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December 20, 2012

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

**Re: San Diego Gas & Electric Company, 2013 Annual TRBAA and TACBAA
Rate Revision, Docket No. ER13-602-000**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act and Part 35 of the Commission's regulations,¹ San Diego Gas & Electric Company ("SDG&E") tenders for filing changes in the rates in its Transmission Owner Tariff ("TO Tariff"). As described below, the proposed revisions reflect annual updates to: (1) the retail Transmission Revenue Balancing Account Adjustment ("TRBAA") rate; (2) Transmission Access Charge Balancing Account Adjustment ("TACBAA") rate for service rendered on and after January 1, 2013; and (3) revised High Voltage and Low Voltage Transmission Revenue Requirements for use by the California Independent System Operator Corporation ("CAISO") in its calculation of the 2013 High Voltage Access Charges.²

The proposed retail TRBAA increases \$.00017 per kWh from (\$.00026) per kWh to (\$.00009) per kWh.

As detailed in section III below, this filing also requests the Commission to approve a TACBAA rate revision effective January 1, 2013, an increase of \$.00001 per kWh to (\$.01192) per kWh, and is based on SDG&E's transmission formula rates that went into effect September 1, 2012 in Docket No. ER12-2454-000.³

The documents submitted with this filing are detailed in Section X at p. 7 below.

¹ 16 U.S.C. § 824d; 18 C.F.R. §§ 35, *et seq.* (2010).

² Unless otherwise indicated, words with initial capitalization are used as defined in SDG&E's TO Tariff or in the CAISO's FERC tariff.

³ Commission acceptance of these rates is pending, and they are in effect subject to refund.

I. BACKGROUND

Since 1997, SDG&E's TO Tariff and the CAISO's Open Access Transmission Tariff have set forth the rates and terms and conditions pursuant to which open, non-discriminatory access is provided to the transmission facilities SDG&E has transferred to the CAISO's Operational Control. Use of SDG&E's transmission facilities is subject to the Access Charges set forth in Section 5 of the TO Tariff. These charges are derived in part from the CAISO's Transmission Access Charge ("TAC"). The TO Tariff requires SDG&E to adjust, effective each January 1st, the TRBAA and TACBAA balancing accounts. SDG&E's most recent annual TRBAA and TACBAA update filing was accepted by the Commission, effective January 1, 2012, in Docket No. ER12-660.⁴ In addition, the Commission accepted SDG&E's filing for an out-of-cycle TACBAA revision effective September 1, 2012 in Docket No. ER12-2172-000.⁵

II. TRBAA RATES AND CHANGES

A. Summary of the TRBAA Rates

The TRBAA is the ratemaking mechanism designed to ensure that all Transmission Revenue Credits flow through to transmission customers. Section 5.5 of the TO Tariff identifies the items subject to the Transmission Revenue Balancing Account and sets forth the procedure for revising the TRBAA rate annually. The instant filing, as in previous years, revises both TRBAA segments: one for retail purposes and one for use by the CAISO to develop its wholesale TAC. The TRBAA includes a forecast of revenues for Wheeling, charges related to Settlements, Metering and Client Relations, and ETC Cost Differentials.

The TRBAA for CAISO wholesale TAC purposes differs from the retail TRBAA in two respects. First, the former does not reflect a provision for retail uncollectible expenses. Second, the wholesale TRBAA separates revenues for Wheeling, charges for Settlements, Metering and Client Relations, and ETC Cost Differential charges into High Voltage and Low Voltage components in accordance with requirements of the CAISO TAC.

B. Retail TRBAA Rate

The proposed retail TRBAA rate equals (\$0.00009) per kilowatt-hour. It is based on an annual forecast of revenues for Wheeling Revenues, charges for Settlements, Metering and Client Relations, and ETC Cost Differential Charges received from the CAISO adjusted for known and measurable changes. The forecast rate for 2013 is derived beginning with the recorded historical balance ending September 30, 2012 and includes projected activity in 2013, including Wheeling Revenues, Settlements, Metering and Client Relation charges, and ETC Cost Differential charges.

