

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

ENERGY DIVISION

RESOLUTION E-4406  
July 14, 2011

**R E S O L U T I O N**

Resolution E-4406. San Diego Gas and Electric Company (SDG&E) Request to Establish the El Dorado Transition Cost Memorandum Account (EDTCMA).

PROPOSED OUTCOME: Approves SDG&E's request to record and recover operations and maintenance (O&M) costs associated with integrating business and security systems for the 480 Megawatt (MW) combined cycle El Dorado Power Plant, prior to the ownership transition from El Dorado Energy, LLC, to SDG&E. The memorandum account balance will be included in the revenue requirement update to be submitted by advice letter for the first year of plant operation beginning October 2011.

ESTIMATED COST: Limited to \$884,000, plus interest.

By Advice Letter (AL) 2213-E filed on December 3, 2010.

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**SUMMARY**

**This Resolution approves AL 2213-E with modification. SDG&E is authorized to record and recover incremental transition costs associated with integration of currently incompatible utility business and security systems through the EDTCMA prior to SDG&E's October 2011 purchase of a generation plant from El Dorado Energy, LLC, owned by SDG&E affiliate Sempra Generation.**

- Cost recovery is limited to \$884,000, plus monthly debit entries to the EDTCMA to account for interest costs on the transitional expense.
- The transition costs are associated with conversion of automated maintenance management, accounting, inventory control, accounts payable, payroll, employee benefit, network security, data logger, energy control, California Independent System Operator (CAISO) communications (including a large generation interconnection agreement

or LGIA), document management, fuel procurement, telephone, performance monitoring, training, and other administrative expense systems and programs.

- SDG&E will maintain and update the EDTCMA by recording a debit entry at the end of each month to account for transition costs accrued for that month.
- SDG&E will also make a debit entry at the end of each month equal to the interest on the average between the EDTCMA's beginning monthly account balance and the month-end balance, at a rate equal to one-twelfth of the interest rate on three-month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.
- Prior to the ownership date, SDG&E will submit an updated revenue requirement via a Tier 2 advice letter, noting the EDTCMA balance to be transferred to the Non-Fuel Generation Balancing Account (NGBA), upon the El Dorado plant's in-service date, for inclusion in the updated revenue requirement for the first year of operation.
- Within 10 days of the effective date of this resolution SDG&E shall file a supplement to AL 2213-E to add the following sentence to the Disposition section of SDG&E's proposed EDTCMA tariff: "The balance transferred from the EDTCMA to the NGBA shall not exceed \$884,000 plus interest."
- On or before October 1, 2011, SDG&E shall file a Tier 1 advice letter to show the amounts recorded in the EDTCMA, itemized by specific activities.
- This resolution is effective today.

No parties protested SDG&E AL 2213-E.

## **BACKGROUND**

**The Commission issued Decision (D.)04-12-048 on December 16, 2004, adopting a Long-Term Procurement Plan (LTPP) for California's three largest investor-owned electric utilities (IOUs).**

*In the Order Instituting Rulemaking (OIR) to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning (R.04-04-003), the Commission issued the Opinion Adopting Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company's Long Term Procurement Plan (D.04-12-048).*

The decision adopted, with modifications, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and SDG&E's LTPPs, and provided direction to the utilities on the procurement of the energy resources identified in the utilities' respective LTPPs. In providing direction for energy procurement, the Commission set rules for purchase, cost recovery, and integration of utility-owned generation.

**Procurement of electric resources in the LTPP includes cost recovery for utility ownership and "turnkey" projects.**

D.04-12-048 approved a mechanism through which costs for newly acquired turnkey utility-owned generation assets may be recovered on a timely basis. On considering parties' cost recovery proposals in the proceeding, the Commission adopted SDG&E's proposal for all three of California's largest investor-owned IOUs.

