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Decision 10-04-010 April 8, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902E) for Adoption of its 2010 Energy Resource Recovery Account Revenue Requirement Forecast and Review of its Power Procurement Balancing Account.	Application 09-10-003 (Filed October 1, 2009)

DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S 2010 ENERGY RESOURCE RECOVERY ACCOUNT REVENUE REQUIREMENT FORECAST AND REVIEWING ITS POWER PROCUREMENT BALANCING ACCOUNT

Summary

In this decision, we adopt San Diego Gas & Electric Company's (SDG&E) amended 2010 Energy Resource Recovery Account (ERRA) forecast load, available resources and costs, and approve SDG&E's amended forecasted 2010 ERRA revenue requirement. The adopted forecasts consist of a $827.956 million 2010 ERRA forecast revenue requirement, $46.908 million 2010 forecast ongoing Competitive Transition Charge (CTC) revenue requirement, 2010 market benchmark price of $58.54/megawatt-hour (MWh) for calculating CTC, and a $61.05/MWh for calculating the Power Charge Indifference Adjustment.

Background

In Decision (D.) 02-10-062, the Commission established the Energy Resource Recovery Account (ERRA) balancing account – the power procurement balancing account required by Pub. Util. Code § 454.5(d)(3). Pursuant to D.02-10-062 and D.02-12-074, the purpose of the ERRA is to provide recovery of

San Diego Gas & Electric Company's (SDG&E) 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 SDG&E's bundled service customers.[1]

As set forth in D.02-10-062, the balance of the ERRA was not to exceed 5% of the electrical utility's actual recorded generation revenues for the prior calendar year, excluding revenues collected for the California Department of Water Resources (CDWR.)[2] Decision 02-10-062 established a trigger mechanism 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 D02-11-022, 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 contract price of costs associated with the Portland General Electric and other QF contracts.[3]

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

[2] *See* D.02-10-062 at 62.

[3] Expenses eligible for CTC recovery are defined by Assembly Bill 1890.

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/CDWR total portfolio for deferring departing load charges, and replaced the CDWR Power Charge Component with the Power Charge Indifference Adjustment (PCIA). 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. Although the ERRA forecast filing directly addresses only SDG&E's fuel and purchased power costs, the calculation of PCIA and associated revenues must take place in the ERRA forecast proceeding.

On October 1, 2009, SDG&E submitted its 2010 ERRA Forecast Application. As originally filed, SDG&E's application sought approval of (1) a 2010 ERRA forecast revenue requirement of $849 million (including franchise fees and uncollectibles); (2) a 2010 CTC revenue requirement of approximately $26 million; and (3) a new 2010 market benchmark price. The 2010 ERRA and CTC forecasts were $25.7 million and $18.4 million lower (respectively) than the 2009 forecasts. On November 5, 2009, the Division of Ratepayer Advocates (DRA) filed a protest to SDG&E's application. Rather than take issue with a particular aspect of SDG&E's application, DRA's protest noted that it required additional information to conduct a thorough review of the application.[4] After further discovery and the opportunity to meet and confer, the parties resolved all outstanding issues and agreed that hearings would not be unnecessary.

Subsequent to the filing of its application, SDG&E received updated market proxy price data from the California Public Utilities Commission's Energy Division (Energy Division) for the period October 1 through October 31, 2009. SDG&E used this data to update its 2010 ERRA forecast, cost estimates and exhibits on December 18, 2009. This update resulted in a revised 2010 ERRA forecast of $827.956 million; $20.913 million lower than the $848.869 million ERRA forecast set forth in its application and exhibits. The update also resulted in a revised 2010 CTC market proxy price of $58.54/MWh. This decrease in the market proxy price has a direct impact on ERRA expenses because only the costs up to the market proxy price on CTC-qualified contracts are recorded in the ERRA. Hence, SDG&E increased its 2009 CTC revenue requirement forecast (by $20.913 million which corresponds to the reduction in its 2009 ERRA forecast) to $46.908 million instead of the approximately $26 million used in its original application and exhibits.

Discussion

SDG&E's amended 2010 ERRA and CTC forecasts are $44 million lower that the 2009 ERRA forecast. Thus, for the second year in a row, SDG&E does not seek authority to increase its ERRA or CTC related rates. The key drivers behind the decrease are lower costs for fuel and market purchases, higher market sales and lower hedging costs. For example, SDG&E forecasts that:

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[4] A prehearing conference (PHC) was held on January 5, 2010 to address these and scheduling issues.

