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June 26, 2006

ADVICE LETTER 1776-E-A
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: PARTIAL SUPPLEMENTAL FILING - REVISIONS TO RULE 21,
INTERCONNECTION STANDARDS FOR NON-UTILITY OWNED GENERATION IN
COMPLIANCE WITH RESOLUTION E-3996**

PURPOSE

This filing supplements Advice Letter 1776-E, in part, to comply with Ordering Paragraph (OP) 5 of California Public Utilities Commission (Commission) Resolution E-3996, which directs SDG&E, Southern California Edison Company and Pacific Gas & Electric Company to modify Rule 21, *Interconnection Standards for Non-Utility Owned Generation*, to incorporate the changes ordered in the Resolution.

BACKGROUND

On February 27, 2006, SDG&E filed Advice Letter 1776-E to revise Rule 21 in compliance with Commission Decision 05-08-013. Resolution E-3996, dated May 25, 2006, approves Advice Letter 1776-E with modifications. Ordering Paragraph (OP) 5 directs the Utilities to file an advice letter by June 26, 2006 to incorporate into Rule 21 the modifications adopted by the resolution.

Accordingly, SDG&E hereby revises Rule 21 including: 1) Table C.1 to contain a specific per hour charge for additional commissioning test verifications and to mention extra expenses related to the additional test; and 2) Section F.3 to remove the distinction between subsidized and non-subsidized generation facilities with regard to Net Generation Output Metering and to specify that the "Producer" of energy is the beneficiary of the criteria of "cost-effectiveness" when methods other than NGOM are used to provide generator output data.

This filing will not create any deviations from SDG&E's tariffs, cause withdrawal of service from any present customers, or impose any more restrictive conditions.

EFFECTIVE DATE

SDG&E believes this filing is subject to Energy Division disposition and therefore respectfully requests that this filing become effective on June 26, 2006, 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:

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 Jerry Royer (jir@cpuc.ca.gov) and Honesto Gatchallian (jnj@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: Monica Wiggins
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-mail: mwiggins@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 in R.04-03-017, by either providing them a copy electronically or by mailing them a copy hereof properly stamped and addressed.

Address changes should be directed to Christina Sondrini by facsimile at (858) 654-1788 or by e-mail at csondrini@semprautilities.com.

J. STEVE RAHON
Director — Tariffs & Regulatory Accounts

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**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Monica Wiggins

Phone #: (858) 654-1770

E-mail: mwiggin@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) #: 1776-E-A

Subject of AL: Supplemental Filing - Revisions to Rule 21, Interconnection Standards for Non-Utility Owned Generation, in Compliance with Decision 05-08-013 and Resolution E-3996

Keywords (choose from CPUC listing): Compliance, Rule 21

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

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

D.05-08-013 & Resolution E-3996

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: 6/26/06 No. of tariff sheets: 4

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

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: ERule 21 & TOC

Service affected and changes proposed¹: _____

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

jjr@cpuc.ca.gov and jjn@cpuc.ca.gov

San Diego Gas & Electric

Attention: Monica Wiggins

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mwiggin@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-A, Sec. III. G.
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

ORA

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

Energy Division

W. Franklin
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Dynegy, Inc.

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Ellison Schneider & Harris LLP

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Energy Policy Initiatives Center (USD)

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Energy Price Solutions

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Energy Strategies, Inc.

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Pacific Gas & Electric Co.

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R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman
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School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

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Southern California Edison Co.

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K. Gansecki

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R. Hunter

D. White

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M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

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N. Furuta

J. Perez

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.04-03-017

ATTACHMENT
ADVICE LETTER 1776-E-A

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 19343-E	RULE 21, INTERCONNECTION STANDARDS FOR NON-UTILITY OWNED GENERATION, Sheet 5	Revised 17279-E*
Revised 19344-E	RULE 21, INTERCONNECTION STANDARDS FOR NON-UTILITY OWNED GENERATION, Sheet 18	Revised 17292-E*
Revised 19345-E	TABLE OF CONTENTS, Sheet 1	Revised 19334-E
Revised 19346-E	TABLE OF CONTENTS, RULES, Sheet 5	Revised 19328-E



RULE 21

INTERCONNECTION STANDARDS FOR NON-UTILITY OWNED GENERATION

C. APPLICATION AND INTERCONNECTION PROCESS (Continued)

1. Application Process (Continued)

d. **When Required, Applicant and SDG&E Commit to Additional Interconnection Study Steps.** When a Supplemental Review reveals that the proposed Generating Facility cannot be Interconnected to SDG&E's Distribution System by means of a Simplified Interconnection, or that significant Interconnection Facilities installed on SDG&E's system or Distribution System modifications will be needed to accommodate an Applicant's Generating Facility, SDG&E and Applicant shall enter into an agreement that provides for SDG&E to perform additional studies, facility design and engineering, and to provide cost estimates for fixed price or actual cost billing to the Applicant, at the Applicant's expense. The Interconnection Study agreement shall set forth SDG&E's estimated schedule and charges for completing such work. Interconnection Study fees for solar Generating Facilities up to 1 megawatt (MW) that do not sell power to the grid will be waived up to the amount of \$5,000. Generating Facilities eligible for Net Energy Metering under Public Utilities Code Section 2827, 2827.8, 2827.9, or 2827.10 are exempt from any costs associated with Interconnection Studies.

