APPENDIX XII

FORMULA FOR CALCULATING THE ALLOCATED COSTS TO THE CITIZENS SYCAMORE-PENASQUITOS ("SX-PQ") LINE RATE UNDER SDG&E'S TRANSMISSION OWNER TARIFF

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INTRODUCTION

This Appendix XII sets forth the details with respect to the annual determination of San Diego Gas & Electric Company's ("SDG&E") SX-PQ Line Rate used to derive the charges assessed to Citizens Sycamore-Penasquitos Transmission LLC ("Citizens") for its percentage share of the transfer capability in an underground segment of the Sycamore to Penasquitos 230kV line ("SX-PQ Line"). This Appendix XII, which includes the Formula Rate Protocols as Attachment 1 and the Formula Rate Spreadsheet as Attachment 2, constitute the "Appendix XII Formula". SDG&E will calculate its SX-PQ Line Rate using the Formula Rate Spreadsheet.

The Formula Rate Spreadsheet contains fixed formulae that are described in this Appendix XII and embedded in the Formula Rate Spreadsheet. If there is any conflict between the text of this Appendix XII and the Formula Rate Spreadsheet, the embedded formulae in the Formula Rate Spreadsheet shall control. The fixed formulae in the Formula Rate Spreadsheet are subject to change only pursuant to Sections 205 and 206 of the Federal Power Act ("FPA"), in accordance with the Formula Rate Protocols and will be populated with data from SDG&E's annual FERC Form 1 filing or SDG&E's underlying ledger accounts in accordance with the Formula Rate Protocols.

Information in the Reference sections and footnotes of the Formula Rate Spreadsheet may, however, be changed without an FPA Section 205 or Section 206 filing.

SDG&E shall update its SX-PQ Line Rate in accordance with the procedures and timelines set forth in the Formula Rate Protocols. SDG&E shall have the burden of demonstrating that its updates are just and reasonable, consistent with Section C.5~~1~~.g of the ~~Formula Rate~~ Protocols. An Interested Party (as defined in the Protocols) shall have the right to challenge SDG&E's updates, consistent with Section C.5~~1~~.d of the Formula Rate Protocols.

I. DEFINITIONS

Capitalized terms and allocation factors not otherwise defined in Section I of SDG&E's TO Tariff, in Appendix VIII, in the California Independent System Operator ("CAISO") Tariff, or in this Appendix XII have the following definitions:

A. ALLOCATION FACTORS

1. Transmission Plant Allocation Factor shall equal the ratio of SDG&E's total investment in (a) Transmission Plant, which includes the Citizens SX-PQ leased plant amount, and Incentive Transmission Plant, (b) Transmission Related Electric Miscellaneous Intangible Plant, (c) Transmission Related General Plant, and (d) Transmission Related Common Plant to SDG&E's Total Plant in Service.
2. Transmission Property Insurance and Tax Allocation Factor shall equal the ratio of the sum of SDG&E's total investment in (a) Transmission Plant, which includes the Citizens SX-PQ leased plant amount, and Incentive Transmission Plant, (b) Transmission Related General Plant, (c) Transmission Related Common Plant to SDG&E's Total Plant in Service, excluding SDG&E's ownership share in the San Onofre Nuclear Generation Station ("SONGS") and Transmission Related Electric Miscellaneous Intangible Plant.
3. Transmission Wages and Salaries Allocation Factor shall equal the ratio of SDG&E's transmission direct wages and salaries less the direct wages and salaries associated with substation, overhead, and underground maintenance to SDG&E's total direct wages and salaries, excluding administrative and general wages and salaries.
4. Transmission Wages and Plant Blended Allocation Factor shall be equal to 80% of the Transmission Wages and Salaries Allocation Factor and 20% of the Tranmission Plant Allocation Factor.

