and be applicable to the NGBA only. Since SDG&E only requested that the ERRRA be offset by the NGBA, we assume DRA's recommendation that this item be applicable to the NGBA reinforces limitations on the use of this offset to only this balancing account. DRA did not explain, though, what "one-time" stands for - e.g., whether it means that the modification should only be applied for one month or one year.

Under the current rules, SDG&E's ERRRA is subject to a trigger mechanism that requires the filing of a rate change application when SDG&E's monthly forecast indicates that the ERRRA will face an under-collection or over-collection

in excess of 5% of the prior year's recorded electric revenues, excluding the DWR revenue. The current rules also require that in any month when the balance in the ERRA reaches 4% of the prior year's recorded electric revenues, excluding DWR revenue, SDG&E must promptly apply for recovery of the projected ERRA over or under-collected balance.¹⁴

Offsetting an ERRA under/over-collection with an NGBA over/under-collection could promote rate stability in a given year by potentially minimizing the amount and the number of rate changes customers may face, and minimizing the number of ERRA trigger-related filings made by SDG&E. This modification to the trigger calculation could potentially save both money and time for ratepayers, the Commission, and the utility.

Given the potential benefits of this modification, we authorize SDG&E to institute its requested modification to its ERRA trigger calculation when performing the monthly ERRA trigger calculation as follows:

- 1) Offset an ERRA under-collected balance with a NGBA over-collected balance;
- 2) Offset an ERRA over-collected balance with a NGBA under-collected balance;

¹⁴ D.07-05-008 modified the trigger mechanism and established a new process which authorized SDG&E to notify the Commission through an Advice Letter filing, instead of an application, when the ERRA balance exceeds its 4% trigger point and SDG&E does not seek a change in rates, if the ERRA balance is projected to self-correct below the trigger point within 120 days. SDG&E currently calculates the trigger percentage by taking the month-end ERRA balance and dividing it by the prior year's annual recorded electric revenues, excluding DWR revenue. SDG&E is proposing to offset the ERRA balance with the NGBA balance prior to dividing it by the prior year's annual recorded electric revenues, excluding DWR revenue.

- 3) Offset the ERRA balance with the NGBA balance prior to dividing it by the prior year's annual recorded electric revenues, excluding DWR revenue; and
- 4) Advise the Commission that it has implemented a NGBA-offset by including both the standard ERRA trigger calculation and the NGBA-offset trigger calculation in its monthly ERRA compliance report to the Commission.

Since the term "one-time" is not clear, we do not adopt DRA's request to make this a "one-time modification" of SDG&E's trigger mechanism.

6. Other Procedural Matters

6.1. Change in Determination on Need for Hearings

In Resolution ALJ 176-3262, dated October 14, 2010, the Commission preliminarily categorized this Application as ratesetting, and preliminarily determined that hearings were not necessary. In the Scoping Memo, the assigned Commissioner scheduled evidentiary hearings, though eventually it was determined that hearings were not necessary. Given that no hearings were held in the current proceeding, we affirm our preliminary determination made in Resolution ALJ 176-3255 with regard to categorization and hearings.

6.2. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in A.10-10-001, there was no opportunity to enter prepared testimony and exhibits into the record. In order to fairly assess the record, it is necessary to include all testimony and exhibits served by SDG&E and DRA. In its Opening Brief, SDG&E requested that its testimony be received into the record. In its Reply Brief, DRA requested that both the public and confidential versions of its testimony be received into evidence. 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

SDG&E's and DRA's testimony and exhibits, as detailed in Attachment A to this decision, that were served on the service list in A.10-10-001.

6.3. Motions to Seal the Evidentiary Record

Pursuant to D.06-06-066 and D.08-04-023, SDG&E requested leave to seal portions of the evidentiary record and treat witnesses' testimony supporting the application as confidential, in order to avoid the inappropriate disclosure of confidential and commercially sensitive information pertaining to SDG&E's electric procurement resources and strategies. These exhibits include Exhibits SDGE-1C, -2C, -3C, and -4C. DRA also requests confidential treatment of its Exhibit DRA-1C, given the commercially sensitive information pertaining to SDG&E's ERRA included in its testimony.

