

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

Application of San Diego Gas & Electric Company (U902M) for Authority to: (i) Adjust its Authorized Return on Common Equity, (ii) Adjust its Authorized Embedded Costs of Debt and Preferred Stock, (iii) Adjust its Authorized Capital Structure; (iv) Decrease its Overall Rate of Return, (iv) Modify its Adopted Cost of Capital Mechanism Structure, and (v) Revise its Electric Distribution and Gas Rates Accordingly, and for Related Substantive and Procedural Relief.

A.19-04-____
(Filed April 22, 2019)

**TEST YEAR 2020 COST OF CAPITAL APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)**

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TABLE OF CONTENTS

I.	INTRODUCTION	3
II.	BACKGROUND	4
III.	LEGAL STANDARDS	6
IV.	SUMMARY OF PROPOSALS	11
V.	SUPPORTING TESTIMONY	13
A.	Exhibit SDG&E-01 Overview (witness: Bruce Folkmann).....	13
B.	Exhibit SDG&E-02 Capital Structure (witness: Maritza Mekitarian).....	14
C.	Exhibit SDG&E-03, Company Risk (witness: Don Widjaja).....	15
D.	Exhibit SDG&E-04, Return on Equity (witness: Dr. Roger Morin).....	16
E.	Exhibit SDG&E-05 Wildfire Risk Premium (witnesses: Concentric).....	17
F.	Exhibit SDG&E-06 Cost of Capital Mechanism (witness: Bruce MacNeil).....	18
VI.	ADDITIONAL QUESTIONS PURSUANT TO D.17-07-005 (ORDERING PARAGRAPH 3).....	19
VII.	RELIEF REQUESTED.....	21
VIII.	STATUTORY AND PROCEDURAL REQUIREMENTS.....	21
A.	Rule 2.1 (a) – (c).....	21
1.	Rule 2.1 (a) - Legal Name.....	22
2.	Rule 2.1 (b) - Correspondence	22
3.	Rule 2.1 (c).....	23
a.	Proposed Category of Proceeding.....	23
b.	Need for Hearings	23
c.	Issues to be Considered and Relevant Safety Considerations	23
d.	Proposed Schedule	24
B.	Articles of Incorporation.....	24
C.	Rule 3.2 (a) – (d) – Authority to Increase Rates	24
1.	Rule 3.2 (a) (1) – Balance Sheet	25
2.	Rule 3.2 (a) (2) – Statement of Effective Rates	25
3.	Rule 3.2 (a) (3) – Statement of Proposed Rates.....	25
4.	Rule 3.2 (a) (4) – Description of Property and Equipment.....	25
5.	Rule 3.2 (a) (5) and (6) – Summary of Earnings	25
6.	Rule 3.2 (a) (7) – Statement re Tax Depreciation	25
7.	Rule 3.2 (a) (8) – Proxy Statement	26

8.	Rule 3.2 (a) (10) – Statement Re Pass Through to Customers	26
9.	Rule 3.2(b) - (d) – Service and Notice	26
IX.	CONCLUSION.....	27

OFFICER VERIFICATION

ATTACHMENT A	BALANCE SHEET AND INCOME STATEMENT AND FINANCIAL STATEMENT
ATTACHMENT B	STATEMENT OF PRESENT RATES
ATTACHMENT C	STATEMENT OF PROPOSED RATES
ATTACHMENT D	COST OF PROPERTY AND DEPRECIATION RESERVE
ATTACHMENT E	SUMMARY OF EARNINGS
ATTACHMENT F	GOVERNMENTAL ENTITIES RECEIVING NOTICE

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I. INTRODUCTION

In accordance with the Commission’s (“Commission” or “CPUC”) Rules of Practice and Procedure, and Commission decisions (“D.”) 12-12-034 and D.13-03-015 (as modified by D.16-02-019, D.17-07-005, and D.18-01-001), San Diego Gas & Electric Company (“SDG&E” or “Company”) respectfully submits this Application to establish its authorized Cost of Capital (“COC”) for Test Year (“TY”) 2020, and to reset the currently authorized Cost of Capital Mechanism (“CCM”), effective January 1, 2020 through December 31, 2022. SDG&E seeks authority to revise its rates accordingly. This Application applies to SDG&E’s electric distribution, gas distribution and g-as transmission businesses, together with the electric generation and the electric and natural gas procurement functions.¹

¹ The return on SDG&E’s electric transmission assets is not included in the scope of this Application since that return is regulated by the Federal Energy Regulatory Commission (“FERC”).

