

Decision 13-10-053 October 31, 2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric
Company (U902E) for Adoption of its 2013
Energy Resource Recovery Account
Revenue Requirement and Competition
Transition Charge Revenue Requirement
Forecasts.

Application 12-10-002
(Filed October 1, 2012)

**DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S 2013
ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT FORECAST
IN PART AND DEFERRING SAN ONOFRE NUCLEAR GENERATING
STATION RELATED COSTS**

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1. Summary

Today's decision adopts a 2013 Energy Resource Recovery Account (ERRA) revenue requirement forecast, less the difference (\$69.9 million) between normal San Onofre Nuclear Generating Station (SONGS) costs typically included in the ERRA forecast and SONGS replacement power costs included in San Diego Gas & Electric Company's (SDG&E) ERRA forecast (net SONGS costs), as detailed herein. This results in an adjusted ERRA forecast of \$4944.6 million,¹ an adjusted 2013 Ongoing Competition Transition Charge (CTC) revenue requirement forecast of \$43.1 million; and an adjusted 2013 market price benchmarks of \$49.47/Megawatt-hour. The combined revenue requirement results in an increase in electric rates of an estimated \$117 million. All components of the ERRA forecast, including but not limited to the calculation of the ERRA, CTC, market price benchmarks, and Power Charge Indifference Adjustment, shall be adjusted to account for the removal of net SONGS costs. By doing so, the net SONGS costs adjustment is applied consistently to both bundled and direct access customers.

These approximate figures act as a placeholder, and will be finalized through SDG&E's filing of a Tier 1 advice letter to institute ERRA rates. As part of the Tier 1 advice letter, SDG&E shall also adjust the approximate figures to

¹ This forecast amount does not include the Greenhouse Gas (GHG) cap-and-trade costs adopted herein. Those GHG cap-and-trade costs are deferred for recovery at a later date, as detailed herein.

account for Franchise Fees and Uncollectables. We make no determination today regarding the accuracy of the methodology used by SDG&E to determine the net SONGS costs, or the reasonableness of SONGS replacement power costs. Such determinations will be made as part of Investigation (I.) 12-10-013.

The actual net SONGS costs shall be tracked in the San Onofre Nuclear Generating Station Outage Memorandum Account (SONGSOMA) as ordered in I.12-10-013. Recovery of costs recorded in the SONGSOMA shall be determined at a later date in I.12-10-013. Similar to GHG cap-and-trade costs, these net SONGS costs shall not be considered in the ERRA Trigger calculation.

In addition, in compliance with Decision (D.) 12-12-033 in Rulemaking (R.) 11-03-012, the Commission: 1) adopts SDG&E's requested estimate of direct and indirect GHG cap-and-trade costs (GHG costs); 2) authorizes deferral of the collection of GHG costs via their removal from SDG&E's 2013 ERRA revenue requirement collected in rates, until such time that implementation of GHG costs and revenue return are finalized in R.11-03-012; 3) requires SDG&E to track GHG costs in an ERRA sub-balancing account until such time that it requests authority for inclusion of GHG costs in rates; and 4) authorizes SDG&E to exclude such tracked GHG costs from the "trigger calculation" until included in rates.

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 Public Utilities (Pub. Util.) Code Section 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.²

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 Resources (DWR).³ D.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 ERRA 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 (QFs) that are above the market

² We also established an update process for fuel and purchased power forecasts and the ERRA mechanism.

³ See D.02-10-062 at 62.

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.

The purpose of the total portfolio methodology 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, 2012, SDG&E filed Application (A.) 12-10-002, its *Application of San Diego Gas & Electric Company (U-902-E) for Adoption of its 2013 Energy Resource Recovery Account Revenue Requirement and Competition Transition Charge Revenue Requirement Forecasts* (Application) and served associated testimony, in which SDG&E requests that the Commission adopt a forecasted 2013 energy procurement revenue requirement of approximately \$1.156 billion.

On October 11, 2012, Resolution ALJ-176-3302 preliminarily determined that this proceeding was ratesetting and that hearings would be necessary. On October 31, 2012, a protest was filed by the Division of Ratepayer Advocates (DRA). On November 13, 2012, Alliance for Retail Energy Markets (AReM) and Direct Access Customer Coalition (DACC) jointly filed a motion, which was granted, for leave to late file their protest (which was submitted on November 6, 2012). In their late filed protest, AReM and DACC requested party status.⁴

On November 26, 2012 a prehearing conference (PHC) took place 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. On December 12, 2012, Commissioner Michel P. Florio, the assigned Commissioner, issued his Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo).