B. CARRYING CHARGE PERCENTAGES

1. Transmission Related O&M Expense shall equal the ratio of Transmission O&M Expense to Net Transmission Plant.
2. Transmission Related A&G Expense shall equal the ratio of Transmission Related A&G Expense including Property Insurance to Net Transmission Plant.
3. Transmission Related General and Common Plant Revenue shall equal the ratio of the sum of Transmission Related General and Common Return and Associated Income Taxes and Transmission Related General and Common Depreciation Expense to Net Transmission Plant.

4. Transmission Related Payroll Tax Expense shall equal the ratio of Transmission Related Payroll Tax Expense to Net Transmission Plant.

5. Transmission Related Property Tax Expense shall equal the ratio of Transmission Related Property Tax Expense to Net Transmission Plant.

6. Transmission Related Working Capital Revenue shall equal the ratio of Transmission Working Capital Revenue to Net Transmission Plant.

C. TERMS

1. Accumulated Deferred Income Taxes shall equal the net of the deferred tax balance recorded in FERC Account Nos. 281-283 and the deferred tax balance recorded in FERC Account No. 190.

2. Administrative and General Expense (A&G) shall equal SDG&E's expenses recorded in FERC Account Nos. 920-935, excluding FERC Account No. 930.1 (General Advertising Expense) and Account No. 927 (Franchise Requirements), plus the recorded Transmission Related A&G Expenses allocated and charged to Citizens SX-PQ in FERC Account No. 413, Expenses from Electric Plant Leased to Others.

3. Amortization of Investment Tax Credits shall equal SDG&E's credits recorded in FERC Account No. 411.4.

4. Amortization of Loss on Reacquired Debt shall equal SDG&E's expenses recorded in FERC Account No. 428.1.

5. Accounting Changes may involve: (1) the initial implementation of an accounting standard or policy; (2) the initial implementation of accounting practices for unusual or unconventional items where the Commission has not provided specific accounting direction; (3) corrections of errors and prior period adjustments; (4) the implementation of new estimation methods or policies that change prior estimates; and (5) changes to income tax elections.

~~4.~~6. Annual Informational Filing shall be the annual filing at the Commission to establish the Citizens SX-PQ Line Rate.

~~5.~~7. Base Period shall be the calendar year for which SDG&E's most recent FERC Form 1 is available.

~~6.~~8. Citizens SX-PQ Incremental Accumulated Deferred Income Taxes shall equal the incremental Accumulated Deferred Income Taxes that would result from Bonus Depreciation if it were to apply, subject to IRS approval, and MACRS Depreciation over book depreciation methods on the Citizens SX-PQ Line.

~~7.~~9. Citizens SX-PQ Line Leased Amount shall equal the $27 million prepaid lease amount of the SX-PQ Line that SDG&E leased to Citizens.

~~8.~~10. Citizens SX-PQ Line Rate shall be equal to the sum of the following: Direct Maintenance Expense Cost Component, Non-Direct Expense Cost Component, Cost Component Containing Other Specific Expenses, True-Up Adjustment Cost Component, Interest True-Up Adjustment Cost Component, and Other Adjustments.

~~9.~~11. Common Plant shall equal SDG&E's gross plant balance recorded in FERC Accounts Nos. 303 and 389 through 398. Common Plant are costs that are shared between SDG&E's Electric and Gas functions. SDG&E uses labor ratios to segment these costs between Electric and Gas functions.

~~10.~~12. Common Plant Depreciation Expense shall equal SDG&E's depreciation expenses related to Common Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates approved by FERC. These rates may not be changed absent an FPA Section 205 or 206 filing.

~~11.~~13. Common Plant Depreciation Reserve shall equal SDG&E's depreciation reserve balance related to Common Plant recorded in FERC Account Nos. 108 and 111.

14. CPUC Intervenor Funding Expense shall equal those expenses recorded in FERC Account No. 928 incurred by SDG&E associated with its requirement to reimburse intervenors participating in CPUC regulatory proceedings involving transmission projects as ordered and approved by the CPUC.

