

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

SAN DIEGO GAS & ELECTRIC COMPANY) DOCKET NO. ER13-__-000

SAN DIEGO GAS & ELECTRIC COMPANY'S
TRANSMISSION OWNER TARIFF
TO4 FORMULA

VOLUME 1

FEBRUARY 15, 2013



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February 15, 2013

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: San Diego Gas & Electric Company's Transmission Tariff
Docket No. ER13-____ - ____**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. §825d, San Diego Gas & Electric Company (SDG&E) submits revisions to its existing Transmission Owner (TO) Tariff. The primary revision is to adopt a new formula rate, TO Formula 4 (TO4), to supersede its currently-effective TO3 Formula,¹ which is due to expire by its terms on August 31, 2013. The proposed effective date for the TO4 Formula and the other changes described below is September 1, 2013.

I. NATURE AND PURPOSE OF FILING

This Filing does three things: (1) it proposes a new TO4 Formula and Appendix VIII to SDG&E's TO Tariff to supersede the TO3 Formula, which will expire August 31, 2013, (2) it revises SDG&E's Base Transmission Revenue Requirements² (BTRR) and increases transmission rates for retail End Use and California Independent System Operator (CAISO) Wholesale customers under the terms of the proposed TO4 Formula and (3) it revises Appendix IX of SDG&E's TO Tariff to reconcile it with CAISO terminology/protocols. Each of these points is summarized below and discussed more fully in Attachment 1 hereto.

¹ The TO3 Formula was embodied in a Settlement that SDG&E filed on March 27, 2007 in Docket Nos. ER07-284-000, *et al.* and that the Commission approved by letter order issued May 18, 2007 in *San Diego Gas & Electric Company*, 119 FERC ¶61,169 (2007), subject to a subsequent compliance filing. The Settlement became effective on July 1, 2007.

² Unless otherwise defined in this letter and accompanying volumes referenced herein, capitalized terms are intended to have the meanings ascribed to them in SDG&E's TO Tariff.

A. Key Components of the TO4 Formula and Related Appendix VIII that Differ from the TO3 Formula

In general terms, the TO4 Formula continues many, but not all, aspects of the TO3 Formula. The TO4 Formula differs from the currently-effective TO3 Formula primarily with respect to: (1) the timing of Rate Effective Periods, (2) inclusion of equations to incorporate incentive rate treatment that the Commission may approve for specific transmission projects during the term of the TO4 Formula, (3) permitting SDG&E to allocate and/or directly assign costs for certain categories of Administrative & General (A&G) and intangible plant costs, consistent with cost causation principles and (4) allowing the TO4 Formula to remain in effect indefinitely. These differences may be summarized as follows:

Timing: After an initial transition period, the TO4 Formula shifts the beginning of the Rate Effective Period for each Cycle from September 1 to January 1. The effective date of the various cycles, *i.e.*, September 1 will be the first month of the proposed Rate Effective Periods for the first two cycles (September 1, 2013 through August 31, 2014 and September 1, 2014 through August 31, 2015 with these rates being billed through December 31, 2015) and January 1 will be the proposed first month for Rate Effective Period for the remaining cycles under the TO4 Formula, commencing 2016. The Rate Effective Period commenced September 1 of each year under the TO3 Formula.

Incentives: Commission policy, as expressed in Order No. 679 and subsequent orders, provides for special ratemaking incentives for transmission projects that meet specified criteria. The TO3 Formula did not contain any mechanism by which such project-specific rates could be incorporated, due in part to a provision of the TO3 Settlement that precluded SDG&E from seeking such incentives during the term of the TO3 Formula. Going forward, SDG&E believes it is important to have flexibility to include project-specific incentive rates in its TO4 Formula, and the TO4 Formula includes the appropriate mechanisms to do so.

Accounting: TO4 proposes several change to the way in which the TO4 Formula accounts for certain categories of A&G and Intangible Plant costs.

First, the TO4 Formula modifies the treatment of electric costs booked to FERC Account Nos. 920-935, Administrative and General Expense - Electric. Under the TO3 Formula, all costs booked to those accounts were assigned to either Transmission or Distribution using the Transmission Wages and Labor Allocation Factor, *i.e.*, a labor ratio allocation. The TO4 Formula incorporates a bifurcated approach that will retain the labor ratio allocator for costs that cannot be directly assigned to either the Distribution or Transmission functions, while adding the option to directly assign costs to a business function or division consistent with cost causation principles when possible

Second, the TO4 Formula modifies the labor ratio allocation used for Electric Intangible Plant. The TO3 Formula provided only for the allocation of all Electric Intangible Plant using a labor ratio allocation. The TO4 Formula retains that option but also allows the direct assignment of costs where consistent with cost causation principles, analogous to the bifurcated procedure adopted with respect to A&G Costs discussed above.

Duration of the TO4 Formula

There is no sunset date for the TO4 Formula because the TO 4 Formula rate mechanism contains built-in flexibility to adjust as transmission operations change and new capital projects are developed. While future developments may necessitate changes in the TO4 Formula, SDG&E will evaluate the need for such changes if and when necessary.

B. TO4, Cycle 1 Base Transmission Revenue Requirements

Utilizing the TO4 Formula, this filing revises SDG&E's BTRR and increases transmission rates for retail End Use and CAISO Wholesale customers for the Rate Effective Period beginning September 1, 2013 and continuing through August 31, 2014.

The rates reflect the following components: (1) Base Period Revenue Requirements for the 12-month period ending May 31, 2012 and (2) Forecast Period Capital Addition Revenue Requirements for the 27-month period covering June 2012 through August 2014. TO4 Cycle 1 has no True-Up Adjustment.

To facilitate review of the revisions to the BTRR and associated rates for retail End Use and CAISO Wholesale customers, SDG&E summarizes key elements of the TO4 Filing below in Section III and in Appendix I hereto.

In this Filing, SDG&E is proposing to increase its currently-effective transmission depreciation rates. Due to the operation of the Formula, however, these rates are not included in the Cycle 1 Base Period BTRR. However, they will be reflected in the TO4 Cycle 2 Base Period BTRR.

C. Appendix IX to SDG&E's TO Tariff

SDG&E proposes minor revisions to its currently-effective Appendix IX to reconcile its terminology with current CAISO terminology and procedures. SDG&E notes that Appendix IX is separate and apart from the TO4 Formula, but still an integral part of the TO Tariff.

II. LIST OF DOCUMENTS SUBMITTED

This Filing consists of the 5 Volumes:

- Volume 1 contains the transmittal letter and a redlined and clean version of the proposed changes to the currently-effective TO3 Appendix VIII reflecting the revised Appendix VIII reflecting the proposed TO4 Formula and Appendix IX reflecting changes related to current CAISO terminology and procedures;
- Volumes 2 and 3 contain the testimony supporting the TO4 Formula and minor modifications to Appendix IX. See Attachment 2 for a summary of the testimony of each witness;

- Volume 4 contains the TO4 Base Period cost of service cost statements which include a Statement BK-1 and BK-2 that develops Base Transmission Revenue Requirements (BTRR) for End Use Customers (retail customers) and CAISO Wholesale Customers, respectively. Additionally Volume 4 contains Statement BL setting forth applicable retail rate design and CAISO High and Low Voltage Transmission Revenue Requirements (TRR);
- Volume 5 contains all the work papers supporting Volume 4.

III. SUMMARY OF TRANSMISSION FORMULA REVENUE REQUIREMENTS FOR THE TO4 CYCLE 1 RATE EFFECTIVE PERIOD

SDG&E's TO4, Cycle 1 formulaic BTRR for End Use customers (BTRR_{EU}) for the 12-month Rate Effective Period beginning September 1, 2013 through August 31, 2014, will collect from retail End Use customers approximately \$659.2 million in revenue requirements, representing a 5.86% increase over the current revenue requirement.³ The End Use and CAISO wholesale customers' BTRR is comprised of the following components:

		Retail Customer	Wholesale Customer
2012 Base Period revenues	=	\$ 307.9 million	\$ 305.6 million
Forecast Period revenues	=	\$ 343.6 million	\$ 343.6 million
12-month TU Adjustment	=		
Interest TU Adjustment	=		
Franchise Fees/Uncollectibles	=	<u>\$ 7.6 million</u>	<u>\$ 6.7 million</u>
Total	=	\$ 659.1 million	\$ 655.9 million

The increase in transmission rates above current rates is primarily attributable to two key factors: (1) the use of a TO4 Cycle 1 Forecast Period of 27 months, as compared to a TO3 Cycle 6 Forecast Period of 17 months, which resulted in increased transmission plant additions in the Forecast Period and (2) the inclusion of the East County Substation transmission project equal to approximately \$407 M on an un-weighted basis (\$135 M on a weighted basis).

The Forecast Plant additions reflect numerous specific transmission projects the CAISO has reviewed that are planned to be placed into service during the Forecast Period. These projects are being developed to meet transmission capacity expansion and to maintain transmission reliability. Additionally, included in the Forecast Period are a number of wood to steel pole replacement projects to improve reliability and reduce wildfire risks in fire and wind-prone areas in San Diego County. (See Volume 5 Work papers). Total un-weighted transmission capital project costs in the Forecast Period, including the Sunrise Powerlink project, are equal to \$2.513 billion and total weighted costs equal \$2.120 billion.⁴ These estimated

³ See Volume 1 Statement BK-1 page 5 for Retail End BTRR and Statement BG page 1.

⁴ Unadjusted for retirements.

capital costs will automatically be trued up to actual costs in SDG&E's future transmission filings to ensure customers pay no more and no less than actual costs.

The TO4 Cycle 1 BTRR for CAISO wholesale customers ($BTRR_{CAISO}$) equals \$655.9 million, based upon total gross load of 21,517 Gwhs for an overall unit rate of \$30.48/Mwhs, representing a 6.4% increase for the Rate Effective Period.⁵ As indicated above, SDG&E has included an Appendix 1 to reflect CAISO Transmission Access Charge information required by the CAISO Tariff.⁶

IV. WAIVER AND RESERVATION OF RIGHTS

SDG&E respectfully requests any waivers deemed necessary to permit the TO4 Cycle 1 Filing to become effective September 1, 2013, subject to refund and final Commission action in this proceeding. The September 1, 2013 effective date for the TO4 Formula will provide for seamless transition between the end of the TO3 Formula and the beginning of the TO4 Formula.

Good cause exists to permit the TO4 Formula to become effective as requested because the rate increase of the TO4 Formula, when measured against the currently effective TO3 Cycle 6 rates,⁷ is \$36.5 million, or approximately 5.86% and no extraordinary factors exist indicating that irreparable harm will result if this TO4 Formula is permitted to go into effect as requested. Moreover, all rates collected as of September 1, 2013 will be collected subject to refund. Therefore, no party will be harmed by permitting the TO4 Filing to become effective as requested.

Finally, SDG&E is requesting a rate of return on equity (ROE) of 11.3%, commensurate with its risk profile. This ROE is based, in part, on the Commission's current policy preference requiring the use of the median instead of the midpoint for proxy companies used in the Discounted Cash Flow Analysis. This matter is pending appeal.⁸ Accordingly, SDG&E expressly reserves its right to modify its ROE analysis based on the outcome of the pending appeal.

V. SERVICE

Copies of this Filing have been served on all parties to Docket No. ER08-1407, including the California Public Utilities Commission, the CAISO, Pacific Gas and Electric Company,

⁵ See Comparison of CAISO Average HV-LV Rates work paper near the end of Volume 5 of this filing. The increase is measured against the TO3 Cycle 6 rates in Docket No. ER12-2454.

⁶ As required by the CAISO Tariff, SDG&E as a Participating Transmission Owner is required to file Appendix I as part of its transmission rate filings to show how the PTO separates its annual TRR into High and Low Voltage revenues.

⁷ The TO3 Cycle 6 rates are currently being collected subject to refund.

⁸ *Southern California Edison Co. v. Federal Energy Regulatory Commission*, No. 11-1471 (D.C. Cir. filed Dec. 5, 2011).

Southern California Edison Company and other participating transmission owners that have transferred operational control over their transmission facilities and entitlements to the CAISO.

VI. COMMUNICATIONS

Correspondence and other communications concerning this Informational Filing should be addressed to:⁹

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Respectfully submitted,



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⁹ SDG&E requests waiver of Rule 203(b)(3) to the extent necessary to permit each of the individuals identified above to be placed on the Commission's official service list in this proceeding.

ATTACHMENT 1

KEY DIFFERENCES BETWEEN THE TO4 FORMULA AND THE TO3 FORMULA

- 1. TU Period and Base Period will be the same calendar year** – in the TO4 Formula the TU Period and the Base Period will be the same calendar year. In TO3, the Base Period was a calendar year and the 12-month TU Period ended 3 months later. Thus, there was only a 9 month overlap between the Base Period and TU Period. These two different costs of service periods (Base Period and TU Period) required SDG&E to prepare two sets of cost data statements, Statements AD through BL. In TO4, using the same calendar for both the Base Period and TU Period will allow SDG&E to prepare only one set of cost statements, AD through BL, which will save a considerable amount of time in the preparation of the formula filing as well as making it much easier for third parties to review the annual cyclical filings. Ed Lucero discusses this in more detail in his testimony.
- 2. One TU Period Adjustment for both Retail and CAISO Wholesale** – in TO3 SDG&E essentially had developed two TU Adjustment processes; one for retail and one for CAISO Wholesale customers. The Retail TU Adjustment was the difference between recorded revenues and the TU Cost of Service. Retail recorded revenues, is readily available from SDG&E's books so information to develop the retail TU Adjustment is readily available. On the other hand, information to calculate the ISO TU Adjustment is not readily available and a rather complicated and cumbersome process was needed in TO3 to calculate a proxy for the CAISO transmission recorded revenues. This was accomplished by looking at past cyclical TO3 TU costs of services, designing retail rates at the transmission level to reflect these costs of services and then applying the resulting rates for these costs of services to the TU Period billing determinants to reflect CAISO Wholesale TU recorded revenues. Although this process produced correct results, SDG&E's new TO4 process greatly simplifies the process.

Thus, in TO4, SDG&E uses the Retail TU Adjustments for the CAISO Wholesale TU Adjustment. Raulin Farinas discusses this issue in more detail in his testimony (Exhibit No. SDG-6).

- 3. Flexibility to Include Project-Specific Incentive Ratemaking** – FERC policy, as expressed in Order No. 679 and subsequent orders, provides for special ratemaking incentives for transmission projects that meet specified criteria. The TO3 Formula did not contain any mechanism by which such project-specific rates could be incorporated, due in part to a provision of the TO3 Settlement that precluded SDG&E from seeking any incentives under Order 679 during the term of the TO3 Formula. Going forward, SDG&E believes it important to have flexibility to include project-specific incentive rates as part of its overall TO Tariff. TO4 Appendix VIII include provisions that will allow the formula to account for:
 - ROE incentive adder for particular projects;
 - 100% recovery of CWIP in rate base;
 - 100% recovery of abandoned project costs

Utilization of any of the above incentives would only occur following Commission approval of rate incentives for a particular project. If and when the Commission approves the requested incentive(s), SDG&E will reflect the approved rate treatment in the Applicable TO4 cycle filing. Leonor Sanchez discusses the incentive provision(s) set forth in Appendix VIII in more detail in her testimony.

- 4. Allocation of Electric Intangible Plant** – another modification pertains to SDG&E’s allocation of electric intangible plant. In TO3, SDG&E allocated electric intangible plant using its Transmission Wages and Labor Allocation Factor, more commonly referred to as the transmission labor ratio. In TO4, SDG&E is proposing a bifurcated approach that permits it to either allocate this expense using a labor ratio or to directly assign it consistent with the methodology used for distribution at the CPUC and with cost causation principles. Michelle Somerville also discusses this issue in her testimony.
- 5. Direct Assignment of Unique A&G Expenses Tied Directly to the Transmission Function**—Michelle Somerville explains that while it may be reasonable to use a labor ratio to allocate many types of A&G costs across functions, for certain A&G costs that are directly and uniquely tied to transmission, use of a labor allocator across all functions would produce unreasonable results and direct assignment to the transmission function would produce reasonable results. SDG&E therefore proposes to segment costs recorded to the AG&E accounts and directly assign A&G costs that are directly and uniquely tied to the transmission function to transmission and to use a labor allocator across all functions for all other A&G costs booked to those A&G accounts.
- 6. Indefinite Term**—Ed Lucero explains that the TO4 Formula does not contain a sunset date because the formula rate mechanism proposed for TO4 contains built-in flexibility to adjust as transmission operations change and new capital projects are developed. He explains further that while future conditions may necessitate changes in the formula, the need for those changes will be evaluated if and when they occur.
- 7. Depreciation Rates**-- SDG&E is requesting approval of new transmission depreciation rates to go into effect September 1, 2013. SDG&E is proposing to increase its currently-effective transmission depreciation rates. Due to the operation of the Formula, however, these rates are not included in the Cycle 1 Base Period BTRR. However, they will be reflected in TO4 Cycle 2 Base Period BTRR. Robert Wiczorek discusses this in more detail in his testimony.

ATTACHMENT 2 SUMMARY OF TESTIMONY OF WITNESSES

- Jim Avery (Exhibit No. SDG-1) provides policy considerations as to why SDG&E is renewing its transmission formula due to its numerous benefits and why SDG&E should get a 50 basis point return on equity adder for being a PTO member of the CAISO
- Ed Lucero (Exhibit No. SDG-2) provides: (1) a brief summary of the key differences between the TO3 Appendix VIII and the TO4 Appendix VIII; (2) the technical aspects of SDG&E's proposed TO4 Formula; (3) a brief discussion of the Order 679 incentives and related equations included in this TO4 Formula; and (4) an explanation of how refunds and a TO4 Final TU Period will be recognized in TO4 Formula.
- Leonor Sanchez (Exhibit No. SDG-3) discusses in detail the non-substantive and substantive changes SDG&E has made to the TO3 Appendix VIII Formula in developing the TO4 Formula Appendix VIII. The non-substantive changes clarify and reorganize definitions to facilitate transparency and use and the substantive changes affect revenues, revise allocation methods and include processes to recover Order 679 incentives that the Commission may approve for future transmission projects during the term of the TO4 Formula.
- Lolit Tanedo (Exhibit No. SDG-4) describes the methodology used to develop the TO4 Base Transmission Revenue Requirements, which include Prior Year or Base Period revenues, including the TO4 Cycle 1 Base Period 12-months ended May 31, 2012, Forecast Period Revenues and applicable TU Adjustments.
- Michelle Somerville (Exhibit No. SDG-5) explains the changes to Appendix VIII addressing specific circumstances under which certain costs that are recorded in Accounts 920-935 that are uniquely tied to SDG&E's transmission function may be segmented and directly assigned to the transmission function rather than allocated to all functions via a labor based allocator. Ms. Somerville also explains cost allocation changes in the TO4 Formula related to intangible plant.
- Raulin Farinas (Exhibit No. SDG-6) explains how SDG&E: (1) has simplified the TO4 Formula by using the same 12-month period for the True Up Period and the Base Period requiring the preparation of only one set of cost statements, (2) weights transmission plant additions in the Forecast Period to produce Forecast Period revenues, (3) calculates the End Use and CAISO Wholesale TU Adjustment, (4) develops High and Low Voltage transmission revenues pursuant to the CAISO Tariff, (5) develops retail and CAISO wholesale rates for the CAISO TAC and (6) has modified Appendix IX in SDG&E's TO Tariff. Mr. Farinas also provides illustrative examples of how SDG&E will calculate and track incentive revenues in applicable cycles.
- John Jenkins (Exhibit No. SDG-7) explains how the TO4 Cycle 1 Forecast Period's transmission projects are developed and the supporting documents SDG&E plans to include in Cycle 1 and in future cyclical filings to support its forecast transmission projects.

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- Robert Wieczorek (Exhibit No. SDG-8) explains how SDG&E's new transmission depreciation rates were developed and summarizes the amounts of removal costs SDG&E has recorded in subsidiary records within Account 108 since 2007 for transmission for the cost of removal and salvage.
- Dr. Morin (Exhibit No. SDG-9) supports the 11.3% rate of return on equity (ROE) that SDG&E is seeking for the term of its TO4 Formula. The ROE consists of a base ROE of 10.3% to which is added a 50 basis point adder for business risks and a 50 basis point adder for SDG&E's participation in the CAISO.
- Sandra Hrna (Exhibit No. SDG-10) describes SDG&E's business risk that supports the 50 basis points adder that Dr. Morin has added to his ROE.