⁴ Accepted by delegated letter order dated February 16, 2012.

⁵ *San Diego Gas & Elec. Co.*, 140 FERC ¶ 61,153 (August 28, 2012).

C. CAISO Transmission Access Charge TRBAA Costs

The Wholesale Transmission Revenue Requirements (“TRR”) for the derivation of the CAISO TAC rate are allocated between High Voltage (“HV”) and Low Voltage (“LV”) components. SDG&E’s Wholesale TRR used by the CAISO for calculating its TAC rates includes the following:

- SDG&E’s TO3 Cycle 5⁶ HV and LV Base Transmission Revenue Requirements (“BTRR”) are those approved by the Commission from SDG&E’s Offer of Settlement filing in Docket No. ER11-4318-000,⁷ and
- the annual forecast of TRBAA costs described above in section B, separated into HV and low voltage LV costs.⁸

The TRBAA applicable to CAISO TAC rates includes a component for SDG&E’s HV and LV rates that are calculated pursuant to the Commission-approved formula. The wholesale TRBAA also includes CAISO TRBAA cost components that change each January 1st. SDG&E must, therefore, revise its TRBAA TO Tariff section at the same time. Accordingly, SDG&E proposes that the CAISO TRBAA amounts shown below become effective January 1, 2013.

High Voltage TRBAA	(\$1,799,875)
Low Voltage TRBAA	\$40,487
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Total SDG&E Wholesale TRBAA	(\$1,759,388)

The above amounts are stated in SDG&E’s revised TO Tariff section included in Attachment A, and come from Attachment C, Statement BK-2, Page 1, Line 19.

⁶ TO3 refers to SDG&E’s Transmission Owner Formula 3 rate approved by the Commission in Docket Nos. ER07-284-000, *et al.* at 119 FERC ¶ 61,169 (2007). Cycle 5 refers to the fifth annual filing under the TO3 formula, filed August 15, 2011 in Docket No. ER11-4318-000, and accepted by Commission order at *San Diego Gas & Electric Co.*, 137 FERC ¶ 61,041 (October 14, 2011). This latter order required further compliance procedures, including those described *infra* at section VII, p. 6 and n.13.

⁷ *San Diego Gas & Electric Co.*, 138 FERC ¶ 61,081 (February 1, 2012).

⁸ The allocation of the TRBAA between HV and LV is based on SDG&E’s TO3-Cycle 6 formula filing in Docket No. ER12-2454-000 (August 15, 2012).

III. TACBAA RATE

A. Summary of the TACBAA mechanism

The TACBAA is a ratemaking mechanism designed to recover from or refund to End-Use Customers the net amounts billed by the CAISO to SDG&E under the TAC structure. Section 5.6 of SDG&E's TO Tariff describes the items to be included in the TACBAA, and sets forth the procedure for revising the TACBAA Rate on an annual basis. The TACBAA Rate is based on the sum of SDG&E's September 30, 2012 TACBAA balance and a forecast of the net annual CAISO Transmission Access Charge billings for services to be rendered to SDG&E during the following year. Because SDG&E's HV TRBAA and HV BTRR directly affect the CAISO TAC calculations, these amounts also affect SDG&E's TACBAA rate. Therefore, the proposed TACBAA rate to be effective January 1, 2013 contains SDG&E's HV BTRR and TRBAA costs derived as described in Section II.C. above.

The costs in the TACBAA include the following:

- SDG&E's TACBAA balance for 12 months ended September 30, 2012; and
- A 2013 forecast of CAISO Participating Transmission Owner ("PTO")⁹ TAC cost differentials SDG&E receives from the CAISO based upon a forecast of PTOs' 2013 transmission revenues that will be in effect during this period. The CAISO TAC model run that generates these PTO cost differentials, is included in Attachment D, TACBAA Cost Statements, work paper 2.