II. BACKGROUND

SDG&E's Application requests a newly authorized capital structure, return on equity ("ROE), and overall rate of return ("ROR"), based on the business, regulatory, and financial risks facing the Company. Cost of capital was historically addressed in the Company's general rate case application ("GRC").² Given the complexity in addressing ROE with GRC, however, in 1990, the Commission separated COC issues from the GRC, establishing annual COC applications for the major investor-owned energy utilities ("Utilities").³ In 1996, the Commission approved the Market Indexed Capital Adjustment Mechanism ("MICAM") for SDG&E.⁴ This permitted SDG&E to file a COC application every five years (instead of annually), with the MICAM potentially adjusting the Company's ROE in intervening years based upon bond market movements.⁵

In 2008, the Commission established a uniform CCM for all the Utilities.⁶ CCM replaced MICAM for SDG&E. Like MICAM, the CCM allowed the Utilities (including SDG&E) to file COC applications every three years instead of annually, with the CCM potentially adjusting ROE in the intervening years in response to movements in utility bond rates.⁷ Utilities retained the right to file a new COC application outside the CCM process upon an extraordinary or

² See D.17-07-005 at 3.

³ *Id.*

⁴ D.08-05-035 at 2.

⁵ *Id.*

⁶ D.17-07-005 at 3.

⁷ D.08-05-035 at 15-16.

catastrophic event.⁸ Outside of periodic suspensions based upon agreements between the parties, the CCM has been in place since 2008.⁹

SDG&E's last formal COC application, Application ("A.") 12-04-016, was filed in 2012 for TY 2013. The Commission bifurcated the proceeding into two phases. In Phase 1, the Commission authorized an overall ROR of 7.79% for SDG&E's CPUC-jurisdictional operations.¹⁰ SDG&E's authorized ROR was based upon an adopted ROE of 10.3%, a cost of long-term debt of 5.00%, and a cost of preferred stock of 6.22%.¹¹ It also reflected an authorized capital structure for SDG&E's CPUC-jurisdictional rate base of 52% common equity, 2.75% preferred stock, and 45.25% long-term debt.¹²

In Phase 2 of that proceeding, the Commission approved a stipulation agreement for the Utilities that maintained the CCM. It required the utilities to file their respective TY 2016 COC applications on April 20, 2015.¹³

The Utilities sought two separate one-year extensions of that application filing date. By letter dated December 24, 2014, the Commission's Executive Director extended the filing date to April 20, 2016, for a 2017 test year.¹⁴ On November 25, 2015, the Executive Director granted a

⁸ D.08-05-035 at 16 and 19, Conclusion of Law 6.

⁹ *Id.* at 3-4.

¹⁰ D.12-12-034 at 52 Ordering Paragraph ("OP") 2.

¹¹ *Id.*

¹² *Id.*

¹³ D.13-03-015 at 10, OP 4.

¹⁴ D.17-07-005 at 4.

further extension to April 2017 for a 2018 test year.¹⁵ The Commission’s D.16-02-019 modified D.13-03-015 to confirm the April 20, 2017 filing date and suspend the CCM for 2017.¹⁶

In D.17-07-005, the Commission granted a joint petition for modification of D.12-12-034 and D.13-03-015.¹⁷ Those changes included:

- Extending the deadline for the next COC application to April 22, 2019;
- Reducing SDG&E’s authorized ROE by 10 basis points to 10.20% (from 10.30%);¹⁸
- Resetting the Utilities’ authorized costs of long-term debt and preferred stock beginning in TY 2018; and
- Requiring testimony from each Utility on certain factual questions specified by the Commission in the Decision.¹⁹

SDG&E files this Application in accordance with that Decision.

III. LEGAL STANDARDS

As a public utility, SDG&E is an investor-owned, private corporation whose assets are employed to provide consumers with a product – electric and gas services – that are deemed in the public interest.²⁰ The United States Supreme Court has long recognized that this partly public, partly private status of utility property entails a balancing of consumers and investors’ constitutional interests; often referred to as the regulatory compact.²¹

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at 15, OP 1.

¹⁸ *Id.* at 7.

¹⁹ *Id.* at 2.

²⁰ *See* Cal. State Const. Art. 12, Section (“§”) 5; Cal. Pub. Util. Code § 216(b).

²¹ *See Fed. Power Comm’n v. Hope Nat’l Gas*, 320 U.S. 591, 603 (1944); *see also Permian Basin Area Rate Cases*, 390 U.S. 747, 770 (1968) (holding that the applicable constitutional standard for assessing just and reasonable rates includes accounting for investor and consumer interests).

California public energy utilities are considered exclusive service providers within their service territory for the transmission and distribution of electricity and natural gas – given the high capital costs of utility infrastructure investments and practical difficulties inherent in duplicating distribution networks. This means that the competitive market that normally sets prices and output levels is inapplicable.

Public utility regulation is substituted for competition. The goal is to replicate the results that a competitive market would achieve for setting reasonable prices and profits.²² As the Commission has held, unlike a non-utility company – whose earnings depend on the ability to competitively price its products or services – a utility depends upon a fair return on investment because a utility’s prices are set by regulators irrespective of what a buyer is willing to pay.²³

In exchange for being exclusive service providers, investor owned utilities must provide adequate, efficient, just, and reasonable service to all customers regardless of risk or ability to pay.²⁴ Energy utilities are subject to extensive state and federal regulation, including strict rules of compliance and after-the-fact reasonableness review.²⁵ Most important for the present Application, those state and federal regulators have the authority, through rate setting, to establish the maximum prices that utilities may charge for services provided using utility property.