APPENDIX - I
SDG&E's Transmission Revenue Requirement
TO4-Cycle 1 FERC Informational Filing
Effective September 1, 2013 – August 31, 2014

1. **Wholesale Customers:** For purposes of the ISO's calculation of Access Charges:
 - a. The wholesale Transmission Revenue Requirement shall be \$644,651,656, which is equal to the wholesale Base Transmission Revenue Requirement of \$655,851,000, reduced by the wholesale TRBAA of \$1,759,388 and reduced by Standby Transmission Revenue of \$9,439,956.¹
 - b. The High Voltage Transmission Revenue Requirement shall be \$414,113,278.
 - c. The Low Voltage Transmission Revenue Requirement shall be \$230,538,378.
 - d. Gross Load consistent with the High Voltage Transmission Revenue Requirement shall be 21,516,679 megawatt hours.
2. **Effective Date:** The amounts in (1) and (2) shall be effective September 1, 2013, or until amended by the Participating TO or modified by FERC.

Footnote (1): Transmission Revenue Requirements consist of the following:

BTRR TO4-Cycle 1 Informational Filing Docket ER13- -000	= \$655,851,000
TRBAA per FERC Order in Docket ER13-602-000	= (1,759,388)
Standby Revenues TO4-Cycle 1 Informational Filing ER13- -000	= <u>(9,439,956)</u>
TOTAL	= \$644,651,656

¹ Consistent with CAISO Tariff, Appendix F, Schedule 3, and Section 8.1, SDG&E has separated all elements of the revenue requirements for its transmission facilities into High Voltage (HV) and Low Voltage (LV) components.

APPENDIX VIII

FORMULA FOR CALCULATING ANNUAL BASE TRANSMISSION REVENUE REQUIREMENTS UNDER SDG&E'S TRANSMISSION OWNER TARIFF

This Appendix VIII sets forth the formula for calculating the annual Base Transmission Revenue Requirement ("BTRR") and is organized into the following sections:

Introduction

I. Definitions

A. Allocation Factors

1. HV and LV Allocation Factor
2. Seven-Element Adjustment Factor
3. Transmission Plant Allocation Factor
4. Transmission Plant Property Insurance Allocation Factor
5. Transmission Related Property Tax Allocation Factor
6. Transmission Wages and Salaries Allocation Factor

B. Terms

1. Accumulated Deferred Income Taxes
2. Administrative and General Expense – Electric
3. Amortization of Investment Tax Credits
4. Amortization of Unamortized Loss on Reacquired Debt
5. Annual Fixed Charge Rate
6. Base Period
7. CAISO Base Transmission Revenue Requirement
- ~~8~~ 8. Common Plant
- ~~9~~ 9. Common Plant Depreciation Expense
- ~~10~~ 10. Common Plant Depreciation Reserve
- ~~11~~ 11. CPUC Intervenor Funding Expense
11. Depreciation Expense for Transmission Plant
12. Electric Miscellaneous Intangible Plant
13. Electric Miscellaneous Intangible Plant Amortization Expense
14. Electric Miscellaneous Intangible Plant Amortization Reserve
15. End Use Customers Base Transmission Revenue Requirements
- ~~16~~ 16. Forecast Period
- ~~17~~ 17. General Plant
- ~~17~~ 18. General Plant Depreciation Expense
- ~~18~~ 19. General Plant Depreciation Reserve
20. Incentives
21. Incentive Abandoned Project Cost

- 22. Incentive Construction Work In Progress
- 23. Incentive Project
- 24. Incentive Return and Associated Income Taxes
- 25. Incentive Return on Equity
- 26. Incentive Transmission Plant
- 27. Incentive Transmission Plant Accumulated Deferred Income Taxes
- 28. Incentive Transmission Plant Depreciation Expense
- 29. Incentive Transmission Plant Depreciation Reserves
- 30. Incentive Transmission Plant Other Regulatory Assets/Liabilities
- 31. Incentive Weighted Forecast Plant Additions
- ~~19~~32. Materials and Supplies
- ~~20~~33. Municipal Franchise Tax Expense
- ~~21~~34. Other Regulatory Assets/Liabilities
- ~~22~~35. Payroll Taxes
- ~~23~~36. Prepayments
- ~~24~~37. Property Insurance
- ~~25~~38. Property Taxes
- 39. Rate Effective Period
- ~~26~~40. Return and Associated Income Taxes
- 41. Return on Equity
- ~~27~~42. South Georgia Income Tax Adjustment
- ~~28~~43. Total Plant in Service
- ~~29~~44. Transmission Depreciation Reserve
- ~~30~~45. Transmission, General, ~~and~~ Common, and Electric Misc. Intangible Plant Depreciation Expense
- ~~31~~46. Transmission Operation and Maintenance Expense
- ~~32~~47. Transmission Plant
- 48. Transmission Plant Depreciated Expense
- ~~33~~49. Transmission Plant Held for Future Use
- 50. Transmission Related Abandoned Project Cost
- 51. Transmission Related Abandoned Project Cost Amortization Expense
- 52. Transmission Related Accumulated Deferred Income Taxes
- ~~34~~53. Transmission Related A&G Expenses
- ~~35~~54. Transmission Related Amortization of Excess Deferred Tax Liabilities
- ~~36~~55. Transmission Related Amortization of Investment Tax Credits
- ~~37~~56. Transmission Related ~~Cancelled Project Cost~~ Cash Working Capital
- ~~38~~57. Transmission Related ~~Cancelled Project Cost~~ Amortization Expense Common Plant
- 58. Transmission Related Common Plant Depreciation Expense
- 59. Transmission Related Common Plant Depreciation Reserve

- 60. Transmission Related Depreciation Reserve
- 61. Transmission Related General Plant
- 62. Transmission Related General Plant Depreciation Expense
- 63. Transmission Related General Plant Depreciation Reserves
- 64. Transmission Related Electric General and Common Plant
Accumulated Deferred Income Taxes
- 65. Transmission Related Electric Miscellaneous Intangible Plant
- 66. Transmission Related Electric Miscellaneous Intangible Plant
Accumulated Deferred Income Taxes
- 3967. Transmission Related Electric Miscellaneous Intangible
Plant Amortization Expense
- 68. Transmission Related Electric Miscellaneous Intangible Plant
Amortization Reserve
- 69. Transmission Related Material & Supplies
- 4070. Transmission Related Municipal Franchise Tax Expense
- 4471. Transmission Related Payroll Taxes Expense
- 72. Transmission Related Prepayments
- 4273. Transmission Related Property Taxes
- 4374. Transmission Related Regulatory Debits
- 4475. Transmission Related Revenue Credits
- 4576. Transmission Related Uncollectible Expense
- 4677. True-Up Period
- 4778. Uncollectible Expense
- 4879. Valley Rainbow Project Costs
- 4980. Weighted Forecast Plant Additions

II. Calculation of Annual Base Transmission Revenue Requirement

- A. Return and Associated Income Taxes
- B. ~~End Use Customer~~ Base Transmission Revenue Requirement
- C. CAISO Base Transmission Revenue Requirement
- D. True-Up Adjustment Calculation
- E. Interest True-Up Adjustment Calculation

INTRODUCTION

This Appendix sets forth details with respect to the determination each year of San Diego Gas & Electric Company's ("SDG&E") Base Transmission Revenue Requirements used to derive the charges assessed by SDG&E to its End Use Customers ("BTRR_{EU}") and SDG&E's Base Transmission Revenue Requirements used to derive the transmission charges assessed by SDG&E pursuant to its Transmission Owner ("TO") Tariff and by the California Independent System Operator Corporation ("CAISO") pursuant to the CAISO Tariff ("BTRR_{CAISO}"). The BTRR_{EU} and BTRR_{ISO} for each Rate Effective Period will each be comprised of the following ~~three~~four parts:

- (i) the Prior Year Revenue Requirements ("PYRR")
- (ii) the Forecast Period Capital Addition Revenue Requirements ("FC"); ~~and~~
- (iii) a True-Up Adjustment
- (iv) and an Interest True-Up Adjustment

The PYRR, FC and True-Up Adjustment, including the Interest True-Up Adjustment, shall be designed to reflect SDG&E's cost to own, operate and maintain its transmission facilities.

The PYRR will be an annual calculation based on the previous calendar year's data as shown in SDG&E's FERC Form No. 1: Annual Report of Major Electric Utilities, Licensees, and Others ("Form 1") for that year and underlying ledger accounts. SDG&E shall make available the data reflected in the underlying ledger accounts used to determine SDG&E's PYRR in the annual informational filing described below. Valley Rainbow Project Costs (as defined below) shall be recovered commencing October 1, 2003 through September 2013 in accordance with this Appendix VIII as a component of PYRR as defined in Sections II.B and C hereof. The extent to which Transmission Related ~~Cancelled-Abandoned~~ Project Cost (as defined below) will be included in SDG&E's formula rate will be determined on a case-by-case basis pursuant to FERC authorization. CPUC Intervenor Funding Expense (as defined

below) will be recovered as a component of PYRR for End Use Customers, but not for CAISO customers. The FC component will be an annual calculation based on an estimate of the revenue requirements associated with the transmission-related plant investments expected to be placed in service during the Forecast Period. The True-Up Adjustment for each ~~True-Up Rate Effective~~ Period will be an annual reconciliation of the difference between

- (a) SDG&E's actual cost of providing transmission service during the ~~applicable most recent consecutive twelve-month period (the "True-Up Period") ending March 31 preceding that Rate Effective Period~~ as determined by application of the PYRR component of the formula rate; and
- (b) actual revenues billed by SDG&E and paid by transmission customers for transmission service during the True-Up Period.

SDG&E shall submit to the Commission on or before August 15, ~~2013 of each year~~ an informational filing (the "Informational Filing") showing the rates in effect for the Rate Effective Period beginning September 1 ~~2014 of that year and ending through~~ August 31, ~~2015 of the subsequent year.~~ For subsequent cycles, SDG&E shall submit the Informational Filing on or before October 15 of each year, showing the rates in effect for the Rate Effective Period beginning January 1 and ending December 31 of that same year. Further, the Informational Filing shall show:

1. for the PYRR or Base Period, the average of the thirteen monthly balances for transmission-related plant investment and the transmission-related plant retirements, reclassifications or additions causing such change; and
2. for the Forecast Period, any weighted forecast plant additions to transmission-related plant net of forecast retirements and reclassifications of Transmission Plant anticipated during that Forecast Period.

On or before June 15, or October 15 as applicable, SDG&E shall provide to the

California Public Utilities Commission (“CPUC”), and make available to any other interested parties, by posting on its OASIS at [www.sdge.com/rates-regulations/tariff information/open-access-ferc-tariffs](http://www.sdge.com/rates-regulations/tariff-information/open-access-ferc-tariffs)~~www.sdge.com\toforum~~, a draft (the “Draft Informational Filing”) of the Informational Filing ~~(not including individual project forecast plant additions)~~, for review, comment and discussion prior to the submission of the Informational Filing on August 15 or October 15. Additional Information on individual project forecast plant additions will be provided to the CPUC and to parties other than the CPUC requesting this information, subject to the execution by such party of a non-disclosure agreement accompanying the Protective Order that the Commission accepts concurrently with its acceptance of the TO4 Formula, should SDG&E reasonably determine that such information should be treated as confidential to protect transmission system security or to prevent competitive cost information from being made publicly available. The Draft Informational Filing will also be available through a link to SDG&E’s web page that is located on the CAISO OASIS accessible at www.caiso.com.

The Informational Filing shall not subject the formula set forth in this Appendix VIII to modification, but rather is contestable only with respect to prudence of the costs and expenditures included for recovery, as well as the accuracy of data and the consistency with the formula of the changes shown in the Informational Filing.

Any revisions to the information reflected in the Draft Informational Filing after it has been made available to the public but prior to submission of the Informational Filing to the Commission will be reflected in the Informational Filing, which will be filed no later than August 15 or October 15 as applicable. Any revisions and refunds related to End Use Customer Base Transmission Revenue Requirements (“BTRR_{EU}”) resulting from a Commission Order will be reflected as provided by such a Commission Order in subsequent billings.

Revisions to CAISO Base Transmission Revenue Requirements (“BTRR_{ISO}”) resulting from a Commission Order, will be made to billings pursuant to such Commission Order and

as prescribed by the CAISO Tariff. All changes or corrections to rates that result in refunds will be with interest as calculated pursuant to 18 C.F.R. Section 35.19a.

In the event of a challenge to any cost reflected in charges derived under this Appendix VIII, SDG&E shall bear the burden of demonstrating that such costs and expenditures included for recovery were prudently incurred, as well as the accuracy and consistency with the formula of the information contained therein.

I. DEFINITIONS

Capitalized terms not otherwise defined in Section 3 of SDG&E's Transmission Owner Tariff, ~~in this Appendix VIII, or~~ in the CAISO Tariff, or in this Appendix VIII have the following definitions:

A. ALLOCATION FACTORS

1. High Voltage (HV) and Low Voltage (LV) -Allocation Factors: For purposes of SDG&E's BTRR_{ISO}, SDG&E will allocate its Base Transmission Revenue Requirements between recorded High Voltage ("HV") and recorded Low Voltage ("LV") Transmission Facilities based on the ratio of HV transmission plant, LV transmission plant and total gross transmission plant, plus weighted forecast HV and forecast LV Transmission Facilities based on the respective percentages and in-service dates of such facilities owned by SDG&E, which are classified as such in accordance with CAISO's Tariff.

~~1.2.~~ Seven-Element Adjustment Factor shall be a factor calculated by SDG&E to be applied by SDG&E to the relevant accounts, if necessary, for the purposes of properly functionalizing such accounts between transmission and distribution in accordance with the

guidelines set forth in the Commission's Order No. 888, as those guidelines, as applicable to SDG&E, may be modified by the Commission from time to time. Electric Miscellaneous Intangible Plant will not be taken into account in the derivation of the Seven Element Adjustment Factor.

~~2. Transmission Wages and Salaries Allocation Factor shall equal the ratio of SDG&E's transmission-related direct wages and salaries to SDG&E's total direct wages and salaries, excluding administrative and general wages and salaries.~~

3. Transmission Plant Allocation Factor shall equal the ratio of the sum of SDG&E's total investment in (a) Transmission Plant, (b) Transmission Related General Plant and Transmission Related Common Plant and (c) Transmission Related Electric Miscellaneous Intangible Plant to SDG&E's Total Plant in Service.

4. Transmission Plant Property Insurance Allocation Factor shall equal the ratio of the sum of SDG&E's total investment in Transmission Plant and Transmission Related General Plant and 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").

~~4. Existing and New HV and LV Allocation Factors: For purposes of SDG&E's BTRR_{ISO}, SDG&E will allocate its transmission revenue requirements between Existing High Voltage ("HV") and Existing Low Voltage ("LV") Transmission Facilities and between New HV and New LV Transmission Facilities based on the respective percentages and in-service dates of such facilities owned by SDG&E, which are~~

~~classified as such in accordance with ISO's guidelines approved in
Docket Nos. ER01-831-000 and ER00-2019-006.~~

5. Transmission Related Property Tax Allocation Factor shall equal the ratio of SDG&E's total Transmission Plant and Transmission Related General Plant and Transmission Related Common Plant, to SDG&E's Total Plant In Service, excluding SONGS and Electric Miscellaneous Intangible Plant.
- ~~6. 6.—~~ Transmission Wages and Salaries Allocation Factor shall equal the ratio of SDG&E's transmission-related direct wages and salaries to SDG&E's total direct wages and salaries, excluding administrative and general wages and salaries.

B. 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) – Electric shall equal SDG&E's expenses recorded in FERC Account Nos. 920-935, excluding FERC Account No. 930.1 (General Advertising Expense). These expenses shall be either (a) allocated across applicable functions based on Transmission Wages and Salaries Allocation factor and/or (b) directly assigned to the transmission function where: (i) direct assignment is consistent with cost causation principles, (ii) the relationship between cost incurrence and cost responsibility is obvious and reviewable and (iii) direct assignment is reasonable and cost allocation is unreasonable.

e.g., it would be unreasonable to use a labor ratio to allocate costs to both distribution and transmission functions where the costs at issue have been affirmatively linked to the transmission function only. The dollar threshold for direct assignment shall be \$5 Million per event for Account 925 expenses and \$1 Million per event for expenses related to the other referenced A&G accounts.

3. Amortization of Investment Tax Credits shall equal SDG&E's credits recorded in FERC Account No. 411.4.
4. Amortization of Unamortized Loss on Reacquired Debt shall equal SDG&E's expenses recorded in FERC Account No. 428.1.
5. Annual Fixed Charge Rate ("AFCR") for both end use and CAISO customers shall be defined as reflected in Section B.3.1. ~~shall be the rate multiplied by Weighted Forecast Plant Additions that yields Forecast Period revenue.~~
6. Base Period, except for the initial Base Period, shall be the calendar year for which SDG&E's most recent FERC Form 1 is available. ~~;~~ except for the initial Base Period, which shall be the 12-month period ending ~~June-May 3031, 2006~~ 2012.
7. CAISO Base Transmission Revenue Requirement (BTTR_{ISO}) shall be calculated as defined in Section 2.C.
6. _____
- 7-8. Common Plant shall equal SDG&E's gross plant balance recorded in FERC Account Nos. 303 and 389 through 398. ~~assigned to electric service.~~
- 8-9. 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 authorized by the CPUC.

~~9-10.~~ Common Plant Depreciation Reserve shall equal SDG&E's depreciation reserve balance related to Common Plant recorded in FERC Account Nos. 108 and 111.

~~10-11.~~ 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. ~~With respect to the amount of CPUC Intervenor Funding Expense associated with the cancelled Valley Rainbow project that shall be recoverable pursuant to this Appendix VIII, such expense shall be limited to no more than \$700,000. To the extent such actual expense is less than \$700,000, the difference between the actual lower expense and the \$700,000 limit shall be reconciled as part of the first True-Up Adjustment described in Section II.D of this Appendix VIII.~~

~~11.~~ Depreciation Expense for Transmission Plant shall equal SDG&E's transmission expenses recorded in FERC Account Nos. 403, 404, and 405 pursuant to the following table:

TO3 Transmission Plant Depreciation Rates			
<u>FERC Account</u>	<u>Plant Rate</u>	<u>Net Cost of Removal Rate</u>	<u>Rate</u>
352	1.97%	0.50%	2.56%
353	2.11%	0.21%	2.32%
354	1.23%	0.92%	2.15%
355	2.45%	1.96%	4.41%
356	1.47%	1.40%	2.87%

357	1.76%	0.79%	2.55%
358	2.53%	0.25%	2.78%
359	1.54%	0.00%	1.54%
Composite Depreciation Rate	1.92%	0.73%	2.65%

~~To the extent that SDG&E seeks to change the amortization rates in Account No. 405 (applicable to transmission land rights), SDG&E shall make a Section 205 filing explicitly requesting such rate treatment.~~

12. Electric Miscellaneous Intangible Plant shall equal SDG&E's costs recorded in FERC Account No. 303 related to Electric Miscellaneous Intangible Plant.
13. Electric Miscellaneous Intangible Plant Amortization Expense shall equal SDG&E's costs recorded in FERC Account No. 404 related to the amortization of Electric Miscellaneous Intangible Plant.
- ~~14.~~ 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.
- ~~14-15.~~ End Use Customer Base Transmission Revenue Requirement (BTRR_{eu}) shall be calculated as defined in Section 2, B.1 to B.5.
- ~~15-16.~~ Forecast Period with respect to each twelve month Rate Effective Period, with the exception of Cycle 1, shall be the period beginning April-January 1, just after the Base Period, and ending the following year on December 31, which corresponds to the last month of the ~~calendar year in which that~~ Rate Effective Period ~~begins,~~ through the end of that Rate Effective Period, ~~except that for the Rate Effective Period ending August 31, 2008,~~ For Cycle 1, the Forecast Period will be June 1, 2012 through August 31, 2014 ~~shall be the period beginning July 1, 2006 and ending June 30, 2008.~~ For Cycle 2, the Forecast Period will be January 1,

2014 to August 31, 2015.