On January 8, 2013, SDG&E filed the amendment to its application and served associated testimony, which presented amended ERRa and CTC revenue requirements based on an estimated benchmark price. Interested parties did not serve direct testimony and SDG&E did not serve rebuttal testimony.

On February 15, 2013, the assigned Administrative Law Judge (ALJ) asked the parties to inform her as to whether evidentiary hearings (EHs) set for February 21, 2013 should be removed from the calendar, since no interested party testimony was served. All parties concurred that hearings should be removed from the calendar. On February 19, 2013, the assigned ALJ ruled (via electronic mail) that the EHs be removed from the calendar.

⁴ AReM and DACC are referred to jointly as AReM/DACC through the balance of this decision.

On February 19, 2013, the assigned ALJ asked the parties to inform her as to whether concurrent briefs, which were scheduled to be filed on March 7, 2013, should be removed from the calendar. All parties concurred that briefing should be removed from the calendar. On February 21, 2013, the assigned ALJ ruled (via electronic mail) that the filing of briefs be removed from the calendar.

On March 15, 2013, SDG&E filed a motion (with testimony attached) in which they requested the reopening of the record in A.12-10-002 in order to consider its trigger of the five percent threshold. The assigned ALJ denied this motion on March 18, 2013, via an electronic mail ruling, as this issue is outside the scope of this proceeding.

On April 8, 2013, the assigned ALJ issued a proposed decision in this proceeding, to which SDG&E and DRA filed Opening Comments on April 29, 2013; and SDG&E filed Reply Comments on May 6, 2013.

On April 15, 2013, rulings issued in Investigation (I.) 12-10-013 and in Southern California Edison's (SCE) ERRA review proceeding for compliance year 2012⁵ required the transfer of SCE's 2012 San Onofre Nuclear Generating Station (SONGS)-related replacement power costs from the ERRA 2012 compliance year application to the SONGS Order Instituting Investigation (OII). SCE is the majority owner of SONGS, and SDG&E is a minority owner.

On April 19, 2013, a ruling in I.12-10-013 clarified the scope of the SONGS OII, stating that Phases 2 through 4 of the OII would, in part, address SONGS replacement power costs.

⁵ A.13-04-001.

On May 24, 2013, the assigned Commissioner and ALJ issued their *Assigned Commissioner and Administrative Law Judge's Ruling to Reopen the Record and Request Response to Selected Inquiries (Ruling to Reopen)*, for the sole purpose of receiving information regarding the forecast 2013 replacement power costs resulting from the shutdown of SONGS. On June 6, 2013, SDG&E, DRA, and AReM/DACC each filed responses to the inquiries posed in the Ruling to Reopen. Replies to these responses were filed on June 21, 2013 by SDG&E and AReM/DACC.

On June 7, 2013, the Commission and the public were notified of the permanent shutdown of SONGS by SCE, the majority owner of SONGS.

On July 22, 2013, at a PHC held in San Francisco in I.12-10-013, assigned Commissioner Michel P. Florio stated:

Both [Southern California Edison and San Diego Gas and Electric] have very large ERRA requests pending before the Commission that reflect at least in part replacement power as a result of the San Onofre outage. And I have a hard time understanding myself or explaining to my colleagues, let alone the public, why we would be simultaneously recovering [in] rates, the full amount of the replacement power cost, plus the full amount of the return on [the] investment and operating expenses of these plants.⁶

We affirm all assigned Commissioner and ALJ rulings herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

⁶ I.12-10-013, PHC (July 22, 2013), Tr. at 129-130.

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

3.1. Overview

In its amended Application, SDG&E requests a 2013 ERRA revenue requirement of \$1,015.531 million, which is \$194.061 million higher than its 2012 ERRA forecast; a 2013 CTC revenue requirement forecast of \$42.028 million, which is \$7.162 million lower than its 2012 CTC forecast; and 2013 market price benchmarks of \$50.16/megawatt-hour (MWh).⁷ The forecast 2013 ERRA revenue requirement of \$1,015.531 million does not include the Greenhouse Gas (GHG) costs adopted herein. Those GHG costs are deferred for recovery at a later date, as detailed in Section 3.2 below. SDG&E also includes an adjustment in its forecasts for Franchise Fees and Uncollectables (FF&U) which no party contested.