As noted in the introduction, SDG&E requests that this TACBAA rate revision take effect January 1, 2013. The TACBAA rate reflects the Cycle 6 HV BTRR rate filed August 15, 2012 in Docket No. ER12-2454-000.¹⁰ On January 1, 2013, SDG&E will commence billing retail customers a TACBAA rate based upon the foregoing Cycle 6 HV BTRR.

B. TACBAA Rate Effective January 1, 2013

Page 14 of Attachment D indicates SDG&E's derivation of its TACBAA rate based upon its Cycle 6 HV BTRR equal to \$ 407.112 million. As indicated on work paper 3, page 24 of Attachment D, when one adds the applicable HV TRBAA and Standby Credit to the HV BTRR amount, the HV TRR is derived. This amount is then carried forward to page 22 of Attachment D, which reflects the TAC formula spreadsheet used by the CAISO to calculate its TAC. The spreadsheet on page 22, line 3, reflects SDG&E's HV TRR. Page 22 line 3 column 6 shows SDG&E's net benefit, which SDG&E then uses on page 14 line 3 to calculate its TACBAA rate.

⁹ Pursuant to Section 5.6 of the TO Tariff, the TACBAA rate reflected in the instant filing is derived from a historical balancing account for twelve months ended September 2012 and a CAISO forecast of TAC cost shifts between PTOs that will occur in 2013.

¹⁰ Commission acceptance of this rate is pending.

As indicated on line 15, SDG&E's retail TACBAA rate is equal to (\$0.01192) per kWh, which will be billed commencing January 1, 2013.

IV. TARIFF REVISIONS

The TO Tariff sections revised by this filing are contained in Attachment A hereto. The tariff revisions are described below:

1. FERC Electric Tariff, Original Volume No. 11, Appendix III - "ISO Wholesale Transmission Revenue Balancing Account Adjustment" is revised to update the retail TRBAA and CAISO Wholesale TRBAA High and Low Voltage components effective January 1, 2013.
2. FERC Electric Tariff, Original Volume No. 11, Appendix III, "Transmission Access Charge Balancing Account Adjustment Rate" is revised to update the retail TACBAA rate to become effective January 1, 2013 using SDG&E's Cycle 6 BTRR, as explained above in section III.

V. EFFECTIVE DATE

SDG&E requests an effective date for revised Appendix III of January 1, 2013.

SDG&E respectfully requests, pursuant to Section 35.11 (18 C.F.R. § 35.11) of the Commission's Regulations, waiver of the 60-day prior notice requirement specified in Section 35.3, and requests the Commission to assign the revised tariff sections an effective date of January 1, 2013.

Such waiver would be consistent with the Commission's policy set forth in *Central Hudson Gas & Electric Corp.*, 60 FERC ¶ 61,089 (1992), that waiver of the 60-day prior notice requirement generally will be appropriate for filings that modify rates when the rate change and its effective date are prescribed by a tariff on file with the Commission, such as annual rate revisions required by an agreement to become effective on a date specified therein. Because the terms of Sections 5.5 and 5.6 of the TO Tariff require SDG&E to update its TRBAA and TACBAA each January, and because a waiver will not affect SDG&E's other rate schedules, a waiver of the 60-day prior notice requirement is appropriate to permit the proposed rate revisions to take effect on January 1, 2012 or as outlined above.

VI. APPENDIX I REQUIRED PER CAISO TARIFF – SDG&E'S TRR

As described in section II. C. above, the CAISO uses SDG&E's TRR for the derivation of the CAISO TAC rate. Accordingly, SDG&E has included in Attachment E, Appendix I, its

BTRR as required by the CAISO tariff.¹¹ SDG&E is not requesting the Commission to approve this appendix because the BTRR and TRBAA HV and LV components shown in this appendix are approved by the Commission in separate dockets. The HVTRR reflects the Cycle 5 BTRR that went into effect September 1, 2011,¹² and the TRBAA amounts come from the instant filing.

