



Ron van der Leeden
Director – Rates, Revenues, & Tariffs
8330 Century Park Court
San Diego, CA 92123-1548

Tel: 213.244.2009
Fax: 213.244.3201
RvanderLeeden@semprautilities.com

November 6, 2009

ADVICE LETTER 2122-E
(U 902-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: REVISION TO THE NON-FUEL GENERATION BALANCING ACCOUNT FOR THE SAN ONOFRE NUCLEAR GENERATING STATION (SONGS) UNITS 2 AND 3 STEAM GENERATOR REPLACEMENT PROJECT (SGRP) IN ACCORDANCE WITH DECISION 06-11-026

San Diego Gas & Electric Company (SDG&E) hereby submits for filing the following revisions to its electric tariffs as shown on the attachment.

PURPOSE

The purpose of this advice filing is to request authority from the California Public Utilities Commission (Commission) to revise the ongoing Non-fuel Generation Balancing Account for the San Onofre Nuclear Generating Station Unit 2 and Unit 3 (SONGS 2&3) Steam Generator Replacement Project (SGRP), in accordance with Attachment A of Decision (D.)06-11-026.

BACKGROUND

Southern California Edison (SCE) is the primary owner (78.21%) and operating agent of SONGS 2&3. In 2004, SCE filed Application A.04-02-026, which requested Commission authorization to replace the original SONGS 2&3 steam generators and to establish cost recovery mechanisms for the removal/disposal of the old steam generators and the new replacement generators. In D.05-12-040, the Commission approved the SONGS 2&3 SGRP and recognized its cost effectiveness.

In Application (A.) 06-04-018, SDG&E requested similar Commission authorization to participate in the SGRP as a Co-Owner of SONGS 2&3, and to establish cost recovery mechanisms for the removal/disposal of the original steam generators and installation of the new replacement steam generators. D.06-11-026, issued November 30, 2006, found SDG&E's participation in the SGRP was reasonable and approved ratemaking treatment of SDG&E's share of SGRP costs in a "manner consistent with the ratemaking treatment authorized for Southern California Edison Company's (SCE) share of SGRP costs in D.05-12-040"¹.

Attachment A (Settlement Agreement) to D.06-11-026, authorized SDG&E to create a balancing account called the SONGS Major Additions Adjustment Clause (SONGS MAAC) in which

¹ D.06-11-026, p.1-2

SDG&E will “record the revenue requirements associated with its share of the steam generator installation costs for each Unit as of the date of operation”² and “the remaining balance of its share of removal and disposal costs of the original steam generators for each Unit”³ as of the date removal and disposal is completed.

The Settlement Agreement also directed SDG&E to file an application requesting permanent inclusion of its share of the SGRP costs permanently in rates and an application for inclusion of the remaining removal/disposal costs of the original steam generator permanently in rates after completion of the removal/disposal - regardless of the amount of total costs incurred. Additionally, if a reasonableness review is performed by the Commission, it shall be performed in connection with the SGRP post-completion application.

TARIFF CHANGES

SDG&E proposes to revise the ongoing Non-fuel Generation Balancing Account (NGBA) by creating a subaccount for the SONGS 2&3 SGRP in accordance with Attachment A (5d) of D.06-11-026. The SONGS Major Additions Adjustment Clause (SONGS MAAC) subaccount will record SDG&E’s revenue requirements associated with its share of the actual steam generator installation costs and the actual disposal/removal costs of the original steam generators.

SONGS MAACBA

The purpose of the SONGS Major Additions Adjustment Clause (SONGS MAAC) Subaccount is to record SDG&E’s revenue requirements associated with its share of the actual steam generator installation costs and the actual disposal/removal costs of the original steam generators. The SONGS MAAC Subaccount contains a SONGS Unit 2 Subaccount and a SONGS Unit 3 Subaccount.

