

Decision 14-05-022 May 15, 2014

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

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902E) for Adoption of its 2014 Energy Resource Recovery Account Revenue Requirement, Competition Transition Charge Revenue Requirement and Local Generation Balancing Account Revenue Requirement Forecasts.

Application 13-09-017  
(Filed September 27, 2013)

**DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S 2014  
ELECTRIC PROCUREMENT REVENUE REQUIREMENT FORECAST**

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## **DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S 2014 ELECTRIC PROCUREMENT REVENUE REQUIREMENT FORECAST**

### **1. Summary**

Today's decision adopts San Diego Gas & Electric's proposed 2014 total electric procurement revenue requirement forecast of approximately \$1,230.6 million (including franchise fees and uncollectibles). Breakdown of this total includes an ERRA revenue requirement of \$1,210.1 million, ongoing Competitive Transition Charge revenue requirement of \$15.4 million, and Local Generation Balancing Account revenue requirement of \$5.2 million.

### **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.<sup>1</sup>

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

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

proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, administration of utility-owned generation (UOG), 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).<sup>2</sup> 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 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

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<sup>2</sup> See D.02-10-062 at 62.

Charge Indifference Adjustment (PCIA). The PCIA applies to departing load customers that are responsible for a share of the DWR power contracts and 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 and 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 September 27, 2013, SDG&E filed Application (A.) 13-09-017, its *Application of San Diego Gas & Electric Company (U-902-E) for Adoption of its 2014 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 2014 energy procurement revenue requirement of approximately 1,228.0 million (including franchise fees and uncollectibles).

On October 13, 2013, Resolution ALJ-176-3323 preliminarily determined that this proceeding was ratesetting and that hearings would be necessary. On November 1, 2013, protests were filed by the Office of Ratepayer Advocates (ORA) and jointly by the Alliance for Retail Markets (AReM) and Direct Access Customer Coalition (DACC). In their protest, AReM and DACC requested party status. On November 12, 2013, SDG&E replied to the protests.

On November 18, 2013, SDG&E filed the amendment to its Application and served associated testimony, which presented amended ERRRA 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 December 3, 2013 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. SDG&E, ORA, and AReM/DACC are parties to the current proceeding.

On December 13, 2013, Commissioner Michel P. Florio, the assigned Commissioner, issued his Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo).

On January 8, 2014, a joint workshop with the parties to A.13-09-017 was held to discuss to discuss issues raised in the PHC regarding the calculation of the PCIA. On February 26, 2014, and in response to the assigned Administrative Law Judge (ALJ) directive on February 11, 2014 (see below), SDG&E (on behalf of participating parties) submitted a document entitled "Direct Access (DA) Customer Ratemaking Consensus Protocol for San Onofre Nuclear Generation Station (SONGS) Outages and Retirement" (Protocol). The Protocol was developed as a possible resolution to interested parties with the effect of removing net SONGS costs on the PCIA calculation.

In the December 13, 2013 Scoping Memo, parties were asked to inform the assigned ALJ by February 14, 2014 whether evidentiary hearings (EHs) set for the week of February 24-28 are necessary, since no testimony was served. On February 7, 2014, SDG&E, on behalf of SDG&E, AReM/DACC, and ORA communicated (via-e-mail) that EHs were not necessary. In this same e-mail,

SDG&E questioned whether concurrent briefs originally due February 24, 2014 should be waived.

On February 10, 2014, the assigned ALJ issued an e-mail ruling that EHs are waived and solicited feedback about the need for concurrent briefs. On February 10, 2014, ORA communicated (via e-mail) that briefings can be waived.

On February 11, 2014, the assigned ALJ issued an e-mail ruling requesting a motion for receipt of SDG&E testimony and PCIA Consensus Document into the record and establishing new dates for concurrent briefs (February 26, 2014) and reply briefs (March 5, 2014). Dates were postponed to allow more time to review relevant documents.

On February 21, 2014, AReM/DACC communicated via an e-mail requesting a ruling that a briefing be waived in the proceeding.

On February 24, 2014, the assigned ALJ confirmed via e-mail that the schedule for briefs remains the same despite requests to waive. No parties offered concurrent briefs on February 26, 2014 or reply briefs on March 5, 2014.