The proposal was based on the principle of appropriate timing of cost recovery through rates beginning when the new facility starts operation to serve utility customers. This is facilitated by establishing the facility's rate base, and the O&M-related revenue requirements associated with the generation plant – in this case the El Dorado Power Plant – and by using the utility's NGBA and Energy Resource Recovery Account (ERRA) to record, respectively, non-fuel and fuel-related costs associated with the plant, for recovery through the utility's bundled service commodity rates.

**The mechanism approved by the Commission in D.04-12-408 provided for a three-phase cost recovery through the NGBA and ERRA.**

D. 04-12-048 provides for cost recovery by the utility beginning with a filing for Commission approval of the project. Upon approval, the decision requires that the utility identify the rate-base and O&M-related monthly fixed revenue requirement associated with the project for the first full calendar year of generation plant operation. In this first cost recovery phase, these costs are recorded to the NGBA and ERRA for recovery through commodity rates.

The Commission may then – with the authority to review, correct, and adjust these costs – adopt the monthly fixed revenue requirement including O&M rate based on a per- MW calculation. Prior to ownership and operation of the generation plant, the utility files an advice letter to incorporate any cost

adjustment updates to the adopted revenue requirement. After the in-service date, the utility may begin to recover these first-phase costs. The second- and third-phase cost recovery mechanisms occur after the initial phase of utility ownership and operation.

**The Commission issued D.07-11-046 on November 16, 2007, approving SDG&E's request to exercise an option to purchase the power plant owned by El Dorado Energy LLC.**

D.07-11-046 allowed SDG&E to exercise the purchase option of this combined cycle power plant located in Nevada.<sup>1</sup> The plant is owned by owned by El Dorado Energy LLC, a Sempra Energy affiliate, which will provide approximately 480 MW of power beginning in October 2011. The plant's generation will help meet the energy and reliability needs of SDG&E's bundled customers. The decision also approved SDG&E's proposed framework for recovery of costs related to owning and operating the plant.<sup>2</sup>

**D.07-11-046 authorized SDG&E to utilize the NGBA to record authorized non-fuel O&M and capital-related revenue requirements associated with new utility-owned generation plants upon transfer of ownership.**

Upon assuming ownership of the El Dorado Power Plant, SDG&E's monthly non-fuel revenue requirement will be recorded in the NGBA for recovery through SDG&E's commodity rates (Schedule EECC-Electric Energy Commodity Cost). The revenue requirement recorded in the NGBA will be balanced against billed revenues received from the rate component of Schedule EECC set to recover El Dorado non-fuel costs.

**SDG&E followed by submitting Advice letter 2204-E "Annual Non-Fuel Generation Balancing Account Update", requesting approval of its 2011 NGBA**

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<sup>1</sup> D.07-11-046, p. 2: The offered price of the El Dorado Option, as defined in the Equity Purchase Option Agreement, is equal to the closing book value of the plant at the time of transfer in 2011, which is currently estimated by El Dorado to be \$189 million.

<sup>2</sup> D.04-12-048, p. 127: IOUs will not be allowed to recover initial capital costs in excess of their final bid price for utility-owned resources, but any cost savings will be shared 50/50 between ratepayers and shareholders.

**revenue requirement, which included the forecasted El Dorado revenue requirement.**

D.07-11-046 required SDG&E to provide El Dorado revenue requirement calculations in its annual NGBA advice letter filing for 2011. SDG&E filed AL 2204-E on November 12, 2010 to update its NGBA for 2011 in which it submitted revenue requirement data for El Dorado. The advice letter noted that SDG&E did not include the El Dorado revenue requirement as part of the NGBA rate changes effective January 1, 2011, since the revenue requirement would not be incurred until the plant is transferred to SDG&E. The transfer date is forecasted as October 1, 2011.

In AL 2204-E SDG&E provided a forecast of capital and non-fuel O&M revenue requirements for El Dorado from 2011 through 2015. The 2011 forecasted revenue requirement is \$26.5 million, reflecting the amount expected to be recovered for the period from October 1 through December 31, 2011. The annual forecasts for years 2012 through 2015 range from \$61.6 million (2015) to \$75.4 million (2013).