~~16-17.~~ General Plant shall equal SDG&E's gross plant balance recorded in FERC Account Nos. 389-399.

~~17-18.~~ General Plant Depreciation Expense shall equal SDG&E's depreciation expenses related to General Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates authorized by the CPUC.

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

20. Incentives refer to any of the items delineated in FERC Order No. 679, as may be modified from time to time, including the following:

a) Incentive Return on Equity (ROE)

b) 100% Construction Work in Progress (CWIP) in rate base.

c) 100% recovery of Abandoned Project Costs

21. Incentive Abandoned Project Cost shall include costs associated with abandoned projects for which SDG&E is authorized to collect under FERC Order NO. 679. These costs shall be recorded in FERC Account No.426.5 (Other Deductions).

22. Incentive Construction Work in Progress shall be construction work in progress for which SDG&E is authorized to collect Incentives under FERC Order No. 679. These costs shall be recorded in FERC Account NO. 107.

23. Incentive Project shall be a transmission capital project permitted by FERC Order No. 679, as it may be modified from time to time.

24. Incentive Return and Associated Income Taxes shall equal the product of

the Incentive Transmission Rate Base and Incentive Cost of Capital Rate, as defined in Section II. A. below.

25. Incentive Return on Equity shall equal the Return on Equity that the FERC authorizes SDG&E to collect on Incentive Project(s).
26. Incentive Transmission Plant shall be transmission plant, which includes incentive projects for which SDG&E is authorized to collect Incentives under FERC Order No. 679.
27. Incentive Transmission Plant Accumulated Deferred Income Taxes shall equal the balance of Incentive Transmission Plant Accumulated Income Taxes applicable to Incentive Transmission Plant, as reflected in a footnote to SDG&E's annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing. Total Incentive Transmission Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.
28. Incentive Transmission Plant Depreciation Expense shall equal SDG&E's depreciation expenses related to Incentive Transmission Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates authorized by the CPUC.
29. Incentive Transmission Plant Depreciation Reserve shall equal the balance of incentive transmission reserves recorded in FERC Account Nos. 108 and 111 applicable to Incentive Transmission Plant.
30. Incentive Transmission Plant Other Regulatory Assets/Liabilities shall equal SDG&E's electric balance of any Other Regulatory Assets/Liabilities applicable to Incentive Transmission Plant.
31. Incentive Weighted Forecast Plant Additions for any Forecast Period shall be the estimated capital investment associated with Incentive

Transmission Plant SDG&E anticipates placing in service during such Forecast Period. Such estimated capital investment shall be calculated using the same methodology for Weighted Forecast Plant Additions defined in Section 1, Definitions.

~~18-32.~~ Materials and Supplies shall equal SDG&E's balance of total electric Materials and Supplies recorded in FERC Account No. 154, excluding those materials and supplies assigned to construction as reflected on SDG&E Form 1.

~~19-33.~~ Municipal Franchise Tax Expense shall equal the amounts recorded in FERC Account No. 927.

~~20-34.~~ 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 Federal Power Act (FPA). Other Regulatory Assets/Liabilities for the initial Rate Effective Period shall be zero.

~~21-35.~~ Payroll Taxes shall equal those payroll tax expenses recorded in FERC Account No. 408.1.

~~22-36.~~ Prepayments shall equal SDG&E's prepayment balance recorded in FERC Account No. 165.

~~23-37.~~ Property Insurance shall equal SDG&E's expenses recorded in FERC Account No. 924.

38. Property Taxes shall equal SDG&E's expense recorded in FERC Account No. 408.1.

~~24-39.~~ Rate Effective Period shall be a 12 month calendar year period; provided, however, that for Cycle1, the Rate Effect Period shall begin September 1, 2013 and end August 31, 2014 and for Cycle 2, the Rate Effective Period shall begin September 1, 2014 and end December 31.

2015.

40. Return and Associated Income Taxes shall equal the product of the Transmission Rate Base and the Cost of Capital Rate, as defined in Section II below.

~~25.41.~~ Return on Equity shall be 11.3%.

~~26.42.~~ South Georgia Income Tax Adjustment shall equal the amount set forth in the applicable FERC Form 1, an increase in income tax expense that normalizes tax benefits previously flowed through to End Use Customers and for purposes of the BTRR_{EU} shall be an annual amount equal to \$5,178,000. The final year for the South Georgia Income Tax Adjustment for Federal and State will be 2017.

~~27.43.~~ Total Plant in Service shall equal SDG&E's total gross plant balance recorded in FERC Account Nos. 301 through 399.

~~28.44.~~ Transmission Depreciation Reserve shall equal SDG&E's transmission reserve balance recorded in FERC Account Nos. 108 and 111.

~~29.45.~~ Transmission, General, and Common Plant, and Electric Miscellaneous Intangible Depreciation Expense shall equal the sum of (a) Depreciation Expense for Transmission Plant, plus an allocation of General and Common Plant Depreciation Expense calculated by multiplying both General Plant Depreciation Expense and Common Plant Depreciation Expense, by the Transmission Wages and Salaries Allocation Factor; plus (b) Electric Miscellaneous Intangible Plant Amortization Expense directly assigned to transmission, consistent with the cost causation principles as defined in Term 66.

~~30.46.~~ Transmission Operation and Maintenance Expense shall equal SDG&E's expenses recorded in FERC Account Nos. 560-

~~574573~~, minus transmission costs recorded in FERC Account Nos. 561.4 and 561.8, minus transmission costs currently recorded in FERC Account No. 565 (Transmission of Electricity ~~By-by~~ Others) relating to the purchase of power on behalf of or to serve SDG&E's bundled retail customers, minus ISO Grid Management Charge expenses recorded in these accounts, and minus expenses currently recorded in FERC Account No. 566 that are not transmission related, including, but not limited to, Reliability Must Run and Market Redesign Technology Update ("MRTU") costs~~Out of Market Contract Costs, ISO Grid Management Charge expenses~~, Transmission Revenue Balancing Account Adjustment ("TRBAA") expenses, and Transmission Access Charge Balancing Account Adjustment expenses ("TACBAA").

47. Transmission Plant shall equal SDG&E's Gross Plant balance recorded in FERC Account Nos. 350-359, excluding the portion of any facilities, the cost of which is directly assigned under ~~Section 8.1.2 of SDG&E's To the CAISO~~ Tariff.

48. Transmission Plant Depreciation Expense shall equal SDG&E's transmission expenses recorded in FERC Account Nos. 403, 404, and 405 pursuant to the TO4 authorized ASL, Iowa Curve, and FNS% for each FERC subaccount as shown in the following table:

T04 Transmission Plant Depreciation Rates

<u>FERC Subaccount</u>	<u>Description</u>	<u>Proposed *ASL</u>	<u>Proposed lowa Curve</u>	<u>Illustrative Plant Rate</u>	<u>Proposed **FNS %</u>	<u>Illustrative Net COR ***Rate</u>	<u>Illustrative Total Rate</u>
E0135210	"Other"	72	R2	1.36%	-60%	0.82%	2.18%
E0135220	"SWPL"	72	R2	1.01%	-60%	0.61%	1.62%
E0135260	"SRPL"	72	R2	1.39%	-60%	0.84%	2.23%
E0135310	"Other"	50	R1	2.20%	-60%	1.32%	3.52%
E0135320	"SWPL"	50	R1	2.51%	-60%	1.51%	4.02%
E0135340	"Palomar"	50	R1	2.03%	-60%	1.22%	3.25%
E0135360	"SRPL"	50	R1	2.01%	-60%	1.21%	3.22%
E0135410	"Other"	70	R5	1.57%	-100%	1.57%	3.13%
E0135420	"SWPL"	70	R5	1.33%	-100%	1.33%	2.65%
E0135460	"SRPL"	70	R5	1.47%	-100%	1.47%	2.93%
E0135510	"Other"	45	R1.5	2.33%	-100%	2.33%	4.65%
E0135520	"SWPL"	45	R1.5	2.54%	-100%	2.54%	5.08%
E0135560	"SRPL"	45	R1.5	2.26%	-100%	2.26%	4.53%
E0135610	"Other"	58	S0	1.60%	-100%	1.60%	3.20%
E0135620	"SWPL"	58	S0	0.88%	-100%	0.88%	1.77%
E0135660	"SRPL"	58	S0	1.75%	-100%	1.75%	3.51%
E0135700	"Other & SWPL"	60	R5	1.68%	-45%	0.75%	2.43%
E0135760	"SRPL"	60	R5	1.69%	-45%	0.76%	2.45%
E0135800	"Other & SWPL"	50	R3	1.89%	-10%	0.19%	2.08%
E0135860	"SRPL"	50	R3	2.03%	-10%	0.20%	2.23%
E0135910	"Other"	60	SQ	1.65%	0%	0.00%	1.65%
E0135920	"SWPL"	60	SQ	1.44%	0%	0.00%	1.44%
E0135960	"SRPL"	60	SQ	1.68%	0%	0.00%	1.68%

* ASL – Average Service Life ** FNS – Future Net Salvage *** COR – Cost of Removal

SDG&E reserves the right to update rates over time using the authorized parameters set forth above. To the extent that SDG&E seeks to change the authorized parameters, SDG&E shall make a Section 205 filing explicitly requesting authorization to change such parameters.

49. Transmission Plant Held for Future Use shall equal SDG&E's

balance recorded in FERC Account No. 105 for projects

approved by the CPUC. Gain or loss on the sale of plant held for

future use shall be recorded in FERC Account Nos. 411.6 and 411.7.

50. Transmission Related Abandoned~~Cancelled~~ Project Cost shall equal an amount, other than Valley Rainbow Project Costs, relating to abandoned~~cancelled~~ transmission projects that is recorded in FERC Account No. 182.2. The ratemaking treatment to be afforded 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 for recovery under this Appendix VIII. In the Section 205 of the FPA proceeding, SDG&E reserves its right to request recovery of up to 100% of the Transmission Related Abandoned Project Cost and parties reserve their right contest 100% recovery as provided for in this Appendix VIII. Transmission Related Abandoned~~Cancelled~~ Project Cost for the initial Rate Effective Period shall be zero.

51. Transmission Related Abandoned~~Cancelled~~ Project Cost Amortization Expense shall equal the annual amortization expense recorded in FERC Account No. 407 related to Transmission Related Abandoned~~Cancelled~~ Project Cost.

31-52. 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. As

reflected in a footnote to SDG&E's annual FERC Form 1 which SDG&E shall reference by page in its Informational Filing. Total Transmission Related Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.

~~32-53.~~ Transmission Related A&G Expenses shall equal (1) directly assigned transmission A&G Electric as set forth in Section I.B, 2., plus (2) other A&G expenses that will be allocated to transmission using the Transmission Wages and Salaries Allocation Factor, specifically theSDG&E's Administrative and General Expense included in FERC Account Nos. 920-935, excluding non-transmission-related expenses, which include but are not limited (a) directly assigned transmission A&G expenses and (b) to non-transmission-related expenses in in FERC Account No. 924 (Property Insurance), FERC Account No. 925 (Damages and Injuries), FERC Account No. 927 (Franchise Requirements), FERC Account No. 930.2 (Miscellaneous General Expenses), and FERC Account No. 935 (Maintenance of General Plant), and any CPUC Intervenor Funding Expense recorded in FERC Account No. 928 (Regulatory Commission Expenses), multiplied by the Transmission Wages and Salaries Allocation Factor, plus ~~(32)~~ Property Insurance in FERC Account No. 924, excluding insurance costs related to nuclear plant serving SDG&E's bundled retail customers, multiplied by the Transmission Plant Property Insurance Allocation Factor, minus ~~(43)~~ CPUC mandated costs recovered through retail rates; *provided, however,*

if the rate(s) of expense accrual for SDG&E's post-employment benefits other than pensions ("PBOP"), as recorded in FERC Account No. 926, change from those expense levels recorded in SDG&E's ~~February 2013~~~~December 1, 2006~~, ~~TO4 filing in Docket Number ER07-284-000~~, SDG&E may reflect such changes in charges under this formula only to the extent approved by the Commission under Section 205 of the FPA.

~~33-54.~~ 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.

~~34-55.~~ Transmission Related Amortization of Investment Tax Credits shall

equal ~~the amount set forth in the applicable FERC Form 1~~~~\$522,575~~ until fully amortized ~~in 2018, plus amortization of any additional investment tax credits related to transmission that may accrue after March 7, 2003~~. 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.

~~35.~~ ~~Transmission Related Cancelled Project Cost shall equal an amount, other than Valley Rainbow Project Costs, relating to cancelled transmission projects that is recorded in FERC Account No. 182.2. The ratemaking treatment to be afforded 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 for recovery under this Appendix VIII. Transmission Related Cancelled Project Cost for the initial Rate Effective Period shall be zero.~~

~~Transmission Related Cancelled Project Cost Amortization Expense shall equal the annual amortization expense recorded in FERC Account No. 407 related to Transmission Related Cancelled Project Cost.~~

~~56. Transmission Related Cash Working Capital shall be a 12.5% allowance (45 days/360 days) of Transmission Operations and Maintenance and Transmission Related A&G Expenses.~~

~~57. Transmission Related Common Plant shall equal SDG&E's balance of investment in Common Plant multiplied by the Transmission and Salaries Allocation Factor.~~

~~58. Transmission Related Common Plant Depreciation Expense shall equal the balance of SDG&E's Common Plant Depreciation Expense recorded in FERC Account Nos. 403, 404, and 405 multiplied by the Transmission Wages and Salaries Allocation Factor.~~

~~59. Transmission Related Common Plant Depreciation Reserve shall equal that portion allocated to transmission using the Transmission Wages and Salaries Allocation Factor.~~

~~60. Transmission Related Depreciation Reserve shall equal the balance of Transmission Depreciation Reserves, plus the balance of Transmission Related General Plant Depreciation Reserves, plus Transmission Related Common Plant Depreciation Reserves, plus the balance of Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserves.~~

61. Transmission Related General Plant shall equal SDG&E's balance of investment in General Plant multiplied by the Transmission Wages & Salaries Allocation Factor.
62. Transmission Related General Plant Depreciation Expense shall equal the balance of SDG&E's General Plant Depreciation Expense recorded in FERC Account Nos. 403, 404, and 405 multiplied by Transmission Wages & Salaries Allocation Factor.
63. Transmission Related General Plant Depreciation Reserves shall equal the balance in General Plant Depreciation Reserves multiplied by the Transmission Wages & Allocation Factor.
64. Transmission Related Electric General and Common Plant Accumulated Deferred Income Taxes shall equal SDG&E's total General and Common Accumulated Deferred Income Taxes, as reflected in a footnote to SDG&E's annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing, multiplied by the Transmission Wages and Salaries Allocation Factor. Such Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.
65. Transmission Related Electric Miscellaneous Intangible Plant shall equal the total amount of Electric Miscellaneous Intangible Plant recorded in FERC Account No. 303 associated with transmission as a result of either (a) an allocation to transmission function based on Transmission Wages and Salaries Allocation Factor or (b) directly assigned to the transmission function where: (i) direct assignment is

consistent with cost causation principles, (ii) the relationship between cost incurrence and cost responsibility is obvious and reviewable and (iii) direct assignment is reasonable and cost allocation is unreasonable, e.g., it would be unreasonable to use a labor ratio to allocate the balance to both distribution and transmission functions where the costs at issue have been affirmatively linked to the transmission function only.

~~36-66.~~ Transmission Related Electric Miscellaneous Intangible Plant

Accumulated Deferred Income Taxes shall be that portion directly assigned to transmission as reflected in a footnote to SDG&E's annual FERC Form 1 which shall be reference by page in its Informational Filing. Such Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.

67. Transmission Related Electric Miscellaneous Intangible Plant

Amortization Expense shall equal SDG&E's balance recorded in FERC Account No. 404 ~~multiplied by the Transmission Wages and Salaries Allocation Factor~~ and shall be accounted for as set forth in Section I.B.65.

68. Transmission Related Electric Miscellaneous Intangible Plant

Amortization Reserve shall equal SDG&E's balance of Electric Miscellaneous Intangible Plant Amortization Expense recorded in FERC Account No.111 and shall be accounted for in the manner set forth in Section I.B.65. SDG&E shall footnote these amounts in its annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing.

~~37-69.~~ Transmission Related Materials & Supplies shall equal SDG&E's

electric balance of Materials and Supplies multiplied by the
Transmission Plant Allocation Factor.

~~38.70.~~ Transmission Related Municipal Franchise Tax Expense shall

equal: a) the Base Transmission Revenue Requirement
("BTRR") multiplied by the Municipal Franchise Tax Expense
rate that the CPUC authorizes from time to time, currently
1.027544.4%, which shall be recovered as part of the BTRR
rates, plus b) an amount of Municipal Franchise Tax Expense
that the CPUC authorizes SDG&E to collect from customers
who reside in the City of San Diego. This latter amount shall be
reflected on the electric bills of customers residing in the City of
San Diego.

~~71.~~ Transmission Related Payroll Taxes Expense shall equal

SDG&E's total electric Payroll Taxes expense recorded in FERC
Account No. 408.1, multiplied by the Transmission Wages and
Salaries Allocation Factor.

~~39.72.~~ Transmission Related Prepayments shall equal SDG&E's

electric balance of prepayments recorded in FERC Account No.
165 multiplied by the Transmission Plant Allocation Factor.

~~40.73.~~ Transmission Related Property Taxes shall equal Property Taxes,

excluding property taxes directly assigned to SONGS, multiplied by the
Transmission Related Property Tax Allocation Factor. SDG&E shall
footnote in its annual FERC Form 1 the directly assigned property taxes
attributable to SONGS, which SDG&E shall reference by page in its
Informational Filing.

~~41.74.~~ Transmission Related Regulatory Debits shall equal SDG&E's

amortization expense associated with Other Regulatory Assets/Liabilities debited to FERC Account No. 407.3 that the Commission has accepted for recovery under Section 205 of the FPA. Transmission Related Regulatory Debits for the initial Rate Effective Period shall be zero.

42.75. Transmission Related Revenue Credits shall include Rents Received from Electric Property recorded in FERC Account No. 454 associated with such Electric Property included in Transmission Rate Base as defined in Section II.A below, plus Other Electric Revenues recorded in FERC Account No. 456 that recover the cost associated with SDG&E's Transmission Rate Base, excluding any revenues credited through the TRBAA or another mechanism.

43.76. Transmission Related Uncollectible Expense shall equal the Base Transmission Revenue Requirement_{EU} multiplied by the allowance for uncollectible expenses approved from time to time by the CPUC. ~~Initially~~Currently, the rate is ~~0.1412660.266~~%.

44.77. True-Up Period shall be 12 months ended ~~March~~December 31 of each year; *provided, however*, that for Cycle 2, the ~~initial~~ True-Up Period shall be ~~the 9-4~~ months ~~ending March~~September 1, 2013 through December 31, 20082013.

45.78. Uncollectible Expense shall equal SDG&E's charges for uncollectible accounts recorded in FERC Account No. 904.

46.79. Valley Rainbow Project Costs shall equal \$1,892,694, which represents the annual amortization_r over a ten-year period, ending September 2013 of certain costs associated with the cancelled Valley Rainbow transmission project. The Valley Rainbow cost will expire September 30, 2013 and an amount of \$157,724 will appear in TO4 C2 True-Up

Adjustment. After September 2013 the cost of Valley Rainbow will be fully recovered.

80. Weighted Forecast Plant Additions for any Forecast Period, except for Cycles 1 and 2. shall be the estimated capital investment in new Transmission Plant, Transmission Plant Held for Future Use, and Transmission Related General and Common Plant SDG&E anticipates placing in service during such Forecast Period. Such estimated capital investments shall be determined for each month of the Forecast Period as described herein and each such estimated capital investment shall be multiplied by a weighting factor such that the magnitude of such capital investment as reflected in the determination of SDG&E's transmission revenue requirement pursuant to this Appendix VIII formula reflects the number of months during the Forecast Period those investments in new transmission facilities are actually in service. Any new transmission facilities expected to be placed in service during the Forecast Period but prior to the end of the first month of the following Rate Effective Period, i.e. September 30 January 31, shall be assigned a weighting factor of 1.00. Any new transmission facilities expected to be placed in service during the Forecast Period as of the beginning of the second month of the Rate Effective Period, i.e. October-February 1, or thereafter through and including August-December 31-of the following year, shall be assigned a weighting factor based on the number of months during the Rate Effective Period for which those facilities are expected to be in service divided by 12. Thus, for example, a plant addition expected to be placed in service in October-February of the Rate Effective period would be assigned a weighting factor of 11 divided by 12 or 0.917.