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

### **2.3. Scoping Memo Issues**

In the December 13, 2013 Scoping Memo, the assigned Commissioner requested parties to submit relevant testimony and or briefs pertaining to the following topics:

1. Whether the Commission should adopt SDG&E's requested:
  - a. ERRRA forecast revenue requirement of \$1,210.1 million;
  - b. CTC forecast revenue requirement of \$15.4 million;

- c. Local Generating Balancing Account (LGBA) forecast of \$5.2 million;
  - d. Electric Sales Forecast;
  - e. Rate proposals associated with its proposed total electric procurement related revenue requirements;
  - f. Recovery of year-end ERRA balances associated with SDG&E's proposed total electric procurement related revenue requirements;
  - g. Forecasted ERRA, CTC, PCIA, Cost Allocation Methodology (CAM), and Fuel and Purchased Power expenses; and
  - h. New 2014 vintage market benchmark prices for calculating the CTC and PCIA, as well as resulting PCIA's.
2. If approval of SDG&E's 2014 Greenhouse Gas (GHG) Cost Forecast must be addressed in this application, should the Commission defer inclusion of GHG costs in rates until implementation is finalized in a pending Commission Decision in the GHG proceeding A.13-08-002 and R.11-03-012.
3. Whether there is any duplication in costs between SDG&E's April, 2013 ERRA trigger application A.13-04-017 and SDG&E's 2014 Forecast Application.
4. Whether SDG&E's request and methods used to determine Item 1 and 2 above are in compliance with applicable rules, regulations, resolutions, decisions for all customer categories. For example, this includes:
- a. Whether the direction contained in Decision 13-10-053 (*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*) is reflected in the Application and has been consistently applied in accompanying computations;
  - b. Any concerns that parties may have in the calculation of charges (e.g. PCIA, CTC, and CAM) allocable to DA customers; and



- c. In the determination of SDG&E's 2013 ERRA under-collection, whether the difference between the costs of SONGS typically included in the ERRA Forecast revenue application and SONGS replacement power costs included in SDG&E's present ERRA Forecast revenue requirement has been removed from consideration in the Application and deferred for consideration in the Commission's investigation into the closure of SONGS (Investigation 12-10-013).
  5. Whether various factors, such as renewable generation costs, that drive the increase in SDG&E's requested Forecast 2014 Revenue Requirement are reasonable pursuant to Public Utilities Code § 451.
- 3. SDG&E's Initial Application and Amended Application**

In its September 27, 2013 original Application, SDG&E requested approval of: 1) a 2014 ERRA revenue requirement of \$1,228.0 million, including franchise fees and uncollectibles (FF&U); 2) a 2014 CTC revenue requirement of \$14.6 million (including FF&U); 3) a 2014 LGBA revenue requirement of \$5.2 million (including FF&U); 4) a new 2014 market price benchmark for calculating the CTC revenue requirement; 5) new vintage 2014 market price benchmarks (MPBs) for calculating the PCIA, and 6) the vintage 2014 PCIA rates. The LGBA is a new rate authorized by D.13-03-029 and is designed to implement the Local Generation Charge (LGC), which is a new rate designed to implement the LGBA revenue requirement that meets the requirements of the Cost Allocation Mechanism (CAM).

The 2014 ERRA and CTC forecasts were \$212 million higher and \$27.5 million lower, respectively, than the forecasts for 2013, for a combined total increase of \$190.2 million or an 18% increase compared to the 2013 forecast. The 2014 ERRA, CTC, and LGBA forecasts are \$377.1 million higher, respectively, than the current authorized forecast for 2012 in current system average rates (an

increase of 2.144 cents per kilowatt-hour to the system average rate.) According to SDG&E, the key driver for this change is the increase in renewable generation costs associated with achieving Renewable Portfolio Standard (RPS) goals, which are a direct result of policies enacted by the California Legislature.

In its November 18, 2013 Amended Application, SDG&E requests a 2014 electric procurement revenue requirement forecast of approximately \$1,230.6 million (including franchise fees and uncollectibles). Breakdown of this total includes an ERRRA revenue requirement of \$1,210.1 million, ongoing CTC revenue requirement of \$15.4 million, and LGBA revenue requirement of \$5.2 million.

