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December 20, 2012

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: San Diego Gas & Electric Company,
Docket No. ER13-598-000**

Dear Ms. Bose:

Pursuant to Section 35.7 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") Regulations, 18 CFR §35.7, San Diego Gas & Electric Company ("SDG&E") encloses for filing revisions to its Transmission Owner Tariff ("TO Tariff"), FERC Electric Tariff, Original Volume 11 pertaining to SDG&E's Reliability Services ("RS") Revenue Requirements and related Rate Schedule.¹

Pursuant to the California Independent System Operator Corporation ("CAISO" or "ISO") Tariff, RS costs incurred by the CAISO to maintain reliable electric service in the ISO Control Area are billed by the ISO to, *inter alia*, SDG&E as a Responsible Utility or Participating Transmission Owner ("TO"), *e.g.* Reliability Must Run ("RMR") costs and CAISO Market Redesign and Technology Update ("MRTU") Exceptional Dispatch costs, including default costs.

Section 4 of Appendix VI, Reliability Service Revenue Requirements of SDG&E's TO Tariff, contemplates SDG&E to file its annual RS rates in December, the month prior to the month the RS rates are proposed to go into effect. SDG&E therefore requests a waiver of the Commission's requirement to submit rate changes 60 days prior to the proposed effective date of the rates and revised tariff sheets so that these revised rates and tariff sheets may go into effect January 1, 2013. Accordingly, SDG&E requests the Commission to accept the proposed revenue requirement and rates and revised tariff sheets to be effective January 1, 2013.

¹ FERC Electric Tariff, Original Volume 11, Section 3, Appendix V and Appendix VII.

I. CONTENTS OF FILING

SDG&E's filing consists of the following:

1. This cover letter;
2. Attachment No.1, Clean Revised TO tariff sheets;
3. Attachment No. 2, Redline Revised TO tariff sheets;
4. Exhibit No. SDG-1, Testimony of Christian A. Soderlund;
5. Exhibit No. SDG-2, Testimony of Jeffrey J. Shaughnessy;
6. Exhibit No. SDG-3, Cost Statements
7. Attestation and Certificate of Service.

II. COMMUNICATIONS

Correspondence and other communications concerning this filing should be addressed to the following:²

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III. DESCRIPTION OF FILING

A. 2013 Reliability Service Costs

As described in Mr. Soderlund's testimony, pursuant to SDG&E's TO Tariff, SDG&E records all RS Costs in its Reliability Service Balancing Account ("RSBA"). The RSBA is

² SDG&E requests waiver of Rule 203(b)(3) to the extent necessary to permit each of the individuals identified above to be placed on the Commission's official service list in this proceeding.

designed to ensure that SDG&E neither over-collects nor under-collects from customers RS Costs that the CAISO assesses SDG&E. Each year, SDG&E determines an RS Revenue Requirement, which includes the RSBA and a forecast of RS costs for the applicable service year, and develops rates to collect that amount. SDG&E bills RS rates to all of its End Use Customers and its single Wholesale Customer serving load in SDG&E's service area.

As noted, RS costs consist of RMR and Exceptional Dispatch costs that the CAISO bills to SDG&E. In Exhibit SDG-1, Mr. Soderlund explains the components of SDG&E's 2013 RS forecast costs and the basis for their incurrence. As shown in Statement BK to Exhibit SDG-3, the 2013 total cost of service is approximately \$366 thousand. This amount includes the RS cost forecast of 2013 of \$3.12 million, a RSBA balance as of November 30, 2012 of an over collection of approximately \$2.76 million and Franchise Fees and Uncollectibles of approximately \$5 thousand. The RSBA balance reflects an over collection which decreases the 2013 RS cost of service. Comparatively, the 2012 RS cost of service credit was approximately \$4.8 million, which included forecast RS costs of approximately \$0.9 million, a RSBA over collection of approximately \$5.6 million and Franchise Fees and Uncollectibles of approximately (\$50 thousand). The 2013 total RS cost of service increased approximately \$5.1 million when compared to 2012. As explained further by Mr. Soderlund, this variance is due to a significantly higher RS cost forecast primarily due to forecast RMR costs for AES Huntington Beach Generating Station Units 3 and 4.