AL 2204-E noted that prior to the transfer date, SDG&E will file a separate advice letter in compliance with D.04-12-048 and D.07-11-046 to update the revenue requirement for final costs and determination of the book value for El Dorado. In that advice letter SDG&E will also request the appropriate change in the NGBA rate, effective the date that the plant is transferred and in-service. AL 2204-E was made effective on December 13, 2010 by Energy Division staff disposition.

**SDG&E filed AL 2213-E to request establishment of the EDTCMA.**

On December 3, 2010 SDG&E filed AL 2213-E requesting to establish the EDTCMA. SDG&E proposes to record in the EDTCMA, O&M costs associated with integrating the El Dorado power plant into its business and security systems prior to taking ownership of the plant in October 2011. SDG&E proposes to transfer amounts recorded in the EDTCMA to the NGBA for recovery in rates.

## **NOTICE**

Notice of AL 2213-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

## **PROTESTS**

No parties submitted protests to SDG&E's AL 2213-E.

## **DISCUSSION**

Energy Division has reviewed AL 2213-E. We follow with discussion of the relevant facts that lead to our approval with modification of this advice letter.

### **D.07-11-046 approved SDG&E's request to exercise an option to purchase a power plant owned by El Dorado Energy LLC, a Sempra affiliate.**

To meet requirements for bundled customer load, SDG&E's forecast indicated a large increase in energy need between 2011 and 2012, attributable to the year-end 2011 expiration of a California Department of Water Resources (DWR) contract which provides generation from the Sunrise Power Plant.<sup>3</sup> D.07-11-046 approved SDG&E's request for approval to exercise the El Dorado plant purchase option.<sup>4</sup> The decision also approved SDG&E's proposal for cost recovery of non-fuel

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<sup>3</sup> D.07-11-046, p.7: "The procurement authority SDG&E requests in its 2006 LTPP should be reduced by the 480 MW of generation it is procuring by exercising the El Dorado Option."

<sup>4</sup> D.07-11-046, p. 7: "SDG&E's proposal to procure approximately 500 MW of power for 2012 from a fully dispatchable, baseload facility is consistent with its LTPP that is currently being evaluated by the Commission in R.06-02-013. Although SDG&E's 2006 LTPP has not yet been approved, the amount of power at issue is well within SDG&E's identified bundled customers' needs for that timeframe. For the purposes of this application, we find that SDG&E has adequately demonstrated a need for the El Dorado plant or similar resource."

related costs for El Dorado through the NGBA. Cost recovery will commence on the October 1, 2011 in-service date.

**Memorandum accounts allow utilities to record costs for later recovery, subject to the Commission's review and approval.**

Upon Commission approval to implement a memorandum account, the utility records in the account specific costs, accrued on a monthly basis. Additionally, the utility may accrue the monthly cost of interest.<sup>5</sup> All of this is subject to Commission review, and can not be recovered in rates until specifically authorized by the Commission.

**The NGBA provides for recovery of SDG&E's Commission-approved non-fuel electric generation costs.**

The NGBA provides for recovery of SDG&E's Commission-approved non-fuel electric generation costs not being recovered by any other component of SDG&E's rates.

SDG&E currently recovers through the NGBA, costs for its ownership interest in the San Onofre Nuclear Generating Station, the Miramar Combustion Turbine facility, the Palomar Energy Center facility, and the Miramar Energy Facility II. SDG&E will begin recovering costs for its ownership interest in El Dorado upon the scheduled October in-service date pursuant to D.07-11-046.