The total revenue requirement is \$17.1 million lower than the 2014 forecast of \$1,247.8 million included in SDG&E's original Application filed on September 27, 2013 and is \$243.0 million higher than SDG&E's authorized 2013 ERRRA revenue requirement of \$987.7 million.

The "November Update" traditionally serves the purpose of updating the CTC, MPB, updating the ERRRA and CTC revenue requirements, and providing the vintage PCIA rates. Energy Division typically updates input assumptions every November and provides them to the investor-owned utilities (IOUs) so that the MPBs can be calculated for the CTC and vintage PCIA rates. In this year's November 2013 Amended Application, SDG&E also makes other miscellaneous adjustments including, but not limited to, corrections to RPS contract terms, and explanations of "in-lieu" gas franchise fee payments expected in 2014.

SDG&E states that its September 2013 Application and November 2013 Amended Application do *not* contain any forecasted 2014 power costs associated with SONGS or any "so-called replacement power" costs associated with SONGS

following the June 7, 2013 announcement that SONGS will no longer operate. SDG&E states that therefore, the issues surrounding the removal of 2013 “replacement power” costs on an interim basis as addressed in D.13.10-053, which resolved SDG&E’s ERRA Forecast application, and D.14-02-022, which resolved its most recent Trigger application, do not exist in this Application.<sup>3</sup> Pursuant to D.13-10-053, net SONGS costs (for bundled customers) are deferred for a future determination of reasonableness in the SONGS Order Instituting Investigation (OII) and recorded in a memorandum account; bundled customers’ rates will either go up or down when that determination is made.

Similarly, the forecasted 2014 electric procurement revenue requirement of \$1,230.6 million does *not* include the GHG costs adopted herein. Those GHG costs are deferred for recovery pursuant to D.13-12-041. Consistent with SDG&E’s prior annual ERRA compliance filings, SDG&E also includes an adjustment in its forecasts for franchise or “In-lieu” fees and uncollectibles (FF&U) which no party contested.

### **3.1. Interested Parties’ Protests and SDG&E Response**

#### **3.1.1. AReM/DACC**

In their protest, AReM/DACC’s primary interest is in the calculation and rate treatment of costs that are charged to DA customers. In past ERRA proceedings, this interest in the calculation has been limited to the PCIA and the

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<sup>3</sup> For background, we note that under D.09-04-021, SDG&E has the authority to automatically include year-end ERRA balances in rates via the Annual Electric Regulatory Update, provided that it has not reached its trigger threshold. As of the date that SDG&E filed this September 2013 Application and November 2013 Amended Application, SDG&E had reached its trigger threshold, and on that basis, its 2013 year-end ERRA balances were not included in the annual filing.

CTC. While AReM/DACC are still interested in these components, they are now also interested in the newly introduced non-bypassable rate element or LGC, which is associated with the CAM revenue requirement.

Further AReM/DACC are interested in SDG&E's compliance with applicable decisions. More specifically, AReM/DACC are interested in ensuring that calculation of the PCIA and CTC comport with Decision 11-12-018 and Resolution E-4475. Further, AReM/DACC believe that all CAM rates charged to DA customers must be verified consistent with authorization of CAMs in D.06-07-029 and calculation methodology set in D.07-09-044. Finally, AReM/DACC contend that the calculation of the PCIA must account for rate treatment of SONGS from I.12-10-013. In this regard, AReM/DACC quote D.13-10-052 as it pertains to SDG&E's ERRA forecast proceeding: "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 the calculation of the forecast ERRA, CTC, and PCIA." (Conclusion of Law 3.)

AReM/DACC point out that Phase 2 of I.12-10-013 explicitly addresses which assets and related operating and maintenance costs should be removed pursuant to Pub. Util. Code §455.5. They believe that any reductions in the SONGS revenue requirement it is requesting in I.12-10-013 should be reflected in the PCIA calculation and that any generation rate reductions coming out of either Phase 1 or 2 of I.12-01-013 be reflected contemporaneously in the PCIA.

### **3.1.2. ORA**

In its protest, ORA 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) other cost inputs that include the increase in renewable generation costs to meet the RPS.