For Cycles 1 and 2, the weighted forecast plant additions for the Forecast Period shall be calculated in the same manner as described above except that the first month of the Rate Effective Period shall be September 2013 for Cycle 1 and September 2014 for Cycle 2.

II. CALCULATION OF ANNUAL **BASE** TRANSMISSION REVENUE REQUIREMENTS

A. Return and Associated Income Taxes

Return and Associated Income Taxes shall equal the product of the Transmission Rate Base and a Cost of Capital Rate, which are defined as follows.

1. **Transmission Rate Base**

The Transmission Rate Base will be calculated as follows:

- (a) Transmission Plant based on the weighted average of the thirteen monthly balances, plus
- (b) Transmission Related General Plant based on the average of the sum of the beginning and end of year balances, plus
- (c) Transmission Related Common Plant based on the average of the sum of the beginning and end of year balances, plus
- (d) Transmission Related Electric Miscellaneous Intangible Plant based on the average of the sum of the beginning and end of year balances, plusminus
- ~~(e) Transmission Plant Held for Future Use based on the~~

~~average of thirteen monthly balances, minus~~

~~(f)~~ Transmission Related Depreciation Reserve based on the weighted average of the thirteen monthly balances, minus

~~(g)~~ Transmission Related General Plant Depreciation Reserve based on the average of the sum of the beginning and end of year balances, minus

~~(f)(h)~~ Transmission Related Common Plant Depreciation Reserve based on the average of the sum of the beginning and end of the year balances, minus

~~(g)(i)~~ Transmission Related Accumulated Deferred Income Taxes based on the average of the sum of the beginning and end of year balances, minus

~~(h)(j)~~ Transmission Related General and Common Accumulated Deferred Income Taxes based on the average of the sum of the Beginning and end of year balances, minus

~~(k)~~ Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve based on the average of the sum of the beginning and end of year balances, minusplus

~~(l)~~ Transmission Plant Held for Future Use based on the average of thirteen monthly balances, plus

~~(m)~~ Transmission Related Plant Accumulated Deferred Income Taxes based on the average of the sum of the beginning and end of year balances, minus

~~(i)(n)~~ Transmission Related General and Common Plant Accumulated Deferred Income Taxes based on the

average of the sum of the beginning and end of year
balances, minus

~~(j)~~(o) Transmission Related Electric Miscellaneous Intangible
Plant Accumulated Deferred Income Taxes based on the
average of the sum of the beginning and end of year
balances, plus

~~(k)~~(p) Other Regulatory Assets/Liabilities, plus

~~(l)~~(q) Transmission Related Prepayments based on the weighted
average of the sum of the thirteen monthly balances, plus

~~(m)~~(r) Transmission Related Materials and Supplies based on the
weighted average of the thirteen monthly balances, plus

~~(n)~~(s) Transmission Related Cash Working Capital, plus

(t) Transmission Related ~~Cancelled~~ Abandoned Project Cost,
minus

~~(e)~~(u) Transmission Abandoned Plant Accumulated Deferred Income
Taxes,

Where:

- (1) Transmission Plant shall be as defined in Section 1.B,
Definitions Terms.
- (2) Transmission Related General Plant shall be as defined in
Section 1.B, Term~~equal SDG&E's balance of investment~~
~~in General Plant multiplied by the Transmission Wages~~
~~and Salaries Allocation Factor.~~
- (3) Transmission Related Common Plant shall be as defined
in Section 1.B, Term~~equal SDG&E's balance of~~
~~investment in Common Plant multiplied by the~~

- ~~Transmission Wages and Salaries Allocation Factor.~~
- (4) Transmission Related Electric Miscellaneous Intangible Plant shall ~~be as defined in Section 1.B, Term~~ equal ~~SDG&E's balance of Electric Miscellaneous Intangible Plant recorded in FERC Account No. 303 multiplied by the Transmission Wages and Salaries Allocation Factor.~~
- (5) ~~Transmission Plant Held for Future Use shall be as defined in Section I, Definitions.~~
- (6) Transmission ~~Plant~~ Related Depreciation Reserves shall ~~be as defined in Section 1.B, Term~~ equal ~~the balance of Transmission Depreciation Reserve plus the balance of Transmission Related General Plant Depreciation Reserve, plus Transmission Related Common Plant Depreciation Reserve. Transmission related General Plant Depreciation Reserve and Transmission Related Common Plant Depreciation Reserve shall equal the product of General Plant Depreciation Reserve plus Common Plant Depreciation Reserve, and the Transmission Wages and Salaries Allocation Factor.~~
- (7) ~~Transmission Related General Plant Depreciation Reserve shall be as defined in Section 1.B, Terms.~~
- (8) ~~Transmission Related Common Plant Depreciation Reserve shall be as defined in Section 1.B, Terms.~~
- (9) ~~Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve shall be as defined in Section 1.B, Terms.~~

~~(6)~~(10) Transmission Plant Held for Future Use shall be as defined in Section I.B, Terms Definitions.

~~(7)~~(11) Transmission Related Accumulated Deferred Income Taxes shall be as defined in Section 1.B, Termsequal the balance of Total Transmission Accumulated Deferred Income Taxes, as reflected in a footnote to SDG&E's annual FERC Form 1 which SDG&E shall reference by page in its Informational Filing. Total Transmission Related Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.

~~(8)~~(12) Transmission Electric General and Common Accumulated Deferred Income Taxes shall equal SDG&E's total General and Common Accumulated Deferred Income Taxes, as reflected in a footnote to SDG&E's annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing, multiplied by the Transmission Wages and Salaries Allocation Factor. Such Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.

~~(9)~~(13) Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve shall equal SDG&E's balance of Electric Miscellaneous Intangible Plant Amortization Expense recorded in FERC Account No. 111, multiplied by the Transmission Wages and Salaries Allocation Factor. SDG&E shall footnote these amounts in its annual FERC Form 1, which SDG&E shall reference by page in its

~~Informational Filing.~~

~~(10)(14) _____ Transmission Related Electric Miscellaneous Intangible Plant Accumulated Deferred Income Taxes shall equal SDG&E's balance of Electric Miscellaneous Intangible Plant Accumulated Deferred Income Taxes recorded in FERC Account Nos. 281-283 and the deferred tax balance recorded in FERC Account No. 190, multiplied by the Transmission Wages and Salaries Allocation Factor. SDG&E shall footnote these amounts in its annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing.~~

~~(11)(15) _____ Transmission Related Other Regulatory Assets/Liabilities shall be as defined in Section 1B. ~~Term~~equal SDG&E's electric balance of any Other Regulatory Assets/Liabilities.~~

~~(12)(16) _____ Transmission Related Prepayments shall be as defined in Section 1B. ~~Term~~equal SDG&E's electric balance of prepayments multiplied by the Transmission Plant Allocation Factor.~~

~~(13)(17) _____ Transmission Related Materials and Supplies shall be as defined in Section 1.B. ~~Term~~equal SDG&E's electric balance of Materials and Supplies multiplied by the Transmission Plant Allocation Factor.~~

~~(14)(18) _____ Transmission Related Cash Working Capital shall be as defined in Section 1.B. ~~Terms~~a 12.5% allowance (45 days/360 days) of Transmission Operation and~~

~~Maintenance Expense, and Transmission Related A&G Expense.~~

~~(19)~~ Transmission Related ~~Abandoned Canceled~~ Project Cost shall ~~have the meaning set forth~~ be as defined in Section 1.B, ~~Terms-37~~ Terms hereof.

~~(15)(20)~~ Transmission Related Abandon Project Accumulated Deferred Income Taxes shall be as defined in Section 1.B, Terms.

2. Incentive Transmission Rate Base

The Incentive Transmission Rate Base shall be calculated as follows:

- a) Incentive Transmission Plant based on the average of 13 month balances, minus
- b) Incentive Transmission Construction Work in Progress based on the average of 13 month balances, plus
- c) Incentive Transmission Construction Work in Progress based on a 13 month weighted average balance, minus
- d) Incentive Transmission Plant Accumulated Deferred Income Taxes based on the average of the sum of the beginning and end of year balances.

Where,

1. Incentive Transmission Plant shall be as defined in Section 1.B, Terms.
2. Incentive Transmission Plant Depreciation Reserves shall be as defined in Section 1.B, Terms.
3. Incentive Transmission Construction Work in Progress shall be as defined in Section 1.B, Terms.

4. Incentive Transmission Plant Accumulated Deferred Income

Taxes shall be as defined in Section 1.B. Terms.

23. Cost of Capital Rate

The Cost of Capital Rate will equal (a) SDG&E's Weighted Cost of Capital, plus (b) Federal Income Tax, plus (c) State Income tax.

(a) The Weighted Cost of Capital will be calculated based upon ~~the end-of-product period~~ capital structure as of December 31 and will be equal to the weighted cost of SDG&E's (i) long term debt, (ii) preferred stock and (iii) common equity with each such cost being weighted by the percentage that each such capital component is to SDG&E's total capital. (Thus, for example, if long term debt represents 40.00% of total capital and has a cost of 10.00 %, the weighted long term debt cost component would be 4.00 %). SDG&E's total capital shall equal the sum of SDG&E's balance of long term debt, preferred stock issued and outstanding, and common stock issued and outstanding. The respective costs of these components will be calculated as follows:

(i) the long-term debt component, shall be the actual weighted average embedded cost to maturity of SDG&E's long-term debt then outstanding. The actual weighted average embedded cost to maturity of SDG&E's long-term debt shall equal: (1)

The sum of (a) FERC Account No. 427 - Interest on Long-Term Debt; (b) plus FERC Account No. 428 - Amortization of Debt Discount and Expenses; (c) plus FERC Account No. 428.1 - Amortization of Unamortized Loss on Reacquired Debt; (d) less FERC Account No. 429 - Amortization of Premium on Debt – Credit; and (e) less FERC Account No. 429.1 - Amortization of Gain on Reacquired Debt – Credit divided by (2) the sum of the following accounts: (a) FERC Account No. 221 - Bonds; (b) less FERC Account No. 222 - Reacquired Bonds; (c) plus FERC Account No. 224 - Other Long-Term Debt plus (d) FERC Account No. 225 – Unamortized Premium on Long Term Debt, less (e) FERC Account No. 226 – Unamortized Discount on Long Term Debt.

(ii) the preferred stock component, shall be the weighted cost to maturity of SDG&E's preferred stock and shall be computed as the ratio of the total cost recorded in FERC Account No. 437 - Dividends Declared – Preferred Stock, to the total Preferred Stock Issued as recorded in FERC Account No. 204.

(iii) the Return on Equity component, shall be as follows:

(a) Return on Equity shall equal ~~11.35~~XX.X%,

(b) Return on Equity shall be applied to proprietary capital as shown on page 112 of FERC Form 1, less FERC Account No. 204 – Preferred Stock Issued, found on line 3 of said page.

(b) Federal Income Tax shall equal

$$\frac{(A+[C-B]/D)(FT)}{1 - FT}$$

1 - FT

where:

FT is the Federal Income Tax Rate in effect on July 1 of each year;

A is the sum of the preferred stock component and the **R**eturn on **E**quity component, as determined in Sections II.A.2.a.(ii) and (iii) above;

B is Transmission Related Amortization of Investment Tax Credits and Transmission Related Amortization of Excess Deferred Tax Liabilities, as determined in Sections I.B. 5735 and I.B. 5636 above;

C is the Equity AFUDC Component of Transmission Depreciation Expense and shall equal the amount of Transmission Depreciation Expense related to the Equity AFUDC Component of Transmission Plant; and

D is Transmission Rate Base, as determined in Section II.A.1, above.

(c) State Income Tax shall equal

$$\frac{(A+[C-B]/D) + \text{Federal Income Tax}}{(ST)}$$

1 - ST

where:

ST is the State Income Tax Rate in effect on July 1 of each year;

A is the sum of the preferred stock component and ~~R~~return on ~~E~~equity component determined in Sections II.A.2.a.(ii) and (iii) above;

B is the Transmission Related Amortization of Investment Tax Credits and Transmission Related Amortization of Excess Deferred Tax Liabilities, as determined in Section I.B.~~5735~~ and I.B.~~5636~~, above;

C is the equity AFUDC Component of Transmission Depreciation Expense and shall equal the amount of Transmission Depreciation Expense related to the Equity AFUDC Component of Transmission Plant; and

D is the Transmission Rate Base, as determined in Section II.A.1, above and Federal Income Tax is the rate determined in Section II.A.2.b above.

4. Incentive Cost of Capital Rate

The Incentive Cost of Capital Rate shall be defined the same as the Cost of Capital Rate, except that the Incentive Return on Equity rate shall be as defined in Section 1.B, Terms. In addition, Transmission Rate Base shall be as used in Section II.A. 2.

B. ~~End-Use Customer~~ Base Transmission Revenue Requirement

~~End-Use Customer~~ Base Transmission Revenue Requirement

("BTRR_{EU}") for a given Rate Effective Period shall be:

$$\text{BTRR}_{\text{EU}} = \text{PYRR}_{\text{EU}} + \text{FC}_{\text{EU}} \text{ +/- True-Up Adjustment } \underline{\text{+/- Interest True-Up Adjustment}}$$

where:

$$\underline{\text{PYRR}_{\text{EU}} = \text{PYRR}_{\text{EU-NIR (non-incentive revenues)}} + \text{PYRR}_{\text{EU-IR (incentive revenues)}}}$$

and where:

B.1 PYRR_{EU-NIR} shall be determined on the basis of transmission cost data recorded in Form 1 and underlying ledger accounts for the prior year and such other costs and information provided in SDG&E's annual Informational Filing and shall be calculated as follows:

- (A) Return and Associated Income Taxes, plus
- (B) Transmission, General, ~~and~~ Common and Electric Miscellaneous Intangible Plant Depreciation & Amortization Expense, plus
- ~~(C) Transmission Related Electric Miscellaneous Intangible Plant Amortization Expense, plus~~
- ~~(D)~~(C) Transmission Related Regulatory Debits, minus
- ~~(E)~~(D) Transmission Related Amortization of Investment Tax Credits, minus
- (F) Transmission Related Amortization of Excess Deferred Tax Liabilities, plus
- (G) Transmission Related Payroll Taxes Expense, plus
- (H) Transmission Related Property Taxes, plus
- (I) Transmission Operation and Maintenance Expense, plus
- (J) Transmission Related A&G Expenses, plus
- (K) Valley Rainbow Project Costs Amortization Expense, plus
- ~~(K)~~(L) ~~and~~ Transmission Related AbandonedCancelled Project Cost

Amortization Expense, minus

~~(L)~~(M) Transmission Related Revenue Credits, plus

~~(M)~~(N) Transmission Related Municipal Franchise Tax Expense, plus

~~(N)~~(O) Transmission Related Uncollectible Expense, plus

~~(O)~~(P) CPUC Intervenor Funding Expense, plus

~~(P)~~(Q) South Georgia Income Tax Adjustment, plus

~~(Q)~~(R) Gains and losses on Transmission Plant Held for Future Use.

B.2 PYRR_{EU-IR} for Incentive Transmission Plant shall be determined from records maintained individually for each Incentive Project and shall be calculated as follows:

(A) Incentive Return and Associated Income Taxes applicable to

Incentive Transmission Plant as defined in Section 1.B, Terms, plus

~~(B) Incentive Transmission Plant Depreciation Expense as defined in~~

~~Section 1.B, Terms, plus~~

(C) Transmission Related Municipal Franchise Expense applicable to

Incentive Transmission Plant, plus

(D) Transmission Related Uncollectible Expense applicable to Incentive

Transmission Plant.

B.23 Forecast Period Capital Addition Revenue Requirements (“FC_{EU}”) shall be the product of Weighted Forecast Plant Additions and an Annual Fixed Charge Rate (“AFCR”).

B.23.1 Forecast Period Capital Addition Revenue Requirements shall be calculated as follows:

$$\text{FC}_{\text{EU}} = \text{Weighted Forecast Plant Additions excluding Transmission Plant Held for Future Use} \times \text{AFCR}_{\text{EU}}$$

where:

AFCR_{EU} shall be the Annual Fixed Charge Rate for purposes of determining the amount of revenue requirements associated with Weighted Forecast Plant Additions to be included in the determination of BTRR_{EU}, and is calculated as follows:

AFCR_{EU} = PYRR_{EU} minus the South Georgia Income Tax Adjustment plus Transmission Related Amortization of Investment Tax Credit, plus Transmission Related Amortization of Excess Deferred Tax Liability, minus Valley Rainbow Project Costs Amortization Expense, plus CPUC Intervenor Funding Expenses, plus (Gains)/Losses from Sale of Plant Held for Future Use, divided by the sum of Transmission Plant, Transmission Related General Plant, ~~and~~ Transmission Related Common Plant and Transmission Related Electric Miscellaneous Intangible Plant balances (which said balances, in each instance, shall be calculated in accordance with 18 CFR Section 35.13).

B.23.1.1 Revenue requirements for Transmission Plant Held for Future Use during the Forecast Period shall be determined by multiplying the Cost of Capital Rate by Forecast Period Transmission Plant Held for Future Use using the same weighting method that is used for determining the revenue requirements for Weighted Forecast Plant Additions. In addition, Transmission Rate Base, as used in II.A.23.(b) D, shall be changed to weighted Transmission Plant Held for Future Use.

B.3.2 Forecast Period Capital Addition Incentive Revenue Requirements for Incentive Projects that receive an Incentive Return on Equity shall be calculated as follows:

$$FC_{EU-IR} = \text{Weighted Forecast Plant Additions} \times AFCR_{EU-IR}$$

where:

AFCR_{EU-IR} shall be calculated using the methodology in II.B.3.1 above, using Incentive Transmission Plant as if it were Transmission Plant and substituting the Cost of Capital Rate with the Incentive Cost of Capital Rate.

B.3.3 Forecast Transmission Incentive CWIP Revenues

The Forecast Transmission Incentive CWIP Revenues to be included in the derivation of the Retail and Wholesale BTRR shall be calculated by multiplying the Cost of Capital Rate by the 13-month weighted average incremental CWIP balance during the Rate Effective Period. The incremental CWIP balance shall be equal to the difference in the CWIP balance at the end of the month in the Forecast Period just prior to the first month of the Rate Effect Period, less the CWIP balance at the end of the Base Period. This difference shall be added to the monthly CWIP expenditures during the Rate Effective Period until the Incentive Project goes into service. The Cost of Capital Rate shall be equal to that used in the Base Period.

B.43 True-Up Adjustment shall be calculated in accordance with Section II.D below.

B.5 Interest True-Up Adjustment shall be calculated in accordance with Section II. E below.

C. CAISO Base Transmission Revenue Requirement

C.1 CAISO Base Transmission Revenue Requirement (“BTRR_{CAISO}”) for a given Rate Effective Period shall be equal:

$$\text{BTRR}_{\text{ISO}} = \text{PYRR}_{\text{ISO}} + \text{FC}_{\text{ISO}} + \text{True-Up Adjustment}$$

where:

BTRR_{EU}, plus CPUC Intervenor Funding Expense, minus South Georgia Income Tax Adjustment, minus Transmission Related Amortization of Excess Deferred tax Liabilities.