In accordance with Attachment A (5d) of D.06-11-026, entries to the SONGS MAAC shall commence on the return-to-service dates of each unit when installation of the new, replacement steam generators is completed. The return-to service date for the first unit (SONGS Unit 2) is estimated to occur in January 2010. Additionally, entries for the removal and disposal of each unit shall commence upon completion of original steam generator removal/disposal activities for each unit. Amounts recorded in the SONGS MAAC shall not include removal and disposal costs recovered by SDG&E during the period 2006-2011.⁴

In accordance with Attachment A (5e and 5f) of D.06-11-026, the revenue requirement recorded in the SONGS MAAC Subaccount shall be transferred to the ongoing NGBA. Recorded entries to the NGBA shall be reviewed by the Commission in SDG&E’s annual consolidated electric rate change filed by advice letter in December each year and included in SDG&E’s generation rates on an interim basis (subject to refund), commencing on January 1st of the year subsequent to the date that installation of the new, replacement steam generators is completed.

² D.06-11-026, Attachment A, Settlement Agreement, 5.d

³ D.06-11-026, Attachment A, Settlement Agreement, 5.d

⁴ In accordance with Attachment A, Section 5b of D.06-11-026, SDG&E establishes an increase in SONGS 2&3 depreciation expense recorded to NGBA and recovered in Commodity rates beginning in January 2007 and continuing through 2011 to provide recovery of 20% of its ownership share of the estimated removal and disposal costs of the original SONGS 2&3 steam generators.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

EFFECTIVE DATE

SDG&E believes that this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore SDG&E respectfully requests that this advice letter become effective December 6, 2009, which is 30 calendar days 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 impacts, 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 CPUC. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Public Utilities Commission
CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of Honesto Gatchallian (jni@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest also 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: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-mail: mcaulson@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list A.08-05-024, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1788 or by e-mail at SDG&ETariffs@semprautilities.com.

RON VAN DER LEEDEN
Director – Rates, Revenues & Tariffs

(cc list enclosed)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Megan Caulson

Phone #: (858) 654-1748

E-mail: MCaulson@SempraUtilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2122-E

Subject of AL: Revision to Non-Fuel Generation Balancing Account for San Onofre Nuclear
Generating Station (SONGS) Units 2&3 Steam Generator Replacement Project (SGRP) in Accordance
with D.06-11-026

Keywords (choose from CPUC listing): Balancing Account, Nuclear

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.06-11-026

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: _____

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 12/6/2009

No. of tariff sheets: 5

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement (NGBA), Table of Contents

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division
Attention: Tariff Unit**

**505 Van Ness Ave.,
San Francisco, CA 94102**

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Megan Caulson

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mcaulson@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling
S. Cauchois
J. Greig
R. Pocta
W. Scott

Energy Division

P. Clanon
S. Gallagher
H. Gatchalian
D. Lafrenz
M. Salinas

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

H. Nanjo
M. Clark

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate
Reduction

M. Rochman
Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander
K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

A.08-05-024

ATTACHMENT A
ADVICE LETTER 2122-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 21484-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, NON-FUEL GENERATION BALANCING ACCOUNT (NGBA), Sheet 1	Revised 21128-E
Revised 21485-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, NON-FUEL GENERATION BALANCING ACCOUNT (NGBA), Sheet 2	Revised 21129-E
Revised 21486-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, NON-FUEL GENERATION BALANCING ACCOUNT (NGBA), Sheet 3	Revised 20726-E
Original 21487-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, NON-FUEL GENERATION BALANCING ACCOUNT (NGBA), Sheet 4	
Revised 21488-E	TABLE OF CONTENTS, Sheet 1	Revised 21482-E



