BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) for Adoption of its 2012 Energy Resource Recovery Account Revenue Requirement and Competition Transition Charge Revenue Requirement Forecasts	Application 11-09-022 (filed September 30, 2011)

AMENDMENT TO APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR APPROVAL OF ERRA AND CTC FORECASTS FOR 2012

John A. Pacheco
Sempra Energy
101 Ash Street, HQ12
San Diego, California 92101-3017
Telephone: (619) 699-5130
Facsimile: (619) 699-5027
Email: jpacheco@semprautilities.com

Attorney for: SAN DIEGO GAS & ELECTRIC COMPANY

February 24, 2012

TABLE OF CONTENTS

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) for Adoption of its 2012 Energy Resource Recovery Account Revenue Requirement and Competitive Transition Charge Revenue Requirement Forecasts	Application 11-09-022

AMENDMENT TO APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR APPROVAL OF ERRA AND CTC FORECASTS FOR 2012

I. INTRODUCTION

Pursuant to Rule 1.12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the Assigned Commissioner's Scoping Memo and Ruling[1], San Diego Gas & Electric Company ("SDG&E") hereby files an Amendment to its Application for Approval of its Energy Resource Recovery Account ("ERRA") and Competition Transition Charge ("CTC") Revenue Requirement Forecasts for 2012 ("Amendment"). As explained in greater detail below, this Amendment is necessary to: (1) incorporate an updated natural gas price forecast into the model used to generate SDG&E's ERRA and CTC revenue requirement forecasts; and (2) update the market benchmark price used to calculate above or below market costs associated with SDG&E's combined total portfolio.

As a result of this Amendment, SDG&E must update both its ERRA and CTC revenue requirements for 2012. Accordingly, SDG&E's amended requests for relief are as follows: (1) a 2012 ERRA revenue requirement forecast of $815.499 million

[1] Assigned Commissioner's Scoping Memo and Ruling, dated January 30, 2012; see "Proceeding Schedule" at p. 5 calling for the filing of this amended filing.

(including franchise fees and uncollectibles); (2) a 2012 CTC revenue requirement forecast of $55.161 million; (3) authority to implement a 2012 market benchmark price of $40.08/MWh for calculating the CTC and $41.81/MWh for calculating the Power Charge Indifference Adjustment ("PCIA"), as well as the resulting 2012 PCIAs, based on use of the current Commission-approved market benchmark methodology; (4) authority to calculate and implement 2012 PCIAs based on the current methodology and track the differences in charges resulting from the current market benchmark methodology and the new methodology adopted in D.11-12-018; and (5) once the Commission adopts a Resolution finalizing the data necessary to apply the methodology adopted in D.11-12-018, authority to issue refunds, if necessary, to the appropriate Direct Access ("DA") customers.

As a result of the foregoing changes, the 2012 ERRA and CTC forecasts are now $60.086 million higher and $8.193 million lower, respectively, than the forecasts for 2011, for a combined total increase of $51.893 million or a 1.94% percent increase in current system average rates (an increase of 0.299 cents per kilowatt-hour to the system average rate). As explained in the original Application, this increase continues to primarily be due to three factors: (1) the increase in generation in SDG&E's portfolio attributed to the expiration of California Department of Water Resources ("CDWR") contracts; (2) the increase in renewable generation costs to meet the Renewable Portfolio Standard ("RPS"); and (3) the addition of Desert Star (formerly known as El Dorado) to SDG&E's portfolio. In particular, it should be noted that it continues to be the case that while the expiration of the CDWR contracts contributes to the ERRA increase in 2012, this portion of the increase represents costs that were previously excluded from ERRA

(CDWR contract costs are excluded from ERRA) and are now included in ERRA (replacement costs associated with expired CDWR contracts are included in ERRA).

If this amended Application is approved as proposed, a typical monthly summer electric bill (based on 500 kilowatt-hours of electricity) will increase from approximately \$81.37 to \$81.95 (or 0.7 percent) for inland customers and from approximately \$88.19 to \$89.36 (or 1.3 percent) for coastal customers. A typical monthly bill for residential customers who use 1,000 kilowatt-hours per month will increase from approximately \$216.66 to \$221.90 (or 2.4% percent) for inland customers and from approximately \$225.40 to \$231.22 (or 2.6 percent) for coastal customers. SDG&E's small commercial customers will see an increase of approximately \$5.56 on their monthly summer electric bill or 1.9 percent (based on 1,500 kWh of electricity for secondary service).[2] However, as noted above, these increases are mitigated by the significant decrease in the CDWR revenue requirement.

II. UPDATE TO THE NATURAL GAS PRICE FORECAST

The gas price forecast is a significant element of the ERRA and CTC revenue requirements because the variable cost components are sensitive to small changes in gas prices. For example, a change in the average gas price forecast of \$1 per MMBtu can effectively adjust the ERRA revenue requirement, including CTC, by approximately \$65-\$110 million. This figure will vary based on relative hedge position and other factors. In its original Application, SDG&E used an average gas price of \$4.47, based on the average of the previous 22 trading days' 2012 forward curves ending with August 31, 2011.

[2] Customers' actual bill impacts will vary with usage per month, by season and by climate zone.

Subsequent to the filing of SDG&E's original Application, the price of natural gas has dropped significantly. Under these circumstances, SDG&E has determined that it is appropriate to update its gas price forecast, so as to reflect more of the recent decrease in the price of natural gas. Specifically, SDG&E is now using an average gas price of $3.15, based on the average of the previous 22 trading days' 2012 forward curves ending with January 31, 2012. However, it should be noted that by agreeing to this change, SDG&E is not agreeing that such a modification would be appropriate or necessary in the context of subsequent ERRA applications. That is, SDG&E believes that for this particular year such a change is prudent due to the unique circumstances associated with the substantial drop in gas prices over a relatively short period of time. However, it should be noted that the same logic would apply if gas prices had dramatically risen, causing SDG&E to increase its ERRA/CTC revenue requirements.

