

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA**

Application of San Diego Gas & Electric )  
Company (U 902-E) for a Reasonableness )  
Determination and Recovery of its 2014 O&M )  
and Non-O&M SONGS Costs. )  
\_\_\_\_\_ )

Application No. 15-01-XXX

**APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR A  
REASONABLENESS DETERMINATION AND RECOVERY OF ITS 2014 O&M AND NON-  
O&M SONGS COSTS**

EMMA D. SALUSTRO  
Attorney for  
SAN DIEGO GAS & ELECTRIC CO.

101 Ash Street  
Post Office Box 1831  
San Diego, California 92101-3017  
Telephone: (619) 696-4328  
Facsimile: (619) 699-5027  
E-mail: [ESalustro@semprautilities.com](mailto:ESalustro@semprautilities.com)

**Dated: January 30, 2015**

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Pursuant to Article 2 of the California Public Utilities Commission (“Commission”) Rules of Practice & Procedure and Ordering Paragraph (“OP”) 4 of Decision (“D.”) 14-11-040, San Diego Gas & Electric Company (“SDG&E”), hereby respectfully submits this Application for a reasonableness determination of a subset of costs for the San Onofre Nuclear Generating Station (“SONGS”) incurred in 2014, and to request recovery of those costs from SDG&E’s Nuclear Decommissioning Trust (“Trust”). This Application is timely based on D.14-11-040 requirements and the January 14, 2015 letter from Interim Director Timothy Sullivan granting SDG&E’s and Southern California Edison Company’s (“SCE”) request for an extension to file this application by January 30, 2015.

The figures presented in this Application, supporting testimony and the forthcoming workpapers,<sup>1</sup> and the manner in which the figures are presented for review, are preliminary and subject to change. SDG&E will provide an updated Application, supplemental testimony and

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<sup>1</sup> SDG&E will make workpapers in support of this Application and supporting testimony available soon after filing.

supplemental workpapers with final figures and figures categorized similarly to the 2014 Decommissioning Cost Estimate (“DCE”)<sup>2</sup> once that information is available to SDG&E.

## **I. Introduction and Summary**

### **A. Summary of Request**

In this Application, SDG&E respectfully requests that the Commission:

- (1) Find that the \$33.8 million (2014\$) of Operations and Maintenance (“O&M”) costs paid by SDG&E, including SCE overheads, to SCE in 2014 for Units 2 & 3 to be reasonable;<sup>3</sup>
- (2) Find that the \$2.8 million (2014\$) of Non-Operations and Maintenance (“non-O&M”) paid by SDG&E in 2014 to be reasonable;
- (3) Find that the \$1.1 million (100% share; 2014\$) SDG&E internal SONGS costs recorded in 2014 to be reasonable; and
- (4) Authorize SDG&E’s recovery of the costs from the SDG&E Trust.

### **B. Background**

Pursuant to California Public Utilities Code Section 455.5, the Commission issued an OII on October 25, 2012, initiating a multi-part investigation into the actions and expenses of the SDG&E and SCE associated with the extended outages at SONGS.<sup>4</sup> In the backdrop of the SONGS OII and the continued shutdown of the SONGS facility, the final decision for the SCE Test Year (“TY”) 2012 Generate Rate Case (“GRC”) application found it reasonable to allow SCE and SDG&E, subject to refund, to recover in the resulting revenue requirement SONGS O&M costs.<sup>5</sup> Shortly after, in the SDG&E TY2012 GRC, the Commission reiterated its finding

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<sup>2</sup> The DCE was previously provided to the Commission as Appendix A-1 to Ex. SCE-01, served in support of A.14-12-017, jointly filed by SDG&E and SCE on December 10, 2014. The DCE is also provided as Attachment B to accompanying testimony Ex. SDGE-01.

<sup>3</sup> Because the SONGS Order Instituting Investigation (“OII”), the Settlement Agreement and the approving Decision, D.14-11-010, only concern Units 2 & 3, SDG&E interpreted the Commission’s order to file this Application to only apply to costs for Units 2 & 3.

<sup>4</sup> D.14-11-040.

<sup>5</sup> D.12-11-051 at Conclusions of Law (“COL”) 20 & 21.

that SDG&E's SONGS O&M costs were "reasonable",<sup>6</sup> but also noted that the costs were subject to review and refund.<sup>7</sup>

In D.14-11-040, in which the Commission adopted the Settlement Agreement for SONGS Units 2 & 3 and resolved the remaining issues of the SONGS OII, I.12-10-013 and related cases, the Commission ordered SDG&E and SCE to "each file an application to recover costs for 2014 operations and maintenance and non-operations and maintenance expenses at the San Onofre Nuclear Generating Station, whether requesting recovery in general rates for the decommissioning trust."<sup>8</sup>

For purposes of this Application proceeding, SDG&E has interpreted "operations and maintenance" in Ordering Paragraph 4 of D.14-11-040 to have the same meaning as its definition in the SONGS OII Settlement Agreement, which is Operations and Maintenance.<sup>9</sup>

Similarly, SDG&E has interpreted "non-operations and maintenance" to have the same meaning as the "Non-O&M Expenses" definition in the SONGS OII Settlement Agreement, which is:

All SONGS-related expenses recorded in FERC accounts 408, 924, 925, and 926 that are *not*:

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<sup>6</sup> D.13-05-010 at Findings of Fact ("FOF") 20 ("As discussed in the SONGS section, the following costs are reasonable: the A&G loader to the SONGS capital costs; the Unit 1 spent fuel storage and the associated escalation; the SONGS site easement fees; and SDG&E's 20% share of the SONGS O&M and capital costs authorized in D.12-11-051.").