A similar request was granted in SDG&E's last ERRA recovery decision, D.10-04-010. We therefore seal, under an usual procedures, portions of the evidentiary record, in particular SDG&E's Exhibits SDGE-1C, -2C, -3C, and -4C and DRA's Exhibit DRA-1C. The confidential version of each of these exhibits will be denoted by a "C" after the number of the exhibit.

6.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, we require SDG&E to file a Tier 1 Advice Letters within 10 days of the date of this decision. The tariff sheets filed in these Advice Letters shall be effective on or after the date filed.

7. Comments on Proposed Decision

As provided by Rule 14.3 of our Rules of Practice and Procedure and Pub. Util. Code § 311(g) (1), the proposed decision of the ALJ in this matter was mailed to the parties on _____. Opening Comments were filed on _____ by _____. Reply Comments were filed on _____ by _____. We have considered the comments in our final order.

8. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. SDG&E filed its application on October 1, 2010, and its amended application on January 14, 2011.
2. SDG&E's amended 2011 ERRA revenue requirement is \$755.413 million.
3. SDG&E's amended 2011 CTC revenue requirement is \$63.354 million.
4. SDG&E is not seeking authority to increase ERRA related rates.
5. SDG&E is seeking authority to increase CTC related rates.
6. SDG&E's updated ERRA and CTC forecast are a total of \$56.097 million lower than forecast for 2010.
7. Using the updated market benchmark data estimated by SDG&E and the calculation methodology described in D.06-07-030 (as modified in D.08-01-030), SDG&E's 2011 market benchmark price is \$44.33/MWh for calculating the PCIA and \$42.50/MWh for calculating the Ongoing CTC.
8. SDG&E was granted authority in D.06-09-021 to recover equity rebalancing costs associated with its OMEC PPA through the ERRA.
9. D.07-12-049 did not address any revisions to the authority granted SDG&E in D.06-09-021 regarding the OMEC PPA.

Conclusions of Law

1. SDG&E's amended 2011 requests consisting of a: (a) forecasted 2011 ERRA revenue requirement of \$755.413 million; (b) forecasted 2011 Ongoing CTC revenue requirement of \$63.354 million; and (c) 2011 market benchmark price of \$44.33/MWh for calculating the PCIA and \$42.50/MWh for calculating the Ongoing CTC, are reasonable and should be adopted.

2. SDG&E should continue to recover equity rebalancing costs associated with its OMEC PPA, to the extent authorized in D.06-09-021.

3. SDG&E's request to modify its monthly ERRA trigger calculation to allow offsets of Under or Over-collections with the balance in its NGBA should be adopted as follows:

- a. Offset an ERRA under-collected balance with a NGBA over-collected balance;
- b. Offset an ERRA over-collected balance with a NGBA under-collected balance;
- c. Offset the ERRA balance with the NGBA balance prior to dividing it by the prior year's annual recorded electric revenues, excluding DWR revenue; and
- d. Advise the Commission that it has implemented a NGBA-offset by including both the standard ERRA trigger calculation and the NGBA-offset trigger calculation in its monthly ERRA compliance report to the Commission.

4. The assigned ALJ's rulings made on February 15, February 25, March 22, and April 19, 2011 should be confirmed.

5. SDG&E's and DRA's testimony (Attachment A to this decision) should be received into evidence.

6. SDG&E's request to seal portions of the evidentiary record, including Exhibits SDGE-1C, -2C, -3C, and -4C, should be granted for two years.

7. DRA's request to seal portions of the evidentiary record, including Exhibit DRA-1C, should be granted for two years.

8. SDG&E should file a Tier 1 Advice Letters to implement the revenue requirement in this order within 10 days of the date of this decision.

9. Our preliminary categorization as ratesetting and conclusion that no hearings were necessary in A.10-10-001 should be affirmed.

