

APPENDIX X

FORMULA FOR CALCULATING THE ALLOCATED COSTS TO THE CITIZENS BORDER EAST LINE RATE UNDER SDG&E'S TRANSMISSION OWNER TARIFF

Appendix X sets forth the formula for calculating the Citizens Border East Line Rate which includes direct and non-direct Operating & Maintenance ("O&M") expenses, and other costs explained in various sections of this appendix. Appendix X is organized into the following sections:

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

- A. Direct Maintenance Expense Cost Component
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- C. Cost Component Containing Other Specific Expenses
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IV. Table 1

I. Introduction

This Appendix X sets forth the details with respect to the annual determination of San Diego Gas & Electric Company's ("SDG&E") Border East Line Rate. SDG&E shall assess Citizens Sunrise Transmission, LLC ("Citizens") the Border East Line Rate ("Citizens Border East Line Rate), for its percentage share of the transfer capability of the Sunrise Border-East 30-mile, 500 kV line segment. The Citizens Border East Line Rate will consist of the following five cost components: (1) Direct Maintenance Expense Cost Component; (2) Non-Direct Expenses Cost Component; (3) Cost Component Containing Other Specific Costs associated with the Border-East Line, (4) True-Up Adjustment and (5) Interest True-Up Adjustment. The Border-East Line segment leased to Citizens is located between SDG&E's Imperial Valley substation and the San Diego County line.

The Citizens Border East Line Rate for each Rate Effective Period will be comprised of the above five rates.

The Citizens Border East Line Rate shall be designed to reflect SDG&E's cost to own, operate and maintain the Border-East transmission line segment. It will be an annual calculation based on the previous calendar year's data as shown in SDG&E's FERC Form 1: Annual report of Major Electric Utilities, Licensees, and Others ("Form 1") for that year, and the underlying ledger accounts and work papers. SDG&E shall make available the data reflected in the underlying ledger accounts and work papers used to determine Citizens Border East Line Rate in its Citizens annual informational filing described below.

The True-Up Adjustment cost component for each Rate Effective Period will be an annual reconciliation of the difference between:

- (a) SDG&E's actual costs of providing the transmission service during the most recent consecutive twelve-month period (the "True-Up Period")

ending December 31 preceding that Rate Effective Period as determined by the application of the formula; less

- (b) Actual revenues billed by SDG&E and paid by Citizens Sunrise Transmission LLC for transmission services during the True-Up Period.

SDG&E shall submit to the Federal Energy Regulatory Commission (“Commission” or “FERC”) on or before May 30 of each year an Informational Filing showing the Citizens Border East Line Rate in effect for the Rate Effective Period beginning June 1 of that year through May 31 of the subsequent year (the “Informational Filing”).

Section IV of the Appendix sets forth Table 1 delineating the FERC accounts specified in the *Order on Petition for Declaratory Order (“PDO Order”)*¹ applicable to the Citizens Border East Line. Table 1 demonstrates the affected FERC accounts that SDG&E will utilize to record and capture the direct and indirect costs associated with the Border-East Line. Column (A) reflects the normal FERC accounts SDG&E uses to account for the costs associated with its transmission business function. Column (B) lists the accounts in the PDO. Column (C) reflects the combined expenses for both SDG&E and Citizens used to develop the annual Citizens Border East Line Rate.

The Informational Filing shall not subject the Formula set forth in this Appendix X to modification. The Informational Filing shall only be contestable with respect to prudence of the costs and expenditures included for recovery, the accuracy of the data and the consistency with the Formula of the changes in data shown in the Informational Filing.

¹ San Diego Gas & Electric Company, *Order on Petition for Declaratory Order (“PDO”)*, 129 FERC ¶61, 233 (2009).

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.362), 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.362), 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

Citizens Border East Line to SDG&E's total direct wages and salaries excluding administrative and general wages and salaries.

B. Carrying Charge Percentages

1. Transmission Maintenance Expense Carrying Charge Percentage

shall equal the ratio of Transmission Maintenance Expenses divided by Transmission Plant less the sum of Substations, Underground Lines, and Overhead Lines.

2. Transmission Operations Expense Carrying Charge Percentage

shall equal the ratio of Transmission Operating Expenses divided by Transmission Plant less the sum of Substations and Underground Lines.

3. Transmission Related A&G Carrying Charge Percentage

shall equal the ratio of Transmission Related A&G Expenses Including Property Insurance divided by Transmission Plant less the sum of Substations, Underground Lines, and Overhead Lines.