<sup>7</sup> D.13-05-010 at FOF 19 made SDG&E subject to the same conditional refund of SDG&E's share of the SONGS-related O&M and capital costs. D.13-05-101 at COL 7 ordered SDG&E to file an advice letter to "reflect the Commission's preliminary allowance of SONGS 2012 O&M costs and capital costs set forth in D.12-11-051."

<sup>8</sup> D.14-11-040 at OP 4. In D.12-11-051 and D.13-05-010, the Commission authorized SDG&E's SONGS-related revenue requirement, subject to refund. Accordingly, the 2014 provisionally authorized revenue requirement was included in 2014 rates. In its implementation of the SONGS OII Settlement (AL 2672-E), SDG&E already credited ratepayers the amount collected which was in excess of recorded costs in the SONGSBA for January through October 2014 costs, and in excess of SDG&E's forecast for November and December 2014 costs.

<sup>9</sup> Settlement Agreement at Para. 2.32. The Settlement Agreement is attached to supporting testimony Ex. SDGE-01 as Attachment A.

- (a) Non-O&M Balancing Account Expenses;<sup>10</sup>
- (b) Capitalized overhead; *or*
- (c) Recorded in FERC accounts 517-532.<sup>11</sup>

The FERC Uniform System of Accounts<sup>12</sup> defines account 924 as property insurance, account 925 as injuries and damages (including liability insurance), account 408 as taxes other than income (i.e., property taxes) and account 926 as Pension and Benefits.<sup>13</sup>

## II. Recovery Requested is from SDG&E's Trust

All of the costs at issue in this Application have a Commission-approved revenue requirement<sup>14</sup> and have already been collected in SDG&E's rates. In addition, SDG&E has already paid these costs during the calendar year 2014. All of these costs are "decommissioning costs", eligible to be paid with funds from SDG&E's Nuclear Decommissioning Trust ("Trust"). Thus, this Application seeks to recover from the SDG&E Trust SDG&E's 2014 O&M costs (whether billed by SCE or incurred by SDG&E) as well as those costs incurred by SDG&E in 2014 for SONGS non-O&M costs, specifically Insurance (i.e., Property and Liability Insurance) and Property Taxes. If the Commission were to approve SDG&E's request to recover these amounts from the SDG&E Trust, SDG&E would file a trust disbursement advice letter in accordance with Commission direction seeking a disbursement from the SDG&E Trust for these

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<sup>10</sup> The Settlement Agreement defines "Non-O&M Balancing Account Expenses" as "[a]ll SONGS-related expenses for pensions, post-retirement benefits other than pensions, and short-term incentive compensation that are not recorded in FERC accounts 517-532." Settlement Agreement at Para. 2.27.

<sup>11</sup> Settlement Agreement at Para. 2.28.

<sup>12</sup> 18 CFR §101.

<sup>13</sup> Unlike Insurance and Property Taxes, Pension and Benefits are not separately described in SDG&E's "non-O&M testimony", Chapter 2 of Ex. SDGE-01, for a few reasons. First, SDG&E's share of SONGS Pensions and Benefits costs are imbedded in O&M costs billed by SCE, and are thus included in O&M expenses billed by SCE as described in Chapter 1 of Ex. SDGE-1. Second, SDG&E's direct Pensions and Benefits related to its SONGS internal labor costs are separately authorized and recovered in SDG&E's pensions and benefits balancing account. However, the DCE forecast of SDG&E internal labor costs included Pension and Benefits in its calculation, and SDG&E seeks to recover its internal labor costs, including Pension and Benefits, from its Trusts, so SDG&E has provided applicable information in the testimony of Mr. De Marco, Chapter 3 of Ex. SDGE-02.

<sup>14</sup> See Table 1 provided in SDGE-03, submitted in support of this Application.

costs, as well as for other costs eligible to be paid from the Trust that were not part of this Application.<sup>15</sup> SDG&E will disburse the funds from its nuclear trust funds, as appropriate, and in accordance with general accounting standards and applicable federal and state regulations.

### **III. Reasonableness Review Standard**

In this Application, SDG&E requests that the Commission find reasonable, and authorizes recovery of, its 2014 O&M (as billed by SCE or incurred solely by SDG&E) and non-O&M SONGS costs. The Commission applies the “prudent manager standard” when reviewing SONGS costs. As articulated in D.10-07-047, the Commission defines the “prudent manager standard” as:

[W]e define reasonableness for decommissioning expenditures consistent with prior Commission findings; i.e., that the reasonableness of a particular management action depends on what the utility knew or should have known at the time the managerial decision was made.<sup>16</sup>

The Commission applied the same standard in the 2012 Nuclear Decommissioning Cost Triennial Proceeding (“NDCTP”) and similarly described the “prudent manager standard” as “the prudence of a particular management action . . . depends on what the utility knew or should have known at the time that the managerial decision was made.”<sup>17</sup> SDG&E assumes the Commission will apply the “prudent manager standard” to its requests herein.<sup>18</sup>

SDG&E strongly encourages the Commission to continue being mindful of SDG&E’s limited role as a 20% minority owner and its limited ability to influence SCE’s expenditures at

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<sup>15</sup> See Table 2 of Ex. SDGE-03 for other costs that are eligible to be paid from the trust as “decommissioning costs”, but are not within the scope of this Application.

<sup>16</sup> D.10-07-047 at 45 (discussing the Unit 1 reasonableness review standard).

<sup>17</sup> D.14-12-082 at 14 (2012 NDCTP Phase 2).