### **3.1.3. SDG&E**

Generally, SDG&E does not take issue with issues raised by ORA and AReM/DACC for inclusion in this proceeding. It does not oppose the inclusion of the PCIA calculation issue in the scope of the case. However, SDG&E points out that any changes to portfolio costs should address both increases and decreases to the total portfolio costs, not just the possible reductions.<sup>4</sup>

## **4. Consensus Protocol to Resolve PCIA Calculation**

On January 8, 2014, a workshop was held to discuss issues associated with the calculation of the PCIA including the effect of closures of SONGS on the PCIA calculation because costs for DA customers cannot be tracked for future adjustment. Costs for bundled customers can be tracked in a memorandum account, while DA customer costs can only be recovered or removed from the current PCIA. This results in an inter-temporal shift of costs to either current or future customers, depending on the outcome of SONGS cost recovery in the OII.

As a result of the January 8, 2014 workshop, SDG&E and AReM/DACC offered a “DA Ratemaking Consensus Protocol for Songs Outages for Retirement” or “Protocol” which provides resolution of the parties’ concerns regarding the ratemaking treatment of the PCIA as a result of SONGS outages/closure: The Protocol 1) provides equitable and symmetrical rate treatment for bundled and DA customers in terms of both timing and cost responsibility; 2) upholds the indifference principle that underlies DA

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<sup>4</sup> SDG&E Reply to AReM/DACC Protest at 3.

ratemaking by the Commission; and 3) is a non-precedential resolution to be based on the unique circumstances resulting from the outages/closure of SONGS Units 2 and 3.

An important element of any ERRA forecast proceeding is to set charges related to load that has departed the utility system, procuring its power from another source. As mentioned in the "Background," the PCIA is intended to ensure that the departing load pays their share of the above-market portion of above market total portfolio costs and to preserve bundled customer indifference. The PCIA does not incorporate any balancing account adjustments and does not have a true-up mechanism outside of the IOUs' ERRA proceedings.<sup>5</sup>

Further, pursuant to D.08-09-012, the PCIA is calculated on a total generation portfolio basis, by which the vintage of load assigned to a particular departing customer is based on the departure date of that customer; and that the various cost factors are different for different vintages because older vintages, such as 2001, consist of a less diversified (and different) portfolio of generation resources.

## **5. Discussion and Conclusion**

Except as discussed above regarding the effect of SONGS on the PCIA Calculation, no party criticized or provided alternatives to SDG&E's proposed 2014 SDG&E ERRA, CTC, and LGBA forecasts. Additionally, no party claimed that any of these elements were not in compliance with existing applicable Commission decisions, rules, and regulations. As neither ORA nor

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<sup>5</sup> Motion of San Diego Gas & Electric Company to Offer Prepared Testimony and Appendices into Evidence, Attachment A at 1-2.

AReM/DACC served testimony on these issues, and all parties agreed that neither hearings nor briefings were necessary, we conclude that the issues presented by the interested parties in their protests have been resolved.<sup>6</sup> We adopt SDG&E's proposed ERRRA, CTC, and LGBA forecasts, with the understanding that SDG&E will revise any values in its compliance letter, in order to reflect Commission actions since SDG&E filed its November 18, 2013 Update.

In this decision, the Commission adopts the Protocol, proposed by SDG&E and AReM/DACC and set forth in Exhibit 9, as a solution of the relationship between the SONGS outages/closure and the PCIA. The Protocol is a solution for this extraordinary event, leaves bundled and DA customers indifferent, and is supported by a majority of the parties. Because the Protocol states that it is non-precedential and limited in nature to the outages/closure of SONGS 2 and 3, its adoption does not preclude any future authorization of deferred SONGS costs and leaves that issue to future proceeding(s).

## **6. Other Procedural Matters**

### **6.1. Change in Determination of Need for Hearings**

On October 13, 2013, Resolution ALJ-176-3323 preliminarily determined that this proceeding was ratesetting and that hearings would be necessary. In the Scoping Memo, the assigned Commissioner scheduled EHs though eventually it was determined that hearings were not necessary. Given that no

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<sup>6</sup> In D.13-10-053 or *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*, issued November 5, 2013, both evidentiary hearings and briefs were waived and a similar stance was presented.