For RMR, the CAISO conducts studies annually to identify generating units whose availability and operation is required to ensure the local reliability of the grid. The CAISO contracts with generation owners or operators of these generating units, which are designated as RMR units, to ensure that the CAISO can dispatch the units to meet minimum requirements for local grid reliability. The CAISO bills SDG&E the costs of the RMR units located within SDG&E's service territory. In addition, RMR units can provide reliability benefits in contiguous Participating Transmission Owner ("PTO") Service Territories, and in that case, each PTO would have a share of those RMR costs, which is the case with Huntington Beach Units 3 and 4. Forecast RMR costs have increased from the forecasted 2012 costs of approximately \$0.7 million to approximately \$2.5 million for 2013.

Under MRTU, the FERC-mandated Must Offer ("MO") obligation and certain RS cost categories, *i.e.*, Out of Market costs and MO-related Minimum Load Costs ("MLC") have been eliminated³ and the Exceptional Dispatch Service has been created. Under its Exceptional Dispatch authority, the ISO now has the authority to issue "Exceptional Dispatches" to address reliability needs that cannot be addressed through the normal operation of the ISO markets.⁴ When Exceptional Dispatch costs are incurred due to "Transmission-Related Modeling

³ RMR and Resource Adequacy ("RA") units will have a contractual-based MO obligation instead of the FERC-mandated MO obligation.

⁴ *Order Conditionally Accepting CAISO's Electric Tariff Filing to Reflect Market Redesign and Technology Upgrade*, 116 FERC ¶ 61,274 at P 266.

Limitations,” the costs will be billed to a Participation Transmission Owner (“PTO”)⁵ as RS costs.⁶ For purposes of this filing, the forecasted Exceptional Dispatch costs are approximately \$0.6 million for 2013.

In SDG-2, Mr. Shaughnessy describes how he utilizes Mr. Soderlund’s 2013 forecast costs and the RS balancing account through November 30, 2012, to develop the RS cost of service. Mr. Shaughnessy also describes the allocation of the RS cost of service to SDG&E’s single wholesale customer and explains how RS costs are allocated to SDG&E’s retail customer classes. Finally, Mr. Shaughnessy discusses retail customer rate design and impacts of rate increases on customer classes. Exhibit SDG-3 (Cost of Service Statements), Statement BL, Rate Design Information, page 1 of 11, shows the proposed rates SDG&E is requesting in this RS filing. Statement BG, Revenue to Reflect Changed Rates, page 1 of 7, shows the proposed customer class rate increases as compared to current rates for the 2012 rate effective period, as described above.

B. Proposed Revised Tariff Sheets

SDG&E proposes revisions to the following tariff sections of its currently effective TO Tariff:

Appendix V - Reliability Services Revenue Requirement has been revised to reflect the 2013 RS Revenue Requirement.

Appendix VII - Summary of Reliability Services Retail Transmission Rates, has been revised to reflect the 2013 Service Year rates.

Appendix VII - Wholesale RS Rate has been revised to reflect the 2013 rate.

IV. REQUEST FOR ADDITIONAL WAIVER, SERVICE AND OTHER FILING REQUIREMENTS

SDG&E believes that the information contained in this filing provides a sufficient basis for the Commission to accept it and conforms to general rules of applicability and to Commission orders specifically applicable to SDG&E. SDG&E requests, however, that the Commission grant any and all waivers necessary to permit the proposed rates to become effective on January 1, 2013 (subject to refund, if necessary). SDG&E expressly requests waiver of the Commission’s 60-day notice requirement because SDG&E’s TO Tariff requires SDG&E

⁵ *Id.*, at P 268.

⁶ The allocation of Exceptional Dispatch costs is described in Section 11.5.6.2.5.1 of the ISO MRTU Tariff. The Commission has already determined that Exceptional Dispatch costs billed to PTOs are Reliability Services costs that can be recovered by the PTO in its Reliability Services Rates. *Id.* In its August 3, 2007 compliance filing, the CAISO modified Section 11.5.6.2.5.1 to state that such costs are Reliability Services Costs.

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to file its annual RS rates in December, one month prior to the month the RS rates are proposed to go into effect.⁷

V. SERVICE

SDG&E has made copies of this filing available for public inspection at SDG&E's principal office located in San Diego, California and SDG&E has mailed copies to those persons whose names appear on the enclosed mailing list.

Respectfully submitted,

/s/ GEORGETTA J. BAKER

Georgetta J. Baker

Attorney for

San Diego Gas & Electric Company

GJB: jd

Enclosures

⁷ This waiver is consistent with the waiver granted in Docket No. ER08-389 (123 FERC ¶61, 032(2008)), and in subsequent proceedings at Docket Nos. ER09-451, ER10-474, ER11-2445 and ER12-634.