<sup>18</sup> In Ex. SCE-01 in support of the Joint Application, A.14-12-007, SCE proposes an annual revised reasonableness standard. See SCE-01, “Testimony On The Nuclear Decommissioning Of SONGS 2 & 3” at 42. See also, SCE’s Application for a Rehearing of 2012 NDCTP D.14-12-082. SCE is advocating a return to a reasonableness review standard previously used by the Commission. SDG&E’s assumption that the Commission will apply the “prudent manager” standard in this proceeding should not be taken as a lack of support by SDG&E for SCE’s proposals in A.14-12-007 or other applications.

SONGS (100%) when the Commission reviews SDG&E's 2014 SONGS costs for reasonableness.<sup>19</sup> The Decommissioning Agent role is currently filled by SCE, the majority owner of SONGS and the Nuclear Regulatory Commission's ("NRC") designated licensee for title and possession of the spent fuel at SONGS. As a minority owner of SONGS, SDG&E was neither the Decommissioning Agent who incurred the decommissioning costs nor was SDG&E the NRC-recognized agent responsible for the actual decommissioning work itself. Thus, SDG&E did not make "managerial decisions" concerning the specific work to undertake at SONGS during decommissioning in 2014. As a minority owner, SDG&E did not have the contractual power in 2014 to block or veto any of SCE's decisions during SONGS decommissioning. Furthermore, the vast majority of SDG&E's 2014 costs subject to the Commission's reasonableness review now are simply a subset of the total (100%) costs incurred by SCE at SONGS.

SDG&E has involved itself at SONGS despite its limitations as minority owner and narrow scope of influence. Besides fulfilling its financial obligations commensurate with SDG&E's 20% ownership of the facility, SDG&E continued to fulfill its traditional role at SONGS of reviewing SCE's actions and providing oversight and feedback concerning SCE's activities and costs, to the extent possible.<sup>20</sup> To the extent possible, SDG&E tracked costs and reviewed reasons for cost variances based on information provided by SCE.<sup>21</sup> SDG&E independently reviewed the DCE and retained outside decommissioning experts to assist with its efforts at SONGS.<sup>22</sup> These actions by SDG&E underlying its request for a reasonableness determination are discussed in more detail in Ex. SDGE-02, provided in support of this Application.

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<sup>19</sup> See, e.g., D.06-11-026 at 12.

<sup>20</sup> See, e.g., D.10-07-047 at COL 8 (noting that SDG&E may reasonably rely upon SCE, subject to the proviso that SDG&E shall review and provide such advice and consent as may be necessary).

<sup>21</sup> D.14-12-082 at 43-44 (stating that cost variances will be reviewed).

<sup>22</sup> See, e.g., 2012 NDCTP (noting that SDG&E conducted its own independent review of the DCE); D.07-01-003 at 24-25 (2005 NDCTP) (stating that SDG&E is "obliged as an integral part of good utility practices to demonstrate that in decommissioning SONGS Unit 1 that [it] engaged the right people for the job.").



#### **IV. Description of Application and Testimony**

This Application seeks a reasonableness determination of SDG&E’s 2014 SONGS costs as outlined in OP 4 of D.14-11-040. Specifically, those costs are SDG&E’s “operations and maintenance” costs billed by SCE<sup>23</sup>, SDG&E internal (100%) costs, and SDG&E’s “non-operations and maintenance” costs.<sup>24</sup> All three of these costs were conditionally found reasonable by the Commission and SDG&E’s revenue requirements for all three types of costs were authorized in D.12-11-051 and D.13-05-010.<sup>25</sup>

**Table IV-1: SDG&E 2014 SONGS Costs Addressed in this Application**

Description		Sponsoring Witness / Chapter	Provisionally Authorized Revenue Requirement (2014\$)	2014 Recorded Costs (Jan 1 - Dec 31)	Decision Authorizing Treatment of Costs	Nuclear Decommissioning Trust Eligible?
<b>SONGS O&amp;M as billed by SCE</b> <sup>26</sup>		Tracy Dalu/ SDGE-01, Chapter 1	\$121.6 million	\$33.8 million	SCE GRC D.12-11-051	Yes
<b>Non-O&amp;M Costs (excluding Pension &amp; Benefits)</b>	Insurance (Property and Liability)	Tim Curtis/SDGE-01, Chapter 2	\$1.9 million	(\$0.2) million	SDG&E GRC D.13-05-010	Yes
	Property Tax	Tim Curtis/SDGE-01, Chapter 2	\$3.1 million	\$3.0 million	SDG&E GRC D.13-05-010	Yes
<b>SDG&amp;E Internal Costs</b> <sup>27</sup>		Mike De Marco/SDGE-01, Chapter 3	\$0.2 million	\$1.1 million	SDG&E GRC D.13-05-010	Yes

<sup>23</sup> As defined in the Settlement Agreement at Para. 2.27; including Pensions and Benefits imbedded in O&M bills from SCE.

<sup>24</sup> As defined in the Settlement Agreement at Para. 2.32.

<sup>25</sup> In its implementation of the SONGS OII Settlement (Advice Letter (“AL”) 2672-E), SDG&E already credited ratepayers the amount collected which was in excess of recorded costs. The Commission approved AL 2672-E, tentatively effective December 24, 2014; however it remains subject to modification pending further Energy Division review and final disposition.

<sup>26</sup> This amount excludes Seismic Costs, which are shown in SDGE-03 Table 2; Pension & Benefits billed by SCE are included in this calculation.

<sup>27</sup> Includes SDG&E labor and non-labor; the \$1.1 million recorded costs includes Vacation and Sick Time, but does not include exclude Pensions and Benefits, state tax and federal tax. See Chapter 3 of SDGE-01 for more information.