PRELIMINARY STATEMENT

Sheet 1

II. BALANCING ACCOUNTS
NON-FUEL GENERATION BALANCING ACCOUNT (NGBA)

1. **Purpose:** The purpose of the NGBA is to provide recovery of approved electric generation non-fuel costs not being recovered by another component of SDG&E's rates. Currently, the Utility has ownership interest in the following plants in operation: San Onofre Nuclear Generating Station (SONGS) the Miramar Combustion Turbine (CT) facility and the Palomar Energy Center facility.
2. **Applicability:** The NGBA shall be applied only to the Utility's bundled service customers.
3. **Generation Non-fuel Revenue Requirement:**

SONGS:

The generation non-fuel revenue requirement shall consist of the SONGS operating & maintenance and capital-related costs approved for SDG&E in the Southern California Edison (SCE) General Rate Case (D.09-03-025) and the SDG&E General Rate Case (D.08-07-046). The 2009 revenue requirement authorized in D.09-03-025 shall be adjusted in future years pursuant to the PYTR mechanism adopted in the proceeding. Year 2010 and 2011 revenue requirements shall be subject to increases of 4.25% and 4.35% respectively, consistent with the PTYR mechanism adopted in D.09-03-025. Pursuant to D.09-03-025, the utility is authorized to recover \$13.19 million (2009 dollars), \$13.75 million (2010 dollars), and \$14.35 million (2011 dollars) for each SONGS 2&3 refueling and maintenance outage that occurs in 2009 through 2011 respectively. If the actual number of SONGS 2&3 refueling and maintenance outages in 2009 through 2011 is different than the number of outages in SDG&E's 2009 through 2011 generation revenue requirement, the difference will be addressed via an advice letter submitted to the Commission by February 15, 2010 (for the 2009 difference), 2011 (for the 2010 difference) and 2012 (for the 2011 difference). The resulting adjustment will be made as an entry to the NGBA. Pursuant to D. 06-11-026, beginning in January 2007 and ending in 2011, the utility is authorized to recover through depreciation expense, 20% of its ownership share of the removal and disposal costs of the original steam generators related to the Steam Generator Replacement Project (SGRP). D.06-11-026 also authorizes the utility to recover the SGRP installation costs revenue requirement (See SONGS MAAC Subaccount, section 8 below).

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Miramar CT:

The generation non-fuel revenue requirement shall consist of the operating and maintenance and capital-related costs approved in SDG&E's General Rate Case (D.08-07-046). The revenue requirement for 2009, 2010, and 2011 shall be adjusted pursuant to the Post-Test Year Ratemaking settlement adopted in D.08-07-046. The fuel costs of the Miramar CT shall be recorded in the Energy Resource Recovery Account (ERRA). Any revenues received from the Independent System Operator (ISO) under the reliability-must run (RMR) contract shall be credited to the NGBA.

(Continued)



PRELIMINARY STATEMENT

Sheet 2

II. BALANCING ACCOUNTS
NON-FUEL GENERATION BALANCING ACCOUNT (NGBA)

3. Generation Non-fuel Revenue Requirement:

Palomar Energy Center:

The adopted generation non-fuel revenue requirement shall consist of the adopted operating and maintenance, and capital-related costs approved in SDG&E's General Rate Case (D.08-07-046). The revenue requirement for 2009, 2010, and 2011 shall be adjusted pursuant to the Post-Test Year Ratemaking Settlement adopted in D.08-07-046. The fuel costs of the Palomar Energy Center shall be recorded in the Energy Resource Recovery Account (ERRA). Any revenues received from the Independent System Operator (ISO) under the reliability-must run (RMR) contract shall be credited to the NGBA.

4. NGBA Rate

Once the generation non-fuel revenue requirement is established, the NGBA rate will be included as part of the Utility's total schedule EECC rate. The NGBA rate will be equal to the total adopted generation non-fuel revenue requirement including the SONGS Steam Generator Replacement Project (SGRP) disposal and installation costs authorized in D.06-11-026, divided by the authorized forecasted sales for the current calendar year.

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5. Effective Date

This tariff is effective for service rendered on and after January 1, 2004.