~~C.1 PYRR_{ISO} for BTRR_{ISO}, shall be determined on the basis of transmission cost data recorded in Form 1 and underlying ledger accounts for the prior year and such other costs and information provided in SDG&E’s annual Informational Filing and shall be calculated as follows:~~

~~(A) Return and Associated Income Taxes, plus~~

~~(B) Transmission, General, and Common Plant Depreciation Expense, plus~~

~~(C) Transmission Related Electric Miscellaneous Intangible Plant Amortization Expense, plus~~

~~(D) Transmission Related Regulatory Debits, minus~~

~~(E) Transmission Related Amortization of Investment Tax Credits, minus~~

~~(F) Transmission Related Amortization of Excess Deferred Tax Liabilities, plus~~

~~(G) — Transmission Related Payroll Taxes Expense, plus~~

~~(H) — Transmission Related Property Taxes, plus~~

~~(I) — Transmission Operation and Maintenance Expense, plus~~

~~(J) — Transmission Related A&G Expenses, plus~~

~~(K) — Valley Rainbow Project Costs and Transmission Related
Cancelled Project Cost, minus~~

~~(L) — Transmission Related Revenue Credits, plus~~

~~(M) — Transmission Related Municipal Franchise Tax Expense, plus~~

~~(N) — Gains and losses on Transmission Plant Held for Future Use.~~

~~C.2 — Forecast Period Capital Addition Revenue Requirements (“FC_{ISO}”) shall
be the product of Weighted Forecast Plant Additions and an Annual
Fixed Charge Rate (“AFCR”).~~

~~C.2.1 Forecast Period Capital Addition Revenue Requirements shall be
calculated as follows:~~

$$\text{FC}_{\text{ISO}} = \text{Weighted Forecast Plant Additions excluding Transmission
Plant Held for Future Use} \times \text{AFCR}_{\text{ISO}}$$

~~where:~~

~~AFCR_{ISO} shall be the Annual Fixed Charge Rate for purposes of
determining BTRR_{ISO} used to calculate High Voltage and Low Voltage
Access Charges, and shall be calculated as follows:~~

~~AFCR_{ISO} = PYRR_{ISO} plus Transmission Related Amortization of Investment Tax
Credits, plus Transmission Related Amortization of Excess Deferred Tax
Liabilities, minus Valley Rainbow Project Costs and any Transmission Related
Cancelled Project Cost that the Commission determines shall be amortized as
an expense, divided by the sum of Transmission Plant, plus Transmission~~

~~Related General Plant, plus Transmission-Related Common Plant, plus Transmission-Related Electric Miscellaneous Intangible Plant balances (which balances, in each instance, shall be calculated in accordance with 18 CFR Section 35.13).~~

~~C.2.1.1 Revenue requirements for Transmission Plant Held for Future Use during the Forecast Period shall be determined by multiplying the Cost of Capital Rate by Forecast Period Transmission Plant Held for Future Use using the same weighting method that is used for determining the revenue requirements for Weighted Forecast Plant Additions. In addition, Transmission Rate Base, as used in II.A.2.(b) D, shall be changed to weighted Transmission Plant Held for Future Use.~~

~~C.3.2~~ **BTTTR_{CAISO}** shall be further allocated between HV Transmission Facility revenue requirements ("BTTTR_{CAISO-HV}") and LV Transmission Facility revenue requirements ("BTTTR_{CAISO-LV}") as set forth in Appendix IX follows:

- ~~i. $BTRR_{CAISO-HV} = BTRR_{CAISO}$ multiplied by the allocation factors applicable to HV Transmission Facilities as described in the Existing and New HV and LV Allocation Factors~~
- ~~ii. $BTRR_{CAISO-LV} = BTRR_{CAISO}$ multiplied by the allocation factors applicable to LV Transmission Facilities as described in the Existing and New HV and LV Allocation Factors.~~

~~C.4~~ True-Up Adjustment shall be calculated in accordance with Section II.D below.

D. True-Up Adjustment shall be calculated as follows:

1. Derivation of True-Up Adjustment:

SDG&E will derive ~~two~~ the end use customers True-Up Adjustments as follows. Please note that the end use customers True-Up Adjustments is also applicable to BTRR_{CAISO} ~~one applicable to End Use Customers (“TUA_{EU}”) and one applicable to ISO wholesale customers (“TUA_{ISO}”).~~ Such True-Up Adjustments shall equal the following:

A. The Derivation of Retail True-Up Adjustment shall be calculated as follows:

The sum of monthly revenues (~~“TUR”~~) recorded during the True-Up Period minus the sum of monthly true-up cost of service (“TUCS”) during the True-Up Period.

Such True-Up Adjustments shall be calculated for each month of the True-Up Period and adjusted for Interest as described below.

~~2B.-~~ Derivation of the Retail True-Up Cost of Service applicable to the True-Up Period:

In order to derive the End Use True-Up Cost of Service (“TUCS_{EU}”) ~~and Wholesale True-Up Cost of Service (“TUCS_{ISO}”)~~ for any True-Up Period, SDG&E shall determine its cost of providing transmission service for that True-Up Period using the cost of service methodology described in Sections II.B ~~and II.C~~ of this Appendix VIII, and shall distribute that TUCS_{EU} ~~and TUCS_{ISO}~~ respectively, to each month of the True-Up Period by stating its True-Up Cost of Service on an average annual rate and multiplying said annual average rate times the actual recorded monthly determinants for each month of the True-Up Period, as more fully described below.

Pursuant to the methodology set forth in Appendix IX, SDG&E shall compute the following to derive the $TUCS_{EU}$ ~~and the $TUCS_{ISO}$~~ :

a. The $TUCS_{EU}$ for each month of the True-Up Period for each class of service specified in Appendix IX of SDG&E's Transmission Owner Tariff shall be calculated by dividing the $TUCS_{EU}$ for the True-Up Period by the annual billing determinants for that customer class and multiplying the resulting amount by the recorded monthly billing determinants for that customer class for that month.

~~b. The $TUCS_{ISO}$ for each month of the True-Up Period for each class of service specified in Appendix IX of SDG&E's Transmission Owner Tariff shall be calculated by dividing the $TUCS_{ISO}$ for the True-Up Period by the annual billing determinants, as measured at transmission voltage level, for that customer class and multiplying the resulting amount by the recorded monthly billing determinants, as measured at transmission voltage level, for that customer class for that month.~~

32. Derivation of End Use True-Up Revenues during the True-Up Period:

SDG&E shall determine for each month of the True-Up Period the following:

a. True-Up Revenues for the End Use Customers (" TUR_{EU} ") shall equal the total End Use Base Transmission Revenue Requirement revenues SDG&E recorded for each month of the True-Up Period as received from End Use Customers. Such Base Transmission Revenue Requirements shall exclude for the rate effective period recorded True-Up Adjustment revenues and interest true-up adjustment revenues that are embedded in recorded revenues. To the extent the True-Up Adjustment and the Interest True-Up Adjustment balances are not fully amortized at the end of the Rate Effective Period, SDG&E will zero out such balances in the month of the Rate Effective

Period.

~~b. True-Up Revenues for ISO wholesale customers (“TUR_{ISO}”) shall equal the following:~~

~~1. for the first five months of the True-Up Period (April through August) the ISO True-Up revenues will equal for each class of service as specified in Appendix IX of SDG&E’s Transmission Owner’s Tariff, true-up transmission rates in effect during this period multiplied by the End Use Customer recorded billing determinants, as measured at transmission voltage level for each month of this period. The true-up transmission rates by the class of service will equal the BTRR_{ISO} in effect during this period allocated (using the class allocation factor as described in Appendix IX) to each class of service, divided by the class of service billing determinants applicable to this BTRR_{ISO}.~~

~~2. for the last seven months of the True-Up Period (September through March) the ISO true-up revenues will equal for each class of service as specified in Appendix IX of SDG&E’s Transmission Owner’s Tariff, true-up transmission rates in effect during this period multiplied by the End Use Customer recorded billing determinants, as measured at the transmission voltage level, for each month of this period. The true-up transmission rates by class of service will equal the BTRR_{ISO} in effect during this period allocated (using the class allocation factor as described in Appendix IX) to each class of service, divided by the class of service billing determinants applicable to this BTRR_{ISO}.~~

3. Derivation of Interest Related to Over and Under Recovery of Costs:

For each month of the True-Up Period, for any over- or under- recovery of its costs as determined by comparing TUCS and TUR, SDG&E shall calculate

an applicable amount of Interest pursuant to 18 CFR Section 35.1 9a.

E. Interest True-Up Adjustment Calculation

- a. The Interest True-Up adjustment for any formula cycle filing shall be calculated for the current cycle True-Up Period in two parts. First, for the current cycle filing, SDG&E shall take the previous cycle True-Up Adjustment overcollection (undercollection) balance and calculate the interest that accrues on this balance for the first ~~five-12~~ months of the current True-Up Adjustment Period (~~April-January~~ 1 through ~~August~~ December 31). SDG&E shall calculate the interest amount pursuant to 18 CFR Section 35.19, by compounding the related interest on a quarterly basis.
- b. Second, interest shall be calculated monthly on the unamortized overcollection (undercollection) balance of the sum of the interest that occurred in the first ~~five-12~~ months as calculated in (a) above ~~plus the previous cycle True-Up Adjustment balance. The monthly amortized balance will be calculated for the remaining period from September 1 to March-August~~ December 31 of the current cycle Rate Effective Period. The monthly amount by which the balance decreases will be calculated by multiplying an amortization rate per kWh times each month's retail sales in kWhs. The amortization rate per kWh will be calculated by taking the beginning overcollection/(undercollection) balance as of the start of the rate effective period and dividing it by the kWhs in the current Rate Effective Period. ~~The kWhs in the Rate Effective Period shall equal the first seven months actual and the last five month forecast.~~
- c. The interest in parts (a) and (b) above for an overcollection

(undercollection) balance shall be summed and credited to the current cycle formula True-Up Adjustment. In the event interest is determined on an undercollection balance in part (a) and (b) above, such interest shall be added to the current cycle True-Up Adjustment.

- d. The unamortized Interest True-Up Adjustment balance from the current Interest True-Up Adjustment (balance as of ~~March-December~~ 31) will be carried forward to the following cyclic filing and used as the beginning monthly unamortized balance beginning the first month of the True-Up Adjustment Process (~~April-January~~). This unamortized balance shall be amortized over the remaining months of the current cycle Rate Effective Period months (~~April-January~~ through ~~August-December~~). Monthly interest on the unamortized balance for these months will then be calculated. This interest will then be added to the interest calculated as part of the following cycle's True-Up Adjustment.

In the following cycle filing, the process described in items (a) through (c) shall be repeated including the calculation of interest described in item (d) above. Note should be made that in the following cyclic filing's Interest True-Up Adjustment process the interest calculations described in items (c) and (d) will overlap for the first five months of the Interest True-Up calculation process (April through August).

APPENDIX IX

DETERMINATION OF SDG&E'S END USE CUSTOMER CLASS TRANSMISSION CHARGES, LOW VOLTAGE ACCESS CHARGE, AND HIGH VOLTAGE UTILITY-SPECIFIC RATE, AND ALLOCATION OF BTRR APPLICABLE TO HIGH VOLTAGE AND LOW VOLTAGE TRANSMISSION FACILITIES

I. INTRODUCTION

This Appendix IX describes the method by which SDG&E:

1. allocates Base Transmission Revenue Requirements (as determined in Appendix VIII) to End Use Customer classes, and designs transmission rates applicable to such End Use Customer classes assessed by SDG&E pursuant to this TO Tariff;
2. allocates Base Transmission Revenue Requirements (as determined in Appendix VIII) applicable to High Voltage Transmission Facilities and Low Voltage Transmission Facilities for purposes of designing voltage-differentiated Wheeling Access Charges assessed pursuant to the ISO Tariff;
3. calculates the applicable Low Voltage Access Charge to be assessed pursuant to SDG&E's Transmission Owner Tariff (TO Tariff); and
4. calculates a High Voltage Utility-Specific Rate.

SDG&E shall provide the ISO its determination of the High Voltage Utility-Specific Rate, as updated annually pursuant to the formula rate contained in Appendix VIII of this TO Tariff, for use by the ISO to calculate the High Voltage Wheeling Access Charge assessed by the ISO pursuant to the ISO Tariff. SDG&E shall also provide the ISO SDG&E's determination of the Low Voltage Wheeling Access Charge that is assessed by the ISO pursuant to the ISO Tariff.

A. END-USE CUSTOMER CLASSES FOR TRANSMISSION SERVICE:

The following applies only to End-Use Customers that receive transmission service over the ISO Controlled Grid through SDG&E's transmission or distribution facilities. End-Use Customers shall take service under the following rate designations:

Residential

Small Commercial

Medium and Large Industrial

Street Lighting

Stand-by Service

Rates applicable to the current Rate Effective Period shall be posted on SDG&E's OASIS, which can be accessed at www.sdge.com/toforum. The rates are also ~~assessable~~accessible through a link to SDG&E's web page that is located at the CAISO OASIS at www.caiso.com.

B. DERIVATION OF SDG&E'S END-USE CUSTOMER TRANSMISSION RATES:

The transmission rate components of SDG&E's End-Use Customer rates are determined as follows:

1. Allocate the Base Transmission Revenue Requirements applicable to End Use Customers ($BTRR_{EU}$) under the TO Tariff as calculated pursuant to the formula rate contained in Appendix VIII of SDG&E's TO Tariff among End-Use Customer rate classes based upon the most recent 10-year coincident peak data averaged by month to derive the 12-month average coincident peak data adjusted to reflect distribution losses to the transmission level.

2. To mitigate the impact of rate increases to Street Lighting and Stand-by Service classes, the rates effective October 1, 2003, for these customer classes shall be limited to a 100% rate increase under the otherwise applicable rate design. Beginning with rates that become effective July 1, 2004, SDG&E shall design transmission rates applicable to Street Lighting and Stand-by Service classes based on total cost of service without such mitigation measures. The revenue requirement under-recovery attributable to this mitigation measure that occurs during the first Rate Effective Period shall be allocated among other customer classes in proportion to these classes' respective contribution to SDG&E's 12-month average coincident peak excluding the contribution to such coincident peak from Street Lighting and Stand-by Service classes.
3. Divide the results of the allocation described paragraph "1", as adjusted by paragraph "2" above, by the appropriate forecast End Use Customer billing determinants applicable to the Rate Effective Period to determine the transmission prices for the respective End Use Customer classes. End Use Customer classes shall be determined in accordance with SDG&E's CPUC tariffs. The billing determinants used to design transmission rates applicable to End Use Customer classes shall be as follows:
 - a. Residential – forecast metered energy (kwh) for the Rate Effective Period;
 - b. Small Commercial– forecast metered energy (kwh) for the Rate Effective Period;
 - c. Medium and Large Industrial – forecast metered maximum non coincident peak demand (kW) for the Rate Effective Period for all applicable tariffs except tariff DG-R; for tariff

DG-R forecast metered maximum monthly demand (kW) for
the Rate Effective Period.

- d. Street Lighting – forecast energy (kwh) used by all lamps
in service for the Rate Effective Period;
- e. Stand-by Service – contract demands (kw) applicable to
Stand-by Service for the Rate Effective Period.

**C. ALLOCATION OF SDG&E'S BASE TRANSMISSION REVENUE REQUIREMENTS
AND DERIVATION OF UTILITY SPECIFIC HIGH VOLTAGE TRANSMISSION RATE
AND LOW VOLTAGE RATES APPLICABLE TO LOW VOLTAGE WHEELING
ACCESS CHARGE:**

1. The Base Transmission Revenue Requirements applicable to Wheeling
Access Charges pursuant to the ISO Tariff (hereinafter referred to as the
"BTRR_{ISO}") shall be allocated among the following:

- a) ~~Existing~~ High Voltage (HV) Transmission Facilities, ~~i.e. High Voltage
Transmission Facilities that were in service prior to January 1, 2001~~
- b) ~~Existing~~ Low Voltage (LV) Transmission Facilities, ~~i.e. Low Voltage
Facilities that went into service prior to January 1, 2001~~
- c) ~~New High Voltage (HV) Transmission Facilities, i.e. High Voltage
Facilities that went into service after December 31, 2000~~
- d) ~~New Low Voltage (LV) Transmission Facilities, i.e. Low Voltage
Facilities that were in service after December 31, 2000.~~

The ~~revenue requirement associated with the~~ Transmission Revenue
Balancing Account Adjustment (TRBAA) shall be allocated between High
Voltage and Low Voltage ~~Existing and New~~ Transmission Facilities in
accordance with the following:

~~Existing HV and Existing LV Transmission Facilities~~

~~New HV Transmission Facilities and New LV Transmission Facilities~~

2. The HV Utility Specific transmission rate shall be derived by taking the High Voltage Transmission Revenue Requirements ("HVTRR")~~portion of BTRR_{ISO} attributable to HV Transmission Facilities,~~ and dividing it by SDG&E's total retail forecast kwh billing determinants (adjusted for distribution losses) applicable during the Rate Effective Period.

3. SDG&E's Low Voltage Access Charge and Low Voltage Wheeling Access Charge shall be derived by taking the Low voltage Transmission Revenue Requirements ("LVTRR")~~portion of BTRR_{ISO} attributable to LV Transmission Facilities,~~ and dividing it by SDG&E's ~~forecast~~ Gross Load forecast applicable during the Rate Effective

APPENDIX IX

DETERMINATION OF SDG&E'S END USE CUSTOMER CLASS TRANSMISSION CHARGES, LOW VOLTAGE ACCESS CHARGE, AND HIGH VOLTAGE UTILITY-SPECIFIC RATE, AND ALLOCATION OF BTRR APPLICABLE TO HIGH VOLTAGE AND LOW VOLTAGE TRANSMISSION FACILITIES

I. INTRODUCTION

This Appendix IX describes the method by which SDG&E:

1. allocates Base Transmission Revenue Requirements (as determined in Appendix VIII) to End Use Customer classes, and designs transmission rates applicable to such End Use Customer classes assessed by SDG&E pursuant to this TO Tariff;
2. allocates Base Transmission Revenue Requirements (as determined in Appendix VIII) applicable to High Voltage Transmission Facilities and Low Voltage Transmission Facilities for purposes of designing voltage-differentiated Wheeling Access Charges assessed pursuant to the ISO Tariff;
3. calculates the applicable Low Voltage Access Charge to be assessed pursuant to SDG&E's Transmission Owner Tariff (TO Tariff); and
4. calculates a High Voltage Utility-Specific Rate.

SDG&E shall provide the ISO its determination of the High Voltage Utility-Specific Rate, as updated annually pursuant to the formula rate contained in Appendix VIII of this TO Tariff, for use by the ISO to calculate the High Voltage Wheeling Access Charge assessed by the ISO pursuant to the ISO Tariff. SDG&E shall also provide the ISO SDG&E's determination of the Low Voltage Wheeling Access Charge that is assessed by the ISO pursuant to the ISO Tariff.

A. END-USE CUSTOMER CLASSES FOR TRANSMISSION SERVICE:

The following applies only to End-Use Customers that receive transmission service over the ISO Controlled Grid through SDG&E's transmission or distribution facilities. End-Use Customers shall take service under the following rate designations:

Residential

Small Commercial

Medium and Large Industrial

Street Lighting

Stand-by Service

Rates applicable to the current Rate Effective Period shall be posted on SDG&E's OASIS, which can be accessed at www.sdge.com/toforum. The rates are also ~~assessable~~accessible through a link to SDG&E's web page that is located at the CAISO OASIS at www.caiso.com.

B. DERIVATION OF SDG&E'S END-USE CUSTOMER TRANSMISSION RATES:

The transmission rate components of SDG&E's End-Use Customer rates are determined as follows:

1. Allocate the Base Transmission Revenue Requirements applicable to End Use Customers ($BTRR_{EU}$) under the TO Tariff as calculated pursuant to the formula rate contained in Appendix VIII of SDG&E's TO Tariff among End-Use Customer rate classes based upon the most recent 10-year coincident peak data averaged by month to derive the 12-month average coincident peak data adjusted to reflect distribution losses to the transmission level.

2. To mitigate the impact of rate increases to Street Lighting and Stand-by Service classes, the rates effective October 1, 2003, for these customer classes shall be limited to a 100% rate increase under the otherwise applicable rate design. Beginning with rates that become effective July 1, 2004, SDG&E shall design transmission rates applicable to Street Lighting and Stand-by Service classes based on total cost of service without such mitigation measures. The revenue requirement under-recovery attributable to this mitigation measure that occurs during the first Rate Effective Period shall be allocated among other customer classes in proportion to these classes' respective contribution to SDG&E's 12-month average coincident peak excluding the contribution to such coincident peak from Street Lighting and Stand-by Service classes.
3. Divide the results of the allocation described paragraph "1", as adjusted by paragraph "2" above, by the appropriate forecast End Use Customer billing determinants applicable to the Rate Effective Period to determine the transmission prices for the respective End Use Customer classes. End Use Customer classes shall be determined in accordance with SDG&E's CPUC tariffs. The billing determinants used to design transmission rates applicable to End Use Customer classes shall be as follows:
 - a. Residential – forecast metered energy (kwh) for the Rate Effective Period;
 - b. Small Commercial– forecast metered energy (kwh) for the Rate Effective Period;
 - c. Medium and Large Industrial – forecast metered maximum non coincident peak demand (kW) for the Rate Effective Period for all applicable tariffs except tariff DG-R; for tariff

DG-R forecast metered maximum monthly demand (kW) for
the Rate Effective Period.