Table IV-1 also appears as Table 1 of Ex. SDGE-03, provided in support of this Application. All three types of costs are also “decommissioning costs,” because they were incurred during SONGS’s decommissioning period (i.e., post-June 7, 2013) and have a strong nexus to decommissioning.<sup>28</sup> Therefore, SDG&E also seeks authority to recover these costs from the SDG&E Trust.

**A. Testimony in Support of a Reasonableness Determination for SDG&E’s 2014 SONGS Decommissioning Costs**

SDG&E submits this Application for a reasonableness determination and recovery of a subset of its 2014 SONGS costs, specifically:<sup>29</sup>

1. SDG&E’s 20% share of SONGS costs for O&M expenses for Units 2 & 3, including SCE’s overheads, that SCE billed and SDG&E recorded in 2014;
2. SDG&E’s 2014 non-O&M costs recorded by SDG&E in 2014; and
3. SDG&E’s internal costs recorded in 2014 related to decommissioning SONGS.

Ex. SDGE-01 provided in support of this Application describes the three types of costs for which SDG&E seeks a reasonableness determination and recovery.<sup>30</sup> Chapter 1 describes those costs that comprise SDG&E’s share of SONGS O&M costs for Units 2 & 3 recorded in

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<sup>28</sup> On March 31, 2014, the Internal Revenue Service (IRS) issued a Private Letter Ruling (PLR) granting SDG&E’s request for confirmation that the activities that occurred at SONGS early in the decommissioning period, including those activities which took place in 2014, are considered “decommissioning costs,” eligible to be paid from SDG&E’s Qualified Trusts. The IRS’s PLR and SDG&E’s request are attached as Attachment C to Ex. SDGE-01.

<sup>29</sup> Nothing in this Application or accompanying testimony waives SDG&E’s right to protest future billings by SCE for SONGS costs, or SDG&E’s right to question or audit SCE’s records concerning the 2014 SONGS costs. Furthermore, this Application and accompanying testimony does not waive or obviate SDG&E’s pending protests of SCE invoices for SONGS costs.

<sup>30</sup> The Commission’s review and reasonableness determination of these costs would normally be conducted as part of the NDCTP, which is scheduled to be filed in late 2015. SDG&E assumes that the Commission’s review of these 2014 costs as part of this application proceeding obviates their review in the 2015 NDCTP proceeding.

2014 and as billed by SCE. Chapter 2 describes SDG&E's non-O&M expenses recorded in 2014. Chapter 3 describes the SDG&E-only costs recorded in 2014.

Ex. SDGE-02 describes SDG&E's efforts to review the costs it incurred in 2014, as well as some of the major activities undertaken by SCE in 2014 underlying many of those costs. Mr. De Marco provides an overview of SDG&E's efforts in Chapter 1 and also describes the level of review and oversight SDG&E had over SCE's decisions to undertake the decommissioning activities underlying these costs in Chapter 2. Chapter 3 provides the testimony of SDG&E's decommissioning expert Mr. Levin, who discusses many of the major decommissioning activities that SCE undertook for Units 2 & 3 in 2014 in the context of his industry knowledge and expertise. In Chapters 3 and 4, SDG&E witnesses Mr. Curtis and Ms. Dalu, respectively, describe the processes by which SDG&E is invoiced by SCE, and the steps that SDG&E takes to verify the invoices as correct and accurate, to the best of SDG&E's ability.

Ex. SDGE-03 provides Table 1, which contains the costs under discussion in this Application in summary form.

**B. SDG&E's Remaining 2014 SONGS Decommissioning Costs that are Not within the Scope of this Application**

There are other SONGS costs that SDG&E incurred in 2014 that are not within the scope of this proceeding. To provide a brief summary of SDG&E's other 2014 SONGS costs, SDG&E provides Table 2 in Ex. SDGE-03.<sup>31</sup> These costs are not within the scope of this Application for various reasons. For example, they might not be "O&M" or "non-O&M" costs or they may not concern Units 2 & 3. In addition, most of these 2014 SONGS costs have already received a Commission-approved 2014 revenue requirement that were not subject to further review and were included in 2014 rates, or they are governed by a Commission decision that dictates the particular circumstances in which SDG&E make seek recovery for such costs. It would be unlawful retroactive ratemaking for the Commission to review those costs for reasonableness and recovery as part of this proceeding. D.14-11-040 does not require review of those costs now and this application proceeding has not been identified by the Commission as an acceptable medium to comply with those requirements. Therefore, to avoid inappropriate retroactive ratemaking

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<sup>31</sup> SDG&E will provide any additional information about its 2014 SONGS costs as requested by the Commission in supplemental testimony, to the best of its ability.

and/or non-compliance with prior Commission orders, SDG&E does not seek a reasonableness review of those costs or request cost recovery in this Application.

**V. SDG&E's Application Must Be Updated and its Testimony Supplemented at a Later Time When Categorized Cost Information Is Available**

At this time, SDG&E is not able to provide costs in a manner that aligns with the cost categories and "Work Breakout Structures" provided in the 2014 DCE because SCE has not yet provided the necessary information to SDG&E.<sup>32</sup> Ordering Paragraph 4 of D.14-11-040 authorizes SDG&E to "update" this application and supporting testimony once it has final 2014 figures. Therefore, SDG&E seeks authorization from the Commission to update its application and/or supply supplemental testimony once it has the required information in its possession and has had a sufficient opportunity to review and verify the information. At this time, it is unclear to SDG&E whether it will be provided with the information by SCE with sufficient time to review, verify and present the information to the Commission by April 1, 2015. SDG&E will seek an extension from the Commission when it has a better understanding when it will receive the information and the form in which the information will be provided by SCE.

