

# **SAN DIEGO GAS & ELECTRIC COMPANY**

## **NOTICE OF 2008 ENERGY RESOURCE**

### **RECOVERY ACCOUNT (ERRA)**

#### **APPLICATION AND EXPEDITED ERRA TRIGGER APPLICATION**

On October 5, 2007, San Diego Gas & Electric Company (SDG&E®) filed a request with the California Public Utilities Commission (CPUC) for approval of its forecasted electric procurement revenue requirement for 2008, referred to as SDG&E's 2008 Energy Resource Recovery Account (ERRA) Application (A.07-10-008). In conjunction with SDG&E's 2008 ERRA Application, SDG&E also filed an Expedited ERRA Trigger Application (A.07-10-007). As explained in more detail below, SDG&E is proposing to include the projected year-end overcollection in the ERRA as a partial offset to the 2008 ERRA revenue requirement.

#### **SDG&E's 2008 ERRA APPLICATION**

Utility charges on your bill are for numerous cost elements including transmission services, distribution services and energy charges. At issue in this application are the Competition Transition Charges (CTC), the Power Charge Indifference Adjustment (PCIA) and a significant portion of the electric procurement charges.

SDG&E is requesting approval of a forecasted 2008 ERRA revenue requirement of \$872 million, a forecast CTC revenue requirement of \$51 million and forecast PCIA revenue requirement of \$0 (zero). These revenue requirements cover costs of acquiring power for retail customers, including costs to purchase power under contracts with various power suppliers, the California Independent System Operator charges and collateral requirements associated with electric procurement, as well as the cost responsibility of Direct Access customers and Community Choice Aggregation ("CCA") customers for above-market costs associated with the California Department of Water Resources (CDWR) power costs. (For further information about these charges, please contact Gina M. Dixon, Regulatory Case Manager for SDG&E, 8330 Century Park Court, San Diego, CA 92123).

#### **SDG&E's EXPEDITED ERRA TRIGGER APPLICATION**

The ERRA was established by the CPUC to record the utility's fuel and purchased power revenues against recorded costs, excluding costs and revenues related to the CDWR. Assembly

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Bill (AB) 57 mandated a trigger threshold for the balance in the ERRA of 5% of the electrical utility's recorded generation revenues for the prior calendar year. Under the provisions of the trigger mechanism, SDG&E is required to file an expedited application to address the ERRA balance when it reaches an undercollection or overcollection of 4% and is projected to exceed the 5% trigger.

As set forth in SDG&E's Expedited ERRA Trigger Application, SDG&E has an overcollected ERRA balance on August 31, 2007 that exceeds the ERRA trigger level of 4%. It is projected that the overcollection will increase to approximately \$56 million by the end of 2007, exceeding the 5% threshold. Accordingly, SDG&E is requesting that the Commission approve its proposal to include the projected year-end overcollection as a partial offset to the 2008 ERRA revenue requirement described above. SDG&E's proposal will stabilize rates in 2008 by preventing the rate volatility that would result from reducing rates in late 2007, due to a projected ERRA overcollection, only to have rates increase in early 2008 as a result of the increase in SDG&E's ERRA revenue requirement. To achieve this goal, SDG&E also requested that its 2008 ERRA Application and its Expedited ERRA Trigger Application be consolidated into a single expedited proceeding, resulting in a single CPUC decision.

### **ESTIMATED INCREASE IN SDG&E's EXISTING RATES (INCLUDING THE ERRA OVERCOLLECTION OFFSET)**

For illustrative purposes only, and not for the purpose of predicting changes in rates, SDG&E has estimated an increase in SDG&E's existing class average rates for the 2008 forecasted ERRA revenue requirement (a \$294 million increase) offset by a \$56 million decrease to amortize the ERRA overcollection and the 2008 forecasted revenue requirement for CTC (an \$18 million decrease). The net impact of these changes is an increase of \$220 million. In the interest of rate stability, SDG&E proposes that the rate impact of these applications become effective, on an interim basis, as of January 1, 2008 so that they can be consolidated with other required 2008 electric rate changes, including revenue requirement changes from CDWR allocation, non-fuel generation, Reliability Services, electric distribution regulatory accounts and other regulatory proceedings, excluding the General Rate Case (GRC). Following a final decision by the CPUC (expected within the first quarter of 2008), adjustments will be implemented to account for actual 2007 results. Ultimately, it is expected that the combined net impact of this