- Bundled load for 2010 will be less than the bundled load forecasted for 2009;
- Contracted generation will decrease from 2009;
- The quantity of equivalent market purchases will decrease from the forecast for 2009 due to the lower load forecast and an increase in generation from SDG&E's resource portfolio attributable to new generation;
- ERRA expenses for SONGS nuclear fuel and carrying charge expenses will decrease from 2009; and
- ERRA expenses for CTC QF contracts will be lower in 2010 than 2009.

Thus, as set forth in the Application, testimony and updated information filed on October 1, 2009 and December 18, 2009, pursuant to the process established at the PHC, SDG&E has provided the necessary showing to support its request.

With no opposition to SDG&E's application and a record that affirms the reasonableness of its 2010 forecasts, we find SDG&E's resource supply and revenue requirement forecast for 2010 to be reasonable. We also find SDG&E's proposal to adopt a 2010 ongoing CTC Market Proxy Price of $58.54 per MWh and 2010 ongoing CTC revenue requirement forecast of $46.908 million reasonable.

Comments on Proposed Decision

Pursuant to Rule 14.6(b) of the Commission's Rules of Practice and Procedure, all parties stipulated to reduce the 30-day public review and comment period required by Section 311 of the Public Utilities Code to 14 days. Pursuant to the parties' stipulation, comments were filed on April 1, 2010 by SDG&E and DRA.

Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Darwin E. Farrar is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On October 1, 2009, SDG&E submitted its 2010 ERRA Forecast Application.

2. DRA was the only party that protested the application.

3. Following discovery and meet-and-confer efforts, the parties resolved the issues giving rise to the protest filed by DRA.

4. SDG&E is not seeking authority to increase ERRA or CTC related rates.

5. SDG&E's recalculated 2010 ERRA revenue requirement is $827.956 million.

6. SDG&E's recalculated 2010 CTC revenue requirement is $46.908 million.

7. SDG&E's updated ERRA and CTC forecast are a total of $44 million lower than forecast for 2009.

8. Using the updated market benchmark data that Energy Division provided and the calculation methodology described in D.06-07-030 (as modified in D.08-01-030), SDG&E's 2010 market benchmark price for calculating PCIA is $61.05/MWh and $58.54/MWh for calculating CTC.

Conclusions of Law

1. As shown in its application, supporting testimony (including attachments to testimony), and filings, SDG&E 's (a) forecasted 2010 ERRA revenue requirement (of $827.956 million); (b) forecasted 2010 ongoing CTC revenue requirement (of $46.908 million); (c) proposed 2010 market benchmark price of $61.05/MWh for calculating PCIA and $58.54/MWh for calculating CTC are reasonable and should be adopted.

2. SDG&E's motion to (a) receive its testimony, including attachments to testimony, into evidence as SDG&E 1 - 5; and (b) seal the confidential

information pursuant to the confidential information guidelines set forth in D.06-06-066, should be granted.

3. An evidentiary hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's modified 2010 Energy Resource Recovery Account forecast is adopted, consisting of: (a) 2010 Energy Resource Recovery Account forecast revenue requirement of $827.956 million; (b) a 2010 Competition Transition Charge forecast revenue requirement of $46.908 million; and (c) a 2010 market benchmark price of $58.54/megawatt-hour for calculating the Competition Transition Charge and $61.05/megawatt-hour for calculating the Power Charge Indifference Adjustment.

2. San Diego Gas & Electric Company's motion to receive its prepared testimony, including attachments to testimony, and seal confidential versions of such testimony and attachments is granted. San Diego Gas & Electric Company's confidential testimony and attachments will remain sealed for a period of three years from the effective date of this decision, except as to the following portions of Tony Choi's testimony, which will remain sealed as follows:

- Tony Choi - lines 21-30 will remain confidential until 12/31/11.
- Tony Choi - 7, line 1 will remain confidential until 12/31/11.

If San Diego Gas & Electric Company believes further protection is needed after that time, it may file a motion stating the justification for further withholding of the material from public inspection as least 30 days before the expiration of this order.

3. San Diego Gas & Electric Company shall file a Tier - 1 Advice Letter to implement the revenue requirement in this order within 10 days of the date of this decision. The tariff sheets will become effective on May 1, 2010, subject to a determination by the California Public Utilities Commission's Energy Division that they are in compliance with this order. Implementation of the change in rates due to the revenue requirement adopted in this order shall occur on May 1, 2010.

4. Application 09-10-003 is closed.

This order is effective today.

Dated April 8, 2010, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners