

San Diego Gas & Electric Company
FERC Electric Tariff, Volume No. 11

Appendix X

REDLINED

Property Insurance

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III. Calculation of Citizens Border East Line Rate Will Include the following cost components:

- A. Direct Maintenance Expense Cost Component
- B. Non-Direct Expenses Cost Component
- C. Cost Component Containing Other Specific Expenses
- D. True Up Adjustment
- E. Interest True-Up Adjustment

IV. Table 1

In the event of a challenge to any of the costs reflected in rates derived under this Appendix X, SDG&E shall bear the burden of demonstrating that such costs and expenditures included for recovery were prudently incurred, accurate and consistent with the Formula.

The costing methodology reflected in this Appendix X is based on the costing methodology reflected in SDG&E's TO3 Formula. Citizens and SDG&E agree that if the costing methodology in the TO3 Formula is modified in future rate filings, e.g., in an SDG&E TO4 Formula, this Appendix X will be modified accordingly.

Any revisions and refunds related to Citizens Border East Line Rate resulting from a Commission Order will be reflected as provided for by such a Commission Order in subsequent billings.

SDG&E shall bill Citizens through a monthly invoice issued by the 30th of each month following the service month. Payment should be due no later than 30 days following the issuance date of the invoice.

II. Definitions

Capitalized terms and allocation factors not otherwise defined in Section 3 of SDG&E's Transmission Owner Tariff, in Appendix VIII, in the California Independent System Operator ("CAISO") Tariff, or in this Appendix X have the following definitions (the capitalized terms that are not bolded appear in Appendix VIII, the bolded capitalized terms appear only in Appendix X):

A. Allocation Factors

1. **Citizens Border-East Line Property Tax Allocation Factor** shall equal the ratio of Citizens Border East Line Leased Amount divided by Total Plant in Service, excluding SONGS.
2. **Transmission Plant Allocation Factor Less Substations and Underground Lines** shall equal the ratio of SDG&E's total investment in (a) Transmission Plant less (b) substation accounts (Structures and

Improvements, Account No. 352, and Station Equipment, Account No. ~~353362~~), less (c) underground lines (Underground Conduit, Account No. 357, and Underground Conductors and Devices, Account 358), plus (d) Transmission Related General Plant and Transmission Related Common Plant, plus (e) Transmission Electric Miscellaneous Intangible Plant to SDG&E's Total Plant in Service

3. Transmission Plant Allocation Factor Less Substations,

Underground Lines, and Overhead Lines shall equal the ratio of SDG&E's total investment in (a) Transmission Plant less (b) substation accounts (Structures and Improvements, Account No. 352, and Station Equipment, Account No. ~~353362~~), less (c) underground lines (Underground Conduit, Account No. 357, and Underground Conductors and Devices, Account 358), less (d) overhead lines (Towers and Fixtures, Account No. 354 and Overhead Conductors and Devices, Account No. 356, and Poles and Fixtures, Account No. 355) plus (e) Transmission Related General Plant and Transmission Related Common Plant, plus (f) Transmission 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 Wages and Salaries Allocation Factor For Citizens shall equal the ratio of SDG&E's transmission related direct wages and salaries less the direct wages and salaries in Accounts 562, 570, 572 and 571 except for that small portion of Account 571 which will be tracked by internal accounting orders related with maintaining the

12. **Common Plant Depreciation Expense** shall equal SDG&E's depreciation expenses related to Common Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates authorized by the CPUC.
13. **Cost Component Containing the Other Specific Expenses** allocated to Citizens shall be equal to that as indicated in Section II of Appendix X.
14. **Cost of Capital Rate** – shall equal (a) SDG&E's Weighted Cost of Capital, plus (b) Federal Income Tax Rate Component as defined in Section 1, Terms, plus (c) State Income Tax Rate Component as defined in Section 1, Terms.
15. **Cost of Equity Component** - shall equal the cost of equity as approved by the FERC in SDG&E's most current order.
16. **Direct Maintenance Expenses Cost Component** shall be equal to that calculated in Section II B of Appendix X.
17. **Federal Income Tax Rate Component** shall equal

$$\frac{A * FT}{1 - FT}$$

$$1 - FT$$

Where:

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

A is the sum of the weighted cost of common and preferred equity.
~~Cost of Equity Component which is the sum of weighted~~

~~preferred stock and return on equity weighted.~~

18. **General Plant** – shall equal SDG&E's Gross Plant balance recorded in FERC Account Nos. 389-399.