proposed consolidation will result in a material offset to the projected \$220 million ERRA increase. The rate increase illustrated below excludes this proposed consolidation, as well as the impact from the higher sales forecast proposed in SDG&E's 2008 GRC. Accordingly, if SDG&E's proposal is adopted, the January 1, 2008 rate increases should be lower than those shown below.

**San Diego Gas & Electric Company - Electric Department  
Illustrative Change in Class Average Rates Due to Revenue  
Requirements Proposed in Erra Application**

	10/01/07 Class Average Rates	Class Average Rates Reflecting Proposed Revenue Changes	Total Rate Change	Percentage Rate Change
	(¢/kWh)	(¢/kWh)	(¢/kWh)	%
Residential*	14.907	16.268	1.361	9.13%
Small Commercial	15.758	17.162	1.404	8.91%
Med. & Large C&I	12.630	13.990	1.360	10.77%
Agriculture	15.397	16.723	1.325	8.61%
Lighting	14.741	15.737	0.996	6.76%
System Total	13.735	15.099	1.363	9.92%

\*Pursuant to California Assembly Bill 1X, electric rates for residential usage up to 130% of baseline allowances will not exceed rate levels in effect February 1, 2001.

**THE CPUC WILL HOLD EVIDENTIARY HEARINGS**

The CPUC may hold evidentiary hearings at which the parties of record present their proposals in testimony and are subject to cross-examination before an Administrative Law Judge. These hearings are open to the public, but only those who are parties of record can present evidence or cross-examine witnesses during evidentiary hearings. After considering all evidence presented, the Commission will issue a decision. The Commission may approve expenditures that differ from those we request. The actual rates may result in changes greater or less than those described in this notice.

If you would like to participate in the evidentiary hearings and need advice on how to do so, or if you would like to send comments to the Commission, you may write to the Commission's Public Advisor's Office, 320 West Fourth St., Suite 500, Los Angeles, CA 90013, or send an e-mail to

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public.advisor.la@cpuc.ca.gov. Any letters received from you will be circulated to each Commissioner and will become part of the formal correspondence file in this application. In your letter, state that your comments are regarding 2008 ERRR Revenue Requirement Application No. 07-10-008 and/or ERRR Trigger Application No. 07-10-007. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

## FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Gina M. Dixon, Regulatory Case Manager for SDG&E, 8330 Century Park Court, San Diego, CA 92123. SDG&E will provide a copy of the application, including the public testimony, upon request. A copy of the application and any amendments may be inspected at the SDG&E business offices listed below:

436 H St.  
Chula Vista, CA 91910

336 Euclid Ave., Suite 502  
San Diego, CA 92102

104 North Johnson Ave.  
El Cajon, CA 92020

440 Beech St.  
San Diego, CA 92101

320 W. Mission Ave.  
Escondido, CA 92025

3485 Marron Rd.  
Oceanside, CA 92056

2405 Plaza Blvd.  
National City, CA 91950

SDG&E's application and attachments may also be inspected at the CPUC office located at 320 West Fourth St., Suite 500, Los Angeles.

The application is available electronically on SDG&E's Web site at [www.sdge.com/regulatory/tariff/cpuc\\_openProceedings.shtml](http://www.sdge.com/regulatory/tariff/cpuc_openProceedings.shtml).

Copies of this insert will be available for viewing and printing on the SDG&E Web site at [www.sdge.com/tariff/inserts](http://www.sdge.com/tariff/inserts).



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