4. Transmission Related General and Common Plant Accumulated

Deferred Income Tax Revenue Carrying Charge Percentage – shall equal SDG&E's Total General and Common Plant ADIT, as reflected in a footnote to SDG&E's annual FERC Form 1 multiplied by the Cost of Capital Rate divided by General and Common Total Gross Plant.

5. Transmission Related General and Common Plant Revenue

Carrying Charge Percentage - shall equal the ratio of Transmission Related General and Common Plant Revenues divided by Transmission Plant less the sum of Substations, Underground Lines, and Overhead Lines.

6. Transmission Related Payroll Tax Carrying Charge Percentage

shall equal the ratio of Transmission Related Payroll Tax Expense

divided by Transmission Plant less the sum of Substations, Underground Lines, and Overhead Lines.

7. **Transmission Related Working Capital Revenue Carrying Charge Percentage** – shall equal the ratio of Transmission Working Capital Revenue divided by Transmission Plant less the sum of Substations, Underground Lines, and Overhead Lines.

C. TERMS

1. **Accumulated Deferred Income Taxes** shall equal the net of deferred tax balance recorded in FERC Account Nos. 281- 283 and the deferred tax balance recorded in FERC Account No. 190.
2. **Allocated General and Common 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.
3. **Administrative and General Expense** shall equal SDG&E's expenses recorded in FERC Account Nos. 920-935 plus the recorded Transmission Related A&G Expenses allocated and charged to Citizens as reflected in FERC Account 413, Expenses from Electric Plant Leased to Others, excluding FERC Account No. 930.1 (General Advertising Expense).
4. **Base Period Cost of Service** – except for the initial Rate Effective Period, the Base Period cost of service shall be the calendar year prior to the following year's Rate Effective Period. The initial Base Period cost of service shall be the 12-month period ending September 30, 2011 adjusted for certain estimated expenses applicable to the initial Rate Effective period.

5. **Citizens Border East Line Accumulated Deferred Tax Asset** shall equal Citizens' accumulated deferred income tax asset generated by the net operating loss attributable to bonus depreciation.
6. **Citizens Border East Line Accumulated Deferred Tax Liability** shall equal Citizens' accumulated deferred income tax liability attributable to bonus depreciation.
7. **Citizens Border East Line Incremental Accumulated Deferred Income Tax Liability** shall be the difference between the sum of the deferred income tax liability and the deferred income tax asset computed with bonus depreciation less the deferred income tax liability computed without bonus tax depreciation.
8. **Citizens Border East Line Allocated Property Taxes** shall equal Property Taxes, excluding property taxes directly assigned to SONGS, multiplied by Citizens Border-East Line 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.
9. **Citizens Border East Line Leased Amount** shall equal the amount of the Border East Line that SDG&E leases to Citizens.
10. **Citizens Border East Line Rate** shall be equal to the sum of the following: Direct Maintenance Expenses Cost Component, plus Non Direct Expenses Cost Component; plus Cost Component Containing Other Specific Expenses, plus the True Up Adjustment, plus the Interest True Up Adjustment.
11. **Common Plant** shall equal SDG&E's gross plant balance recorded in FERC Accounts Nos. 303 and 389 through 398 assigned to electric services.

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 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.

19. **General Plant Depreciation Expense** shall equal SDG&E's depreciation expense related to General Plant recorded in FERC Account Nos. 403, 404, and 405 in accordance with depreciation rates authorized by the CPUC.
20. **General and Common Plant ADIT** shall equal to the amount reflected in the footnote to the annual FERC Form 1 filing.
21. **General and Common Plant Depreciation Rate** shall equal the ratio of the sum of SDG&E's General and Common Plant Depreciation expense and General and Common Gross Plant.
22. **General and Common Plant Fixed Charge Rate** shall be the Annual Fixed Charge Rate for purposes of determining the amount of revenue requirement associated with General and Common Plant calculated as follows: (1) General and Common Plant Depreciation Rate; plus (2) Federal and State Income Tax Rate; plus (3) Rate of Return; plus (4) General and Common ADIT Adjustment Rate.
23. **General and Common Total Gross Plant** shall equal the sum of Common Plant and General Plant.
24. **General and Common Plant Revenue** – shall be the product of General and Common Gross Plant and the Annual General and Common Plant Fixed Charged Rate.
25. **Interest True Up Adjustment** shall be equal to that calculated in Section II D of Appendix X.
26. **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.

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 Cost of Equity Component which is the sum of weighted preferred stock and return on weighted equity component; 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 569 (Maintenance of Structures), 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 561 (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.362), 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.362), 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.

- 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, 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.
- 46. Transmission Related General and Common Plant Revenue** shall equal the product of General and Common Plant Revenue and Transmission Wages and Salaries Labor Ratio.
- 47. 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.