No party criticized or provided alternatives to SDG&E's proposed forecast ERRA and CTC revenue requirements and market benchmarks. Additionally, no party claimed that SDG&E's proposed forecast ERRA and CTC revenue requirements or MPBs were not in compliance with existing applicable Commission decisions, rules, and regulations. In its protest, DRA stated that it planned to investigate the reasonableness of SDG&E's 2013 ERRA forecast, including but not limited to SDG&E's: 1) analysis of the underlying natural gas prices and other cost inputs to the model used in determining the forecasted revenue requirement; and 2) estimates of revenues and costs due to the implementation of the GHG cap-and-trade program. In its protest,

⁷ See Response of San Diego Gas & Electric Company to the Ruling to Reopen the Record and Request Response to Selected Inquires, , dated June 6, 2013, at Attachment B.

AReM/DACC's primary interest was in: 1) the calculation and rate treatment of costs that are charged to Direct Access customers; and 2) SDG&E's compliance with applicable decisions.

3.1.1. Discussion and Conclusion

As neither DRA nor AReM/DACC served testimony on these issues, and all parties agreed that neither hearings nor briefing was necessary, we conclude that the issues presented by the interested parties in their protests have been resolved. We adopt SDG&E's requested forecast 2013 ERRR and CTC revenue requirements and market benchmarks, net of the approximately \$69.9 million difference between normal SONGS costs typically included in the ERRR forecast and SONGS replacement power costs included in SDG&E's current ERRR forecast (net SONGS costs) (discussed in more detail in Section 3.3 below). The approximate forecasts for the 2013 ERRR and CTC shall be adjusted to account for FF&U and finalized through SDG&E's filing of a Tier 1 advice letter (*see* Section 3.4 below).

3.2. GHG Cap-and-Trade Costs Forecast

In its amended Application, SDG&E requests that: 1) forecasted direct and indirect GHG costs be adopted; 2) the Commission authorize deferral of the collection of GHG costs through their removal from SDG&E's 2013 ERRR revenue requirement collected in rates, until such time that implementation of GHG costs and revenue return are finalized in Rulemaking (R.) 11-03-012; 3) SDG&E track GHG costs in an ERRR sub-balancing-account for recovery in future years;⁸ and 4) the balance of GHG costs in this sub-balancing account be

⁸ Amended Application at 1 and 4.

excluded from SDG&E's monthly trigger calculation. SDG&E reiterated these requests in its opening comments to the proposed decision issued April 8, 2013.

In R.11-03-012, the Commission is addressing potential utility cost and revenue issues associated with GHG emissions. In D.12-12-033 in R.11-03-012, the Commission, in part, required SDG&E (among other energy utilities) to defer inclusion of GHG costs in rates and record these GHG costs in a new GHG sub-balancing account until such time that the Commission finalized implementation of a GHG allocation methodology.

In Pacific Gas and Electric Company's (PG&E) most recent ERRA forecast proceeding,⁹ the Commission adopted PG&E's GHG costs and granted PG&E authority to defer inclusion of its GHG costs in rates until a final determination is made in R.11-03-012.¹⁰ The Commission also required PG&E to track these GHG costs in an ERRA sub-balancing account until such time that it requests authority for inclusion of these GHG costs in rates and authorized the exclusion of these GHG costs from PG&E's "trigger calculation" until included in rates.

3.2.1. Discussion and Conclusion

As SDG&E's proposal regarding GHG costs is consistent with the Commission's treatment of GHG costs in PG&E's most recent ERRA forecast proceeding and in compliance with D.12-12-033, the Commission: 1) adopts SDG&E's forecasted 2013 GHG costs; 2) defers collection of GHG costs through their removal from SDG&E's 2013 ERRA revenue requirement collected in rates, until such time that implementation of GHG costs and revenue return are

⁹ A.12-06-002.

¹⁰ See D.12-12-018.

finalized in R.11-03-012;

3) requires SDG&E to track GHG costs in an ERRA GHG sub-balancing account until such time that it requests authority (pursuant to Commission authority) for inclusion of GHG costs in rates; and 4) excludes the balance of GHG costs in the ERRA sub-balancing account from SDG&E's monthly trigger calculation.