10. Today's decision should be made effective immediately.

11. A.10-10-001 should be closed.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's amended 2011 projections for the following ratesetting inputs are adopted and must be implemented: 1) Energy Resource Recovery Account forecast revenue requirement of \$755.413 million; 2) Ongoing Competition Transition Charge forecast revenue requirement of \$63.354 million; and 3) 2011 market benchmark price of \$42.50/megawatt-hour for calculating the Ongoing Competition Transition Charge and \$44.33/megawatt-hour for calculating the Power Charge Indifference Adjustment.
2. San Diego Gas & Electric Company must continue to recover equity rebalancing costs associated with its Otay Mesa Energy Center Purchase Power Agreement as authorized in Decision 06-09-021.
3. San Diego Gas & Electric Company's request to modify its monthly Energy Resource Recovery Account trigger calculation to allow offsets of Under or Over-collections with the balance in its Non-Fuel Generation Balancing Account (NGBA) is adopted as follows:
 - a. Offset an Energy Resource Recovery Account under-collected balance with a NGBA over-collected balance;
 - b. Offset an Energy Resource Recovery Account over-collected balance with a NGBA under-collected balance;
 - c. Offset the Energy Resource Recovery Account balance with the NGBA balance prior to dividing it by the prior year's annual recorded electric revenues, excluding DWR revenue; and
 - d. Advise the Commission that it has implemented a NGBA-offset by including both the standard Energy Resource Recovery

Account (ERRA) trigger calculation and the NGBA-offset trigger calculation in its monthly ERRA compliance report to the Commission.

4. The assigned Administrative Law Judge's rulings dated February 15, February 25, March 22, and April 19, 2011 are confirmed.
5. The prepared testimony of San Diego Gas & Electric Company and the Division of Ratepayer Advocates (Attachment A to this decision) is received into evidence.
6. The requests of San Diego Gas & Electric Company and the Division of Ratepayer Advocates (DRA) to seal portions of the evidentiary record, including Exhibits SDGE-1C, -2C, -3C, and -4C and Exhibit DRA-1C, are granted for two years. The information will remain under seal for a period of two years after the date of this order. During this two-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, DRA, or as ordered by a court of competent jurisdiction. If San Diego Gas & Electric Company or DRA believes that it is necessary for this information to remain under seal for longer than two years, San Diego Gas & Electric Company or the DRA may file a new motion at least 30 days before the expiration of this limited protective order.
7. San Diego Gas & Electric Company must file a Tier 1 Advice Letters to implement the authority granted herein within 10 days of the date of this decision. The tariffs filed in the Advice Letters shall become effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

8. The preliminary categorization of this proceeding as ratesetting, and the preliminary determination that no hearings were necessary, are affirmed.

9. Today's decision is effective immediately.

10. Application 10-10-001 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

Attachment A
EXHIBIT INDEX
A.10-10-001 - SDG&E ERRRA Forecast

Exhibit No.	Sponsor/Witness	Description
Party - San Diego Gas & Electric Company (SDG&E)		
SDGE-1	Tony Choi	Amended Direct Testimony
SDGE-1C	Tony Choi	Amended Direct Testimony - Confidential
SDGE-2	Yvonne M. Le Mieux	Amended Direct Testimony
SDGE-2C	Yvonne M. Le Mieux	Amended Direct Testimony - Confidential
SDGE-3	Cynthia Fang	Amended Direct Testimony
SDGE-3C	Cynthia Fang	Amended Direct Testimony - Confidential
SDGE-4	Kenneth J. Deremer	Prepared Rebuttal Testimony
SDGE-4C	Kenneth J. Deremer	Prepared Rebuttal Testimony - Confidential
SDGE-5		Excerpts from Form 10K (Annual Report - Filed -2/26/10 for the Period Ending 12/31/09
SDGE-6		Excerpts from Form 10K (Annual Report - Filed -2/24/11 for the Period Ending 12/31/10
Party - Division of Ratepayer Advocates (DRA)		
DRA-1	Cynthia Walker	Qualifications and Prepared Testimony
DRA-1C	Cynthia Walker	Qualifications and Prepared Testimony - Confidential

(END OF ATTACHMENT A)