**SDG&E proposes in AL 2213-E to establish the EDTCMA, to record the incremental O&M costs associated with integrating the El Dorado plant's business and security systems into SDG&E's systems, prior to taking ownership.**

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<sup>5</sup> SDG&E Preliminary Statement, III. Memorandum Accounts, Description/Listing of Accounts, California P.U.C. Sheet No. 19451-E. Date Filed, August 15, 2006: Where permitted by the Commission, interest will accrue monthly to the memorandum accounts set forth in this section. The calculation will be based on the average of the beginning and ending balance of each account at the rate of one-twelfth of the most recent month's interest rate on Commercial Paper (prime, 3-month) published in the Federal Reserve Statistical Release, H.15.

SDG&E seeks to establish the EDTCMA to record costs associated with integrating El Dorado into its system, prior to the in-service date of the plant. SDG&E would transfer costs recorded in the EDTCMA to the NGBA on the in-service date. AL 2213-E states that the majority of the El Dorado plant's business and security systems are incompatible with those utilized by SDG&E. This includes automated maintenance management, accounting, inventory control, accounts payable, payroll, employee benefit, network security, data logger, energy control, CAISO communications, document management, fuel procurement, telephone performance monitoring, training, and other administrative expense systems and programs. SDG&E states that these systems and programs must be transitioned to its own systems as close as possible to the ownership transfer date.

AL 2213-E also states that the El Dorado facility will retain the current power integration servers and vibration and emissions monitoring equipment, which are compatible with SDG&E's systems. In AL 2213-E, SDG&E originally anticipated that the incremental costs of integrating the incompatible business and security systems would be approximately \$600,000. Additionally, AL 2213-E requested an approval date effective January 2, 2011, 30 days from the December 3, 2010 filing date. The Energy Division suspended AL 2213-E for up to 120 days beginning January 3, 2011. <sup>6</sup>

**Neither D.04-12-048 nor D.07-11-046 address recovery of transitional costs incurred after project approval but before the ownership transfer and in-service date of generation facilities.**

AL 2213-E cites the discovery of additional costs incurred in converting and integrating business- and security-critical automated systems to SDG&E-compatible systems prior to ownership. SDG&E's response to an April 25, 2011

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<sup>6</sup> The 120-day suspension period for the advice letter expired on May 3, 2011. General Rule 7.5.2 of G.O. 96-B requires that the suspension period not exceed 120 days unless the utility agrees in writing to a longer suspension period. By email dated April 26, 2011, SDG&E informed Energy Division that SDG&E was agreeable to extending the suspension period for AL 2213-E. In the same email SDG&E informed Energy Division that it would like the resolution to indicate an effective date for the advice letter as requested in AL 2213-E, i.e., January 2, 2011.

Energy Division data request indicates that the incompatible systems and associated costs were discovered as the project team began planning for the transition of the El Dorado plant from Sempra to SDG&E ownership.

Neither D.04-12-048 nor D.07-11-046 address recovery of transitional costs incurred after project approval but prior to ownership. Therefore, SDG&E submitted AL 2213-E to establish the memorandum account so that the resulting balance could be accrued for the purpose of transferring that balance to the plant's revenue requirement as of the in-service date.

**The business and security system conversions are being executed by a team of internal and external information technologists.**

SDG&E's response to Energy Division's April 22, 2011 data request indicates that costs associated with the system transitions is 71% labor-related and 29% non-labor related. SDG&E also indicated in response to Energy Division's April 27, 2011 data request that these costs are associated with company and independent contractor labor. None of the transition costs are being incurred through Sempra Energy labor.

**SDG&E submitted AL 2213-E to recover costs associated with the transition of business and security systems considered incompatible with SDG&E systems.**

In preparation for ownership transition, SDG&E's project transition team discovered business and security system incompatibilities between Sempra and SDG&E systems, and developed an analysis forecasting the added cost based on system conversion and training needs associated with information technology labor rates. SDG&E issued AL 2213-E requesting authorization to establish the EDTCMA following this discovery, and stated the additional cost to be tracked through this memorandum account at \$600,000.

Subsequently, SDG&E has identified additional costs of \$284,000 associated with a deliverability study needed to develop a LGIA with the CAISO.