- d. Street Lighting – forecast energy (kwh) used by all lamps
in service for the Rate Effective Period;
- e. Stand-by Service – contract demands (kw) applicable to
Stand-by Service for the Rate Effective Period.

**C. ALLOCATION OF SDG&E'S BASE TRANSMISSION REVENUE REQUIREMENTS
AND DERIVATION OF UTILITY SPECIFIC HIGH VOLTAGE TRANSMISSION RATE
AND LOW VOLTAGE RATES APPLICABLE TO LOW VOLTAGE WHEELING
ACCESS CHARGE:**

1. The Base Transmission Revenue Requirements applicable to Wheeling
Access Charges pursuant to the ISO Tariff (hereinafter referred to as the
"BTRR_{ISO}") shall be allocated among the following:

- a) ~~Existing~~ High Voltage (HV) Transmission Facilities, ~~i.e. High Voltage
Transmission Facilities that were in service prior to January 1, 2001~~
- b) ~~Existing~~ Low Voltage (LV) Transmission Facilities, ~~i.e. Low Voltage
Facilities that went into service prior to January 1, 2001~~
- c) ~~New High Voltage (HV) Transmission Facilities, i.e. High Voltage
Facilities that went into service after December 31, 2000~~
- d) ~~New Low Voltage (LV) Transmission Facilities, i.e. Low Voltage
Facilities that were in service after December 31, 2000.~~

The ~~revenue requirement associated with the~~ Transmission Revenue
Balancing Account Adjustment (TRBAA) shall be allocated between High
Voltage and Low Voltage ~~Existing and New~~ Transmission Facilities in
accordance with the following:

~~Existing HV and Existing LV Transmission Facilities~~

~~New HV Transmission Facilities and New LV Transmission Facilities~~

2. The HV Utility Specific transmission rate shall be derived by taking the High Voltage Transmission Revenue Requirements ("HVTRR")~~portion of BTRR_{ISO} attributable to HV Transmission Facilities, and~~ dividing it by SDG&E's total retail forecast kwh billing determinants (adjusted for distribution losses) applicable during the Rate Effective Period.

3. SDG&E's Low Voltage Access Charge and Low Voltage Wheeling Access Charge shall be derived by taking the Low voltage Transmission Revenue Requirements ("LVTRR")~~portion of BTRR_{ISO} attributable to LV Transmission Facilities, and~~ dividing it by SDG&E's ~~forecast~~ Gross Load forecast applicable during the Rate Effective

APPENDIX VIII

FORMULA FOR CALCULATING ANNUAL BASE TRANSMISSION REVENUE REQUIREMENTS UNDER SDG&E'S TRANSMISSION OWNER TARIFF

This Appendix VIII sets forth the formula for calculating the annual Base Transmission Revenue Requirement ("BTRR") and is organized into the following sections:

Introduction

I. Definitions

- A. Allocation Factors
 - 1. HV and LV Allocation Factor
 - 2. Seven-Element Adjustment Factor
 - 3. Transmission Plant Allocation Factor
 - 4. Transmission Plant Property Insurance Allocation Factor
 - 5. Transmission Related Property Tax Allocation Factor
 - 6. Transmission Wages and Salaries Allocation Factor

- B. Terms
 - 1. Accumulated Deferred Income Taxes
 - 2. Administrative and General Expense – Electric
 - 3. Amortization of Investment Tax Credits
 - 4. Amortization of Unamortized Loss on Reacquired Debt
 - 5. Annual Fixed Charge Rate
 - 6. Base Period
 - 7. CAISO Base Transmission Revenue Requirement
 - 8. Common Plant
 - 9. Common Plant Depreciation Expense
 - 10. Common Plant Depreciation Reserve
 - 11. CPUC Intervenor Funding Expense
 - 11. Depreciation Expense for Transmission Plant
 - 12. Electric Miscellaneous Intangible Plant
 - 13. Electric Miscellaneous Intangible Plant Amortization Expense
 - 14. Electric Miscellaneous Intangible Plant Amortization Reserve
 - 15. End Use Customers Base Transmission Revenue Requirements
 - 16. Forecast Period
 - 17. General Plant
 - 18. General Plant Depreciation Expense
 - 19. General Plant Depreciation Reserve
 - 20. Incentives
 - 21. Incentive Abandoned Project Cost

22. Incentive Construction Work In Progress
23. Incentive Project
24. Incentive Return and Associated Income Taxes
25. Incentive Return on Equity
26. Incentive Transmission Plant
27. Incentive Transmission Plant Accumulated Deferred Income Taxes
28. Incentive Transmission Plant Depreciation Expense
29. Incentive Transmission Plant Depreciation Reserves
30. Incentive Transmission Plant Other Regulatory Assets/Liabilities
31. Incentive Weighted Forecast Plant Additions
32. Materials and Supplies
33. Municipal Franchise Tax Expense
34. Other Regulatory Assets/Liabilities
35. Payroll Taxes
36. Prepayments
37. Property Insurance
38. Property Taxes
39. Rate Effective Period
40. Return and Associated Income Taxes
41. Return on Equity
42. South Georgia Income Tax Adjustment
43. Total Plant in Service
44. Transmission Depreciation Reserve
45. Transmission, General, Common, and Electric Misc. Intangible Plant Depreciation Expense
46. Transmission Operation and Maintenance Expense
47. Transmission Plant
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50. Transmission Related Abandoned Project Cost
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52. Transmission Related Accumulated Deferred Income Taxes
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54. Transmission Related Amortization of Excess Deferred Tax Liabilities
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56. Transmission Related Cash Working Capital
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58. Transmission Related Common Plant Depreciation Expense
59. Transmission Related Common Plant Depreciation Reserve
60. Transmission Related Depreciation Reserve
61. Transmission Related General Plant
62. Transmission Related General Plant Depreciation Expense

63. Transmission Related General Plant Depreciation Reserves
64. Transmission Related Electric General and Common Plant Accumulated Deferred Income Taxes
65. Transmission Related Electric Miscellaneous Intangible Plant
66. Transmission Related Electric Miscellaneous Intangible Plant Accumulated Deferred Income Taxes
67. Transmission Related Electric Miscellaneous Intangible Plant Amortization Expense
68. Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve
69. Transmission Related Material & Supplies
70. Transmission Related Municipal Franchise Tax Expense
71. Transmission Related Payroll Tax Expense
72. Transmission Related Prepayments
73. Transmission Related Property Taxes
74. Transmission Related Regulatory Debits
75. Transmission Related Revenue Credits
76. Transmission Related Uncollectible Expense
77. True-Up Period
78. Uncollectible Expense
79. Valley Rainbow Project Costs
80. Weighted Forecast Plant Additions

II. Calculation of Annual Base Transmission Revenue Requirement

- A. Return and Associated Income Taxes
- B. Base Transmission Revenue Requirement
- C. CAISO Base Transmission Revenue Requirement
- D. True-Up Adjustment Calculation
- E. Interest True-Up Adjustment Calculation

INTRODUCTION

This Appendix sets forth details with respect to the determination each year of San Diego Gas & Electric Company's ("SDG&E") Base Transmission Revenue Requirements used to derive the charges assessed by SDG&E to its End Use Customers ("BTRR_{EU}") and SDG&E's Base Transmission Revenue Requirements used to derive the transmission charges assessed by SDG&E pursuant to its Transmission Owner ("TO") Tariff and by the California Independent System Operator Corporation ("CAISO") pursuant to the CAISO Tariff ("BTRR_{CAISO}"). The BTRR_{EU} and BTRR_{ISO} for each Rate Effective Period will each be comprised of the following four parts:

- (i) the Prior Year Revenue Requirements ("PYRR")
- (ii) the Forecast Period Capital Addition Revenue Requirements ("FC");
- (iii) a True-Up Adjustment
- (iv) and an Interest True-Up Adjustment

The PYRR, FC and True-Up Adjustment, including the Interest True-Up Adjustment, shall be designed to reflect SDG&E's cost to own, operate and maintain its transmission facilities.

The PYRR will be an annual calculation based on the previous calendar year's data as shown in SDG&E's FERC Form No. 1: Annual Report of Major Electric Utilities, Licensees, and Others ("Form 1") for that year and underlying ledger accounts. SDG&E shall make available the data reflected in the underlying ledger accounts used to determine SDG&E's PYRR in the annual informational filing described below. Valley Rainbow Project Costs (as defined below) shall be recovered commencing October 1, 2003 through September 2013 in accordance with this Appendix VIII as a component of PYRR as defined in Sections II.B and C hereof. The extent to which Transmission Related Abandoned Project Cost (as defined below) will be included in SDG&E's formula rate will be determined on a case-by case basis pursuant to FERC authorization. CPUC Intervenor Funding Expense (as defined below) will

be recovered as a component of PYRR for End Use Customers, but not for CAISO customers. The FC component will be an annual calculation based on an estimate of the revenue requirements associated with the transmission-related plant investments expected to be placed in service during the Forecast Period. The True-Up Adjustment for each True-Up Period will be an annual reconciliation of the difference between

- (a) SDG&E's actual cost of providing transmission service during the applicable True-Up Period as determined by application of the PYRR component of the formula rate; and
- (b) actual revenues billed by SDG&E and paid by transmission customers for transmission service during the True-Up Period.

SDG&E shall submit to the Commission on or before August 15, 2013 an informational filing (the "Informational Filing") showing the rates in effect for the Rate Effective Period beginning September 1 2014 and ending August 31, 2015. For subsequent cycles, SDG&E shall submit the Informational Filing on or before October 15 of each year, showing the rates in effect for the Rate Effective Period beginning January 1 and ending December 31 of that same year. Further, the Informational Filing shall show:

1. for the PYRR or Base Period, the average of the thirteen monthly balances for transmission-related plant investment and the transmission-related plant retirements, reclassifications or additions causing such change; and
2. for the Forecast Period, any weighted forecast plant additions to transmission-related plant net of forecast retirements and reclassifications of Transmission Plant anticipated during that Forecast Period.

On or before June 15, or October 15 as applicable, SDG&E shall provide to the California Public Utilities Commission ("CPUC"), and make available to any other interested parties, by posting on its OASIS at www.sdge.com/rates-regulations/tariff-information/open-

[access-ferc-tariffs](#), a draft (the “Draft Informational Filing”) of the Informational Filing, for review, comment and discussion prior to the submission of the Informational Filing on August 15 or October 15. Additional Information on individual project forecast plant additions will be provided to the CPUC and to parties other than the CPUC requesting this information, subject to the execution by such party of a non-disclosure agreement accompanying the Protective Order that the Commission accepts concurrently with its acceptance of the TO4 Formula, should SDG&E reasonably determine that such information should be treated as confidential to protect transmission system security or to prevent competitive cost information from being made publicly available. The Draft Informational Filing will also be available through a link to SDG&E’s web page that is located on the CAISO OASIS accessible at www.caiso.com.

The Informational Filing shall not subject the formula set forth in this Appendix VIII to modification, but rather is contestable only with respect to prudence of the costs and expenditures included for recovery, as well as the accuracy of data and the consistency with the formula of the changes shown in the Informational Filing.

Any revisions to the information reflected in the Draft Informational Filing after it has been made available to the public but prior to submission of the Informational Filing to the Commission will be reflected in the Informational Filing, which will be filed no later than August 15 or October 15 as applicable. Any revisions and refunds related to End Use Customer Base Transmission Revenue Requirements (“BTRR_{EU}”) resulting from a Commission Order will be reflected as provided by such a Commission Order in subsequent billings.

Revisions to CAISO Base Transmission Revenue Requirements (“BTRR_{ISO}”) resulting from a Commission Order, will be made to billings pursuant to such Commission Order and as prescribed by the CAISO Tariff. All changes or corrections to rates that result in refunds will be with interest as calculated pursuant to 18 C.F.R. Section 35.19a.

In the event of a challenge to any cost reflected in charges derived under this Appendix

VIII, SDG&E shall bear the burden of demonstrating that such costs and expenditures included for recovery were prudently incurred, as well as the accuracy and consistency with the formula of the information contained therein.

I. DEFINITIONS

Capitalized terms not otherwise defined in Section 3 of SDG&E's Transmission Owner Tariff, or in the CAISO Tariff, or in this Appendix VIII have the following definitions:

A. ALLOCATION FACTORS

1. High Voltage (HV) and Low Voltage (LV) -Allocation Factors: For purposes of SDG&E's $BTRR_{ISO}$, SDG&E will allocate its Base Transmission Revenue Requirements between recorded High Voltage ("HV") and recorded Low Voltage ("LV") Transmission Facilities based on the ratio of HV transmission plant, LV transmission plant and total gross transmission plant, plus weighted forecast HV and forecast LV Transmission Facilities based on the respective percentages and in-service dates of such facilities owned by SDG&E, which are classified as such in accordance with CAISO's Tariff.
2. Seven-Element Adjustment Factor shall be a factor calculated by SDG&E to be applied by SDG&E to the relevant accounts, if necessary, for the purposes of properly functionalizing such accounts between transmission and distribution in accordance with the guidelines set forth in the Commission's Order No. 888, as those guidelines, as applicable to SDG&E, may be modified by the Commission from time to time. Electric Miscellaneous Intangible Plant

will not be taken into account in the derivation of the Seven Element Adjustment Factor.

3. Transmission Plant Allocation Factor shall equal the ratio of the sum of SDG&E's total investment in (a) Transmission Plant, (b) Transmission Related General Plant and Transmission Related Common Plant and (c) Transmission Related Electric Miscellaneous Intangible Plant to SDG&E's Total Plant in Service.
4. Transmission Plant Property Insurance Allocation Factor shall equal the ratio of the sum of SDG&E's total investment in Transmission Plant and Transmission Related General Plant and 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").
5. Transmission Related Property Tax Allocation Factor shall equal the ratio of SDG&E's total Transmission Plant and Transmission Related General Plant and Transmission Related Common Plant, to SDG&E's Total Plant In Service, excluding SONGS and Electric Miscellaneous Intangible Plant.
6. Transmission Wages and Salaries Allocation Factor shall equal the ratio of SDG&E's transmission-related direct wages and salaries to SDG&E's total direct wages and salaries, excluding administrative and general wages and salaries.

B. 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) – Electric shall equal SDG&E's expenses recorded in FERC Account Nos. 920-935, excluding FERC Account No. 930.1 (General Advertising Expense). These expenses shall be either (a) allocated across applicable functions based on Transmission Wages and Salaries Allocation factor and/or (b) directly assigned to the transmission function where: (i) direct assignment is consistent with cost causation principles, (ii) the relationship between cost incurrence and cost responsibility is obvious and reviewable and (iii) direct assignment is reasonable and cost allocation is unreasonable, e.g., it would be unreasonable to use a labor ratio to allocate costs to both distribution and transmission functions where the costs at issue have been affirmatively linked to the transmission function only. The dollar threshold for direct assignment shall be \$5 Million per event for Account 925 expenses and \$1Million per event for expenses related to the other referenced A&G accounts.
3. Amortization of Investment Tax Credits shall equal SDG&E's credits recorded in FERC Account No. 411.4.
4. Amortization of Unamortized Loss on Reacquired Debt shall equal SDG&E's expenses recorded in FERC Account No. 428.1.
5. Annual Fixed Charge Rate ("AFCR") for both end use and CAISO customers shall be defined as reflected in Section B.3.1.
6. Base Period, shall be the calendar year for which SDG&E's most recent FERC Form 1 is available; except for the initial Base Period, which shall be the 12-month period ending May 31, 2012.

7. CAISO Base Transmission Revenue Requirement (BTTR_{ISO}) shall be calculated as defined in Section 2.C.
8. Common Plant shall equal SDG&E's gross plant balance recorded in FERC Account Nos. 303 and 389 through 398.
9. 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 authorized by the CPUC.
10. Common Plant Depreciation Reserve shall equal SDG&E's depreciation reserve balance related to Common Plant recorded in FERC Account Nos. 108 and 111.
11. 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. Electric Miscellaneous Intangible Plant shall equal SDG&E's costs recorded in FERC Account No. 303 related to Electric Miscellaneous Intangible Plant.
13. Electric Miscellaneous Intangible Plant Amortization Expense shall equal SDG&E's costs recorded in FERC Account No. 404 related to the amortization of Electric Miscellaneous Intangible Plant.
14. 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.

15. End Use Customer Base Transmission Revenue Requirement (BTRR_{eu}) shall be calculated as defined in Section 2, B.1 to B.5.
16. Forecast Period with respect to each twelve month Rate Effective Period, with the exception of Cycle 1, shall be the period beginning January 1, just after the Base Period, and ending the following year on December 31, which corresponds to the last month of the Rate Effective Period. For Cycle 1, the Forecast Period will be June 1, 2012 through August 31, 2014. For Cycle 2, the Forecast Period will be January 1, 2014 to August 31, 2015.
17. General Plant shall equal SDG&E's gross plant balance recorded in FERC Account Nos. 389-399.
18. General Plant Depreciation Expense shall equal SDG&E's depreciation expenses related to General Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates authorized by the CPUC.
19. General Plant Depreciation Reserve shall equal SDG&E's depreciation reserve balance related to General Plant recorded in FERC Account Nos. 108 and 111.
20. Incentives refer to any of the items delineated in FERC Order No. 679, as may be modified from time to time, including the following:
 - a) Incentive Return on Equity (ROE)
 - b) 100% Construction Work in Progress (CWIP) in rate base.
 - c) 100% recovery of Abandoned Project Costs
21. Incentive Abandoned Project Cost shall include costs associated with abandoned projects for which SDG&E is authorized to collect under FERC Order NO. 679. These costs shall be recorded in FERC Account

No.426.5 (Other Deductions).

22. Incentive Construction Work in Progress shall be construction work in progress for which SDG&E is authorized to collect Incentives under FERC Order No. 679. These costs shall be recorded in FERC Account NO. 107.
23. Incentive Project shall be a transmission capital project permitted by FERC Order No. 679, as it may be modified from time to time.
24. Incentive Return and Associated Income Taxes shall equal the product of the Incentive Transmission Rate Base and Incentive Cost of Capital Rate, as defined in Section II. A, below.
25. Incentive Return on Equity shall equal the Return on Equity that the FERC authorizes SDG&E to collect on Incentive Project(s).
26. Incentive Transmission Plant shall be transmission plant, which includes incentive projects for which SDG&E is authorized to collect Incentives under FERC Order No. 679.
27. Incentive Transmission Plant Accumulated Deferred Income Taxes shall equal the balance of Incentive Transmission Plant Accumulated Income Taxes applicable to Incentive Transmission Plant, as reflected in a footnote to SDG&E's annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing. Total Incentive Transmission Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.
28. Incentive Transmission Plant Depreciation Expense shall equal SDG&E's depreciation expenses related to Incentive Transmission Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates authorized by the CPUC.

29. Incentive Transmission Plant Depreciation Reserve shall equal the balance of incentive transmission reserves recorded in FERC Account Nos. 108 and 111 applicable to Incentive Transmission Plant.
30. Incentive Transmission Plant Other Regulatory Assets/Liabilities shall equal SDG&E's electric balance of any Other Regulatory Assets/Liabilities applicable to Incentive Transmission Plant.
31. Incentive Weighted Forecast Plant Additions for any Forecast Period shall be the estimated capital investment associated with Incentive Transmission Plant SDG&E anticipates placing in service during such Forecast Period. Such estimated capital investment shall be calculated using the same methodology for Weighted Forecast Plant Additions defined in Section 1, Definitions.
32. Materials and Supplies shall equal SDG&E's balance of total electric Materials and Supplies recorded in FERC Account No. 154, excluding those materials and supplies assigned to construction as reflected on SDG&E Form 1.
33. Municipal Franchise Tax Expense shall equal the amounts recorded in FERC Account No. 927.
34. 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 Federal Power Act (FPA). Other Regulatory Assets/Liabilities for the initial Rate Effective Period shall be zero.
35. Payroll Taxes shall equal those payroll tax expenses recorded in FERC Account No. 408.1.
36. Prepayments shall equal SDG&E's prepayment balance recorded in FERC Account No. 165.

