Decision **PROPOSED DECISION OF ALJ BARNETT (Mailed 7/13/2010)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U902E) under the Energy Resource Recovery Account Trigger Mechanism.	Application 10-04-033 (Filed April 30, 2010)

DECISION APPROVING $120 MILLION REFUND

1. Summary

San Diego Gas & Electric Company's current Energy Resource Recovery Account balance is currently projected to be $120 million overcollected at the end of July 31, 2010 (based on actual numbers through June 30, 2010 and projected numbers for July). This decision authorizes a refund of the projected $120 million overcollection to ratepayers as a one-time bill credit beginning on September 1, 2010. This proceeding is closed.

2. Background

The Energy Resource Recovery Account (ERRA) balancing account was established by the Commission to record the investor-owned utilities' (IOUs') fuel and purchased power revenues against actual recorded costs, excluding revenues collected for the California Department of Water Resources (CDWR).[1] AB 57 mandated a trigger threshold for the balance in the ERRA of 5% of the

1 Public Utilities Code Section 454.5(d)(3), initiated by Assembly Bill (AB) 57.

electrical utility's actual recorded generation revenues for the prior calendar year.[2]

In accordance with Decision (D.) 02-10-062, which implemented AB 57, San Diego Gas & Electric Company's (SDG&E's) ERRA is subject to a trigger mechanism designed to avoid ERRA balances above the 5% threshold. The trigger mechanism requires the filing of an expedited application for approval within 60 days from the filing date when the recorded monthly ERRA balance (undercollection or overcollection) exceeds a 4% trigger point and when the balance is projected to exceed the 5% threshold.[3] The application should address a projected account balance; an amortization period for the balance of not less than 90 days; and a proposed allocation of the overcollection and/or undercollection among customers for rate adjustment based on the existing allocation methodology recognized by the Commission.[4]

D.07-05-008 added a new rule to the trigger procedures by allowing SDG&E to file an advice letter seeking to maintain rates when it expected an overcollection or undercollection above the 4% trigger to self-correct within 120 days. Accordingly, on December 10, 2009, SDG&E filed Advice Letter (AL) 2131-E notifying the Commission that SDG&E's ERRA balance exceeded its 4% trigger and 5% threshold,[5] and projecting that the balance would self-correct

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[2] *Id.*

[3] D.02-12-062 at 64.

[4] *Id.*

[5] At the time of the AL 2131-E filing, SDG&E's approved 4% trigger and 5% threshold amounts were $41.2 and $51.5 million, respectively. These amounts were approved in AL 2068-E, effective March 6, 2009.

below the 4% trigger within 120 days (by February 28, 2010). On February 28, 2010, SDG&E's ERRA balance did not self-correct below the 4% trigger, primarily due to unforeseen decreases in expenses and higher than anticipated Federal Energy Regulatory Commission (FERC) refunds. Accordingly, on April 22, 2010, SDG&E withdrew AL 2131-E, paving the way for the filing of this application.

Furthermore, pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each year to establish the current year's trigger amount. In AL 2147-E,[6] dated February 16, 2010, SDG&E reported that its 2009 electric commodity revenue, excluding CDWR revenue, was $1,109 million. Consequently, SDG&E's currently approved 4% trigger point is $44.4 million and the 5% threshold is $55.4 million. The current and projected overcollections are above these new trigger and threshold amounts.

3. Requested Relief

SDG&E seeks expedited authorization to offset a projected $120 million ERRA overcollection (as of July 31, 2010) with a projected $26 million NGBA undercollection (as of June 30, 2010), resulting in $74 million to be returned to customers. SDG&E also seeks approval to make the return via a 12-month amortization period, beginning on September 1, 2010, which coincides with the implementation of changes to the FERC transmission rate.

DRA says SDG&E's proposal, that the overcollection be returned to ratepayers via a 12-month amortization period, should be denied. DRA sees no reason why ratepayers should be denied the benefit of immediate one-time relief.

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[6] Approved by the Commission on April 13, 2010.

In response to an almost identical SDG&E ERRA trigger application last year, the Commission ordered the funds returned immediately to ratepayers:

> SDG&E shall return the Energy Resource Recovery Account overcollection of $124 million to ratepayers for its latest updated Energy Resource Recovery Account revenues, as a one-time bill credit to be effective October 1, 2009. (D.09-09-042 at 8-9, Ordering Paragraph 1.)