**In response to Energy Division's April 22, 2011 data request, SDG&E indicated that it had identified additional transition costs to be added to the original request in AL 2213-E.**

SDG&E has identified an additional transition cost related to an LGIA deliverability study required by the CAISO. In its response to Energy Division's April 22, 2011 data request, SDG&E has estimated this additional amount at \$284,000, increasing the O&M costs recorded in the EDTCMA to \$884,000, exclusive of interest costs.

**SDG&E submitted AL 2213-E after determining that the additional transition costs are not associated with the first year of SDG&E's operation of El Dorado.**

The cost recovery framework approved in D.04-12-048 and D.07-11-046 allows SDG&E to recover its non-fuel revenue requirement for El Dorado through the NGBA, subject to approval through a yearly advice letter. However, both D.04-12-048 and D.07-11-046 do not address recovery of legitimate expenses incurred after project approval and submission of the non-fuel revenue requirement through advice letter, but prior to SDG&E's taking ownership of the plant.

Therefore, establishing the memorandum account is necessary to track any pre-ownership costs for El Dorado so that the reasonable transition costs related to owning and operating the plant may be recovered.

**SDG&E submitted AL 2213-E separate from AL 2204-E in recognition that pre-operation EDTCMA expenses should be tracked separately from the forecasted in-service operation revenue requirement.**

In compliance with D.07-12-046 SDG&E included its forecast of the non-fuel revenue requirement for El Dorado in AL 2204-E on November 12, 2010 assuming an October 1, 2010 ownership date for El Dorado. With SDG&E's El Dorado project transition team's discovery of additional pre-ownership costs attributed to transitioning Sempra's business and security systems to SDG&E systems, SDG&E followed AL 2204-E with AL 2213-E. SDG&E submitted AL 2213-E so that it would be able to recover these transitional costs. SDG&E proposes to track these costs in the EDTCMA, and transfer the balance accrued in the EDTCMA to the NGBA when it takes ownership of El Dorado on October 1, 2011.

**The Commission approves SDG&E's request in AL 2213-E to establish an EDTCMA, effective today.**

SDG&E has submitted this advice letter to justify costs associated with the pre-ownership transition of El Dorado to SDG&E's system. The EDTCMA will allow SDG&E to track costs that were not reasonably foreseen by SDG&E. The Energy Division's review of AL 2213-E and SDG&E's responses to data requests indicates that the costs that SDG&E proposes to record in the EDTCMA are reasonable, and that SDG&E did not reasonably foresee these transition costs. We approve SDG&E's request to establish the EDTCMA.

**Costs recorded in the EDTCMA shall not exceed \$884,000, plus interest.**

SDG&E has submitted that these unforeseen transition costs are \$600,000, with an additional \$284,000 for the LGIA deliverability study to be prepared for CAISO. Based on information provided by SDG&E in AL 2213-E and SDG&E's responses to Energy Division's data requests, we will allow SDG&E to record up to \$884,000 in the EDTCMA, plus interest, to cover expenses incurred for integrating El Dorado into SDG&E's business and security systems and for the conducting the LGIA deliverability study. We authorize SDG&E to transfer up to \$884,000, plus interest, accrued in the EDTCMA to the NGBA when SDG&E takes ownership of El Dorado in October 2011.

Within 10 days of the effective date of this resolution SDG&E shall file a supplement to AL 2213-E to add the following sentence to the Disposition section of SDG&E's proposed EDTCMA tariff: "The balance transferred from the EDTCMA to the NGBA shall not exceed \$884,000 plus interest."

On or before October 1, 2011, SDG&E shall file a Tier 1 advice letter to show the amounts recorded in the EDTCMA, itemized by specific activities.

**The effective date of the EDTCMA is the date of this resolution.**

The effective date of the EDTCMA must be effective no earlier than the date of this resolution. That is because the Commission has not previously authorized SDG&E to establish a memorandum account to track costs that SDG&E proposes to record in the EDTCMA. We note the following recent examples where the Commission authorized SDG&E to establish a memorandum account effective on the date of the Commission's approval of the account.