When implementation is finalized in R.11-03-012, the Commission requires SDG&E to file a Tier 1 advice letter to implement allocation of GHG costs that are approved in this decision and tracked in the ERRA GHG sub-balancing account.

3.3. SONGS-Related Costs

As discussed above, the assigned Commissioner and ALJ reopened the record in the current proceeding to receive information regarding the forecast 2013 replacement power costs resulting from the shutdown of SONGS. Of note, SDG&E filed its response to this inquiry on June 6, 2013, one day before the permanent shutdown of SONGS was announced by SCE.

DRA and AReM/DACC believe that the difference between SONGS operation costs that are normally included in SDG&E's ERRA forecast and the SONGS replacement power costs included in the current ERRA forecast should be removed from the forecast and determined on a final basis in the SONGS OII. DRA references Pub. Util. Code § 454.5 in support of its position.

AReM/DACC recommends that net SONGS costs should be removed from the calculation of the PCIA, in addition to the ERRA and CTC forecasts. AReM/DACC posit that in order for direct access (DA) customers to be treated consistently with bundled customers (regarding adjustment for net SONGS costs), net SONGS costs should be removed from the PCIA calculation.

SDG&E, on the other hand, believes that removal of SONGS replacement power costs from its 2013 ERRA forecast is contrary to applicable legislation,

Public Utilities Code, and Commission decisions.¹¹ In response to the assigned Commissioner's and ALJ's May 24, 2013 ruling, SDG&E stated that even though it does not agree with the removal of net SONGS costs, it calculated that such an amount would be approximately \$69.9 million.

The forecasted SONGS replacement costs proposed in the current ERRA proceeding are similar in character to the GHG costs associated with R.11-03-012. We are treating GHG costs in two specific ways, first by deferring their recovery until a final determination is made regarding their disposition in a separate proceeding, and on the same basis, by excluding them from the ERRA Trigger Calculation. We will treat the net SONGS costs in the same way. As in the case of GHG costs, deferral of the net SONGS costs does not pre-judge recovery or disallowance, but holds the costs in stasis until a final determination is made.

3.3.1. Discussion and Conclusion

The Commission appreciates all parties' concerns regarding the net SONGS costs. In an effort to authorize the balance of SDG&E's ERRA request as discussed herein, while still providing the Commission and parties an opportunity to thoroughly consider whether costs resulting from the unexpected closure of SONGS should be included in SDG&E's authorized 2013 ERRA forecast, the Commission removes net SONGS costs of an estimated \$69.9 million from SDG&E's ERRA forecast; and requires that the net SONGS costs be tracked in the San Onofre Nuclear Generating Station Outage Memorandum Account (SONGSOMA) as set out in I.12-10-013. In order to consistently treat bundled and DA customers regarding adjustment for net SONGS costs, the Commission

¹¹ See Assembly Bill 57 and Pub. Util. Code § 454.5(d).

requires that net SONGS costs be removed from all components of the forecast ERRA calculations, including but not limited to calculation of the forecast ERRA, CTC, and PCIA. These net SONGS costs shall be excluded from the ERRA Trigger calculation, since the Commission has not yet determined whether they are recoverable.

SDG&E may request recovery of the actual net SONGS costs recorded in the SONGSOMA at a later date in I.12-10-013, when the Commission has reached a determination addressing the methodology and the reasonableness of recovery of such costs. We make no determination today regarding the accuracy of the methodology used by SDG&E to determine the net SONGS costs, or the reasonableness of SONGS replacement power costs. Such determinations will be made as part of I.12-10-013.

In response to SDG&E's comments, by this decision we are not changing the normal rules governing ERRA forecast applications and ERRA trigger calculations, but rather addressing the unique facts before this Commission in this case. Specifically, the SONGS OII is open and ongoing, and SDG&E's rates presently include the full costs of SONGS in rate base, even though the plant has been officially closed since June 7, 2013. Once the issues in the SONGS OII have been resolved, we fully intend to resume our standard ERRA ratemaking.