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

## **6.2. Admittance of Testimony and Exhibits into Record**

Since EHs were not held in A.13-09-017, 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 February 26, 2014, SDG&E requested, pursuant to Rule 13.8(d) of the *Commission's Rules of Practice and Procedure* that the Commission receive the public and confidential versions of its Application and Amended Application pertaining to A.13-09-017 inclusive of Public and Confidential versions of testimonies. As these applications are already filed, we do not receive them into the record as exhibits. Therefore, following a similar format adopted in D. 13-10-053, 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,<sup>7</sup> and the supporting testimony to its Amended Application as Exhibits SDG&E-5, 6, 7, and -8.<sup>8</sup> 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. Consistent with SDG&E's request, we also admit into evidence SDG&E Exhibit 9 entitled "DA

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<sup>7</sup> Exhibit SDG&E-1 - Direct Testimony of Andrew Scates; Exhibit SDG&E-2 - Direct Testimony of Sheri Miller; Exhibit SDG&E-3 - Direct Testimony of Ana Garza-Beutz; and Exhibit SDG&E-4 - Direct Testimony of Yvonne M. Le Mieux.

<sup>8</sup> Exhibit SDG&E-5 - Amended Direct Testimony of Andrew Scates; Exhibit SDG&E- 6 - Amended Direct Testimony of Sheri Miller; Exhibit SDG&E-7 - Amended Direct Testimony of Ana Garza-Beutz; and Exhibit SDG&E-8 - Amended Direct Testimony of Yvonne M. Le Mieux.



Customer Ratemaking Consensus Protocol for Songs Outages and Retirement”<sup>9</sup> which resulted from a Commission-led, collaborative process involving parties in the proceeding. (Refer Section 4 for a discussion of the Protocol.)

### **6.3. Motion for Confidential Treatment**

Pursuant to D.06-06-066 General Order (GO) 66-C, and Public Utilities Code Section 583 and 454.5(g), as identified in SDG&E’s confidentiality matrix, 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. 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, 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 ERRRA recovery decision, D.13-10-053. In this decision, we agree that the information contained in these exhibits is market sensitive electric procurement-related information. Therefore, pursuant to D.06-06-066 , 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 as detailed in the ordering paragraphs of this decision. The confidential

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<sup>9</sup> Exhibit 9 includes one-page “Protocol “document entitled “Illustrative 2014 PCIA Rates With \$20M Reduction.”

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 Letter (AL) within 30 days of the date of this decision. The tariff sheets filed in these ALs shall be effective on or after the date filed.

#### **7. Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Only San Diego Gas & Electric Company filed Comments on April 28, 2014. No Reply Comments were filed.

In response to comments, Ordering Paragraph 2 is slightly modified to reflect additional flexibility as to when a Tier 1 Advice Letter is due following the issuance of this decision.

#### **8. Assignment of Proceeding**

Michel Peter Florio is the assigned Commissioner and Colette Kersten is the assigned ALJ in this proceeding.

#### **Findings of Fact**

1. On September 27, 2013, SDG&E filed A.13-09-017, in which SDG&E requested the Commission adopted a forecasted 2014 ERRA of \$1,228.0 million (including franchise fees and uncollectibles).

2. On November 18, 2013, SDG&E served its Update to prepared testimony, in which it requested that the Commission adopt a 2014 total electric procurement revenue requirement of \$1,230.6 million (including franchise fees and uncollectibles), forecasted 2014 ERRA of \$1,210.1 million, ongoing CTC

revenue requirement of \$15.4 million, and LGBA revenue requirement of \$5.2 million.

3. The total revenue requirement is \$17.1 million lower than the 2014 forecast of \$1,247.8 included in SDG&E's original Application filed on September 27, 2013 and \$243.0 million higher than SDG&E's authorized 2013 ERRRA revenue requirement of \$987.7 million.

4. SDG&E's 2014 Application does not contain any forecasted costs associated with SONGS.

5. Pursuant to D.13-10-052, net SONGS costs (for bundled customers) are deferred for a future determination of reasonableness in the SONGS OII and recorded in a memorandum account.

6. SDG&E's 2014 Application does not contain any GHG revenues, which is being addressed in D.13-12-041.

7. Except as discussed below regarding the effect of SONGS on the PCIA Calculation, no party criticized or provided alternatives to SDG&E's proposed 2014 ERRRA, CTC, and LGBA forecasts.