DRA proposes that the Commission order SDG&E to rebate the overcollection the same manner here, as an immediate one-time bill credit.

DRA opposes SDG&E's proposal to recover a projected $26 million undercollection to its Non-fuel Generation Balancing Account (NGBA) by taking a credit against the ERRA overcollection. DRA argues that consideration of the NGBA within this trigger application flies in the face of the purpose of a trigger application and should be rejected. The trigger application exists to keep the ERRA balance within the state-mandated parameters of 5%. Including consideration of the NGBA expands the scope of what the Legislature and the Commission intended a trigger application to accomplish.

In response, SDG&E asserts that DRA has failed to appreciate that the one-time bill credit allowed in D.09-09-042 constituted a unique exception to the normal ERRA rules requiring that overcollections/undercollections be returned via amortized rate changes. That is, pursuant to D.02-10-062, utility trigger applications are required to "propose an amortization period for the five percent of not less than 90 days." (D.02-10-062, Conclusion of Law 15.) In past ERRA trigger applications (e.g., D.07-12-042 and D.05-09-019), the Commission has found a 12-month amortization period to be reasonable.

Further, SDG&E's request for implementation on September 1, 2010, was designed to coincide with the implementation of an increase in SDG&E's FERC transmission rate. Since the FERC transmission rate is expected to rise by nearly $70 million, coordination with the ERRA overcollection will mitigate this increase.

SDG&E has proposed that it be allowed to return the projected $120 million ERRA overcollection minus a projected undercollection of $26 million in the NGBA. Thus, the total amount to be returned would be $94 million. Contrary to DRA's suggestion that such an offset will leave ERRA outside the state-mandated parameters of 5%, SDG&E says that allowing SDG&E to combine the two accounts for purposes of generating a single rate impact actually keeps the ERRA balance within the state-mandated parameters. Without the offset, the ERRA balance would result in greater rate volatility for customers since they would be seeing a larger rate decrease only to be subject to an increase related to the NGBA amortization several months later. Thus, allowing for this offset would provide customers with greater rate stability. Offsetting the ERRA overcollection with the NGBA undercollection simply moves the beginning cost recovery period for the NGBA from January 2011 to September 2010, and minimizes the size and the number of rate changes customers will endure over the next year.

4. Discussion

DRA's proposed one-time bill credit is consistent with SDG&E's prior ERRA overcollection (D.09-09-042). It is reasonable. However, SDG&E's proposal to use the undercollection NGBA to offset the impact of the ERRA overcollection is not reasonable under the facts of this application.

In prior trigger applications we have authorized one-time bill credits rather than amortization; and we have permitted offsets to mitigate rate fluctuation. In this application, we are not persuaded that we should deviate from our prior SDG&E ERRA decision; nor should we consider the proposed NGBA off-set. The potential fluctuation in rates is minor, and consideration would expand the scope of the trigger application's purpose. The offset might be appropriate in some circumstances, but not at present.

5. Comments on Proposed Decision

The proposed decision of ALJ Barnett 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. Comments were filed by SDG&E, which informed us that the ERRA overcollection was projected to be $120 million rather than $100 million. We have modified this decision accordingly.

6. Assignment of Proceeding

Nancy Ryan is the assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SDG&E's ERRA balance is currently projected to be $120 million overcollected at the end of July 31, 2010 (based on actual numbers through June 30, 2010, and projected numbers for July).

2. The projected $120 million should be returned to ratepayers via a one-time bill credit beginning on September 1, 2010, consistent with the one-time credit methodology approved in D.09-09-042.

Conclusions of Law

1. SDG&E's proposal to recover a projected $26 million undercollection to its NGBA by taking a credit against the ERRA overcollection should be denied.

2. SDG&E should file an Advice Letter as near to September 1, 2010 as possible to show the final amount of overcollection to be refunded to ratepayers, based on final numbers through July 31, 2010, and consistent with the one-time credit methodology approved in D.09-09-042.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company shall file a Tier 1 advice letter on or about September 1, 2010 to show the final amount of bill credits, based on recorded Energy Resource Recovery Account data through July 31, 2010.
2. San Diego Gas & Electric Company shall return the Energy Resource Recovery Account overcollection as a one-time bill credit, consistent with the one-time credit methodology approved in D.09-09-042.
3. Application 10-04-033 is closed.

This order is effective today.

Dated _____________________________, at San Francisco, California.