**VI. Statutory and Procedural Requirements**

**A. Statutory Authority**

This Application is made pursuant to Sections 451, 701 and 8321- 8330 of the Public Utilities Code.<sup>33</sup> In addition, this application complies with the Commission's Rules, and prior decisions, orders and resolutions of this Commission.

SDG&E is not seeking a rate increase in this application.

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<sup>32</sup> At this time, it is unclear to SDG&E when it can expect to receive its 2014 costs invoiced by SCE in a manner that aligns with the DCE, and how long it will take SDG&E to internally validate that information before providing it to the Commission.

<sup>33</sup> The California Nuclear Facility Decommissioning Act of 1985, set forth in California Public Utilities Code Sections 8321 - 8330, establishes the Commission's oversight and review of decommissioning cost estimates and costs incurred for decommissioning.

**B. Compliance with Commission Rule of Practice and Procedure 2.1**

Commission Rule 2.1 requires that “[a]ll applications shall state clearly and concisely the authorization or relief sought; shall cite by appropriate reference the statutory provision or other authority under which Commission authorization or relief is sought, shall be verified by at least one applicant . . . ; and . . . shall state the following: (a) [applicant information]; (b) [applicant service information]; (c) The proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule. . . .; (d) Such additional information as may be required by the Commission in a particular proceeding.” California Public Utilities Code § 1701.1(c)(3) defines ratesetting as “cases in which rates are established for a specific company, including, but not limited to, general rate cases, performance-based ratemaking, and other ratesetting mechanisms.”

While this application does not fall within the traditional definition of “ratesetting”, SDG&E suggests that under Rule 7.1(e)(2) it be conducted under the rules applicable to the ratesetting category.

SDG&E anticipates that an updated application and supplemental testimony will be required and that hearings may be necessary in this proceeding, and has prepared a proposed procedural schedule, as shown below.

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**Table I**  
**SONGS 2014 SONGS Cost Application**

Application Filed/Supporting Testimony Submitted	January 30, 2015
Prehearing Conference	TBD
Updated Application and Supplemental Testimony Submitted	TBD <sup>34</sup>
Intervener Testimony	July 1, 2015
Rebuttal Testimony	July 15, 2015
Evidentiary Hearings	Mid-to-late August, 2015
Opening Briefs	September 31, 2015
Reply Briefs	October 14, 2015
Proposed Decision Issued	November 14, 2015

The principal issues to be considered in this Application concern the reasonableness of (1) the \$33.8 million (2014\$) of 2014 O&M costs paid by SDG&E, including SCE overheads, through December 31, 2014; (2) the \$2.8 million (2014\$) of 2014 non-O&M costs paid by SDG&E through December 31, 2014; and (3) the \$1.1 million (100% share; 2014\$) 2014 internal costs paid by SDG&E through December 31, 2014; and (4) the recovery of such costs from SDG&E’s Trusts.

**C. Legal Name and Correspondence**

SDG&E is a public utility organized and existing under the laws of the State of California. The location of SDG&E’s principal place of business is 8306 Century Park Court,

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<sup>34</sup> Ordering Paragraph 4 of D.14-11-040 instructs SDG&E and SCE to “update their application and supporting testimony by April 1, 2015 with final figures, or when directed to do so by the presiding officer of those applicable proceedings.” In the above schedule, SDG&E declined to use the April 1, 2015 date for submitting an updated application and supporting testimony because it is unclear to SDG&E when SCE will provide the information necessary for SDG&E to complete the updated application and supporting testimony.

San Diego, California 92123. Correspondence or communications regarding this application should be addressed to:

Emma D. Salustro  
Attorney for San Diego Gas & Electric Co.  
101 Ash Street, HQ12B  
San Diego, CA 92101-3017  
Telephone: (619) 696-4328  
Facsimile: (619) 699-5027  
Email: [ESalustro@semprautilities.com](mailto:ESalustro@semprautilities.com)

To request a copy of this application, please contact:

Wendy Johnson  
Regulatory Affairs Business Manager  
San Diego Gas & Electric Company  
9305 Lightwave Avenue  
Mail Location: SD1190  
San Diego, CA 92123  
Telephone: (858) 654-1185  
E-mail: [wdjohnson@semprautilities.com](mailto:wdjohnson@semprautilities.com)

**D. Articles of Incorporation**

SDG&E is a corporation duly created under the laws of the State of California. A certified copy of the Restated Articles of Incorporation of San Diego Gas & Electric Company presently in effect and certified by the California Secretary of State was filed with the Commission on September 10, 2014, in connection with SDG&E's Application No. 14-09-008 and is incorporated herein by reference.

**E. Index of Exhibits and Appendices to This Application**

SDG&E hereby incorporate by reference into this Application the following exhibits:

**Table VI-1**  
**List of Exhibits**

<u><b>Exhibit No.</b></u>	<u><b>Title</b></u>
SDGE-01	Prepared Direct Testimony (O&M Billed by SCE to SDG&E, Non-O&M, SDG&E Internal Costs)
SDGE-02	Prepared Direct Testimony (SDG&E Review Efforts)
SDGE-03	Tables of 2014 SDG&E SONGS Costs

**Table VI-2**  
**List of Appendices**

<u><b>Appendix</b></u>	<u><b>Title</b></u>
Appendix A	SDG&E's Balance Sheet and Income Statement
Appendix B	SDG&E's Cities and Counties List
Appendix C	SDG&E's Summary of Earnings

## **VII. Conclusion**

In this Application, SDG&E respectfully requests the Commission:

- (1) Find that the \$33.8 million (2014\$) of Operations and Maintenance costs paid by SDG&E, including SCE overheads, to SCE through December 31, 2014 for Units 2 & 3 to be reasonable;
- (2) Find that the \$2.8 million (2014\$) of 2014 Non- Operations and Maintenance costs paid by SDG&E, through December 31, 2014 to be reasonable;
- (3) Find that the \$1.1 million (100% share; 2014\$) 2014 SDG&E internal costs paid through December 31, 2014 to be reasonable; and
- (4) Authorize recovery of the costs from SDG&E's Trust.