Table C.1 Summary of Fees and Exemptions

Generating Facility Type	Initial Review Fee	Supplemental Review Fee	Interconnection Study Fees	Additional Commissioning Test Verification
Non-Net Energy Metering	\$800*	\$600	As Specified by SDG&E	\$110/person-hour**
Net Energy Metering (per Public Utilities Code Sections 2827, 2827.8, 2827.9, or 2827.10)	\$0	\$0	\$0	N/A
Solar 1 MW or less that does not sell power to the grid (per D.01-07-027)	First \$5,000 of study fees waived			\$110/person-hour**

*Subject to 50% refund pursuant to Section C.1.b.3
** Plus additional costs for travel, lodging, and meals.

2. Interconnection Process

a. **Applicant and SDG&E Enter Into an Interconnection Agreement and, Where Required, a Financing and Ownership Agreement for Interconnection Facilities or Distribution System Modifications.** SDG&E shall provide the Applicant with an executable version of the Interconnection Agreement or Net Energy Metering Agreement appropriate for the Applicant's Generating Facility and desired mode of operation. Where the Supplemental Review or Interconnection Study performed by SDG&E has determined that modifications or additions to its Distribution System are required, or that additional Interconnection Facilities will be necessary to accommodate an Applicant's Generating Facility, SDG&E may also provide the Applicant with other Interconnection Facilities financing and ownership agreements. These agreements shall set forth SDG&E and the Applicant's responsibilities, completion schedules, and fixed price or estimated costs for the required work.

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RULE 21

Sheet 18

INTERCONNECTION STANDARDS FOR NON-UTILITY OWNED GENERATION

F. METERING, MONITORING AND TELEMETERING (Continued)

2. **Metering by Non-SDG&E Parties.** The ownership, installation, operation, reading, and testing of revenue Metering Equipment for Generating Facilities shall be by SDG&E except to the extent that the Commission authorizes any or all of these services be performed by others.

3. **Net Generation Output Metering (NGOM).** Generating Facility customers may be required to install NGOM for evaluation, monitoring and verification purposes and to determine applicable standby and non-bypassable charges as defined in SDG&E's tariffs, to satisfy applicable California Independent System Operator (CAISO) reliability requirements, and for Distribution System planning and operations.

However, Generating Facility customers that do not receive regulated subsidies do not need to install NGOM where less intrusive and/or more cost effective options, for the Producer/Customer, are available for providing generator data to SDG&E. These Generating Facilities may opt to have SDG&E estimate load data in accordance with SDG&E's applicable tariffs to determine or meet applicable standby and non-bypassable and other applicable charges and tariff requirements. However, if a Generating Facility customer objects to SDG&E's estimate of the Generator(s) output, the customer may elect to install the NGOM, or have SDG&E install NGOM at the customer's expense.

All metering options available to the customer must conform to the requirements set forth in SDG&E's Rule 25. If SDG&E does not receive meter data in accordance with Rule 25, SDG&E shall have the right to install utility-owned NGOM at the customer's expense.

The relevant factors in determining the need for NGOM are as listed below:

- (a) Data requirements in proportion to need for information;
- (b) Producer's election to install equipment that adequately addresses SDG&E's operational requirements;
- (c) Accuracy and type of required Metering consistent with purposes of collecting data;
- (d) Cost of Metering relative to the need for and accuracy of the data;
- (e) The Generating Facility's size relative to the cost of the metering/monitoring;
- (f) Other means of obtaining the data (e.g. Generating Facility logs, proxy data, etc.);
- (g) Requirements under any Interconnection Agreement with the Producer.

The requirements in this Section may not apply to Metering of Generating Facilities operating under SDG&E's Net Energy Metering tariff pursuant to California Public Utilities Code Section 2827, et seq. Nothing in this Section F.3 supercedes Section B.4.

SDG&E will report to the Commission or designated authority, on a quarterly basis, the rationale for requiring Net Generation Output Metering equipment in each instance along with the size and location of the facility.

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Lee Schavrien
Vice President
Regulatory Affairs

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