

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



June 9, 2011

Advice Letter 2243-E

Clay Faber, Director
Regulatory Affairs
San Diego Gas and Electric
8330 Century Park Court, CP32C
San Diego, CA 92123-1548

**Subject: Revenue Requirement Update Associated with the Steam
Generator Replacement at San Onofre Nuclear Generating
Station Unit 3**

Dear Mr. Faber:

Advice Letter 2243-E is effective May 9, 2011.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Clay Faber - Director
Regulatory Affairs
8330 Century Park Court
San Diego, CA 92123-1548

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April 8, 2011

ADVICE LETTER 2243-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: REVENUE REQUIREMENT UPDATE ASSOCIATED WITH THE STEAM GENERATOR REPLACEMENT AT SAN ONOFRE NUCLEAR GENERATING STATION UNIT 3

PURPOSE

The purpose of this Advice Letter is to submit for California Public Utilities Commission (Commission) approval the updated revenue requirement associated with San Diego Gas and Electric (SDG&E) share of costs related to the steam generator replacement at San Onofre Nuclear Generating Station (SONGS) Unit 3. This Advice Letter is filed in compliance with Commission Decision (D.) 06-11-026.

BACKGROUND

On November 30, 2006, the Commission issued D.06-11-026, approving an unopposed settlement of the ratemaking treatment of SDG&E's share of costs related to the Steam Generator Replacement Program (SGRP) at SONGS. The settlement provided for ratemaking treatment of SDG&E's 20% share of SGRP costs in a manner consistent with the ratemaking treatment the CPUC authorized for Southern California Edison's (SCE) share of the SGRP costs in Decision (D.) 05-12-040.

DISCUSSION

This filing implements the additional revenue requirements associated with the SGRP. SONGS Unit 3 returned to operations for its load requirements on February 18, 2011. Consequently, SDG&E has updated its current total cost projection for SONGS Unit 3 and the associated revenue requirement, provided as Attachment A to this filing. This revenue requirement reflects changes to the following cost inputs filed in the application as summarized below:

Capital Construction Costs

SDG&E's share of the SGRP project costs for Unit 2 and 3 are currently projected to be \$142 million (2004\$'s) consisting of \$117 million for replacement steam generator installation and \$25 million for removal and disposal of the original steam generators, including allocated overheads

and excluding allowance for funds used during construction (AFUDC)¹. There currently is no break down of actual cost for fabrication/installation and removal/disposal by Unit available yet from SCE. Costs for SONGS Unit 3 are estimated to be at \$70 million excluding removal/disposal costs and AFUDC charges. After the commercial operation date of February 18, 2011, costs will continue to accrue due to yet to be undertaken/completed minor work items and yet to be determined removal/disposal costs for the Unit 2 and 3 steam generators. Upon the Unit 2 and 3 steam generators removal/disposal, SDG&E will file an advice letter with the estimated removal/disposal costs and the associated revenue requirement. SDG&E will include information that identifies final cost by category which will describe variances from its original application and the reasons therefore in SDG&E's Non-fuel Generation Balancing Account (NGBA) update advice letter filed in November 2011 for rates effective January 1, 2012.

Rate Making Treatment

Advice Letter (AL) 2122-E authorizes SDG&E to record the revenue requirement associated with its share of the SONGS steam generator installation costs and associated capital-related expenses to the SONGS MAAC Subaccount of the NGBA in compliance with D.06-11-026. Beginning February 18, 2011, SDG&E records the monthly revenue requirement filed herein to the SONGS MAAC Subaccount for recovery from bundled service customers and updated the NGBA transfer rate accordingly. However, SDG&E does not intend to adjust its retail electric rates for this additional revenue requirement at this time. Once all of the final costs are accumulated, SDG&E will update this cost projection and associated revenue requirement in the NGBA update advice letter filed in November, for rates effective January 1, 2012.² At that time, commodity rates contained in SDG&E's schedule Electric Energy Commodity Cost (EECC) will be adjusted to reflect recovery of the SONGS SGRP costs along with other approved NGBA related changes. In addition, SDG&E will prepare a true-up to the SONGS MAAC Subaccount to reflect the final revenue requirement.

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 the Advice Letter become effective May 9, 2011, thirty days from the date filed.

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities 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 must be received by April 28, 2011, which is 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:

¹ Decision 06-11-026 (November 30, 2006). Approved costs are in 2004\$'s.

² Upon approval of the final revenue requirement, SDG&E will also update the 2011 revenue requirement recorded to the SONGS MAAC Subaccount of the NGBA.

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 both Honesto Gatchalian (inj@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. A copy of the protest should 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 parties in A.08-06-017, 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.

CLAY FABER
Director – Regulatory Affairs

(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: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@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) #: 2243-E

Subject of AL: Revenue Requirement Update Associated with the Steam Generator Replacement at San Onofre Nuclear Generating Station Unit 3

Keywords (choose from CPUC listing): Revenue Requirement, Facility

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

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: None

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

Does AL request confidential treatment? If so, provide explanation: N/A

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 5/9/2011

No. of tariff sheets: 0

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: None

Service affected and changes proposed¹: None

Pending advice letters that revise the same tariff sheets: None

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

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

Pacific Gas & Electric Co.

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

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman
J. Porter

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.08-06-017