²² *Hope*, 320 U.S. 591, 601 (1944) (“Rate-making is indeed but one species of price-fixing. The fixing of prices, like other applications of the police power, may reduce the value of the property which is being regulated. But the fact that the value is reduced does not mean that the regulation is invalid.”) (citations omitted); see also *Permian Basin Area Rate Cases*, 390 U.S. 747, 768 (1968) (“the Constitution does not forbid the imposition, in appropriate circumstances, of maximum prices upon commercial and other activities.”).

²³ D.07-12-049 at 14-15.

²⁴ *Id.*; see Cal. Pub. Util. Code § 451.

²⁵ Cal. State Const. Art. 12, § 5.

In permitting the setting of utility rates, the Supreme Court has long recognized that the unique status of private-owned, public utilities necessitates the setting of a rate that ensures the utility a “reasonable rate of return.”²⁶ This works as follows. SDG&E, like other utilities in the State of California, does not earn a profit on electricity or natural gas as a commodity, consistent with the practice of “decoupling.”²⁷ But to provide electricity and natural gas to customers, utilities need to invest in infrastructure, such as substations, transformers, meters, power lines and pipelines. The value of these assets that a utility has invested in to provide electricity and natural gas is known as the utility’s “rate base.”²⁸ Investor-owned utilities are entitled to a fair and reasonable rate of return on these private capital investments that benefit the public.²⁹

To invest in rate base assets, a utility raises funds by either issuing debt or selling equity.³⁰ Both methods have costs. The company pays interest to debt creditors on borrowed funds. Or it pays a portion of its profits or dividends to equity investors, *i.e.*, shareholders. These costs are known as the cost of capital.

The Commission’s prior COC decisions recognize that the Supreme Court has provided constitutional legal standards for setting a reasonable rate of return in the Court’s *Bluefield*, *Hope*, and *Duquesne* decisions.³¹ *Bluefield* sets forth the standard for measuring just and reasonable rates:

²⁶ *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 307-312 (1989).

²⁷ *Cf. S. Cal. Gas Co. v. Pub. Util. Comm’n*, 23 Cal. 3d 470, 476, (Cal. 1979) (“the utility is not entitled to earn an additional profit on its expenses, but only to ‘recover’ them on a dollar-for-dollar basis as part of the rates.” (citation omitted)).

²⁸ *SFPP, L.P. v. Pub. Util. Comm’n*, 217 Cal. App. 4th 784, 801, (4th App. Dist. 2013) (citation omitted).

²⁹ *See Bluefield*, 262 U.S. at 692 (a utility is entitled to a reasonable return on the “value of the property which it employs for the convenience of the public.”).

³⁰ *Id.*

³¹ *See* D.18-03-035 at 23-24, Finding of Fact (“FOF”) 3 (citations omitted).

A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties . . . The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties.³²

The *Hope* decision reinforces the financial soundness and capital attraction principles of the *Bluefield* decision and sets the standard for determining whether set rates satisfy utility investors' constitutional interests:

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock . . . By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.³³

Duquesne reaffirms that a utility cannot be limited to a charge for the use of its property that is so low that it is considered "confiscatory" and an unconstitutional taking.³⁴ If "the rate does not afford sufficient compensation, the State has taken the use of utility property without paying just compensation and so violated the *Fifth* and *Fourteenth Amendments*."³⁵

Instead, as the Commission has found, "the adopted equity return should be sufficient to provide a margin of safety to pay interest, pay reasonable common dividends, and allow for

³² *Bluefield*, 262 U.S. at 692-693.

³³ *Hope*, 320 U.S. at 603 (citation omitted).

³⁴ See *Duquesne*, 488 U.S. at 307 ("The guiding principle has been that the Constitution protects utilities from being limited to a charge for their property serving the public which is so 'unjust' as to be confiscatory.") (citing *Covington & Lexington Turnpike Road Co. v. Sandford*, 164 U.S. 578, 597 (1896)); see also *Permian Basin Area Rate Cases*, 390 U.S. at 769 ("the power to regulate is not a power to destroy.") (citations omitted).

³⁵ *Duquesne*, 488 U.S. at 308 (alteration in original).

some money to be kept in the business as retained earnings.”³⁶ Although an energy utility is the exclusive service provider for transmission and distribution, it must raise capital in a competitive marketplace. The goal is to encourage private investors to invest private funds into capital projects to benefit the public.³⁷ A reasonable rate of return helps ensure a financially sound utility that can fulfill its public duties; incentivizing private investment in public infrastructure projects that deliver safe, reliable, cleaner, and lower-cost energy solutions for customers, while meeting California’s clean energy policies including greenhouse gas reductions and other environmental goals.³⁸

The Commission determines a utility’s COC in a three-step process.³⁹ First, the Commission adopts a capital structure – the proportion of debt to equity that a utility should use to finance its capital investments. Second, the Commission calculates the company’s cost of debt, based on the actual cost of the company’s outstanding debt during the relevant period. Finally, as described above, the Commission determines the appropriate common equity return for the utility by examining returns for businesses with comparable risks, known as the ROE.