EMMA D. SALUSTRO

By: /s/ Emma D. Salustro

Emma D. Salustro

Attorney for:

SAN DIEGO GAS & ELECTRIC COMPANY

101 Ash Street

Post Office Box 1831

San Diego, California 92101-3017

Telephone: (619) 696-4328

Facsimile: (619) 699-5027

E-mail: [Esalustro@semprautilities.com](mailto:Esalustro@semprautilities.com)

Dated: January 30, 2015

**VERIFICATION**

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 30th day of January, 2015, at San Diego, California.

*/s/ Lee Schavrien*

Lee Schavrien, Finance, Regulatory and Legislative Affairs  
Senior Vice President  
SAN DIEGO GAS & ELECTRIC COMPANY

**Appendix A**

**SDG&E's Balance Sheet and Income Statement**

**SAN DIEGO GAS & ELECTRIC COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
SEPTEMBER 30, 2014**

<b>1. UTILITY PLANT</b>		<b>2014</b>
101	UTILITY PLANT IN SERVICE	\$13,265,270,702
102	UTILITY PLANT PURCHASED OR SOLD	-
104	UTILITY PLANT LEASED TO OTHERS	85,194,000
105	PLANT HELD FOR FUTURE USE	13,092,995
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	850,382,133
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(4,186,909,599)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(410,449,684)
114	ELEC PLANT ACQUISITION ADJ	3,750,722
115	ACCUM PROVISION FOR AMORT OF ELECTRIC PLANT ACQUIS ADJ	(687,632)
118	OTHER UTILITY PLANT	924,585,477
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(259,751,909)
120	NUCLEAR FUEL - NET	-
TOTAL NET UTILITY PLANT		10,284,477,205
<b>2. OTHER PROPERTY AND INVESTMENTS</b>		
121	NONUTILITY PROPERTY	5,947,314
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(364,300)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	1,086,913,134
TOTAL OTHER PROPERTY AND INVESTMENTS		1,092,496,148

Data from SPL as of November 20, 2014

**SAN DIEGO GAS & ELECTRIC COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
SEPTEMBER 30, 2014**

<b>3. CURRENT AND ACCRUED ASSETS</b>		2014
131	CASH	8,179,251
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	500
136	TEMPORARY CASH INVESTMENTS	8,600,000
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	325,835,707
143	OTHER ACCOUNTS RECEIVABLE	27,346,788
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(3,306,398)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	1,037,349
151	FUEL STOCK	5,915,837
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	60,643,228
156	OTHER MATERIALS AND SUPPLIES	-
158	ALLOWANCES	119,762,814
163	STORES EXPENSE UNDISTRIBUTED	-
164	GAS STORED	355,489
165	PREPAYMENTS	187,946,741
171	INTEREST AND DIVIDENDS RECEIVABLE	379,618
173	ACCRUED UTILITY REVENUES	66,408,000
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	3,140,584
175	DERIVATIVE INSTRUMENT ASSETS	122,719,561
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>934,965,069</b>
<b>4. DEFERRED DEBITS</b>		
181	UNAMORTIZED DEBT EXPENSE	33,866,452
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	3,415,826,388
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	5,408,508
184	CLEARING ACCOUNTS	773,515
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	69,070,258
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	12,678,902
190	ACCUMULATED DEFERRED INCOME TAXES	546,020,438
	<b>TOTAL DEFERRED DEBITS</b>	<b>4,083,644,461</b>
	<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>16,395,582,883</b>

Data from SPL as of November 20, 2014

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**BALANCE SHEET**  
**LIABILITIES AND OTHER CREDITS**  
**SEPTEMBER 30, 2014**

**5. PROPRIETARY CAPITAL**

		2014
201	COMMON STOCK ISSUED	(\$291,458,395)
204	PREFERRED STOCK ISSUED	-
207	PREMIUM ON CAPITAL STOCK	(591,282,978)
210	GAIN ON RETIRED CAPITAL STOCK	-
211	MISCELLANEOUS PAID-IN CAPITAL	(479,665,369)
214	CAPITAL STOCK EXPENSE	24,605,640
216	UNAPPROPRIATED RETAINED EARNINGS	(3,680,171,669)
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	7,425,619
	TOTAL PROPRIETARY CAPITAL	(5,010,547,152)

**6. LONG-TERM DEBT**

221	BONDS	(3,912,505,000)
223	ADVANCES FROM ASSOCIATED COMPANIES	-
224	OTHER LONG-TERM DEBT	(223,900,000)
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	10,483,578
	TOTAL LONG-TERM DEBT	(4,125,921,422)

**7. OTHER NONCURRENT LIABILITIES**

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(665,589,287)
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(30,799,317)
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(123,587,487)
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230	ASSET RETIREMENT OBLIGATIONS	(870,397,986)
	TOTAL OTHER NONCURRENT LIABILITIES	(1,690,374,077)

Data from SPL as of November 20, 2014

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**BALANCE SHEET**  
**LIABILITIES AND OTHER CREDITS**  
**SEPTEMBER 30, 2014**