48. **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.
49. **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.
50. **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.
51. **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.
52. **True Up Adjustment** shall be equal to that calculated in Section II D of Appendix X.
53. **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.
54. **Weighted Cost of Capital** shall be based upon December 31 Base Period Capital Structure 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 cost being weighted by the percentage that each capital component is to SDG&E's total capital. For example, if long term debt represents 40% of total capital and has a cost of 10%, the weighted cost of the long-term debt cost component would be 4%. 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) 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; (d) plus FERC Account No. 225 – Unamortized Premium on Long Term Debt; (e) less FERC Account No. 226 – Unamortized Discount on Long Term Debt.

- (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.

55. 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 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, 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.

E. Derivation of the Interest True-Up Adjustment

The derivation of the annual Interest True-Up Adjustment for Citizens Rate filing shall be calculated as follows:

The True Up Adjustment balance calculated as of December 31 of the Base Period plus monthly interest from January to May after the Base Period calculated pursuant to Title 18 of the Code of Federal Regulation Section 35.19a. Such interest accumulated from January through May shall be fully amortized in equal amounts over each month of the Rate Effective Period commencing in June.

IV. Table 1

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San Diego Gas & Electric Co.
FERC Accounting Guidelines for Recording Citizens' Costs Applicable to Appendix X
Per Order on Petition for Declaratory Order ("PDO")

Line No	Description	(A)	(B)	(C) = (A) + (B)	Line No
		SDG&E Normal FERC Accounts	FERC Accounts Per PDO	TOTAL	
1	Total Transmission Plant (Acct 101) and Electric Plant Leased to Others (Acct 104)	101	104	(1)	1
2	Normal* Transmission O&M and Expenses from Electric Plant Leased to Others	560 - 573	413	(1)	2
3	Normal* A&G Expenses and Electric Plant Leased to Others	920 - 935	413	(1)	3
4	Normal* Property Taxes and Property Taxes on Electric Plant Leased to Others	408.1	408.1	(1)	4
5	Normal* Payroll Taxes and Payroll Taxes related to Electric Plant Leased to Others	408.1	408.1	(1)	5
6	Normal* Property Insurance and Property Insurance related to Electric Plant Leased to Others	924	413	(1)	6
7	Accts 282, 283 & 190 Related with Normal* Sunrise ADIT and ADIT allocated Citizens	282,283 and 190	282,283 and 190 - (6)	(1)	7
8	Annual Carrying Cost Portion of General and Common Plant Allocated to Citizens	(2)	(2)	(1)	8
9	Annual Carrying Cost Portion of M&S and Prepayments Allocated to Citizens	(2)	(2)	(1)	9
10	Border East Line Depreciation Expense and Accumulated Depreciation	(3)	108 - (3)	-	10
11	Citizens Prepaid Lease Payment and the Amortization of Citizens Prepaid Lease Payment	(4)	253 - (4)	-	11
12	Citizens Revenues from Electric Plant Leased to Others	(5)	412 - (4) & (5)	-	12

(1) Column C reflects the combined expenses for both of SDG&E's normal FERC Form 1 accounts and those allocated to Citizens, which are used to develop the Annual Border East Line Rate as reflected in Appendix X.

(2) Because it is not feasible to record each allocated cost component of general and common plant to Citizens (plant, depreciation, accumulated deferred income taxes) to Column B, SDG&E will charge the total annual carrying cost related to this allocation to Account 413, and credit this annual carrying cost amount to SDG&E future transmission cost of services.

Because it is not feasible to record each allocated cost component of M&S and prepayments to Citizens in Column B, SDG&E will charge the total annual carrying costs related to this allocation to Account 413, and credit this annual carrying cost amount to future transmission cost of services.

(3) SDG&E will depreciate the cost of electric plant in account 104, Electric Plant Leased to Others, using Account 413 and 108, Expenses From Electric Plant Leased to Others and Accumulated Provision for Depreciation of Electric Utility Plant respectively.

(4) SDG&E will record the Citizens Prepaid Lease Payment in Account 253, Other Deferred Credits, and amortize the amount to Account 412, Revenues from Electric Plant Leased to Others, over the life of the lease.

(5) SDG&E will record the Citizens Revenues from Electric Plant Leased to Others in Account 412.

(6) Accounts 282, 283, and 190 were not identified in the FERC's PDO, but SDG&E will use these accounts to record the Accumulated Deferred Income Tax allocated to Citizens.

(*) Normal costs referenced above are those costs reflected in the FERC Form 1 accounts other than those costs recorded to the Lease Accounts shown in Column B.