Applying those cost of debt, preferred stock (if applicable), and ROE figures to the adopted capital structure produces the weighted cost of capital, also known as the authorized ROR. The ROR is then multiplied with the utility’s rate base. That figure, in turn, is added to

³⁶ D.18-03-035 at 7 (citing 78 CPUC at 723 (1975)).

³⁷ See *SFPP*, 217 Cal. App. 4th at 790 (“The basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses *plus* a reasonable return on the value of property devoted to public use.” (quoting *So. Cal. Gas Co. v. Pub. Utils. Comm’n*, 23 Cal.3d 470, 476 (1979)).

³⁸ D.12-12-034 at 50, FOF 32 (“Two important components of the Hope and Bluefield decisions are that the utilities have the ability to attract capital to raise money for the proper discharge of their public utility duties and to maintain creditworthiness.”).

³⁹ See generally *SFPP*, 217 Cal. App. 4th at 801-802 (describing the COC process).

the company’s operating expenses and tax costs. The sum is the company’s revenue requirement, *i.e.*, “the amount needed to cover the company’s costs and provide a reasonable return on its investments.”⁴⁰

IV. SUMMARY OF PROPOSALS

Applying the above constitutional principles, SDG&E requests that the Commission adopt a TY 2020 COC, as shown below.

SDG&E’s Proposed TY 2020 COC Structure

Component	Capital Ratio	Cost	Weighted Cost
Long-Term Debt	44.00%	4.59%	2.02%
Preferred Stock	0.00%	0.00%	0.00%
Common Equity	56.00%	14.30%	8.01%
Rate of Return (ROR)			10.03%

SDG&E is proposing to revise its capital ratios based on its actual capital ratios since 2013. This results in a decrease in the Long-Term Debt ratio (minus 125 basis points), decrease in the Preferred Stock ratio (minus 275 basis points), and an increase in the Common Equity ratio (plus 400 basis points).

SDG&E is also requesting (1) to maintain its embedded costs for Long-Term Debt of 4.59%, and (2) to increase its currently authorized ROE from 10.20% to 14.30%. On a weighted cost basis, SDG&E’s proposed COC structure would result in a ROR of 10.03%, which represents an increase of 2.48% or 248 basis points from its currently authorized 7.55%.

If adopted, SDG&E’s requested adjustments will increase the Company’s ROR by 2.48% (*i.e.*, 248 basis points). This will result in an estimated revenue requirement increase of \$168 million for electric ratepayers and \$27 million for gas ratepayers, as shown in Attachments B and C (Statements of Present and Proposed Rates, respectively). SDG&E also proposes to continue

⁴⁰ *Id.* (quoting *The Ponderosa Telephone Co. v. Pub. Util. Comm’n*, 197 Cal. App. 4th 48, 51, 127 Cal. Rptr. 3d 844 (2011)).

the CCM – providing ongoing stability to the utility’s authorized Cost of Capital over the next cycle (which is viewed favorably by ratepayers and the investment community alike) and eliminating the need to litigate a new COC proceeding annually – with modest modifications to account for the current credit rating environment.

SDG&E’s proposed COC would achieve the financial soundness and capital attraction principles articulated in *Bluefield*, *Hope*, and *Duquesne*. SDG&E’s proposed ROE reflects the increased risk that SDG&E and other California Utilities face because of the potentially massive costs associated with catastrophic wildfire liabilities, and the accompanying misalignment between the state’s application of strict liability to wildfires and the Commission’s cost recovery review that does not take that strict liability into account. This may result in significant unrecoverable liability costs through no fault of the Utility.⁴¹ The reality of this risk, and its implications for the ability of California Utilities to access capital, is exemplified by the Chapter 11 reorganization of the state’s largest IOU, Pacific Gas and Electric Company (“PG&E”).

The Company’s ROE proposal of 14.30% is based on an independently-derived base ROE recommendation of 10.90% from SDG&E witness Dr. Roger Morin, using a standard proxy-based ROE analysis, and a 3.40% risk premium to account for the unique wildfire liability risks posed to SDG&E, as described by Concentric Energy Advisors witnesses John Reed, Jim Coyne, and Todd Shipman (“Concentric”). Because peer utilities do not share these unique wildfire risks, Dr. Morin and Concentric both recognize that traditional proxy models do not fully capture the Company’s necessary ROE – making a wildfire-adder necessary.