In Resolution E-4311 dated July 29, 2010, we authorized SDG&E to establish the Wildfire Expense Memorandum Account (WEMA), which it proposed in AL 2109-E/1889-G filed on September 22, 2009. The WEMA became effective on July 29, 2010 pursuant to Resolution E-4311. Resolution E-4378 dated February 24, 2011 allowed SDG&E to establish the Dynamic Pricing Memorandum Account. SDG&E proposed to establish that account in AL 2183-E filed on July 6, 2010. The DPMA became effective on February 24, 2011 as authorized by Resolution E-4378.

Accordingly we authorize the EDTCMA to become effective on the date of this resolution.

**The scope of this resolution and corresponding AL 2213-E addresses only the first phase of the LTPP cost-recovery mechanism.**

The second- and third-phase cost recovery mechanisms occur after utility ownership and operation begin, and are beyond the scope of this advice letter and addressing resolution. The second phase of SDG&E's cost recovery framework covers the period from the end of the initial phase until the implementation of SDG&E's next Cost of Service decision to allow for annual attrition adjustments to the authorized revenue requirement. In the third phase, SDG&E's revenue is "trued up" to reflect the costs of these projects.

## **COMMENTS**

**Per Statutory requirement, a draft resolution was issued for public comment.**

Public Utilities Code section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. However, section 311(g)(2) of the Public Utilities Code allows the 30-day period to be reduced upon stipulation of all parties in the proceeding. SDG&E, the only party, stipulated to a reduced comment period, and the draft resolution was mailed under a shortened comment period on June 20, 2011, for comments due July 1, 2011. No comments were submitted on the draft resolution.

## **FINDINGS AND CONCLUSIONS**

1. Rulemaking R.04-04-003 considered the OIR to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning.
2. D.04-12-048 in R.04-04-003 adopted a plan for the procurement of electric resources (LTPP) for California's largest electric utilities, PG&E, SCE, and SDG&E.
3. The D.04-12-048 LTPP also adopted a framework based on the principle of timely recovery of capital investment and expenses associated with newly acquired turnkey utility-owned generation assets, beginning when the new facility starts operation to serve utility customers.
4. Cost recovery of generation plant investment and expense is facilitated by establishing rate base, including O&M related revenue requirements, by using the utility's NGBA and ERRRA to record, respectively, non-fuel and fuel-related costs associated with the plant, for recovery through the utility's commodity rates.
5. The D.04-12-048 framework adopted a three-phase cost mechanism through which cost for newly-acquired turnkey generation is recovered, which begins with a filing for Commission approval of the project.
6. In the first phase of such a filing, the utility – at the time of project approval – is required to identify the rate base and O&M-related revenue requirements associated with the project for the first full calendar year, subject to Commission approval.
7. Prior to the utility taking ownership and operation of the generation unit, the utility submits an updated fixed revenue requirement through advice letter to incorporate any adjustments to the previously adopted fixed revenue requirement.
8. The Commission issued D.07-11-046, approving SDG&E's request to exercise an option to purchase the power plant owned by El Dorado Energy LLC.
9. D.07-11-046 authorized SDG&E to utilize the NGBA to record the non-fuel O&M and capital-related costs associated with the El Dorado plant.
10. Upon assuming ownership of the El Dorado Power Plant, SDG&E will record its monthly non-fuel revenue requirement in the NGBA for recovery through SDG&E's commodity rates balanced against billed revenues received from the rate component of Schedule EECC set to recover fixed El Dorado costs.
11. SDG&E submitted AL 2204-E on November 12, 2010 to request approval of its 2011 revenue requirement, which included a forecast of the El Dorado