~~12.~~15. Draft Informational Filing shall be the draft calculation of SDG&E's Citizens SX-PQ Line Rate posted on SDG&E's website for Interested Parties to review and submit data request questions to ascertain the accuracy and correctness of the input data.

~~13.~~16. Electric Miscellaneous Intangible Plant shall equal SDG&E's costs recorded in FERC Account No. 303 related to Electric Miscellaneous Intangible Plant.

17. Electric Miscellaneous Intangible Plant Amortization Reserve shall equal

SDG&E's costs recorded in FERC Account No. 111 related to the amortization reserve of Electric Miscellaneous Intangible Plant.

18. Equity Allowance for Funds Used During Construction (AFUDC) Component of Transmission Depreciation Expense shall be the revenue requirement associated with the Equity AFUDC embedded in the Plant cost of the Citizens SX-PQ Line. The amount shall equal the annual book depreciation of Equity AFUDC multiplied by the combined federal and state tax rate, with the product multiplied by a net-to-gross factor to derive the revenue requirement component.

~~14.~~19. General Plant shall equal SDG&E's gross plant balance recorded in FERC Account Nos. 389-399.

~~15.~~20. General Plant Depreciation Expense shall equal SDG&E's depreciation expense related to General Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates approved by FERC. These rates may not be changed absent an FPA Section 205 or 206 filing.

21. General Plant Depreciation Reserve shall equal SDG&E's depreciation reserve balance related to General Plant recorded in FERC Account Nos. 108 and 111.

~~16.~~22. Interested Parties are all parties interested in the information exchange and review described in these Protocols including, but not limited to, customers under the TO Tariff, the CPUC, consumer advocacy agencies, and the California state attorney general.

~~17.~~23. Materials and Supplies shall equal SDG&E's balance of total electric Materials & Supplies recorded in FERC Account No. 154 as reported in SDG&E's annual FERC Form 1. This component of rate base is calculated using a 13-month average.

~~18.~~24. Municipal Franchise Tax Expense shall equal the amounts recorded in FERC Account No. 927.

~~19.~~25. Other Regulatory Assets/Liabilities shall equal amounts recorded in FERC Account No. 182.3 that the Commission has accepted for recovery under Section 205 of the FPA.

~~20. Equity Allowance for Funds Used During Construction (AFUDC) Component of Transmission Depreciation Expense shall be the revenue requirement associated with the Equity AFUDC embedded in the Plant cost of the Citizens SX-PQ Line. The amount shall equal the annual book depreciation of Equity AFUDC~~

~~multiplied by the combined federal and state tax rate, with the product multiplied by a net-to-gross factor to derive the revenue requirement component.~~

~~21.~~26. Payroll Taxes shall equal those payroll tax expenses recorded in FERC Account No. 408.1.

~~22.~~27. Prepayments shall equal SDG&E's electric prepayment balance recorded in FERC Account No. 165.

~~23.~~28. Property Insurance shall equal SDG&E's electric expenses recorded in FERC Account No. 924.

~~24.~~29. Property Taxes shall equal SDG&E's electric expense recorded in FERC Account No. 408.1.

~~25.~~30. Rate Effective Period shall be a 12-month calendar year period beginning January 1 and ending December 31.

~~26.~~31. Return and Associated Income Taxes shall equal the product of the applicable item and the Cost of Capital Rate, as defined in Attachment 2 (Formula Rate Spreadsheet).

~~27.~~32. Return on Equity shall be the FERC authorized Return on Equity rate set forth in SDG&E's TO~~5~~6 Formula Rate Filing.

~~28.~~33. SX-PQ Removal Rate for FERC Account No. 357 (Underground Conduit) and FERC Account No. 358 (Underground Conductors & Devices) shall be the FERC authorized Cost of Removal Rates set forth in SDG&E's TO5 Formula Rate Filing.