As a result of using a lower gas price forecast, various ERRA-related cost figures were recalculated, as reflected in the new versions of Amended Testimony, which are being served in conjunction with the filing of this Amendment, including the Amended Prepared Direct Testimony of Andrew Scates, Amanda Jenison and Yvonne Le Mieux.[3] Overall, the effect of using a lower gas price forecast for 2012 dropped the ERRA/CTC revenue requirement by approximately $82 from that proposed in the original Application. However, as noted above, when compared to 2011, the ERRA/CTC revenue requirements are still expected to increase due to the impact of the expiring CDWR contracts, the increase in renewable generation costs to meet the RPS, and the addition of Desert Star to SDG&E's portfolio.

[3] Yvonne Le Mieux is a new witness for SDG&E in this proceeding (replacing former witness William Saxe). Ms. Le Mieux's testimony adopts and replaces the testimony formerly presented by Mr. Saxe.

III. UPDATE TO THE MARKET BENCHMARK CALCULATION

The market benchmark is used to calculate above or below market costs associated with SDG&E's combined total portfolio. These costs are reflected in the CTC and PCIA rates charged to DA customers. The methodology used to calculate the market benchmark is set forth in D.06-07-030 and, as modified in D. 07-01-030, must be based upon the average of forward energy prices recorded for the entire month of October. Recently, in the DA proceeding (R.07-05-025), the Commission adopted changes to the market benchmark methodology.[4] However, pursuant to D.11-12-018, before investor-owned utilities ("IOUs") can apply benchmark prices based on the new methodology, the Commission's Energy Division must issue new data subject to an Advice Letter process requiring adoption of a Resolution. SDG&E filed Advice Letter 2325-E on January 6, 2012 providing the information necessary to revise the PCIA, CTC, and Procurement Charge Transitional Bundled Service rate. On February 8, 2012, the Alliance for Retail Energy Markets ("AReM"), Direct Access Customer Coalition ("DACC"), Marin Energy Authority, and City and County of San Francisco protested SDG&E's Advice Letter, which may delay adoption of the final Resolution. At this point, it is not clear when Energy Division will propose a Resolution or when it will be adopted by the Commission.

As explained by Ms. Le Mieux, SDG&E requires a 2012 market benchmark by July 1, 2012 in order to have a rate in place in time to charge its DA customers. Given the uncertainties surrounding the timing of the Advice Letter process described above, SDG&E is proposing that it be granted authority in this proceeding to continue using the current methodology to calculate the market benchmark price. If granted such authority, SDG&E would use a 2012 market benchmark price of $40.08/MWh for calculating the

[4] *See* D.11-12-018.

CTC and $41.81/MWh for calculating PCIA. SDG&E is also proposing that it be allowed to track the differences in charges between the current methodology and the new methodology ordered in D.11-12-018. Once a Resolution is adopted, SDG&E would implement the new methodology and issue refunds, if necessary, to the appropriate DA customers. This proposal is identical to that adopted by the Commission in Pacific Gas and Electric's recent ERRA forecast proceeding.[5]

IV. CONCLUSION

Based on this Amendment and the supporting amended testimony and exhibits, SDG&E respectfully requests that the Commission grant the following requested relief:

(1) authority to increase rates by approving as reasonable SDG&E's 2012 ERRA revenue requirement forecast of $815.499 million, regarding SDG&E's load, the resources available to meet SDG&E's load, fuel costs, and costs for SDG&E's various electric resources;

(2) authority to decrease rates by approving as reasonable SDG&E's 2012 CTC revenue requirement forecast of $55.161 million;

(3) authority to implement a temporary 2012 market benchmark price of $40.08/MWh for calculating the CTC and $41.81/MWh for calculating the PCIA, as well as the resulting 2012 PCIAs, based on use of the current Commission-approved market benchmark methodology;

(4) authority to calculate and implement 2012 PCIAs based on the current methodology and track the differences in charges resulting from the current market benchmark methodology and the new methodology adopted in D.11-12-018;

---

[5] D.11-12-031 at Ordering Paragraphs 5-7.

(5) once the Commission adopts a Resolution finalizing the data necessary to apply the methodology adopted in D.11-12-018, authority to issue refunds, if necessary, to the appropriate DA customers; and

(6) grant such additional relief as the Commission believes is just and reasonable.

Respectfully submitted,

By: /s/ John A. Pacheco

John A. Pacheco
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
101 Ash Street
San Diego, CA 92101
Telephone: (619) 699-5130
Facsimile: (619) 699-5027
E-mail: jpacheco@semprautilities.com

SAN DIEGO GAS & ELECTRIC COMPANY

By: /s/ LEE SCHAVRIEN

Lee Schavrien
San Diego Gas & Electric Company
Senior Vice President –Finance, Regulatory and Legislative Affairs

DATED at San Diego, California, this 24th day of February 2012

OFFICER VERIFICATION

OFFICER VERIFICATION

Lee Schavrien declares the following:

I am an officer of San Diego Gas & Electric Company and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing **AMENDEMENT TO APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR APPROVAL OF ERRA AND CTC FORECASTS FOR 2012** are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on February 24, 2012 at San Diego, California.

/s/ LEE SCHAVRIEN
Lee Schavrien
San Diego Gas & Electric Company
Senior Vice President – Finance, Regulatory and Legislative Affairs