37. Property Insurance shall equal SDG&E's expenses recorded in FERC Account No. 924.
38. Property Taxes shall equal SDG&E's expense recorded in FERC Account No. 408.1.
39. Rate Effective Period shall be a 12 month calendar year period; provided, however, that for Cycle1, the Rate Effect Period shall begin September 1, 2013 and end August 31, 2014 and for Cycle 2, the Rate Effective Period shall begin September 1, 2014 and end December 31, 2015.
40. Return and Associated Income Taxes shall equal the product of the Transmission Rate Base and the Cost of Capital Rate, as defined in Section II below.
41. Return on Equity shall be 11.3%.
42. South Georgia Income Tax Adjustment shall equal the amount set forth in the applicable FERC Form 1.
43. Total Plant in Service shall equal SDG&E's total gross plant balance recorded in FERC Account Nos. 301 through 399.
44. Transmission Depreciation Reserve shall equal SDG&E's transmission reserve balance recorded in FERC Account Nos. 108 and 111.
45. Transmission, General, Common Plant, and Electric Miscellaneous Intangible Depreciation Expense shall equal the sum of (a) Depreciation Expense for Transmission Plant, plus an allocation of General and Common Plant Depreciation Expense calculated by multiplying both General Plant Depreciation Expense and Common Plant Depreciation Expense, by the Transmission Wages and Salaries Allocation Factor; plus (b) Electric Miscellaneous Intangible Plant Amortization Expense directly

assigned to transmission, consistent with the cost causation principles as defined in Term 66.

46. Transmission Operation and Maintenance Expense shall equal SDG&E's expenses recorded in FERC Account Nos. 560-573, minus transmission costs recorded in FERC Account Nos. 561.4 and 561.8, minus transmission costs currently recorded in 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 retail customers, minus ISO Grid Management Charge expenses recorded in these accounts, and minus expenses currently recorded in FERC Account No. 566 that are not transmission related, including, but not limited to, Reliability Must Run and Market Redesign Technology Update ("MRTU") costs, Transmission Revenue Balancing Account Adjustment ("TRBAA") expenses, and Transmission Access Charge Balancing Account Adjustment expenses ("TACBAA").
47. Transmission Plant shall equal SDG&E's Gross Plant balance recorded in FERC Account Nos. 350-359, excluding the portion of any facilities, the cost of which is directly assigned under the CAISO Tariff.
48. Transmission Plant Depreciation Expense shall equal SDG&E's transmission expenses recorded in FERC Account Nos. 403, 404, and 405 pursuant to the TO4 authorized ASL, Iowa Curve, and FNS% for each FERC subaccount as shown in the following table:

TO4 Transmission Plant Depreciation Rates

FERC Subaccount	Description	Proposed *ASL	Proposed lowa Curve	Illustrative Plant Rate	Proposed **FNS %	Illustrative Net COR ***Rate	Illustrative Total Rate
E0135210	"Other"	72	R2	1.36%	-60%	0.82%	2.18%
E0135220	"SWPL"	72	R2	1.01%	-60%	0.61%	1.62%
E0135260	"SRPL"	72	R2	1.39%	-60%	0.84%	2.23%
E0135310	"Other"	50	R1	2.20%	-60%	1.32%	3.52%
E0135320	"SWPL"	50	R1	2.51%	-60%	1.51%	4.02%
E0135340	"Palomar"	50	R1	2.03%	-60%	1.22%	3.25%
E0135360	"SRPL"	50	R1	2.01%	-60%	1.21%	3.22%
E0135410	"Other"	70	R5	1.57%	-100%	1.57%	3.13%
E0135420	"SWPL"	70	R5	1.33%	-100%	1.33%	2.65%
E0135460	"SRPL"	70	R5	1.47%	-100%	1.47%	2.93%
E0135510	"Other"	45	R1.5	2.33%	-100%	2.33%	4.65%
E0135520	"SWPL"	45	R1.5	2.54%	-100%	2.54%	5.08%
E0135560	"SRPL"	45	R1.5	2.26%	-100%	2.26%	4.53%
E0135610	"Other"	58	S0	1.60%	-100%	1.60%	3.20%
E0135620	"SWPL"	58	S0	0.88%	-100%	0.88%	1.77%
E0135660	"SRPL"	58	S0	1.75%	-100%	1.75%	3.51%
E0135700	"Other & SWPL"	60	R5	1.68%	-45%	0.75%	2.43%
E0135760	"SRPL"	60	R5	1.69%	-45%	0.76%	2.45%
E0135800	"Other & SWPL"	50	R3	1.89%	-10%	0.19%	2.08%
E0135860	"SRPL"	50	R3	2.03%	-10%	0.20%	2.23%
E0135910	"Other"	60	SQ	1.65%	0%	0.00%	1.65%
E0135920	"SWPL"	60	SQ	1.44%	0%	0.00%	1.44%
E0135960	"SRPL"	60	SQ	1.68%	0%	0.00%	1.68%

* ASL – Average Service Life ** FNS – Future Net Salvage *** COR – Cost of Removal

SDG&E reserves the right to update rates over time using the authorized parameters set forth above. To the extent that SDG&E seeks to change the authorized parameters, SDG&E shall make a Section 205 filing explicitly requesting authorization to change such parameters.

49. Transmission Plant Held for Future Use shall equal SDG&E's balance recorded in FERC Account No. 105 for projects approved by the CPUC. Gain or loss on the sale of plant held for

future use shall be recorded in FERC Account Nos. 411.6 and 411.7.

50. Transmission Related Abandoned Project Cost shall equal an amount, other than Valley Rainbow Project Costs, relating to abandoned transmission projects that is recorded in FERC Account No. 182.2. The ratemaking treatment to be afforded 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 for recovery under this Appendix VIII. In the Section 205 of the FPA proceeding, SDG&E reserves its right to request recovery of up to 100% of the Transmission Related Abandoned Project Cost and parties reserve their right to contest 100% recovery as provided for in this Appendix VIII. Transmission Related Abandoned Project Cost for the initial Rate Effective Period shall be zero.
51. Transmission Related Abandoned Project Cost Amortization Expense shall equal the annual amortization expense recorded in FERC Account No. 407 related to Transmission Related Abandoned Project Cost.
52. 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. As

reflected in a footnote to SDG&E's annual FERC Form 1 which SDG&E shall reference by page in its Informational Filing. Total Transmission Related Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.

53. Transmission Related A&G Expenses shall equal (1) directly assigned transmission A&G Electric as set forth in Section I.B.2. plus (2) other A&G expenses that will be allocated to transmission using the Transmission Wages and Salaries Allocation Factor, specifically the Administrative and General Expense included in FERC Account Nos. 920-935, excluding non-transmission-related expenses, which include but are not limited (a) directly assigned transmission A&G expenses and (b) non-transmission-related expenses in in FERC Account No. 924 (Property Insurance), FERC Account No. 925 (Damages and Injuries), FERC Account No. 927 (Franchise Requirements), FERC Account No. 930.2 (Miscellaneous General Expenses), and FERC Account No. 935 (Maintenance of General Plant), and any CPUC Intervenor Funding Expense recorded in FERC Account No. 928 (Regulatory Commission Expenses), multiplied by the Transmission Wages and Salaries Allocation Factor, plus (3) Property Insurance in FERC Account No. 924, excluding insurance costs related to nuclear plant serving SDG&E's bundled retail customers, multiplied by the Transmission Plant Property Insurance Allocation Factor, minus (4) CPUC mandated costs recovered through retail rates; *provided, however*, if the rate(s) of

expense accrual for SDG&E's post-employment benefits other than pensions ("PBOP"), as recorded in FERC Account No. 926, change from those expense levels recorded in SDG&E's February 2013, TO4, SDG&E may reflect such changes in charges under this formula only to the extent approved by the Commission under Section 205 of the FPA.

54. 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.
55. 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.
56. Transmission Related Cash Working Capital shall be a 12.5% allowance (45 days/360 days) of Transmission Operations and Maintenance and Transmission Related A&G Expenses.
57. Transmission Related Common Plant shall equal SDG&E's balance of investment in Common Plant multiplied by the Transmission and Salaries Allocation Factor.
58. Transmission Related Common Plant Depreciation Expense shall equal the balance of SDG&E's Common Plant Depreciation Expense

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

59. Transmission Related Common Plant Depreciation Reserve shall equal that portion allocated to transmission using the Transmission Wages and Salaries Allocation Factor.
60. Transmission Related Depreciation Reserve shall equal the balance of Transmission Depreciation Reserves, plus the balance of Transmission Related General Plant Depreciation Reserves, plus Transmission Related Common Plant Depreciation Reserves, plus the balance of Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserves.
61. Transmission Related General Plant shall equal SDG&E's balance of investment in General Plant multiplied by the Transmission Wages & Salaries Allocation Factor.
62. Transmission Related General Plant Depreciation Expense shall equal the balance of SDG&E's General Plant Depreciation Expense recorded in FERC Account Nos. 403, 404, and 405 multiplied by Transmission Wages & Salaries Allocation Factor.
63. Transmission Related General Plant Depreciation Reserves shall equal the balance in General Plant Depreciation Reserves multiplied by the Transmission Wages & Allocation Factor.
64. Transmission Related Electric General and Common Plant Accumulated Deferred Income Taxes shall equal SDG&E's total General and Common Accumulated Deferred Income Taxes, as

reflected in a footnote to SDG&E's annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing, multiplied by the Transmission Wages and Salaries Allocation Factor. Such Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.

65. Transmission Related Electric Miscellaneous Intangible Plant shall equal the total amount of Electric Miscellaneous Intangible Plant recorded in FERC Account No. 303 associated with transmission as a result of either (a) an allocation to transmission function based on Transmission Wages and Salaries Allocation Factor or (b) directly assigned to the transmission function where: (i) direct assignment is consistent with cost causation principles, (ii) the relationship between cost incurrence and cost responsibility is obvious and reviewable and (iii) direct assignment is reasonable and cost allocation is unreasonable, e.g., it would be unreasonable to use a labor ratio to allocate the balance to both distribution and transmission functions where the costs at issue have been affirmatively linked to the transmission function only.
66. Transmission Related Electric Miscellaneous Intangible Plant Accumulated Deferred Income Taxes shall be that portion directly assigned to transmission as reflected in a footnote to SDG&E's annual FERC Form 1 which shall be reference by page in its Informational Filing. Such Accumulated Deferred Income Taxes shall exclude Financial Accounting Standard 109 costs.
67. Transmission Related Electric Miscellaneous Intangible Plant

Amortization Expense shall equal SDG&E's balance recorded in FERC Account No. 404 and shall be accounted for as set forth in Section I.B.65.

68. Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve shall equal SDG&E's balance of Electric Miscellaneous Intangible Plant Amortization Expense recorded in FERC Account No.111 and shall be accounted for in the manner set forth in Section I.B.65. SDG&E shall footnote these amounts in its annual FERC Form 1, which SDG&E shall reference by page in its Informational Filing.
69. Transmission Related Materials & Supplies shall equal SDG&E's electric balance of Materials and Supplies multiplied by the Transmission Plant Allocation Factor.
70. Transmission Related Municipal Franchise Tax Expense shall equal: a) the Base Transmission Revenue Requirement ("BTRR") multiplied by the Municipal Franchise Tax Expense rate that the CPUC authorizes from time to time, currently 1.0275%, which shall be recovered as part of the BTRR rates, plus b) an amount of Municipal Franchise Tax Expense that the CPUC authorizes SDG&E to collect from customers who reside in the City of San Diego. This latter amount shall be reflected on the electric bills of customers residing in the City of San Diego.
71. Transmission Related Payroll Taxes Expense shall equal SDG&E's total electric Payroll Taxes expense recorded in FERC Account No. 408.1, multiplied by the Transmission Wages and Salaries Allocation Factor.

72. Transmission Related Prepayments shall equal SDG&E's electric balance of prepayments recorded in FERC Account No. 165 multiplied by the Transmission Plant Allocation Factor.
73. Transmission Related Property Taxes shall equal Property Taxes, excluding property taxes directly assigned to SONGS, multiplied by the Transmission Related Property Tax Allocation Factor. SDG&E shall footnote in its annual FERC Form 1 the directly assigned property taxes attributable to SONGS, which SDG&E shall reference by page in its Informational Filing.
74. Transmission Related Regulatory Debits shall equal SDG&E's amortization expense associated with Other Regulatory Assets/Liabilities debited to FERC Account No. 407.3 that the Commission has accepted for recovery under Section 205 of the FPA. Transmission Related Regulatory Debits for the initial Rate Effective Period shall be zero.
75. Transmission Related Revenue Credits shall include Rents Received from Electric Property recorded in FERC Account No. 454 associated with such Electric Property included in Transmission Rate Base as defined in Section II.A below, plus Other Electric Revenues recorded in FERC Account No. 456 that recover the cost associated with SDG&E's Transmission Rate Base, excluding any revenues credited through the TRBAA or another mechanism.
76. Transmission Related Uncollectible Expense shall equal the Base Transmission Revenue Requirement_{EU} multiplied by the allowance for uncollectible expenses approved from time to time by the CPUC. Currently, the rate is 0.141%.
77. True-Up Period shall be 12 months ended December 31 of each year;

provided, however, that for Cycle 2, the True-Up Period shall be 4 months September 1, 2013 through December 31, 2013.

78. Uncollectible Expense shall equal SDG&E's charges for uncollectible accounts recorded in FERC Account No. 904.
79. Valley Rainbow Project Costs shall equal \$1,892,694, which represents the annual amortization over a ten-year period, ending September 2013 of certain costs associated with the cancelled Valley Rainbow transmission project. The Valley Rainbow cost will expire September 30, 2013 and an amount of \$157,724 will appear in TO4 C2 True-Up Adjustment. After September 2013 the cost of Valley Rainbow will be fully recovered.
80. Weighted Forecast Plant Additions for any Forecast Period, except for Cycles 1 and 2, shall be the estimated capital investment in new Transmission Plant, Transmission Plant Held for Future Use, and Transmission Related General and Common Plant SDG&E anticipates placing in service during such Forecast Period. Such estimated capital investments shall be determined for each month of the Forecast Period as described herein and each such estimated capital investment shall be multiplied by a weighting factor such that the magnitude of such capital investment as reflected in the determination of SDG&E's transmission revenue requirement pursuant to this Appendix VIII formula reflects the number of months during the Forecast Period those investments in new transmission facilities are actually in service. Any new transmission facilities expected to be placed in service during the Forecast Period but prior to the end of the first month of the following Rate Effective Period, i.e. January 31, shall be assigned a weighting factor of 1.00. Any new

transmission facilities expected to be placed in service during the Forecast Period as of the beginning of the second month of the Rate Effective Period, i.e. February 1, or thereafter through and including December 31, shall be assigned a weighting factor based on the number of months during the Rate Effective Period for which those facilities are expected to be in service divided by 12. Thus, for example, a plant addition expected to be placed in service in February of the Rate Effective period would be assigned a weighting factor of 11 divided by 12 or 0.917. For Cycles 1 and 2, the weighted forecast plant additions for the Forecast Period shall be calculated in the same manner as described above except that the first month of the Rate Effective Period shall be September 2013 for Cycle 1 and September 2014 for Cycle 2.

II. CALCULATION OF ANNUAL BASE TRANSMISSION REVENUE REQUIREMENTS

A. Return and Associated Income Taxes

Return and Associated Income Taxes shall equal the product of the Transmission Rate Base and a Cost of Capital Rate, which are defined as follows.

1. Transmission Rate Base

The Transmission Rate Base will be calculated as follows:

- (a) Transmission Plant based on the weighted average of the thirteen monthly balances, plus
- (b) Transmission Related General Plant based on the average of the sum of the beginning and end of year

- balances, plus
- (c) Transmission Related Common Plant based on the average of the sum of the beginning and end of year balances, plus
 - (d) Transmission Related Electric Miscellaneous Intangible Plant based on the average of the sum of the beginning and end of year balances, minus
 - (e) Transmission Depreciation Reserve based on the weighted average of the thirteen monthly balances, minus
 - (f) Transmission Related General Plant Depreciation Reserve based on the average of the sum of the beginning and end of year balances, minus
 - (g) Transmission Related Common Plant Depreciation Reserve based on the average of the sum of the beginning and end of the year balances, minus
 - (h) Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve based on the average of the sum of the beginning and end of year balances, plus
 - (i) Transmission Plant Held for Future Use based on the average of thirteen monthly balances, plus
 - (j) Transmission Plant Accumulated Deferred Income Taxes based on the average of the sum of the beginning and end of year balances, minus
 - (k) Transmission Related General and Common Plant Accumulated Deferred Income Taxes based on the average of the sum of the beginning and end of year

balances, minus

- (l) Transmission Related Electric Miscellaneous Intangible Plant Accumulated Deferred Income Taxes based on the average of the sum of the beginning and end of year balances, plus
- (m) Other Regulatory Assets/Liabilities, plus
- (n) Transmission Related Prepayments based on the weighted average of the sum of the thirteen monthly balances, plus
- (o) Transmission Related Materials and Supplies based on the weighted average of the thirteen monthly balances, plus
- (p) Transmission Related Cash Working Capital, plus
- (q) Transmission Related Abandoned Project Cost, minus
- (r) Transmission Abandoned Plant Accumulated Deferred Income Taxes,

Where:

- (1) Transmission Plant shall be as defined in Section I.B, Terms.
- (2) Transmission Related General Plant shall be as defined in Section 1.B, Terms.
- (3) Transmission Related Common Plant shall be as defined in Section 1.B, Terms
- (4) Transmission Related Electric Miscellaneous Intangible Plant shall be as defined in Section 1.B, Terms
- (5)
- (6) Transmission Plant Depreciation Reserves shall be as defined in Section 1.B, Terms

- (7) Transmission Related General Plant Depreciation Reserve shall be as defined in Section 1.B, Terms.
- (8) Transmission Related Common Plant Depreciation Reserve shall be as defined in Section 1.B, Terms.
- (9) Transmission Related Electric Miscellaneous Intangible Plant Amortization Reserve shall be as defined in Section 1.B, Terms.
- (10) Transmission Plant Held for Future Use shall be as defined in Section 1.B, Terms.
- (11) Transmission Related Accumulated Deferred Income Taxes shall be as defined in Section 1.B, Terms
- (12) Other Regulatory Assets/Liabilities shall be as defined in Section 1B, Terms.
- (13) Transmission Related Prepayments shall be as defined in Section 1B, Terms
- (14) Transmission Related Materials and Supplies shall be as defined in Section 1.B, Terms.
- (15) Transmission Related Cash Working Capital shall be as defined in Section 1.B, Terms.
- (16) Transmission Related Abandoned Project Cost shall be as defined in Section 1.B, Terms.
- (17) Transmission Related Abandon Project Accumulated Deferred Income Taxes shall be as defined in Section 1.B, Terms.

2. Incentive Transmission Rate Base

The Incentive Transmission Rate Base shall be calculated as follows:

- a) Incentive Transmission Plant based on the average of 13 month balances, minus
- b) Incentive Transmission Construction Work in Progress based on the average of 13 month balances, plus
- c) Incentive Transmission Construction Work in Progress based on a 13 month weighted average balance, minus
- d) Incentive Transmission Plant Accumulated Deferred Income Taxes based on the average of the sum of the beginning and end of year balances.

Where,

1. Incentive Transmission Plant shall be as defined in Section 1.B. Terms.
2. Incentive Transmission Plant Depreciation Reserves shall be as defined in Section 1.B, Terms.
3. Incentive Transmission Construction Work in Progress shall be as defined in Section 1.B, Terms.
4. Incentive Transmission Plant Accumulated Deferred Income Taxes shall be as defined in Section 1.B, Terms.

3. Cost of Capital Rate

The Cost of Capital Rate will equal (a) SDG&E's Weighted Cost of Capital, plus (b) Federal Income Tax, plus (c) State Income tax.