VII. PENDING SUBMISSIONS RELATED TO SDG&E'S TRR

SDG&E has three matters currently pending before the Commission that relate to its BTRR, which, as described above, is used to derive the TACBAA rate submitted herein: a) the TO3, Cycle-5 compliance filing, submitted on October 2, 2012 in ER11-4318-001; b) the TO3, Cycle 6 Annual Formula Filing was submitted on August 15, 2012 in ER12-2454-000; and c) the TO3, Cycle 6 supplemental filing, submitted on October 2, 2012, in Docket No. ER12-2454-001.

The TO3, Cycle 6 Supplemental Filing updated the estimated BTRR in the TO3, Cycle 6 Annual Formula Filing (due August 15 per the TO3 settlement approved by the Commission). SDG&E did not receive the *Order on Compliance*¹³ affecting the Cycle 5 BTRR in time to reflect the order in the most recent August 15 Annual Formula Filing. As a result, SDG&E submitted a Cycle 6 supplemental filing submitted on October 2, 2012, to reflect the BTRR consistent with the Cycle 5 *Order on Compliance*.

Because the rates established by these three submittals have not yet been accepted by the Commission, SDG&E used the Cycle 6 Formula Filing wholesale BTRR to derive the TACBAA rates herein.¹⁴ As described in the previous section, SDG&E must provide the wholesale BTRR for CAISO TAC rate purposes, and has done so in providing an Appendix I using the most current Commission approved wholesale BTRR.

VIII. OTHER MATTERS

No expenses or costs included in the rates tendered herein have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative or unnecessary costs that are demonstrably the product of discriminatory employment practices.

SDG&E believes that the information contained in this filing provides a sufficient basis upon which to accept this filing. However, SDG&E further requests that the Commission waive

¹¹ As required by the CAISO Tariff, SDG&E, as a PTO, must submit Appendix 1 as part of its transmission rate filings to show how the PTO separates its annual TRR into High and Low Voltage revenues.

¹² Docket No. ER11-4318-000.

¹³ *San Diego Gas & Electric Co.*, 140 FERC ¶ 61,108 (August 3, 2012).

¹⁴ Because the TACBAA is a balancing account, SDG&E will not reflect any Commission action on the pending submissions until it submits its next TACBAA revision.

its filing requirements contained in Part 35 of its regulations to the extent necessary to permit this filing to be made effective as requested.

SDG&E believes this filing conforms to any rule of general applicability and to any Commission order specifically applicable to SDG&E, and has made copies of this letter and all enclosures available for public inspection in SDG&E's principal office located in San Diego, California. SDG&E has mailed copies to those persons whose names appear on the enclosed service list.

SDG&E has conformed its tariff sections submitted herewith to the format required by Commission Order No. 714.

IX. CORRESPONDENCE

SDG&E requests that all correspondence, pleadings and other communications concerning this filing be served upon the following individuals:

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X. LIST OF DOCUMENTS SUBMITTED

The documents submitted with this electronic filing are this transmittal letter, together with the following attachments:

- A. Revised TO Tariff sections conformed version
- B. Revised TO Tariff sections redline version
- C. TRBAA Cost Statements and Related Work Papers
- D. TACBAA Cost Statements and Related Work Papers
- E. Appendix I Per CAISO Tariff – SDG&E's Transmission Revenue Requirements
- F. Attestation

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XI. CONCLUSION

SDG&E respectfully requests that the Commission accept and approve the rate and tariff changes tendered herewith, effective January 1, 2013.

Respectfully submitted,

/s/ E. GREGORY BARNES

E. Gregory Barnes

Attorney For

SAN DIEGO GAS & ELECTRIC COMPANY

December 20, 2012

Enclosures