27. **Municipal Franchise Tax Percentage** shall be equal to the most current Municipal Franchise Tax Expense percentage approved by the CPUC.
28. **Non Direct Expenses Cost Component** shall be equal to that calculated in Section II B of Appendix X.
29. **Payroll Taxes** shall equal those payroll tax expenses recorded in FERC Account No. 408.1. The total Payroll Taxes expense is the sum of SDG&E's total Payroll Taxes expense plus that portion of the payroll tax expense which was allocated and charged to Citizens.
30. **Prepayments** shall equal SDG&E's prepayment balance recorded in FERC Account No. 165.
31. **Property Insurance** shall equal SDG&E's expenses recorded in FERC Account No. 924 plus the Transmission Related Property Insurance Expense allocated and charged to Citizens as recorded in FERC Account 413, Expenses from Electric Plant Leased to Others.
32. **Property Taxes** shall equal SDG&E's expenses recorded in FERC Account No. 408.1. Property Taxes Expense is the sum of SDG&E's property taxes expense and that portion of the property tax expense which was allocated and charged to Citizens.
33. **Rate Effective Period** The Initial Rate Effective Period is for 12-months, commencing with the date that Sunrise goes into service, currently projected to be June 1, 2012, through May 31, 2013. However, if Sunrise goes into service either earlier or later than June 1, the Initial Rate Effective Period will commence on that date and end May 31, 2013
34. **State Income Tax Component** shall equal
$$\frac{(A+B) * ST}{(1- ST)}$$

Where:

ST is the State Income Tax Rate in effect on July 1 of each year; A is the sum of the weighted cost of common and preferred equity; Cost of Equity Component which is the sum of weighted preferred stock and return on weighted equity component; and B is the Federal Income Tax Rate Component.

35. **Sunrise Removal Rate** for FERC Account No. 354 (Towers and Fixtures) FERC Account No. 356 (Overhead Conductors and Devices) shall be equal to the Sunrise Removal Rates pursuant to FERC approving such rates. Until FERC approves such rates, SDG&E will use the removal rate for these accounts that are applicable to the Southwest Power Link 500 kV line.
36. **Total Plant in Service** shall equal SDG&E's total gross plant balance recorded in FERC Account Nos. 301 through 399.
37. **Transmission Maintenance Expenses** shall equal FERC accounts 568 through 573 less accounts ~~570569~~ (Maintenance of Station EquipmentStructures), 571 (Maintenance of Overhead Lines), and 572 (Maintenance of Underground Lines), plus the Transmission Maintenance Expenses charged to Citizens as recorded in FERC Account 413, Expenses from Electric Plant Leased to Others.
38. **Transmission Operation Expenses** shall equal FERC accounts 560 through 567 less account ~~562561~~ (Station Expenses), plus the Transmission Operation Expenses charged to Citizens as recorded in FERC Account 413, Expenses from Electric Plant Leased to Others.
39. **Transmission Plant** – shall equal SDG&E's Gross Plant balance 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 Tariff.

40. **Transmission Plant less the sum of Substations and Underground Lines** shall equal Transmission Plant less Substations (Structures and Improvements, Account No. 352, and Station Equipment, Account No. 353362), and Underground Lines (Underground Conduit, Account No. 357, and Underground Conductors and Devices, Account 358).
41. **Transmission Plant less the sum of Substations, Underground Lines, and Overhead Lines** shall equal Transmission Plant less Substations (Structures and Improvements, Account No. 352, and Station Equipment, Account No. 353362), less Underground lines (Underground Conduit, Account No. 357, and Underground Conductors and Devices, Account 358), and less Overhead lines (Towers and Fixtures, Account No. 354 and Overhead Conductors and Devices, Account No. 356, and Poles and Fixtures, Account No. 355).
42. **Transmission Related A&G Expenses** – shall equal (1) SDG&E's Administrative and General Expenses included in FERC Account Nos. 920-935 plus the Transmission Related A&G Expenses allocated and charged to Citizens as recorded in FERC Account 413, Expenses from Electric Plant Leased to Others, excluding non-transmission related expenses, which include but are not limited to non-transmission related expenses 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 Intervener Funding Expense recorded in FERC Account No. 928 (Regulatory Commission Expenses), multiplied by the Transmission Wages and Salaries Allocation Factor for Citizens.

43. Transmission Related A&G Expenses Including Property

Insurance – shall equal (1) SDG&E's Administrative and General Expenses included in FERC Account Nos. 920-935 plus the Transmission Related A&G Expenses allocated and charged to Citizens as recorded in FERC Account 413, Expenses from Electric Plant Leased to Others, excluding non-transmission related expenses, which include but are not limited to non-transmission related expenses 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 Intervener Funding Expense recorded in FERC Account No. 928 (Regulatory Commission Expenses), multiplied by the Transmission Wages and Salaries Allocation Factor for Citizens, plus (2) 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.

~~44. Transmission Related General Plant shall equal SDG&E's balance of investment in General Plant multiplied by the Transmission Wages and Salaries Allocation Factor for Citizens.~~

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

446. Transmission Related General and Common Plant Revenue shall equal the product of General and Common Plant Revenue and Transmission Wages and Salaries Labor Ratio for Citizens.

