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February 22, 2002

PUC 110

ADVICE LETTER 1391-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: TRANSFER OVERCOLLECTION IN THE PURCHASED ELECTRIC COMMODITY
ACCOUNT TO THE TRANSITION COST BALANCING ACCOUNT**

PURPOSE

The purpose of this Advice Letter is to seek approval from the California Public Utilities Commission (Commission) to transfer a \$136 million overcollection in the Purchased Electric Commodity Account (PECA), accrued as of September 30, 2001, to the Transition Cost Balancing Account (TCBA). Within the TCBA, the \$136 million will be allocated proportionately to the Energy Revenue Shortfall Account (ERSA) subaccounts for Assembly Bill (AB) 265 customers and AB X1 43 customers (70%/30%, respectively). This percentage allocation represents the approximate ratio of bundled service customers subject to AB 265 versus AB X1 43.

Since the PECA overcollection is already reflected in SDG&E's reported net AB 265 undercollection, this transfer of approximately \$95 million (70% of \$136 million) will not reduce the net AB 265 undercollection any further.

BACKGROUND

The PECA was established by Commission (D.) 99-05-051 (initially as the "ISO/PX Balancing Account") to provide full recovery of SDG&E's electric procurement costs incurred on behalf of its bundled service customers. It has since been modified by D.01-01-061 to include the recovery of utility retained generation (URG) costs. Prior to D.01-01-061, URG costs were recorded to the TCBA where they were compared to the market revenues received from the sale of the URG assets into the California Power Exchange (PX). When the FERC terminated the authority of SDG&E, SCE and PG&E to sell their resources into the PX, URG was to be used to serve bundled service customers and URG costs were to be recorded to the PECA (see D.01-01-061).

In accordance with D.00-09-040 and D.01-09-059, SDG&E established the ERSA to record the revenue shortfall associated with the electric commodity rate cap adopted by AB 265 and the electric rate freeze adopted in AB X1 43.

Pursuant to SDG&E's adopted PECA tariff, "any overcollection in the PECA post September 30, 2001 will, on a net annual basis (starting January 1, 2003), be used to offset the undercollection in the ERSA, a subaccount of the TCBA, until the undercollection is eliminated." Consistent with the treatment of any post-September 30, 2001 overcollection, SDG&E hereby proposes to transfer the overcollection accumulated in the PECA prior to and including September 30, 2001.

The transfer of the balance in the PECA to the TCBA to offset the ERSA undercollection is appropriate for the following reasons:

- In its monthly reporting to the Commission on the TCBA and ERSA, for reasons cited above, SDG&E includes the PECA as part of the net AB 265 undercollection.
- The Commission has, on several occasions, authorized SDG&E to transfer various balancing account overcollections to the TCBA with the specific intent on reducing the ERSA undercollection. (See Resolutions E-3720, E-3750, E-3753 and E-3754, as well as approved Advice Letter 1367-E/1276-G.)

EFFECTIVE DATE

SDG&E respectfully requests that this Advice Letter filing become effective on April 3, 2002, which is the 40th calendar day after the date filed.

PROTEST

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Energy Division – IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Copies should also be sent via e-mail to the attention of both Jerry Royer (jjr@cpuc.ca.gov) and Honesto Gatchallian (jni@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: C. Richard Swanson
Regulatory Tariff Manager
8315 Century Park Court, Room 2D
San Diego, CA 92123-1550
Facsimile: (858) 654-1788
E-mail: rswanson@sempra.com

NOTICE

In accordance with Section III-G of General Order 96-A, a copy of this filing has been served on the utilities and interested parties shown on the attached list by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to Martha Ulloa by facsimile at (858) 654-1789 or by e-mail to mulloa@sempa.com.

LEE SCHAVRIEN
Vice President
Regulatory Affairs

Enclosures
(cc list attached)

G.O. 96-A, Sec. III (G)
ADVICE LETTER FILING MAILING LIST
CC: (w/enclosures)

Public Utilities Commission	LeBoeuf, Lamb, Green & MacRae LLP
Director - ORA	LSW Engineers, California Inc.
Thomas Lew - ORA	Luce, Forward, Hamilton
M. Pocta - ORA	& Scripps LLP
J. Grieg - ORA	ManageAmerica
M.D. McNamara - ORA	Modesto Irrigation District
W. Franklin	Morrison & Foerster
W. Scott - ORA	MRW & Associates
California Energy Commission	Naval Facilities Engineering
Gail Budin-Gordon	NCR Corp
Advantage Energy, LLC	New Energy, Inc, an AES Company
Alcantar & Kahl	New West Energy
AMDAX	Onsite Energy Corporation
American Energy Institute	O'Rourke & Company
Anza Electric Cooperative	Pacific Gas & Electric
Arter & Hadden LLP	Pacific Utility Audit
Barkovich & Yap, Inc.	Poway Unified School District
Bartle Wells Associates	R.M. Hairston Company
BENTEK Energy Technologies	Recon Research Corp
Burlington Resources	Robinsons-May Dept. Stores
California Farm Bureau Federation	Rohr, Inc.
California Power Exchange	San Diego Regional Energy Office
Calpine	School Project for Utility Rate Reduction
CCTA	Scripps Health
Children's Hospital & Health Center	Shute, Mihaly &
City of Poway	Weinberger LLP
City of San Diego	Sithe Energies
Commonwealth Energy Corp	Solar Turbines
Crossborder Services	Sutherland, Asbill & Brennan LLP
CSC Energy Services	Southern California Edison
Davis Wright Tremaine, LLP	TRW
Dept of General Services	TURN, Michel Florio
Dept of The Navy	UCAN, Michael Shames
Dept of Veteran Affairs Medical Center	URM Group, Inc
Dynegy, Inc.	Utility Cost Management LLC
Ellison Schneider & Harris LLP	Utility Solutions Inc.
Energy Law Group LLP	Utility Specialists, Southwest, Inc.
Energy Solutions	Vulcan Materials - CalMat Div.
Energy Strategies, Inc.	Viterra Energy Services
Enron Capital & Trade (2)	Western Manufactured Housing Communities
G.A. Koteen Associates, Inc	Association
G.E. Goodrich Co	White & Case LLP
Goodin, MacBride, Squeri, Scholtz & Ritchie	
Green Mountain.Com Company	
Henwood Energy Services	
HMH Resources	
Interstate Gas Services, Inc.	
J.B.S. Energy	
Jones, Day, Reavis & Pogue	
Kyocera America Inc	