<b>8. CURRENT AND ACCRUED LIABILITES</b>		<b>2014</b>
231	NOTES PAYABLE	0
232	ACCOUNTS PAYABLE	(426,187,421)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(36,331,647)
235	CUSTOMER DEPOSITS	(68,765,920)
236	TAXES ACCRUED	(142,413,013)
237	INTEREST ACCRUED	(56,002,581)
238	DIVIDENDS DECLARED	-
241	TAX COLLECTIONS PAYABLE	(5,069,005)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(300,676,506)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(36,787,838)
244	DERIVATIVE INSTRUMENT LIABILITIES	(149,662,867)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
<b>TOTAL CURRENT AND ACCRUED LIABILITIES</b>		<b>(1,221,896,798)</b>
<b>9. DEFERRED CREDITS</b>		
252	CUSTOMER ADVANCES FOR CONSTRUCTION	(36,637,985)
253	OTHER DEFERRED CREDITS	(364,727,768)
254	OTHER REGULATORY LIABILITIES	(1,317,940,681)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(21,820,437)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(1,855,909,283)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(749,807,280)
<b>TOTAL DEFERRED CREDITS</b>		<b>(4,346,843,434)</b>
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>		<b>(\$16,395,582,883)</b>

Data from SPL as of November 20, 2014

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2014**

**1. UTILITY OPERATING INCOME**

400	OPERATING REVENUES		\$3,888,295,041
401	OPERATING EXPENSES	\$2,604,800,533	
402	MAINTENANCE EXPENSES	112,891,857	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	373,934,327	
408.1	TAXES OTHER THAN INCOME TAXES	82,987,508	
409.1	INCOME TAXES	26,163,303	
410.1	PROVISION FOR DEFERRED INCOME TAXES	675,397,703	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(482,264,895)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(2,040,336)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		3,391,870,000
	NET OPERATING INCOME		496,425,041

**2. OTHER INCOME AND DEDUCTIONS**

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES OF NONUTILITY OPERATIONS	1,578	
417.1	EXPENSES OF NONUTILITY OPERATIONS	-	
418	NONOPERATING RENTAL INCOME	297,497	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	5,399,961	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	25,944,284	
421	MISCELLANEOUS NONOPERATING INCOME	371,195	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	32,014,515	
421.2	LOSS ON DISPOSITION OF PROPERTY	-	
425	MISCELLANEOUS AMORTIZATION	187,536	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	8,038,828	
	TOTAL OTHER INCOME DEDUCTIONS	8,226,364	
408.2	TAXES OTHER THAN INCOME TAXES	496,329	
409.2	INCOME TAXES	(1,789,345)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	8,312,662	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(6,478,028)	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	541,618	
	TOTAL OTHER INCOME AND DEDUCTIONS		23,246,533
	INCOME BEFORE INTEREST CHARGES		519,671,574
	NET INTEREST CHARGES*		140,424,376
	NET INCOME		\$379,247,198

*\*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION, (\$10,362,273)*



**SAN DIEGO GAS & ELECTRIC COMPANY  
STATEMENT OF INCOME AND RETAINED EARNINGS  
NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**3. RETAINED EARNINGS**

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$3,300,924,471
NET INCOME (FROM PRECEDING PAGE)	379,247,198
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	0
OTHER RETAINED EARNINGS ADJUSTMENTS	0
RETAINED EARNINGS AT END OF PERIOD	<u>\$3,680,171,669</u>

**Appendix B**  
**SDG&E's Cities and Counties List**

State of California  
Attorney General's Office  
P.O. Box 944255  
Sacramento, CA 94244-2550

Naval Facilities Engineering  
Command  
Navy Rate Intervention  
1314 Harwood Street SE  
Washing Navy Yard, DC 20374

City of Carlsbad  
Attn. City Attorney  
1200 Carlsbad Village Drive  
Carlsbad, CA 92008-19589

City of Chula Vista  
Attn. City Attorney  
276 Fourth Ave  
Chula Vista, Ca 91910-2631

City of Dana Point  
Attn. City Attorney  
33282 Golden Lantern  
Dana Point, CA 92629

City of Del Mar  
Attn. City Clerk  
1050 Camino Del Mar  
Del Mar, CA 92014

City of Encinitas  
Attn. City Attorney  
505 S. Vulcan Ave.  
Encinitas, CA 92024

City of Escondido  
Attn. City Attorney  
201 N. Broadway  
Escondido, CA 92025

City of Imperial Beach  
Attn. City Clerk  
825 Imperial Beach Blvd  
Imperial Beach, CA 92032

City of Laguna Beach  
Attn. City Clerk  
505 Forest Ave  
Laguna Beach, CA 92651

State of California  
Attn. Director Dept of General  
Services  
PO Box 989052  
West Sacramento, CA 95798-9052

Alpine County  
Attn. County Clerk  
99 Water Street, P.O. Box 158  
Markleeville, CA 96120

City of Carlsbad  
Attn. Office of the County Clerk  
1200 Carlsbad Village Drive  
Carlsbad, CA 92008-19589

City of Coronado  
Attn. Office of the City Clerk  
1825 Strand Way  
Coronado, CA 92118

City of Dana Point  
Attn. City Clerk  
33282 Golden Lantern  
Dana Point, CA 92629

City of El Cajon  
Attn. City Clerk  
200 Civic Way  
El Cajon, CA 92020

City of Encinitas  
Attn. City Clerk  
505 S. Vulcan Ave.  
Encinitas, CA 92024

City of Fallbrook  
Chamber of Commerce  
Attn. City Clerk  
111 S. Main Avenue  
Fallbrook, CA 92028

City of Imperial Beach  
Attn. City Attorney  
825 Imperial Beach Blvd  
Imperial Beach, CA 92032

City of Laguna Beach  
Attn. City Attorney  
505 Forest Ave  
Laguna Beach, CA 92651

United States Government  
General Services Administration  
300 N. Los Angeles  
Los Angeles, CA 90012