457. Transmission Related Materials and Supplies – shall be the product of SDG&E's electric plant 13 month weighted average

balance of Materials and Supplies times the Transmission Plant Allocation Factor Less Substations, Underground Lines, and Overhead Lines.

468. Transmission Related Payroll Taxes – 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 for Citizens.

479. Transmission Related Prepayments – shall be the product of SDG&E's electric plant prepayments 13 month weighted average balance times the Transmission Plant Allocation Factor Less Substations, Underground Lines, and Overhead Lines.

4850. Transmission Related Working Cash shall equal the Working Cash One Eight O&M Percentage multiplied by the sum of Transmission Operation Expenses, plus Transmission Maintenance Expenses, plus Transmission Related A&G expenses.

4954. Transmission Related Working Capital Revenue shall equal the sum of Transmission Related M&S, Transmission Related Prepayments, and Transmission Related Working Cash, multiplied by the sum of Rate of Return, Federal Income Tax, and State Income tax.

502. True Up Adjustment shall be equal to that calculated in Section II D of Appendix X.

513. True-Up Period – shall be 12 months ended December 31 of each year; provided, that the initial True-Up Period shall be the 6 months ending December 31, 2012.

524. Weighted Cost of Capital shall be based upon December 31 Base Period Capital Structure and will be equal to the weighted cost of

- (ii) 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 and recorded in FERC Account No. 204.
- (iii) Return on Equity component, shall be as follows:
 - (a) Return on Equity shall equal 11.35%,
 - (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.

535. Working Cash One Eight O&M Percentage shall equal 12.5% (45 days/360 days).

III. CALCULATION OF CITIZENS RATE

A. Calculation of Direct Maintenance Expenses Cost Component Assigned to Citizens

The directly assigned transmission maintenance expenses applicable to the Citizens Border East Line that that are embedded in Account 571, Maintenance of Overhead Lines shall be determined as follows:

The sum of: 1) Citizens percentage share of transfer capability of the expenses related to the internal orders to track the total direct maintenance expenses; 2) the revenue requirements applicable to the cash working capital related to the direct expense which is determined by multiplying item (1) by the 1/8 O&M Rate and Capital Cost; and 3) the Municipal Franchise Tax Percentage.

B. Calculation of Non-Direct Expenses Cost Component Allocated to Citizens

1. The Non-Direct Expense Cost Component shall be equal to the sum of the following carrying charge percentages:

- (a) Transmission Maintenance Expense Carrying Charge Percentage, plus
- (b) Transmission Operations Expense Carrying Charge Percentage, plus
- (c) Transmission Related A&G Carrying Charge Percentage, plus
- (d) Transmission Related Payroll Tax Carrying Charge Percentage, plus
- (e) Transmission Related General and Common Plant ~~Accumulated Deferred Income Tax~~ Revenue Carrying Charge Percentage, plus
- (f) Transmission Related Working Capital Revenue Carrying Charge Percentage, multiplied by the Municipal Franchise Tax Percentage, whose product is multiplied by the Citizens Border East Line Leased Amount.

C. Calculation of a Cost Component Containing Other Specific Expenses Allocated to Citizens

1. Calculation of the Allocation to Citizens of Sunrise's Net Accumulated Deferred Income Tax Liability Attributable to Bonus Depreciation Offset by the Accumulated Deferred Tax Asset Generated by the Net Operating Loss

The allocation to Citizens of Sunrise's net accumulated deferred Federal income tax liability attributable to bonus depreciation offset by the accumulated deferred tax asset generated by the net operating loss shall be calculated as follows:

The average of the beginning and ending Citizens Border East Line Incremental Accumulated Deferred Income Tax Liability -multiplied by ~~the~~

~~sum of the Federal Income Tax Component plus the State Income Tax Component plus~~ the Cost of Capital Rate, and the product multiplied by the Municipal Franchise Tax Percentage.

2. Calculation of the Property Taxes Allocated to Citizens

The portion of property taxes allocated to Citizens Border-East Line Leased Amount shall be calculated as follows:

Citizens Border East Line Property Tax Allocation Factor multiplied by Citizens Border East Line Leased Amount, and then whose product will be multiplied by the Municipal Franchise Tax Percentage.

3. Calculation of the Removal Costs Related to Citizens Border East Line

The allocation of annual removal costs allocated to Citizens Border East Line shall be calculated as follows:

The sum of FERC Account No. 354 (Towers & Fixtures) and FERC Account No. 356 (Overhead Conductors & Devices) Cost of Removal Rate multiplied by the Border East Line Leased Amount in these accounts, , and then whose product is multiplied by the Municipal Franchise Tax Percentage.

D. Derivation of the Annual True-Up Adjustment

The derivation of the annual True-Up Adjustment shall be calculated as follows:

The sum of the monthly recorded Citizens Rate revenue, excluding the True Up Adjustment and Interest True Up Adjustment for the Base Period minus True Up Cost of Service for the same Base Period.