- revenue requirement, not scheduled to commence until October 1, 2011. The Commission approved AL 2204-E effective December 13, 2011.
12. AL 2204-E noted that prior to the ownership transfer date, SDG&E will file a separate advice letter to update the El Dorado revenue requirement, in compliance with D.04-12-048 and D.07-11-046.
  13. Memorandum accounts allow utilities to record costs for later recovery, subject to Commission's review and approval.
  14. The NGBA provides for recovery of SDG&E's Commission-approved non-fuel electric generation costs.
  15. SDG&E proposes in AL 2213-E to establish the EDTCMA, to record incremental O&M costs associated with integrating the El Dorado plant's business and security systems into SDG&E's systems, prior to taking ownership.
  16. In AL 2213-E SDG&E originally anticipated that the incremental costs of integrating the incompatible business and security systems would be approximately \$600,000.
  17. AL 2213-E requested an approval date effective January 2, 2011, upon which SDG&E would begin tracking the incremental costs.
  18. Neither D.04-12-048 nor D.07-11-046 address recovery of transitional costs incurred after project approval and submission of the non-fuel revenue requirement through advice letter, but before the ownership transfer and in-service date of generation facilities.
  19. The business and security system transition costs are associated with SDG&E and independent contractor labor.
  20. In response to Energy Division's data request, SDG&E has identified an additional transition cost related to a deliverability study required by a Large Generator Interconnection Agreement with the California Independent System Operator, estimated at \$284,000.
  21. Including the additional cost of the LGIA, the O&M costs recorded in the EDTCMA would increase to \$884,000, exclusive of interest costs.
  22. SDG&E submitted AL 2213-E after determining that the additional transition costs are not associated with the first year of SDG&E's operation of El Dorado.
  23. SDG&E submitted AL 2213-E separate from AL 2204-E in recognition that pre-operation EDTCMA expenses should be tracked separately from the forecasted in-service operation revenue requirement.
  24. The Energy Division's review of AL 2213-E and SDG&E's responses to data requests indicates that the costs that SDG&E proposes to record in the

- EDTCMA are reasonable, and that SDG&E did not reasonably foresee these transition costs.
25. Costs recorded in the EDTCMA should not exceed \$884,000, plus interest. SDG&E may not recover any amount through the EDTCMA in excess of \$884,000, plus interest costs.
  26. The EDTCMA should be effective on the date of this resolution.
  27. Within 10 days of the effective date of this resolution, SDG&E should file a supplement to AL 2213-E to add a sentence to the Disposition section of the proposed tariff stating: "The balance transferred from the EDTCMA to the NGBA shall not exceed \$884,000 plus interest."
  28. On or before October 1, 2011, SDG&E should file a Tier 1 advice letter to show the amounts recorded in the EDTCMA, itemized by activities,
  29. The scope of this resolution and corresponding AL 2213-E addresses only the first phase of this cost-recovery mechanism.

**THEREFORE IT IS ORDERED THAT:**

1. SDG&E's request to establish the El Dorado Transition Cost Memorandum Account, as requested in Advice Letter 2213-E- is approved with the modification that cost recovery is limited to \$884,000, plus interest.
2. Within 10 days of the effective date of this resolution SDG&E shall supplement AL 2213-E to add the following sentence to the Disposition section of SDG&E's proposed EDTCMA tariff: "The balance transferred from the EDTCMA to the NGBA shall not exceed \$884,000 plus interest." The supplemental advice letter shall replace AL 2213-E in its entirety and shall be effective today, subject to Energy Division determining that it is in compliance with this resolution.
3. On or before October 1, 2011 SDG&E shall submit a Tier 1 advice letter showing itemized details of the monthly and total expenses, including interest, recorded in the EDTCMA associated with the integration of currently incompatible automated business and security systems, and the deliverability study. The advice letter shall be effective on filing subject to review of the Energy Division.
4. SDG&E is authorized to transfer the EDTCMA balance, which is not to exceed \$884,000 plus interest, to its Non-Fuel Generation Balancing Account on October 1, 2011, the date that SDG&E will take ownership of the El Dorado power plant.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 14, 2011; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon  
Executive Director

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