Although SDG&E’s proposed capital structure would increase the Company’s common equity ratio, SDG&E demonstrates in its supporting testimony that its proposal represents a reasonable and appropriate capital structure, reflecting the Company’s actual capital ratio and

⁴¹ See, e.g., D.17-11-033 (denying SDG&E’s Application to recover \$379 million recorded to its Wildfire Expense Memorandum Account.).

commensurate with the business, financial, and regulatory risks investors face with SDG&E compared to its non-California utility peers. The Company's actual 56% equity percentage since 2015 has helped improved credit metrics (by reducing debt). Having an authorized capital structure that reflects SDG&E's actual structure will further this goal. As Dr. Morin states, A-rated utilities have the optimal cost of capital, and a 56% equity ratio is at the bottom of his recommended range to achieve an A credit rating.

The Commission's support for SDG&E's proposals will position the utility to acquire the capital necessary to meet its planned investments, to maintain a balanced and disciplined level of long-term debt obligations, and to maintain an investment grade credit rating. This, in turn, keeps the cost of debt – and overall cost of capital – lower for customers. The proposed ROE is intended to enable SDG&E to raise the amount of capital required at reasonable costs to meet California's ambitious environmental and energy goals, while maintaining a safe and reliable natural gas and electric system for customers.

Support for SDG&E's requests herein is set forth in detail in the witness testimony served with this application and is summarized below.

V. SUPPORTING TESTIMONY

A. Exhibit SDG&E-01 Policy Overview (witness: Bruce Folkmann)

Mr. Folkmann's testimony provides an overview of the cost of capital process, SDG&E's proposals, and the resulting impacts to the Company's revenue requirement and customer rates. Mr. Folkmann describes the current environment facing SDG&E compared to non-California utilities, and underscores the importance of SDG&E maintaining a strong, investment grade credit rating.⁴²

⁴² See D.12-12-034 at 37 (finding that maintaining investment-grade creditworthiness is an important component of the *Hope* and *Bluefield* decisions.); D.03-12-035 at 60 (holding that the Commission is

To address these issues, Mr. Folkmann provides the Company's overall ROE proposal. Dr. Morin and Concentric both believe that, given California's unique legal regime for wildfire liability, a wildfire risk premium is necessary above Dr. Morin's standard, proxy-based ROE proposal that compares SDG&E to non-California IOUs that do not have this liability risk. Mr. Folkmann reaffirms that a specific wildfire adder to a traditional ROE proposal is necessary and appropriate, and provides the Company's ROE recommendation of 14.3%, reflecting Dr. Morin's traditional ROE figure of 10.9%, combined with Concentric's wildfire risk premium of 3.4%.

B. Exhibit SDG&E-02 Capital Structure (witness: Maritza Mekitarian)

Ms. Mekitarian's testimony supports SDG&E's proposal to modify its capital structure to 56% common equity, 44% long-term debt, and 0% preferred stock, from 52% common equity, 45.25% debt, and 2.75% preferred stock. Ms. Mekitarian calculates embedded debt costs at 4.59%, for TY 2020. She reiterates that SDG&E's customer deposits should continue to be treated consistent with Commission Standard Practice U-16. And she presents financial data and analyses of the company's credit metrics and those from proxy group companies.

SDG&E's proposed authorized capital structure would reflect the Company's actual capital structure. On a rounded basis, SDG&E has been operating at or above a 56% common equity percentage since 2015. During the last COC proceeding for TY 2013, the Commission approved using SDG&E's actual capital structure as its authorized structure.⁴³ The Company's actual capital structure should again be adopted as its authorized ratio.

"obligated in setting just and reasonable rates to authorize a sufficient return on equity for the utility to maintain its creditworthiness.").

⁴³ D.12-12-034 at 11 (approving the Company's proposed capital structure after finding that "SDG&E seeks a common equity ratio for its revenue requirement which is the same as its actual common

Ms. Mekitarian further explains that the Company’s proposal to increase the common equity element to 56.00% helps manage SDG&E’s increased risks. As business risks increase, financial risk should decrease to support lowering borrowing costs and investment grade credit ratings. The Company’s proposed capital structure is designed to improve credit metrics with capital provided by shareholders, directly benefitting customers.

C. Exhibit SDG&E-03, Company Risk (witness: Don Widjaja)

As Mr. Widjaja explains, the investment risk of a utility company is comprised of its business, regulatory, and financial risks. The riskier a company is, the higher the return that is needed to adequately compensate investors for those threats. Mr. Widjaja describes SDG&E’s company-specific risks in detail – based on the Company’s risk factors and risk concerns raised by three prominent rating agencies, Moody’s, Standard and Poor’s (“S&P”), and Fitch Ratings.

Mr. Widjaja explains the unique threats facing SDG&E and other California energy utilities compared to non-California peers. Mr. Widjaja underscores that SDG&E faces significant risks from the increased frequency and severity of catastrophic wildfires associated with climate change, drought, and extreme wind events – and the accompanying regulatory and legal framework that subjects California utilities to enormous unrecoverable liabilities, even when the utility is not at fault.

Mr. Widjaja adds that, even if a utility does eventually recover costs, the need to potentially carry liability exposure for years before the utility is granted recovery can create a serious liquidity drain. Given that wildfires can result in billions of dollars of liability, these costs can quickly undermine or overwhelm a utility financially.

equity ratio.”); *see also* D.18-03-035 at 22 (approving water utilities proposed capital structures that were based on the utilities’ estimated recorded capital structures for the test year).