6. Accounting Procedure

The Utility shall maintain the NGBA by making entries at the end of each month as follows:

- a. A debit entry equal to 1/12 of the authorized annual generation non-fuel revenue requirement for songs, as established in D.09-03-025 and D.08-07-046, excluding the SONGS 2 & 3 refueling and maintenance outages.
- b. A debit entry equal to 1/12 of the authorized SONGS 2&3 refueling and maintenance outage authorized revenue requirement as established in D.09-03-025.
- c. An entry equal to the SONGS 2&3 refueling and maintenance outage adjustment as described in Section 3 above.
- d. A debit entry equal to 1/12 of the authorized annual generation non-fuel revenue requirement for the Miramar CT as established in D.08-07-046.
- e. A debit entry equal to 1/12 of the authorized fixed annual generation non-fuel revenue requirement for the Palomar Energy Center as established in D.08-07-046.

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Advice Ltr. No. 2122-E

Decision No. D.06-11-026

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Nov 6, 2009

Effective Dec 6, 2009

Resolution No. _____



PRELIMINARY STATEMENT

Sheet 3

II. BALANCING ACCOUNTS
NON-FUEL GENERATION BALANCING ACCOUNT (NGBA)

6. Accounting Procedure (Continued)

- f. A debit entry equal to 1/12 of the authorized SONGS 2&3 revenue requirements for recovery of the Utility's ownership share of 20% of the estimated SGRP removal and disposal costs through depreciation, as established in D. 06-11-026.
- g. A credit entry equal to any revenues received from the ISO for reliability must run (RMR) contract.
- h. A credit entry equal to the revenue billed during the month from the NGBA rate, net of franchise fees and uncollectibles.
- i. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 6.a. through 6.j. at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15. or its successor.

7. Disposition

Disposition of the balance in the NGBA shall be addressed as part of the Utility's annual consolidated electric rate change filed via advice letter in December of each year.

8. SONGS Major Additions Adjustment Clause (MAAC) Subaccount

- a. Purpose: The purpose of the SONGS MAAC Subaccount is to record SDG&E's authorized revenue requirement associated with its share of the SONGS Unit 2 and Unit 3 steam generator installation costs, the associated capital-related expenses, and any remaining, unrecovered actual disposal/removal costs of the original steam generators in compliance with D.06-11-026.

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(Continued)



PRELIMINARY STATEMENT

II. BALANCING ACCOUNTS
NON-FUEL GENERATION BALANCING ACCOUNT (NGBA)

b. Accounting Procedure:

i. The SONGS MAAC Subaccount shall contain a SONGS Unit 2 Subaccount and a SONGS Unit 3 Subaccount.

ii. SDG&E shall maintain the SONGS MAAC Subaccount by making entries to the SONGS Unit 2 & 3 Subaccounts at the end of each month as follows:

1. A debit entry equal to 1/12 of the authorized annual revenue requirement associated with its share of the replacement steam generator installation costs including O&M, depreciation expense, authorized return and all applicable taxes for each unit as of the date of operation of each unit in the year of commercial operation.
2. A debit entry equal to 1/12 of the authorized annual revenue requirement associated with its share of the remaining balance of its share of the removal and disposal costs of the original steam generators for each unit including O&M, depreciation expense, authorized return and all applicable taxes for each unit as of the date of disposal for each unit in the year of commercial operation.
3. An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

iii. At the end of the year, following commercial operation of each unit, a credit entry to transfer the balance in the Subaccount to the ongoing Non-fuel Generation Balancing Account (NGBA) for cost recovery.

c. Disposition: The balance in the SONGS MAAC Subaccount will be transferred to the ongoing Non-Fuel Generation Balancing Account (NGBA) at the end of each year following commercial operation of each unit and included as part of SDG&E's annual NGBA advice letter filing.

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The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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Advice Ltr. No. 2122-E

Decision No. D.06-11-026

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Nov 6, 2009

Effective _____

Resolution No. _____