~~29.~~34. Total Plant in Service shall equal SDG&E's total gross plant balance recorded in FERC Account Nos. 301 through 399.

~~30.~~35. Transmission Operation and Maintenance Expense shall equal SDG&E's expenses recorded in FERC Account Nos. 560-573 plus the Transmission O&M expenses charged to Citizens SX-PQ as recorded in FERC Account No. 413 (Expenses from Electric Plant Lease to Others), excluding non-transmission costs recorded in (1) FERC Account No. 561.4 (Scheduling, System Control & Dispatch Services); (2) FERC Account No. 561.8 (Reliability, Planning & Standards Development Services) for CAISO charges that are included in the Energy Resource Recovery Account ("ERRA"); (3) FERC Account No. 565 (Transmission of Electricity by Others) relating to the purchase of power on behalf of or to serve SDG&E's bundled Non-CAISO~~retail~~ customers; and (4) FERC Account No. 566 (Miscellaneous Transmission Expenses) for CAISO Grid

Management Costs and other expenses recovered in other balancing accounts such as the California Systems 21st Century Energy Balance Account ("CES-21BA"), Hazardous Substance Cleanup Cost Memorandum Account ("HSCCMA"), Reliability Costs Memorandum Account ("RCMA"), Transmission Revenue Balancing Account Adjustment ("TRBAA"), and Transmission Access Charge Balancing Account Adjustment ("TACBAA") ; and (5) FERC Account No. 560 (Operation supervision and engineering) for 100% of Executive Officer Compensation and Benefits for officers of SDG&E, Sempra, or any other SDG&E Affiliates, using the definition of "executive officer" set forth in Rule 3b-7 under the Securities Exchange Act of 1934; and 100% of all long-term incentive compensation, 100% of all short-term incentive programs associated with the Non-GAAP Core Earnings per Share or similar financial-based metrics, and 100% of Supplemental Executive Retirement Plan Compensation for employees who are not Rule 3(b)-7 officers. In addition to these costs, Citizens SX-PQ Line Rate shall also exclude the following expenses that do not relate to the underground portion of the line: (1) FERC Account No. 562 (Station Expenses), (2) FERC Account No. 563 (Overhead Line Expenses), (3) FERC Account No. 570 (Maintenance of Station Equipment), (4) FERC Account No. 571 (Maintenance of Overhead Lines), and (5) FERC Account No. 572 (Maintenance of Underground Lines).

~~31.~~36. Transmission Plant shall equal SDG&E's Gross Plant balance recorded in FERC Account Nos. 350 – 359, excluding the portion attributable to any facilities, the cost of which is directly assigned under the CAISO Tariff, or is included in Incentive Transmission Plant, plus the Citizens SX-PQ Gross Plant equal to the amount of lease payment.

~~32.~~37. Transmission Plant Abandoned Project Cost shall equal an amount, exclusive of Incentive Transmission Plant Abandoned Project Cost, relating to abandoned transmission projects that are recorded in FERC Account No. 182.2. The ratemaking treatment to be afforded for recovery of such costs shall be determined by the Commission on the basis of a filing made by SDG&E with the Commission under Section 205 of the FPA in accordance with Appendix VIII of SDG&E's TO~~5~~6 Formula. In ~~the~~ that Section 205 ~~of the FPA~~ proceeding, SDG&E reserves its right to request recovery of up to 100% of the Transmission Plant Abandoned Project Cost and parties reserve their full rights to contest 100%

recovery as provided for in Appendix VIII of the TO~~5~~6 Formula.

~~33.~~38. Transmission Plant Depreciation Reserve shall equal SDG&E's transmission reserve balance recorded in FERC Account Nos. 108 and 111, plus the Citizens SX-PQ Weighted Average Accumulated Depreciation. Transmission Plant Depreciation Reserve does not include Incentive Transmission Plant Depreciation Reserve.