Borrego Springs Chamber of  
Commerce Attn. City Clerk  
786 Palm Canyon Dr  
PO Box 420  
Borrego Springs CA 92004-0420

City of Chula Vista  
Attn: Office of the City Clerk  
276 Fourth Avenue  
Chula Vista, California 91910-2631

City of Coronado  
Attn. City Attorney  
1825 Strand Way  
Coronado, CA 92118

City of Del Mar  
Attn. City Attorney  
1050 Camino Del Mar  
Del Mar, CA 92014

City of El Cajon  
Attn. City Attorney  
200 Civic Way  
El Cajon, CA 92020

City of Escondido  
Attn. City Clerk  
201 N. Broadway  
Escondido, CA 92025

City of Fallbrook  
Chamber of Commerce  
Attn. City Attorney  
111 S. Main Avenue  
Fallbrook, CA 92028

Julian Chamber of Commerce  
P.O. Box 1866  
2129 Main Street  
Julian, CA

City of Laguna Niguel  
Attn. City Attorney  
30111 Crown Valley Parkway  
Laguna Niguel, California 92677

City of Laguna Niguel  
Attn. City Clerk  
30111 Crown Valley Parkway  
Laguna Niguel, California 92677

City of Lakeside  
Attn. City Clerk  
9924 Vine Street  
Lakeside CA 92040

City of La Mesa  
Attn. City Attorney  
8130 Allison Avenue  
La Mesa, CA 91941

City of La Mesa  
Attn. City Clerk  
8130 Allison Avenue  
La Mesa, CA 91941

City of Lemon Grove  
Attn. City Clerk  
3232 Main St.  
Lemon Grove, CA 92045

City of Lemon Grove  
Attn. City Attorney  
3232 Main St.  
Lemon Grove, CA 92045

City of Mission Viejo  
Attn: City Clerk  
200 Civic Center  
Mission Viejo, CA 92691

City of Mission Viejo  
Attn: City Attorney  
200 Civic Center  
Mission Viejo, CA 92691

City of National City  
Attn. City Clerk  
1243 National City Blvd  
National City, CA 92050

City of National City  
Attn. City Attorney  
1243 National City Blvd  
National City, CA 92050

City of Oceanside  
Attn. City Clerk  
300 N. Coast Highway  
Oceanside, CA 92054-2885

City of Oceanside  
Attn. City Attorney  
300 N. Coast Highway  
Oceanside, CA 92054-2885

County of Orange  
Attn. County Counsel  
P.O. Box 1379  
Santa Ana, CA 92702

County of Orange  
Attn. County Clerk  
12 Civic Center Plaza, Room 101  
Santa Ana, CA 92701

City of Poway  
Attn. City Clerk  
P.O. Box 789  
Poway, CA 92064

City of Poway  
Attn. City Attorney  
P.O. Box 789  
Poway, CA 92064

City of Ramona  
Attn. City Clerk  
960 Main Street  
Ramona, CA 92065

City of Ramona  
Attn. City Attorney  
960 Main Street  
Ramona, CA 92065

City of Rancho San Diego - Jamul  
Attn. City Clerk  
3855 Avocado Blvd.  
Suite 230  
La Mesa, CA 91941

City of San Clemente  
Attn. City Clerk  
100 Avenida Presidio  
San Clemente, CA 92672

City of San Clemente  
Attn. City Attorney  
100 Avenida Presidio  
San Clemente, CA 92672

City of San Diego  
Attn. Mayor  
202 C Street, 11<sup>th</sup> Floor  
San Diego, CA 92101

County of San Diego  
Attn. County Clerk  
P.O. Box 121750  
San Diego, CA 92101

City of San Diego  
Attn. City Attorney  
1200 Third Ave.  
Suite 1620  
San Diego, CA 92101

County of San Diego  
Attn. County Counsel  
1600 Pacific Hwy  
San Diego, CA 92101

City of San Diego  
Attn. City Clerk  
202 C Street, 2<sup>nd</sup> Floor  
San Diego, CA 92101

City of San Marcos  
Attn. City Clerk  
1 Civic Center Dr.  
San Marcos, CA 92069

City of San Marcos  
Attn. City Attorney  
1 Civic Center Dr.  
San Marcos, CA 92069

City of Santee  
Attn. City Clerk  
10601 Magnolia Avenue  
Santee, CA 92071

City of Santee  
Attn. City Attorney  
10601 Magnolia Avenue  
Santee, CA 92071

City of Solana Beach  
Attn. City Attorney  
635 S. Highway 101  
Solana Beach, CA 92075

Spring Valley Chamber of  
Commerce  
Attn. City Clerk  
3322 Sweetwater Springs Blvd,  
Ste. 202  
Spring Valley, CA 91977-3142

Valley Center Chamber of  
Commerce  
Attn. City Clerk  
P.O. Box 8  
Valley Center, CA 92082

City of Vista  
Attn. City Attorney  
200 Civic Center Drive, Bldg. K  
Vista, CA 92084

City of Vista  
Attn. City Clerk  
200 Civic Center Drive  
Vista, CA 92084

City of Aliso Viejo  
12 Journey  
Aliso Viejo, CA 92656

**Appendix C**  
**SDG&E's Summary of Earnings**

**SAN DIEGO GAS & ELECTRIC COMPANY  
SUMMARY OF EARNINGS  
NINE MONTHS ENDED SEPTEMBER 30, 2014  
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$3,888
2	Operating Expenses	<u>3,392</u>
3	Net Operating Income	<u><u>\$496</u></u>
4	Weighted Average Rate Base	\$7,102
5	Rate of Return*	7.79%

\*Authorized Cost of Capital