- (a) The Weighted Cost of Capital will be calculated based upon end-of-period capital structure as of December 31 and will be equal to the weighted cost of SDG&E's (i)

long term debt, (ii) preferred stock and (iii) common equity with each such cost being weighted by the percentage that each such capital component is to SDG&E's total capital. (Thus, for example, if long term debt represents 40.00% of total capital and has a cost of 10.00 %, the weighted long term debt cost component would be 4.00 %). SDG&E's total capital shall equal the sum of SDG&E's balance of long term debt, preferred stock issued and outstanding, and common stock issued and outstanding. The respective costs of these components will be calculated as follows:

- (i) the long-term debt component, shall be the actual weighted average embedded cost to maturity of SDG&E's long-term debt then outstanding. The actual weighted average embedded cost to maturity of SDG&E's long-term debt shall equal: (1) The sum of (a) FERC Account No. 427 - Interest on Long-Term Debt; (b) plus FERC Account No. 428 - Amortization of Debt Discount and Expenses; (c) plus FERC Account No. 428.1 - Amortization of Unamortized Loss on Reacquired Debt; (d) less FERC Account No. 429 - Amortization of Premium on Debt – Credit; and (e) less FERC Account No. 429.1 - Amortization of Gain on Reacquired Debt – Credit divided by (2) the sum of the following accounts: (a) FERC Account No. 221 - Bonds; (b)

less FERC Account No. 222 - Reacquired Bonds; (c)
plus FERC Account No. 224 - Other Long-Term
Debt plus (d) FERC Account No. 225 –
Unamortized Premium on Long Term Debt, less (e)
FERC Account No. 226 – Unamortized Discount on
Long Term Debt.

- (ii) the preferred stock component, shall be the weighted cost to maturity of SDG&E's preferred stock and shall be computed as the ratio of the total cost recorded in FERC Account No. 437 - Dividends Declared – Preferred Stock, to the total Preferred Stock Issued as recorded in FERC Account No. 204.
- (iii) the Return on Equity component, shall be as follows:
- (a) Return on Equity shall equal XX.X%,
 - (b) Return on Equity shall be applied to proprietary capital as shown on page 112 of FERC Form 1, less FERC Account No. 204 – Preferred Stock Issued, found on line 3 of said page.

(b) Federal Income Tax shall equal

$$\frac{(A+(C-B)/D)(FT)}{\quad}$$

where:

FT is the Federal Income Tax Rate in effect on July 1 of each year;

A is the sum of the preferred stock component and the Return on Equity component, as determined in Sections II.A.2.a.(ii) and (iii) above;

B is Transmission Related Amortization of Investment Tax Credits and Transmission Related Amortization of Excess Deferred Tax Liabilities, as determined in Sections I.B.57 and I.B.56 above;

C is the Equity AFUDC Component of Transmission Depreciation Expense and shall equal the amount of Transmission Depreciation Expense related to the Equity AFUDC Component of Transmission Plant; and

D is Transmission Rate Base, as determined in Section II.A.1, above.

(c) State Income Tax shall equal

$$\frac{(A + [(C - B) / D] + \text{Federal Income Tax})}{1 - ST}$$

1 - ST

where:

ST is the State Income Tax Rate in effect on July 1 of each year;

A is the sum of the preferred stock component and Return on Equity component determined in Sections II.A.2.a.(ii) and (iii) above;

B is the Transmission Related Amortization of Investment Tax Credits and Transmission Related Amortization of Excess Deferred Tax Liabilities, as determined in Section I.B.57 and I.B.56, above;

C is the equity AFUDC Component of Transmission Depreciation Expense and shall equal the amount of Transmission Depreciation Expense related to the Equity AFUDC Component of Transmission Plant; and

D is the Transmission Rate Base, as determined in Section II.A.1, above and Federal Income Tax is the rate determined in Section II.A.2.b above.

4. Incentive Cost of Capital Rate

The Incentive Cost of Capital Rate shall be defined the same as the Cost of Capital Rate, except that the Incentive Return on Equity rate shall be as defined in Section 1.B, Terms. In addition, Transmission Rate Base shall be as used in Section II.A. 2.

B. Base Transmission Revenue Requirement

Base Transmission Revenue Requirement (“BTRR_{EU}”) for a given Rate

Effective Period shall be:

$$\text{BTRR}_{\text{EU}} = \text{PYRR}_{\text{EU}} + \text{FC}_{\text{EU}} \text{ +/- True-Up Adjustment +/- Interest True-Up Adjustment}$$

where:

$$\text{PYRR}_{\text{EU}} = \text{PYRR}_{\text{EU-NIR (non-incentive revenues)}} + \text{PYRR}_{\text{EU-IR (incentive revenues)}}$$

and where:

- B.1 PYRR_{EU-NIR} shall be determined on the basis of transmission cost data recorded in Form 1 and underlying ledger accounts for the prior year and such other costs and information provided in SDG&E's annual Informational Filing and shall be calculated as follows:
- (A) Return and Associated Income Taxes, plus
 - (B) Transmission, General, Common and Electric Miscellaneous Intangible Plant Depreciation & Amortization Expense, plus
 - (C) Transmission Related Regulatory Debits, minus
 - (D) Transmission Related Amortization of Investment Tax Credits, minus
 - (F) Transmission Related Amortization of Excess Deferred Tax Liabilities, plus
 - (G) Transmission Related Payroll Taxes Expense, plus
 - (H) Transmission Related Property Taxes, plus
 - (I) Transmission Operation and Maintenance Expense, plus
 - (J) Transmission Related A&G Expenses, plus
 - (K) Valley Rainbow Project Costs Amortization Expense, plus
 - (L) Transmission Related Abandoned Project Cost Amortization Expense, minus
 - (M) Transmission Related Revenue Credits, plus
 - (N) Transmission Related Municipal Franchise Tax Expense, plus
 - (O) Transmission Related Uncollectible Expense, plus
 - (P) CPUC Intervenor Funding Expense, plus
 - (Q) South Georgia Income Tax Adjustment, plus
 - (R) Gains and losses on Transmission Plant Held for Future Use.
- B.2 PYRR_{EU-IR} for Incentive Transmission Plant shall be determined from records maintained individually for each Incentive Project and shall be

calculated as follows:

(A) Incentive Return and Associated Income Taxes applicable to

Incentive Transmission Plant as defined in Section 1.B, Terms, plus

(B) plus

(C) Transmission Related Municipal Franchise Expense applicable to

Incentive Transmission Plant, plus

(D) Transmission Related Uncollectible Expense applicable to Incentive

Transmission Plant.

B.3 Forecast Period Capital Addition Revenue Requirements (“FC_{EU}”) shall be the product of Weighted Forecast Plant Additions and an Annual Fixed Charge Rate (“AFCR”).

B.3.1 Forecast Period Capital Addition Revenue Requirements shall be calculated as follows:

$$FC_{EU} = \text{Weighted Forecast Plant Additions excluding Transmission Plant Held for Future Use} \times AF_{CR_{EU}}$$

where:

AF_{CR_{EU}} shall be the Annual Fixed Charge Rate for purposes of determining the amount of revenue requirements associated with Weighted Forecast Plant Additions to be included in the determination of B_{TRR_{EU}}, and is calculated as follows:

AF_{CR_{EU}} = PY_{RR_{EU}} minus the South Georgia Income Tax Adjustment plus Transmission Related Amortization of Investment Tax Credit, plus Transmission Related Amortization of Excess Deferred Tax Liability, minus Valley Rainbow Project Costs Amortization Expense, plus CPUC Intervenor Funding Expenses, plus (Gains)/Losses from Sale

of Plant Held for Future Use, divided by the sum of Transmission Plant, Transmission Related General Plant, Transmission Related Common Plant and Transmission Related Electric Miscellaneous Intangible Plant balances (which said balances, in each instance, shall be calculated in accordance with 18 CFR Section 35.13).

B.3.1.1 Revenue requirements for Transmission Plant Held for Future Use during the Forecast Period shall be determined by multiplying the Cost of Capital Rate by Forecast Period Transmission Plant Held for Future Use using the same weighting method that is used for determining the revenue requirements for Weighted Forecast Plant Additions. In addition, Transmission Rate Base, as used in II.3.(b) D, shall be changed to weighted Transmission Plant Held for Future Use.

B.3.2 Forecast Period Capital Addition Incentive Revenue Requirements for Incentive Projects that receive an Incentive Return on Equity shall be calculated as follows:

$$FC_{EU-IR} = \text{Weighted Forecast Plant Additions} \times A_{FCR}_{EU-IR}$$

where:

A_{FCR}_{EU-IR} shall be calculated using the methodology in II.B.3.1 above, using Incentive Transmission Plant as if it were Transmission Plant and substituting the Cost of Capital Rate with the Incentive Cost of Capital Rate.

B.3.3 Forecast Transmission Incentive CWIP Revenues

The Forecast Transmission Incentive CWIP Revenues to be included in the derivation of the Retail and Wholesale

BTRR shall be calculated by multiplying the Cost of Capital Rate by the 13-month weighted average incremental CWIP balance during the Rate Effective Period. The incremental CWIP balance shall be equal to the difference in the CWIP balance at the end of the month in the Forecast Period just prior to the first month of the Rate Effect Period, less the CWIP balance at the end of the Base Period. This difference shall be added to the monthly CWIP expenditures during the Rate Effective Period until the Incentive Project goes into service. The Cost of Capital Rate shall be equal to that used in the Base Period.

B.4 True-Up Adjustment shall be calculated in accordance with Section II.D below.

B.5 Interest True-Up Adjustment shall be calculated in accordance with Section II. E below.

C. CAISO Base Transmission Revenue Requirement

C.1 CAISO Base Transmission Revenue Requirement (“BTRR_{CAISO}”) for a given Rate Effective Period shall equal:

BTRR_{EU}, plus CPUC Intervenor Funding Expense, minus South Georgia Income Tax Adjustment, minus Transmission Related Amortization of Excess Deferred tax Liabilities.

C.2 $BTTTR_{CAISO}$ shall be further allocated between HV Transmission Facility revenue requirements (" $BTTTR_{CAISO-HV}$ ") and LV Transmission Facility revenue requirements (" $BTTTR_{CAISO-LV}$ ") as set forth in Appendix IX:

D. True-Up Adjustment shall be calculated as follows:

1. Derivation of True-Up Adjustment:

SDG&E will derive the end use customers True-Up Adjustments as follows. Please note that the end use customers True-Up Adjustments is also applicable to $BTRR_{CAISO}$:

A. The Derivation of Retail True-Up Adjustment shall be calculated as follows: The sum of monthly revenues recorded during the True-Up Period minus the sum of monthly true-up cost of service (" $TUCS$ ") during the True-Up Period.

Such True-Up Adjustments shall be calculated for each month of the True-Up Period and adjusted for Interest as described below.

B. Derivation of the Retail True-Up Cost of Service applicable to the True-Up Period:

In order to derive the End Use True-Up Cost of Service (" $TUCS_{EU}$ ") for any True-Up Period, SDG&E shall determine its cost of providing transmission service for that True-Up Period using the cost of service methodology described in Sections II.B of this Appendix VIII, and shall distribute that $TUCS_{EU}$, to each month of the True-Up Period by stating its True-Up Cost of Service on an average annual rate and multiplying said annual average rate times the actual recorded monthly determinants for each month of the True-Up

Period, as more fully described below. Pursuant to the methodology set forth in Appendix IX, SDG&E shall compute the following to derive the $TUCS_{EU}$:

- a. The $TUCS_{EU}$ for each month of the True-Up Period for each class of service specified in Appendix IX of SDG&E's Transmission Owner Tariff shall be calculated by dividing the $TUCS_{EU}$ for the True-Up Period by the annual billing determinants for that customer class and multiplying the resulting amount by the recorded monthly billing determinants for that customer class for that month.
2. Derivation of End Use True-Up Revenues during the True-Up Period:
SDG&E shall determine for each month of the True-Up Period the following;
- a. True-Up Revenues for the End Use Customers (" TUR_{EU} ") shall equal the total End Use Base Transmission Revenue Requirement revenues SDG&E recorded for each month of the True-Up Period as received from End Use Customers. Such Base Transmission Revenue Requirements shall exclude for the rate effective period recorded True-Up Adjustment revenues and interest true-up adjustment revenues that are embedded in recorded revenues. To the extent the True-Up Adjustment and the Interest True-Up Adjustment balances are not fully amortized at the end of the Rate Effective Period, SDG&E will zero out such balances in the month of the Rate Effective Period.
3. Derivation of Interest Related to Over and Under Recovery of Costs:
For each month of the True-Up Period, for any over- or under- recovery of its costs as determined by comparing TUCS and TUR, SDG&E shall calculate an applicable amount of Interest pursuant to 18 CFR Section 35.1 9a.

E. Interest True-Up Adjustment Calculation

- a. The Interest True-Up adjustment for any formula cycle filing shall be

calculated for the current cycle True-Up Period in two parts. First, for the current cycle filing, SDG&E shall take the previous cycle True-Up Adjustment overcollection (undercollection) balance and calculate the interest that accrues on this balance for the first 12 months of the current True-Up Adjustment Period (January 1 through December 31). SDG&E shall calculate the interest amount pursuant to 18 CFR Section 35.19, by compounding the related interest on a quarterly basis.

- b. Second, interest shall be calculated monthly on the unamortized overcollection (undercollection) balance of the sum of the interest that occurred in the first 12 months as calculated in (a) above December. The monthly amount by which the balance decreases will be calculated by multiplying an amortization rate per kWh times each month's retail sales in kWhs. The amortization rate per kWh will be calculated by taking the beginning overcollection/(undercollection) balance as of the start of the rate effective period and dividing it by the kWhs in the current Rate Effective Period.
- c. The interest in parts (a) and (b) above for an overcollection (undercollection) balance shall be summed and credited to the current cycle formula True-Up Adjustment. In the event interest is determined on an undercollection balance in part (a) and (b) above, such interest shall be added to the current cycle True-Up Adjustment.
- d. The unamortized Interest True-Up Adjustment balance from the current Interest True-Up Adjustment (balance as of December 31) will be carried forward to the following cyclic filing and used as the beginning monthly unamortized balance beginning the first month of

the True-Up Adjustment Process (January). This unamortized balance shall be amortized over the remaining months of the current cycle Rate Effective Period months (January through December). Monthly interest on the unamortized balance for these months will then be calculated. This interest will then be added to the interest calculated as part of the following cycle's True-Up Adjustment.

In the following cycle filing, the process described in items (a) through (c) shall be repeated including the calculation of interest described in item (d) above. Note should be made that in the following cyclic filing's Interest True-Up Adjustment process the interest calculations described in items (c) and (d) will overlap for the first five months of the Interest True-Up calculation process (April through August).

APPENDIX IX

DETERMINATION OF SDG&E'S END USE CUSTOMER CLASS TRANSMISSION CHARGES, LOW VOLTAGE ACCESS CHARGE, AND HIGH VOLTAGE UTILITY-SPECIFIC RATE, AND ALLOCATION OF BTRR APPLICABLE TO HIGH VOLTAGE AND LOW VOLTAGE TRANSMISSION FACILITIES

I. INTRODUCTION

This Appendix IX describes the method by which SDG&E:

1. allocates Base Transmission Revenue Requirements (as determined in Appendix VIII) to End Use Customer classes, and designs transmission rates applicable to such End Use Customer classes assessed by SDG&E pursuant to this TO Tariff;
2. allocates Base Transmission Revenue Requirements (as determined in Appendix VIII) applicable to High Voltage Transmission Facilities and Low Voltage Transmission Facilities for purposes of designing voltage-differentiated Wheeling Access Charges assessed pursuant to the ISO Tariff;
3. calculates the applicable Low Voltage Access Charge to be assessed pursuant to SDG&E's Transmission Owner Tariff (TO Tariff); and
4. calculates a High Voltage Utility-Specific Rate.

SDG&E shall provide the ISO its determination of the High Voltage Utility-Specific Rate, as updated annually pursuant to the formula rate contained in Appendix VIII of this TO Tariff, for use by the ISO to calculate the High Voltage Wheeling Access Charge assessed by the ISO pursuant to the ISO Tariff. SDG&E shall also provide the ISO SDG&E's determination of the Low Voltage Wheeling Access Charge that is assessed by the ISO pursuant to the ISO Tariff.

A. END-USE CUSTOMER CLASSES FOR TRANSMISSION SERVICE:

The following applies only to End-Use Customers that receive transmission service over the ISO Controlled Grid through SDG&E's transmission or distribution facilities. End-Use Customers shall take service under the following rate designations:

Residential

Small Commercial

Medium and Large Industrial

Street Lighting

Stand-by Service

Rates applicable to the current Rate Effective Period shall be posted on SDG&E's OASIS, which can be accessed at www.sdge.com\toforum. The rates are also accessible through a link to SDG&E's web page that is located at the CAISO OASIS at www.caiso.com.

B. DERIVATION OF SDG&E'S END-USE CUSTOMER TRANSMISSION RATES:

The transmission rate components of SDG&E's End-Use Customer rates are determined as follows:

1. Allocate the Base Transmission Revenue Requirements applicable to End Use Customers ($BTRR_{EU}$) under the TO Tariff as calculated pursuant to the formula rate contained in Appendix VIII of SDG&E's TO Tariff among End-Use Customer rate classes based upon the most recent 10-year coincident peak data averaged by month to derive the 12-month average coincident peak data adjusted to reflect distribution losses to the transmission level.

2. To mitigate the impact of rate increases to Street Lighting and Stand-by Service classes, the rates effective October 1, 2003, for these customer classes shall be limited to a 100% rate increase under the otherwise applicable rate design. Beginning with rates that become effective July 1, 2004, SDG&E shall design transmission rates applicable to Street Lighting and Stand-by Service classes based on total cost of service without such mitigation measures. The revenue requirement under-recovery attributable to this mitigation measure that occurs during the first Rate Effective Period shall be allocated among other customer classes in proportion to these classes' respective contribution to SDG&E's 12-month average coincident peak excluding the contribution to such coincident peak from Street Lighting and Stand-by Service classes.
3. Divide the results of the allocation described paragraph "1", as adjusted by paragraph "2" above, by the appropriate forecast End Use Customer billing determinants applicable to the Rate Effective Period to determine the transmission prices for the respective End Use Customer classes. End Use Customer classes shall be determined in accordance with SDG&E's CPUC tariffs. The billing determinants used to design transmission rates applicable to End Use Customer classes shall be as follows:
 - a. Residential – forecast metered energy (kwh) for the Rate Effective Period;
 - b. Small Commercial– forecast metered energy (kwh) for the Rate Effective Period;
 - c. Medium and Large Industrial – forecast metered maximum non coincident peak demand (kW) for the Rate Effective Period for all applicable tariffs except tariff DG-R; for tariff

DG-R forecast metered maximum monthly demand (kW) for
the Rate Effective Period.

- d. Street Lighting – forecast energy (kwh) used by all lamps
in service for the Rate Effective Period;
- e. Stand-by Service – contract demands (kw) applicable to
Stand-by Service for the Rate Effective Period.

**C. ALLOCATION OF SDG&E'S BASE TRANSMISSION REVENUE REQUIREMENTS
AND DERIVATION OF UTILITY SPECIFIC HIGH VOLTAGE TRANSMISSION RATE
AND LOW VOLTAGE RATES APPLICABLE TO LOW VOLTAGE WHEELING
ACCESS CHARGE:**

1. The Base Transmission Revenue Requirements applicable to Wheeling
Access Charges pursuant to the ISO Tariff (hereinafter referred to as the
"BTRR_{ISO}") shall be allocated among the following:
 - a) High Voltage (HV) Transmission Facilities
 - b) Low Voltage (LV) Transmission FacilitiesThe Transmission Revenue Balancing Account Adjustment (TRBAA) shall
be allocated between High Voltage and Low Voltage Transmission.
2. The HV Utility Specific transmission rate shall be derived by taking the High
Voltage Transmission Revenue Requirements ("HVTRR") and dividing it by
SDG&E's total retail forecast kwh billing determinants (adjusted for
distribution losses) applicable during the Rate Effective Period.
3. SDG&E's Low Voltage Access Charge and Low Voltage Wheeling Access
Charge shall be derived by taking the Low voltage Transmission Revenue
Requirements ("LVTRR") and dividing it by SDG&E's Gross Load forecast
applicable during the Rate Effective

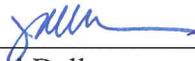
CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding. In addition, I certify that I have also caused the foregoing to be served by overnight delivery upon the following:

Frank Lindh
General Counsel
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Nancy Saracino
General Counsel
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Dated at San Diego, California, this 15th day of February, 2013.



Joel Dellosa