~~34.~~39. Transmission Plant Held for Future Use shall equal SDG&E's transmission related plant balance recorded in FERC Account No. 105. Gain or loss on the sale of plant held for future use shall be recorded in FERC Account Nos. 411.6 and 411.7.

~~35.~~40. Transmission Related Accumulated Deferred Income Taxes shall equal the balance of Transmission Plant Accumulated Deferred Income Taxes, plus the balance of Transmission Related Electric General and Common Plant Accumulated Deferred Income Taxes, plus Transmission Related Electric Miscellaneous Intangible Plant Deferred Income Taxes, less the Incentive Transmission Plant Accumulated Deferred Income Taxes, plus Citizens Related Accumulated Deferred Incomes Taxes associated with Citizens share of the SX-PQ Line, as reflected in a footnote to SDG&E's annual FERC Form 1 which SDG&E shall reference by page in its Informational Filing. Transmission Related Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 or its successor, costs.

~~36.~~41. Transmission Related Administrative & General Expenses shall equal (1) Administrative and General Expense included in FERC Account Nos. 920-935, excluding (i) Property Insurance in FERC Account No. 924, (ii) Injuries and Damages in FERC Account 925, and (iii) ~~-~~non-transmission-related expenses and various CPUC mandated costs recovered in other balancing accounts, which include but are not limited to non-transmission-related expenses in FERC Account No. 924 (Property Insurance), FERC Account No. 925 (Injuries and Damages), FERC Account No. 927 (Franchise Requirements), FERC Account 928 (Regulatory Commission Expenses) for any CPUC Intervenor Funding Expenses, FERC Account No. 930.1 (General Advertising Expenses), FERC Account No. 930.2 (Miscellaneous General Expenses), and FERC Account No. 935 (Maintenance of General Plant), plus the A&G expenses charged to Citizens SX-PQ as recorded in FERC Account No. 413 (Expenses from Electric Plant leased to

Others), multiplied by the Transmission Wages and Salaries Allocation Factor, plus (2) Property Insurance in FERC Account No. 924, excluding insurance costs related to nuclear plant serving SDG&E's bundled Non-CAISO~~retail~~ customers, multiplied by the Transmission Property Insurance and Tax Allocation Factor~~.~~, plus (3) Injuries and Damages in FERC Account No. 925 multiplied by the Transmission Wages and Plant Blended Allocation Factor.

~~37.~~42. Transmission Related Amortization of Excess Deferred Tax Liabilities shall equal an amount recorded in FERC Account Nos. 190, 282, and 283 related to transmission as reflected in a footnote in SDG&E's annual FERC Form 1 as referenced by page in its annual Informational Filing.

~~38.~~43. Transmission Related Amortization of Investment Tax Credits shall equal the amount set forth in the applicable FERC Form 1 until fully amortized. SDG&E shall reflect in a footnote in its annual FERC Form 1 any Transmission Related Amortization of Investment Tax Credits, which SDG&E shall reference by page in its annual Informational Filing.

~~39.~~44. Transmission Related Cash Working Capital shall be a ~~12.5~~0% allowance ~~(45 days/360 days)~~ of Transmission Operations and Maintenance, Transmission Related A&G Expenses, and CPUC Intervenor Funding Expense - Transmission.

~~40.~~45. Transmission Related Common Plant shall equal SDG&E's balance of investment in Electric Common Plant multiplied by the Transmission Wages and Salaries Allocation Factor.

~~41.~~46. Transmission Related Common Plant Depreciation Expense shall equal the balance of SDG&E's Electric Common Plant Depreciation Expense recorded in FERC Account Nos. 403, 404, and 405 multiplied by the Transmission Wages and Salaries Allocation Factor.

~~42.~~47. Transmission Related Common Plant Depreciation Reserve shall equal the balance in Electric Common Plant Depreciation Reservice multiplied by the Transmission Wages and Salaries Allocation Factor.