8. As a result of a January 8, 2014 workshop, SDG&E and AReM/DACC offered a "DA Ratemaking Consensus Protocol for Songs Outages for Retirement" or "Protocol" which provides resolution of the parties' concerns regarding the ratemaking treatment of the PCIA as a result of SONGS outages/closure: The Protocol 1) provides equitable and symmetrical rate treatment for bundled and DA customers in terms of both timing and cost responsibility; 2) upholds the indifference principle that underlies DA ratemaking by the Commission; and 3) is a non-precedential resolution to be based on the unique circumstances resulting from the outages/closure of SONGS Units 2 and 3.

9. Pursuant to D.08-09-012, the PCIA is calculated on a total generation portfolio generation basis, by which the vintage of load assigned to a particular departing customer is based on the departure date of that customer; and that the various cost factors are different for different vintages because older vintages, for example, such as 2001, consists of a less diversified (and different) portfolio of generation resources.

10. On March 26, 2013, SDG&E filed a motion (with testimony attached) requesting the admittance of its exhibits into evidence pursuant to Rule 13.8.

11. 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.

12. 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.

### **Conclusions of Law**

1. The Commission should adopt SDG&E's proposed 2014 total electric procurement revenue requirement of \$1,230.6 million (including FF&Us), forecasted 2014 ERRRA of \$1,210.1 million, ongoing CTC revenue requirement of \$15.4 million, and LGBA revenue requirement of \$5.2 million.

2. The Commission should adopt the Protocol, proposed by SDG&E and AReM/DACC and set forth in Exhibit 9, as a solution for consideration of the relationship between the SONGS outages/closure and the PCIA.

3. Because the Protocol is non-precedential and limited in nature to the outages/closure of SONGS 2 and 3, its adoption does not prejudice any future

authorization of deferred SONGS costs and leaves that issue to future proceedings.

4. We should change our preliminary and Scoping Memo determination regarding hearings to no hearings necessary.

5. The public and confidential versions SDG&E's Exhibits SDG&E-1 through -9 should be received into evidence.

6. 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 should be granted.

7. SDG&E should file a Tier 1 AL to implement the revenue requirement in this order within 30 days of the date of the issuance date of this decision. The tariff sheets filed shall be effective on or after the date filed.

## **O R D E R**

### **IT IS ORDERED** that:

1. Except as discussed below regarding the effect of the San Onofre Nuclear Generating Stations on the Power Charge Indifference Amount Calculation, the Commission authorizes San Diego Gas & Electric's proposed 2014 total electric procurement revenue requirement of \$1,230.6 million (including franchise fees and uncollectibles), forecasted 2014 ERRRA of \$1,210.1 million, ongoing Competitive Transition Charge revenue requirement of \$15.4 million, and Local Gas Balancing Account revenue requirement of \$5.2 million.

2. In order to implement the authority granted herein, San Diego Gas & Electric Company shall file a Tier 1 Advice Letter (AL) within 30 days of the issuance date of this decision seeking authorization to implement the rates

authorized by the decision at the time of the Commission's final Order regarding the multi-party settlement filed on March 28, 2014 in R.12-06-013 takes effect, or August 1, 2014, whichever occurs first. The tariff sheets filed in the Tier 1 AL shall become effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

3. The Commission adopts the "Direct Access Customer Ratemaking Consensus Protocol for San Onofre Nuclear Generating Stations (SONGS) Outages and Retirement" ("Protocol" set forth in Exhibit 9) for consideration of the relationship between the SONGS outages/closure of the Power Charge Indifference Amount in Application 13-09-017.

4. The prepared testimony of San Diego Gas & Electric Company (SDG&E), consisting of the public and confidential versions of Exhibits SDG&E-1 through SDG&E-9, is received into evidence.

5. 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, 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 shall not be made accessible or disclosed to anyone other than the Commission staff or on the further order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and Motion Judge, the Chief Judge, or Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If SDG&E believe that it is necessary for this information to remain under seal for longer than three years, SDG&E may file a new motion stating the justification of further withholding of the information from public inspection. The motion shall be filed at least 30 days before the expiration of today's limited protective order.

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

7. Today's decision is effective immediately.

8. Application 13-09-017 is closed.

This order is effective today.

Dated May 15, 2014, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
CARLA J. PETERMAN  
MICHAEL PICKER  
Commissioners