Although SDG&E has been recognized for having a world-class wildfire mitigation program that has significantly reduced the threat of a catastrophic wildfire, Mr. Widjaja notes that the Company cannot eliminate the risk. As a result, SDG&E has faced multiple credit rating agency downgrades in the past year and remains on negative watch. These ratings downgrades increase financial risks to the Company.⁴⁴

Mr. Widjaja further describes how, even if a legislative or regulatory solution is found to the issue of utility shareholders acting as the wildfire insurer of last resort for the utility's service territory, it will continue being riskier for SDG&E to operate in California compared to its non-California peers, as the state still faces wildfire threats and shifts to a more-decentralized, less utility-centric environment. A shrinking customer base increases rate pressure on remaining customers. And any legislative or regulatory solution to catastrophic wildfire liability recovery may still place further costs on both ratepayers and shareholders alike.

D. Exhibit SDG&E-04, Return on Equity (witness: Dr. Roger Morin)

Dr. Morin's testimony sets forth the quantitative analysis that serves as the foundation for SDG&E's ROE request.⁴⁵ In his informed professional judgment, Dr. Morin recommends a ROE of at least 10.9% for SDG&E.⁴⁶

Dr. Morin underscores the deleterious effects for a company whose ROE is set below the level required by investors. Dr. Morin explains that his ROE recommendation is based upon an

⁴⁴ See D.12-12-034 at 9 (as credit ratings are downgraded, it increases "financial risks for common equity holders, thereby requiring greater returns on common equity."); see D.03-12-035 at 42 ("the cost of investment grade debt is considerably less . . . the lower cost of a utility's debt translates into lower rates, all else being equal.").

⁴⁵ See D.12-12-034 at 18 ("[W]e have consistently evaluated analytical financial models as a starting point to arrive at a fair ROE.").

⁴⁶ *Id.* at 28 ("In the final analysis, it is the application of informed judgment, not the precision of financial models, which is the key to selecting a specific ROE estimate.").

analysis that first employs traditional, cost of capital estimating methodologies, including the Discounted Cash Flow (“DCF”), Risk Premium, and Capital Asset Pricing Model (“CAPM”), to a proxy group of combination gas and electric utilities with assets similar to SDG&E’s.⁴⁷ Dr. Morin then adjusts his ROE recommendation from the average utility in his peer group to account for SDG&E’s much higher risks. Dr. Morin found that this risk was evidenced by the Company having, among other factors:

- a significantly higher beta (market) risk measure among utilities for equity investors;⁴⁸
- a higher than average DCF cost of equity risk result; and
- a higher degree of regulatory risk.

Dr. Morin notes that his 10.9% recommendation is a “barebones” estimate that does not fully account for the “unresolved risks due to wildfires regulation in California.”⁴⁹ Dr. Morin’s testimony also supports the Company’s proposed common equity ratio and underscores the importance of a strong credit rating.

E. Exhibit SDG&E-05 Wildfire Risk Premium (witnesses: Concentric)

Concentric’s testimony recommends a wildfire risk premium above Dr. Morin’s traditional ROE recommendation. They concur with Dr. Morin that, although SDG&E is also riskier than an average utility for reasons outside of wildfire liability, comparing SDG&E to peer group companies does not fully account for the unique risks SDG&E has to bear for that wildfire liability. So they compare three measures to establish a wildfire risk premium – the “Estimated

⁴⁷ See *id.* at 22 (“Each methodology requires the exercise of considerable judgment on the reasonableness of the assumptions underlying the method and on the reasonableness of the proxies used to validate the theory and apply the method.”).

⁴⁸ See *id.* at 25 (noting that electric utilities generally have low betas).

⁴⁹ Prepared Direct Testimony of Roger A. Morin, Ph.D., Return on Equity (April 2019) (“Ex. SDG&E-04 (Morin)”) at 6.

Loss Approach,” the wildfire “Insurance Approach,” and SDG&E’s catastrophe (“CAT”) bond pricing (the “CAT Bond Approach”).

The Estimated Loss Approach applies SDG&E’s own Commission-approved wildfire threat modeling. Concentric uses that modeling to estimate the annual premium required to compensate investors for the risks of potentially unrecoverable wildfire liability.

The Insurance Approach translates the premium that insurance companies are requiring to insure SDG&E’s wildfire liability into a risk premium for having shareholders responsible for potential wildfire liability above the total amount of the Company’s insurance coverage. The CAT Bond approach measures the premium that bond market investors are requiring to carry wildfire liability risk compared to a three-year U.S. Treasury note. Based on these approaches, Concentric believes that a 3.4% wildfire premium is required. Concentric shows how such a wildfire premium can help support SDG&E’s credit ratings.

