

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**03-08-07
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Agenda ID #6456
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 05-03-015

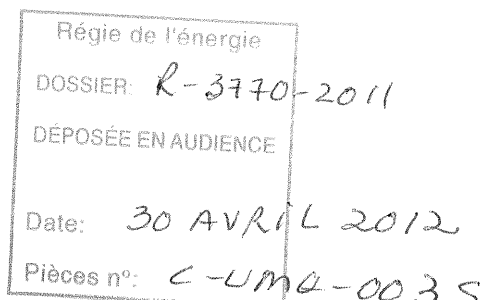
This is the proposed decision of Administrative Law Judge (ALJ) Gamson. It will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's **Rules of Practice and Procedure** (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed either electronically pursuant to Resolution ALJ-188 or with the Commission's Docket Office. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to ALJ Gamson at dmg@cpuc.ca.gov. All parties must serve hard copies on the ALJ and the Assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail, or other expeditious method of service. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ ANGELA K. MINKIN
Angela K. Minkin, Chief
Administrative Law Judge

ANG:h12
Attachment

Decision (PROPOSED DECISION OF ALJ GAMSON (Mailed 3/8/2007)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric
Company (U-902-E) for Adoption of an
Advanced Metering Infrastructure Deployment
Scenario and Associated Cost Recovery and Rate
Design.

Application 05-03-015
(Filed March 15, 2005)

(See Appendix B for a list of appearances.)

**OPINION APPROVING SETTLEMENT ON SAN DIEGO GAS AND ELECTRIC
COMPANY'S ADVANCED METERING INFRASTRUCTURE PROJECT**

a company, the final year would include a going concern value. The AMI project is not a company, so DRA claims standard financial analysis protocol dictates that the period of analysis can only be reasonably taken as long as the life of the longest living asset (in this case 17 years). We agree.

In one way, it is appropriate to look to long-term utility system capital investments such as power plants or transmission lines, as SDG&E suggests; the analysis of the AMI Project should be based on the useful life of the Project, as we do with other long-term utility system capital investment. However, SDG&E's analogy is misplaced in attempting to compare a 30-year useful life of a power plant to a 34-year going concern analysis of the AMI Project, when the AMI Project has only a 17-year useful life.

SDG&E believes it has gone beyond the Commission's requirement for a 15-year analysis period to show explicit cash flows (both costs and benefits) through 2038. However, these cash flows stemming from a future replacement to the proposed AMI system are not relevant to our analysis. In D.06-07-027 regarding PG&E's AMI project, we noted:

"The AMI system's useful life does not depend on when the first component fails or how long the last meter-module can be coaxed to function. Its life depends on the system as a whole operating correctly and reliably."³⁰

SDG&E would likely install a second generation of AMI starting after 17 years. By 2026 (the last year of the expected system lifetime of the current project), the AMI system as a whole would likely be overtaken by a faster,

³⁰ D.06-07-027, p. 24.