~~43.~~48. Transmission Related General Plant shall equal SDG&E's balance of investment in Electric General Plant multiplied by the Transmission Wages and Salaries Allocation Factor.

~~44.~~49. Transmission Related General Plant Depreciation Expense shall equal the

balance of SDG&E's Electric General Plant Depreciation Expense

recorded in FERC Account Nos. 403, 404, and 405 multiplied by Transmission Wages and Salaries Allocation Factor.

~~45.~~50. Transmission Related General Plant Depreciation Reserve shall equal the balance in Electric General Plant Depreciation Reserve multiplied by the Transmission Wages and Allocation Factor.

~~46.~~51. Transmission Related Electric Miscellaneous Intangible Plant shall equal the total amount of Electric Miscellaneous Intangible Plant recorded in FERC Account No. 303 multiplied by the Transmission Wages and Allocation Factor.

~~47.~~52. Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve shall equal SDG&E's balance of Electric Miscellaneous Intangible Plant Amortization Reserve multiplied by the Transmission Wages and Salaries Allocation Factor.

~~48.~~53. Transmission Related Materials and Supplies shall equal SDG&E's electric balance of Materials and Supplies (M&S) multiplied by the Transmission ~~Plant Allocation Factor~~ M&S rolling three-year average ratio.

~~49.~~54. Transmission Related Municipal Franchise Fees Expense shall equal the Total Annual Carrying Charge Rate prior to the inclusion of Municipal Franchise Tax expense multiplied by the Municipal Franchise Tax Expense rate that the CPUC authorized in its most recent General Rate Case.

~~50.~~55. Transmission Related Payroll Taxes Expense shall equal SDG&E's total electric Payroll Taxes expense recorded in FERC Account No. 408.1, plus the payroll taxes charged to Citizens SX-PQ, multiplied by the Transmission Wages and Salaries Allocation Factor. SDG&E shall footnote in its annual FERC Form 1 the payroll taxes attributable to Citizens SX-PQ, which SDG&E shall reference by page in its Informational Filing.

~~51.~~56. Transmission Related Prepayments shall equal SDG&E's electric balance of prepayments recorded in FERC Account No. 165 multiplied by the Transmission ~~Plant~~ Wages and Salaries Allocation Factor.

~~52.~~57. Transmission Related Property Taxes Expense shall equal Property Taxes, plus the property taxes charged to Citizens SX-PQ, excluding property taxes directly assigned to SONGS, multiplied by the Transmission Property Insurance and Tax Allocation Factor. SDG&E shall footnote in its annual FERC Form 1 the directly assigned property taxes attributable to SONGS and Citizens SX-PQ, which SDG&E shall reference by page in its Informational Filing.

~~53.~~58. True-Up Period shall be 12 months ended December 31 of the Base Period of each year.

II. CALCULATION OF SX-PQ LINE RATE

A. Attachment 1 – Formula Rate Protocols

B. Attachment 2 – Formula Rate Spreadsheet

The Appendix XII Formula Rate Spreadsheet consists of the following:

- Summary of Costs Components
- Section 1 – Direct Maintenance Expense Cost Component
- Section 2 – Non-Direct Expense Cost Component
- Section 3 – Cost Component Containing Other Specific Expenses
- Section 4 – True-Up Adjustment Cost Component
- Section 5 – Interest True-Up Adjustment Cost Component, and
- Statements AD through AV and Statement Miscellaneous, which provide data embedded in Sections 1 through 5 above

Data cells within the Formula Rate Spreadsheet that are color coded green are manual inputs based on the workpapers and/or FERC Form 1 data that are external to the Formula Rate Spreadsheet.

Data cells that are color coded yellow are linked to cells on other pages within the

Formula Rate Spreadsheet.

Uncolored cells reflect formulas (e.g., cells representing the sum of preceding lines) or links to cells on the same page.

Data cells that are colored grey shall be zero.

SDG&E will include these workpapers in each Annual Informational Filing.