F. Exhibit SDG&E-06 Cost of Capital Mechanism (witness: Bruce MacNeil)

Mr. MacNeil supports the continuation of a CCM with four modest modifications. SDG&E has been authorized some form of an adjustment mechanism for over 20 years, with the current CCM largely in place for all California Utilities since 2008. The primary components of the mechanism are the benchmark and the tolerance band (or dead band). Mr. MacNeil notes that the Commission has found numerous benefits from the CCM, including balancing the interests of shareholders and ratepayers, reducing the burden on the Commission and parties, and providing greater transparency and clarity for stakeholders.⁵⁰

⁵⁰ D.13-03-015 at 7.

Mr. MacNeil proposes four changes to the CCM, however, based on the deteriorating credit ratings situation for SDG&E and other California Utilities. Mr. MacNeil details the recent downgrades of SDG&E's bond rating from A2 to Baa1 by Moody's and A to BBB+ by S&P (two notches each), with both agencies putting the Company on negative watch, indicating that that further downgrades are possible. Mr. MacNeil thus recommends making the following modifications to the CCM:

- change the dead band trigger to 50 from 100 basis points;
- clarify the selection of an CCM index when the Utility has split ratings;
- clarify how a Utility should handle a ratings change during a CCM year; and
- clarify what happens when a Utility becomes non-investment grade.

Mr. MacNeil explains why a 50 basis point dead band will make the CCM slightly more responsive while maintaining stability. This can benefit ratepayers should the Company's credit ratings improve. Mr. MacNeil also recommends that the Commission establish a process if a utility's credit rating move below investment grade, including the suspension of the CCM and annual true up of the costs of long-term debt and preferred stock.

VI. ADDITIONAL QUESTIONS PURSUANT TO D.17-07-005 (ORDERING PARAGRAPH 3)

In D.17-07-005, the Commission directed the California Utilities to answer eight questions. SDG&E witnesses have made a good faith effort to comply with this requirement by researching and providing responsive data (to the extent possible), and by analyzing that data to draw certain conclusions (to the extent possible). In certain instances, SDG&E identified limitations with the available data or the conclusions to be drawn from that data. SDG&E provides an explanation of those limitations and foundational challenges. The following table

lists the Commission’s eight questions and identifies where SDG&E’s responses are located within its supporting testimony.

Question	Exhibit (Ex.) Reference
1. How does the utility’s level of business risk compare to other utilities nationally and to other California utilities, and to non-utility benchmarks? Include separate comparisons for vertically integrated and non-vertically integrated utilities. How has this level changed since the test year 2013 Cost of Capital application?	Ex. SDG&E-03 (Widjaja) §§ I-II & Appendix A; SDG&E-04 (Morin), §§ III-IV; SDG&E-05 (Concentric) Ch.1, §§ V, VII.
2. How does the utility’s level of financial risk compare to other utilities nationally, to other California utilities, and to non-utility benchmarks? Include separate comparisons for vertically integrated and non-vertically integrated utilities. How has this level changed since the test year 2013 Cost of Capital application?	Ex. SDG&E-02 (Mekitarian) § II.B; Ex. SDG&E-03 (Widjaja) §§ I-III & Appendix A; Ex. SDG&E-04 (Morin), §§ V-VI; Ex. SDG&E-05 (Concentric), Ch. 2, §§ 4-5.
3. How does the utility’s level of regulatory risk compare to other utilities nationally, to other California utilities, and to non-utility benchmarks? Include separate comparisons for vertically integrated and non-vertically integrated utilities. How has this level changed since the test year 2013 Cost of Capital application?	Ex. SDG&E-03 (Widjaja) §IV & Appendix A; Ex. SDG&E-05 (Concentric) Ch.1, §§ IV-V.
4. How has the utility’s recorded capital structure changed since the 2013 Cost of Capital application? How has the recorded capital structure compared to authorized capital structure over this time period?	Ex. SDG&E-02 (Mekitarian) Appendix B.
5. How does the utility’s current capital structure compare to other utilities nationally and to other California utilities? Include separate comparisons for vertically integrated and non-vertically integrated utilities.	Ex. SDG&E-02 (Mekitarian) Appendix B; Ex. SDG&E-04 (Morin) §§ V-VI.
6. How does the utility’s authorized ROE compare to the authorized ROE of other utilities nationally, to other California utilities, and to non-utility benchmarks? Include separate comparisons for vertically and non-vertically integrated utilities.	Ex. SDG&E-03 (Widjaja) §II; Ex. SDG&E-04 (Morin) §§ III-IV; Ex. SDG&E-05 (Concentric), Ch. 1 §§ IV-VI.