We therefore adopt SDG&E's adjusted 2013 ERRA forecast revenue requirement of \$944.6 million, forecast CTC revenue requirement of \$43.1 million, and market price benchmark of \$49.97/Mwh. The approximate forecasts for the 2013 ERRA revenue requirement shall be adjusted to account for FF&U and finalized through SDG&E's filing of a Tier 1 advice letter (*see* Section 3.4 below). All approximate amounts forecasted by SDG&E and adopted herein

shall be finalized through SDG&E's filing of a Tier 1 advice letter to institute its 2013 ERRA forecast rates.

3.4. Implementation of Rates

In order to implement the authority granted herein, SDG&E must file a Tier 1 advice letter within 30 days of the issuance date of this decision. The tariff sheets filed in this Tier 1 advice letter shall be effective on or after the date filed. All approximate forecasts detailed in Sections 3.1.1 and 3.3.1 shall be adjusted to account for FF&U and finalized through SDG&E's filing of a Tier 1 advice letter.

4. Other Procedural Matters

4.1. Change in Determination of Need for Hearings

In Resolution ALJ 176-3302, dated October 14, 2012, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner scheduled EHs, though eventually it was determined that hearings were not necessary. Given that no hearings were held in the current proceeding, we change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

4.2. Admittance of Testimony and Exhibits into Record

Since EHs were not held in A.12-10-002, 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. In its motion of March 7, 2013, SDG&E requested, pursuant to Rule 13.8 of the

Commission's Rules of Practice and Procedure¹² that the Commission receive the public and confidential versions of its Exhibits SDG&E-1 and -2 into the record of A.12-10-002. In addition to the supporting testimony, these exhibits include SDG&E's Application and amended Application. As applications are already filed, we do not receive them into the record as exhibits. Therefore, we identify the public and confidential versions of SDG&E's supporting testimony to its Application as Exhibits SDG&E-1,-2, -3, and -4,¹³ and the supporting testimony to its amended Application as Exhibits SDG&E-5, -6, -7, and -8.¹⁴ Given the necessity of SDG&E's testimony to our assessment of the proposals put forth, we admit into evidence the public and confidential versions of SDG&E's Exhibits SDG&E-1 through -8.

4.3. Motion for Confidential Treatment

Pursuant to D.06-06-066 General Order (GO) 66-C, and Public Utilities Code Section 454.5(g), SDG&E requests leave to seal portions of the evidentiary record and to treat as confidential, its Exhibits SDG&E-1C, -2C, -3C, -5C, -6C, and -7C, and the confidential version of its June 6, 2013 response to the Ruling to Reopen. SDG&E states that these exhibits contain information that is market sensitive, are listed in D.06-06-066 as data that should be treated confidentially,

¹² For the remainder of this decision all reference to Rules refer to the Commission's Rules of Practice and Procedure.

¹³ Exhibit SDG&E-1 – Direct Testimony of Andrew Scales; Exhibit SDG&E-2 – Direct Testimony of Amanda D. Jenison; Exhibit SDG&E-3 – Direct Testimony of Ryan A. Miller; and Exhibit SDG&E-4 – Direct Testimony of Yvonne M. Le Mieux.

¹⁴ Exhibit SDG&E-5 – Amended Direct Testimony of Andrew Scales; Exhibit SDG&E-6 – Amended Direct Testimony of Amanda D. Jenison; Exhibit SDG&E-7 – Amended Direct Testimony of Ryan A. Miller; and Exhibit SDG&E-8 – Amended Direct Testimony of Yvonne M. Le Mieux.

and constitutes electric procurement-related information within the scope of Pub. Util. Code § 454.5(g).

Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

A similar request was granted in SDG&E's last ERRA recovery decision, D.12-07-006. We agree that the information contained in these exhibits is market sensitive electric procurement-related information. Therefore, pursuant to D.06-06-066 and GO 66-C, Public Utilities Code Section 454.5(g), and Rule 11.5, we grant SDG&E's request to treat as confidential and seal those portions of the evidentiary record consisting of SDG&E's Exhibits SDG&E-1C, -2C, -3C, -5C, -6C, and -7C, and the confidential version of its June 6, 2013 response to the Ruling to Reopen as detailed in the ordering paragraphs of this decision. The confidential version of each of these exhibits will be denoted by a "C" after the number of the exhibit.

4.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, we require SDG&E to file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these Advice Letters shall be effective on or after the date filed.

5. 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 April 8, 2013. Opening Comments were filed on October 14, 2013 by SDG&E, DRA, and AReM/DACC; and Reply Comments were filed on October 21, 2013 by SDG&E.

6. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. SDG&E filed its Application and served associated testimony on October 1, 2012.
2. SDG&E filed the amendment to its Application and served associated testimony on January 8, 2013.
3. When adjusted for the removal of net SONGS costs, SDG&E's 2013 ERRA revenue requirement is approximately \$944.6 million.
4. SDG&E's adjusted 2013 CTC revenue requirement is approximately \$43.1 million.
5. SDG&E's adjusted market price benchmark is approximately \$49.47/Mwh.
6. In response to the assigned Commissioner's and ALJ's May 24, 2013 ruling, SDG&E stated that even though it does not agree with the removal of net SONGS costs, it calculated that such an amount would be approximately \$69.9 million.
7. Forecasted SONGS replacement costs proposed in this ERRA proceeding are similar in character to the GHG costs associated with R.11-03-012, which have been treated in two specific ways by the Commission. First, the recovery of GHG costs has been deferred by the Commission until a final determination is made regarding their disposition in a separate proceeding. Second, GHG costs are excluded from SDG&E's ERRA Trigger Calculation.
8. As in the case of GHG costs, deferral of net SONGS costs does not pre-judge recovery or disallowance, but holds the costs in stasis until a final determination is made.

9. SDG&E's revised 2013 market price benchmark is \$49.47/MWh for calculation of the CTC and the PCIA.

10. The forecast 2013 ERRR revenue requirement does not include the GHG costs adopted herein.

11. Protests were filed by DRA and AReM/DACC.

12. Interested parties did not serve direct testimony and SDG&E did not serve rebuttal testimony.

13. In Resolution ALJ 176-3302, dated October 11, 2012, the Commission preliminarily categorized A.12-10-002 as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner scheduled EHs, though eventually it was determined that hearings were not necessary.

14. On February 19, 2013, the assigned ALJ ruled (via electronic mail) that the EHs be removed from the calendar.

15. On February 21, 2013, the assigned ALJ ruled (via electronic mail) that the filing of briefs be removed from the calendar.

16. On March 15, 2013, SDG&E filed a motion (with testimony attached) in which they requested the reopening of the record in A.12-10-002 in order to consider its trigger of the 5% threshold. The assigned ALJ denied this motion on March 18, 2013, as this issue is outside the scope of this proceeding.

17. SDG&E requested the admittance of its exhibits into evidence pursuant to Rule 13.8.

18. Pursuant to D.06-06-066, GO 66-C, and Pub. Util. Code § 454.5(g), SDG&E requested the confidential treatment of selected exhibits and that a portion of the record be sealed.

19. Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06 06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

20. In its amended Application, SDG&E requests that: 1) GHG costs be adopted; 2) the Commission authorize deferral of the collection of GHG costs through their removal from SDG&E's 2013 ERRA revenue requirement collected in rates, until such time that implementation of GHG costs are finalized in R.11-03-012; 3) that SDG&E track GHG costs in an ERRA sub-balancing-account for recovery in future years; and 4) the balance of GHG costs in this sub-balancing account be excluded from SDG&E's monthly trigger calculation. SDG&E reiterated these requests in its opening comments to the proposed decision.

21. In R.11-03-012, the Commission is addressing potential utility cost and revenue issues associated with GHG emissions.

22. By D.12-12-033 in R.11-03-012, the Commission, in part, required SDG&E (among other energy utilities) to defer inclusion of GHG costs in rates and record these GHG costs in a new GHG sub-balancing account until such time that the Commission finalized implementation of a GHG allocation methodology.

23. In PG&E's most recent ERRA forecast proceeding, the Commission adopted PG&E's GHG costs and granted PG&E authority to defer inclusion of its GHG costs in rates until a final determination is made in R.11-03-012. The Commission also required PG&E to track these GHG costs in an ERRA sub-balancing account until such time that it requests authority for inclusion of these GHG costs in rates and authorized the exclusion of these GHG costs from PG&E's "trigger calculation" until included in rates.

24. An April 15, 2013 ruling in I.12-10-013 and in A.13-04-001, SCE's ERRA review proceeding for compliance year 2012, required the transfer of SCE's 2012 SONGS related replacement power costs from the ERRA 2012 compliance year application to the SONGS OII.

25. An April 19, 2013 ruling in I.12-10-013 clarified the scope of the SONGS OII, stating that Phases 2 through 4 of the OII would, in part, address SONGS replacement power costs.

26. On April 8, 2013, the assigned ALJ issued a proposed decision in this proceeding, to which SDG&E and DRA filed Opening Comments on April 29, 2013; and SDG&E filed Reply Comments on May 6, 2013.

27. On May 24, 2013, the assigned Commissioner and ALJ issued their Ruling to Reopen, for the sole purpose of receiving information regarding the forecast 2013 replacement power costs resulting from the shutdown of the SONGS. On June 6, 2013, SDG&E, DRA, and AReM/DACC each filed responses to the inquiries posed in the Ruling to Reopen. Replies to these responses were filed on June 21, 2013 by SDG&E, and AReM/DACC.

28. On June 7, 2013, the Commission and the public were notified of the permanent shutdown of SONGS by SCE, the majority owner of SONGS.

Conclusions of Law

1. The Commission should remove net SONGS costs from SDG&E's 2013 ERRA forecast, and require that the net SONGS costs be tracked in the SONGSOMA in I.12-10-013.

2. SDG&E should request recovery of the net SONGS costs recorded in the SONGSOMA at a later date in I.12-10-013, when the Commission has reached final determinations addressing the accuracy of the methodology used to

determine the net SONGS costs, and the reasonableness of recovery of SONGS replacement power costs.

3. In order to consistently treat bundled and DA customers regarding adjustment for net SONGS costs, the Commission should require that net SONGS costs be removed from all components of the forecast ERRA calculations, including but not limited to calculation of the forecast ERRA, CTC, and PCIA.

4. SDG&E should exclude the net SONGS costs from the ERRA Trigger calculation, since the Commission has not yet determined whether they are recoverable.

5. The Commission makes no determination today regarding the accuracy of the methodology used by SCE to determine the net SONGS costs or the reasonableness of SONGS replacement power costs. Such determinations will be made as part of I.12-10-013.

6. The Commission should adopt a 2013 ERRA forecast revenue requirement for SDG&E of \$944.6 million, which will be finalized in SDG&E's Tier 1 advice letter filing.

7. The Commission should adopt: (a) forecasted 2013 Ongoing CTC revenue requirement of \$43.1 million; and (b) 2013 market price benchmark of \$49.47/Mwh.

8. As SDG&E's proposal regarding GHG costs is consistent with the Commission's treatment of GHG costs in PG&E's most recent ERRA forecast proceeding and in compliance with D.12-12-033, the Commission should:

- 1) adopt SDG&E's forecasted 2013 GHG costs;
- 2) defer collection of GHG costs through their removal from SDG&E's 2013 ERRA revenue requirement collected in rates, until such time that implementation of GHG costs are finalized in R.11-03-012;
- 3) require SDG&E to track GHG costs in an ERRA GHG

sub-balancing account until such time that it requests authority (pursuant to Commission authority) for inclusion of GHG costs in rates; and 4) exclude the balance of GHG costs in the ERRR sub-balancing account from SDG&E's monthly trigger calculation.

9. When implementation is finalized in R.11-03-012, the Commission requires SDG&E to file a Tier 1 advice letter to implement allocation of GHG costs that are approved in this decision and tracked in the ERRR GHG sub-balancing account.

10. All rulings issued by the assigned Commissioner and ALJ should be affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, should be denied.

11. Given that no hearings were held in the current proceeding, we should change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

12. The public and confidential versions SDG&E's Exhibits SDG&E-1 through -8 should be received into evidence.

13. SDG&E's request to treat as confidential and seal portions of the evidentiary record, in particular, Exhibits SDGE-1C, -2C, -3C, -5C, -6C, and -7C and the confidential version of its June 6, 2013 response to the Ruling to Reopen, should be granted.

14. SDG&E should file a Tier 1 Advice Letter to implement the revenue requirement in this order within 30 days of the date of this decision.

15. All forecasted figures adopted herein should be finalized and adjusted to account for FF&U in SDG&E's Tier 1 advice letter discussed in Conclusion of Law 14.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's amended 2013 request for the following ratesetting inputs are adopted as adjusted herein: 1) an Energy Resource Recovery Account (ERRA) forecast revenue requirement of an estimated \$944.6 million;¹⁵ 2) Ongoing Competition Transition Charge forecast revenue requirement of \$43.1 million; and 3) 2013 market price benchmark of \$49.47/megawatt-hour. The ERRA forecast revenue requirement is net of the difference between normal San Onofre Nuclear Generating Station (SONGS) costs included in the ERRA forecast and estimated SONGS replacement power costs included in SDG&E's current ERRA forecast. In order to consistently treat bundled and direct access customers regarding adjustment for the difference between normal SONGS costs included in the ERRA forecast and estimated SONGS replacement power costs included in San Diego Gas & Electric Company's current ERRA forecast (net SONGS costs), the Commission requires that net SONGS costs be removed from all components of the forecast ERRA calculations, including but not limited to calculation of the 2013 forecast ERRA,

¹⁵ This forecasted amount adopted in Ordering Paragraph (OP) 1 does not include the Greenhouse Gas (GHG) costs adopted in OPs 4 and 5. Those GHG costs are deferred for recovery at a later date, as detailed herein.

Ongoing Competition Transition Charge, and Power Charge Indifference Adjustment.

2. All forecasted figures adopted herein shall be finalized and adjusted to account for Franchise Fees and Uncollectables in San Diego Gas & Electric Company's Tier 1 advice letter required by Ordering Paragraph 3.

3. San Diego Gas & Electric Company must file a Tier 1 Advice Letter to implement the authority granted herein within 30 days of the date of this decision. The tariffs filed in the Advice Letter shall become effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

4. The Commission adopts San Diego Gas & Electric Company's (SDG&E) forecasted 2013 greenhouse gas costs (GHG), and grants SDG&E's requests to: 1) defer collection of GHG costs through their removal from SDG&E's 2013 Energy Resource Recovery Account (ERRA) revenue requirement collected in rates, until such time that implementation of GHG costs are finalized in Rulemaking 11-03-012; 2) track GHG costs in an ERRA GHG sub-balancing account until such time that it requests authority for inclusion of GHG costs in rates; and 3) exclude the balance of GHG costs in the ERRA sub-balancing account from SDG&E's monthly ERRA trigger calculation.

5. When implementation is finalized in Rulemaking 11-03-012, San Diego Gas & Electric Company shall file a Tier 1 advice letter to implement allocation of greenhouse Gas (GHG) costs that are approved in this decision and tracked in the Energy Resource Recovery Account GHG sub-balancing account.

6. The difference between normal San Onofre Nuclear Generating Station (SONGS) costs and SONGS replacement power costs included in San Diego Gas

& Electric Company's current Energy Resource Recovery Account forecast shall be tracked in the SONGS Memorandum Account in Investigation 12-10-013.

7. San Diego Gas & Electric Company may request recovery of the difference between normal San Onofre Nuclear Generating Station (SONGS) costs and SONGS replacement power costs included in its current Energy Resource Recovery Account forecast that has been recorded in the SONGS Outage Memorandum Account at a later date in Investigation 12-10-013, after the Commission has finalized the methodology for calculation of the reasonableness of recovery of such costs.

8. The difference between normal San Onofre Nuclear Generating Station (SONGS) costs and SONGS replacement power costs included in San Diego Gas & Electric Company's current Energy Resource Recovery Account (ERRA) forecast shall be excluded from the ERRA Trigger calculation.

9. All rulings issued by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

10. The prepared testimony of San Diego Gas & Electric Company, consisting of the public and confidential versions of Exhibits SDG&E-1 through -8 are received into evidence.

11. San Diego Gas & Electric Company's (SDG&E) request to treat as confidential and seal portions of the evidentiary record, in particular, Exhibits SDG&E-1C, -2C, -3C, -5C, -6C, and -7C, and the confidential version of its June 6, 2013 response to the Ruling to Reopen is granted. The information will remain sealed and confidential for a period of three years after the date of this order. During this three-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 SDG&E, or as ordered by a court of competent jurisdiction. If SDG&E believes that it is necessary for this information to remain under seal for longer than three years, SDG&E may file a new motion at least 30 days before the expiration of this limited protective order.

12. The determination made in the Assigned Commissioner's Scoping Memo and Ruling that hearings were necessary is changed to no hearings necessary.

13. Today's decision is effective immediately.

Application 12-10-002 is closed.

This order is effective today.

Dated October 31, 2013, at San Francisco, California.

MICHAEL R. PEEVEY

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

CARLA J. PETERMAN

Commissioners