<p>7. What, if any, regulatory, tax, policy, legal, technological, or accounting changes since the Test Year 2013 Cost of Capital applications have occurred that impact the level of risk facing the utility? Provide a qualitative discussion of the impacts of these changes, as support that discussion with quantitative analysis and data to the extent practicable. Please include changes in any relevant jurisdiction.</p>	<p>Ex. SDG&E-02 (Mekitarian) §III.B.2; Ex. SDG&E-03 (Widjaja) §IV & Appendix A; Ex. SDG&E-05 (Concentric), Ch. 1, § IV; Ex. SDG&E-06 (MacNeil), § III.B.2.</p>
<p>8. What additional types of information or comparisons should inform the Commission’s consideration of Cost of Capital?</p>	<p>Relevant, comparative, and responsive information provided in supporting testimony.</p>

VII. RELIEF REQUESTED

SDG&E respectfully requests that the Commission take the following actions:

1. Adopt the proposed Test Year 2020 comprehensive Cost of Capital structure, which yields an updated Rate of Return of 10.03%;
2. Adopt an authorized capital structure with the following ratios: Long-Term Debt of 44.00%; Preferred Equity of 0%; and Common Equity of 56.00%;
3. Adopt an authorized ROE of 14.30%;
4. Adopt the embedded cost calculations for Long-Term Debt as presented in this Application (to be updated during the course of this proceeding);
5. Authorize the extension of SDG&E current Cost of Capital Mechanism, but with the modifications proposed by SDG&E; and
6. Confirm that customer deposits should be treated in a manner consistent with the Commission’s Standard Practice U-16.

VIII. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Rule 2.1 (a) – (c)

This application is made pursuant to Sections 451, 454, 489, 491, 701, 728, and 729 of the Public Utilities Code, the Commission’s Rules of Practice and Procedure, and relevant

decisions, orders, and resolutions of the Commission. In accordance with Rule 2.1 (a) – (c) of the Commission’s Rules of Practice and Procedure, SDG&E provides the following information.

1. Rule 2.1 (a) - Legal Name

SDG&E is a corporation organized and existing under the laws of the State of California. SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. SDG&E’s principal place of business is 8330 Century Park Court, San Diego, California 92123.

2. Rule 2.1 (b) - Correspondence

Correspondence or communications regarding this Application should be addressed to:

Jamie K. York
2020 Cost of Capital Program Manager
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court
San Diego, CA 92123
Phone: (858) 654-1739
Fax: (619) 699-5027
jjork@semprautilities.com

with copies to:

Christopher M. Lyons and
Ross R. Fulton
Attorneys for:
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court
San Diego, CA 92123
Telephone: (858) 654-1559 (Lyons)
Telephone: (858) 654-1861 (Fulton)
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rfulton@semprautilities.com

3. Rule 2.1 (c)

a. Proposed Category of Proceeding

SDG&E proposes that this Application be categorized as ratesetting under Rule 1.3(e), since SDG&E proposes to establish new rates based on proposed changes to its ROR reflecting adjustments to capital costs.

b. Need for Hearings

SDG&E believes that an evidentiary hearing will be necessary to address questions of material fact pertaining to its request. It proposes dates in the procedural schedule below.

c. Issues to be Considered and Relevant Safety Considerations

The scoping memo and ruling from the prior consolidated Cost of Capital proceeding (A.12-04-015 et al.)⁵¹ provides a helpful framework for listing the primary issues to be considered in this application:

- The appropriate capital structure;
- The appropriate cost of Long-Term Debt;
- The appropriate cost of Common Equity;
- Appropriateness of continuing the Cost of Capital Mechanism, and whether SDG&E's proposed modifications are reasonable.

In addition to the aforementioned issues, the Commission should address the ratemaking treatment of customer deposits.

With respect to relevant safety considerations, SDG&E does not expect there to be specific safety-related issues or considerations that will need to be addressed by the Commission in this proceeding.

⁵¹ See A.12-04-015 et al., Assigned Commissioner's Scoping Memo and Ruling (June 15, 2012) at 3.

d. Proposed Schedule

SDG&E proposes the following schedule for this application:

<u>EVENT</u>	<u>DATE</u>
Application/Testimony	April 22, 2019
Responses/Protests	within 30 of days Daily Calendar notice
Reply to Responses/Protests	within 10 days (see Rule 2.6)
Prehearing Conference	May 20, 2019
Intervenor testimony	July 15, 2019
Rebuttal testimony	August 19, 2019
Evidentiary hearings	August 26-30, 2019
Embedded Cost Update	September 13, 2019
Opening briefs	September 20, 2019
Reply briefs	September 30, 2019
Proposed Decision	November 1, 2019
Commission Decision	December 5, 2019

B. Articles of Incorporation

A copy of SDG&E’s Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was filed with the Commission on August 31, 2009 in connection with SDG&E's Application No. 09-08-019 and is incorporated herein by reference.

C. Rule 3.2 (a) – (d) – Authority to Increase Rates⁵²

As approval of the instant application will result in a rate increase, SDG&E provides the following information in accordance with Rule 3.2 (a) – (d).

⁵² Rule 3.2(a) (9) is not applicable to this Application.

1. Rule 3.2 (a) (1) – Balance Sheet

SDG&E's financial statement, balance sheet, and income statement for the nine-month period ending September 30, 2018 are included with this Application as Attachment A.

2. Rule 3.2 (a) (2) – Statement of Effective Rates

A statement of all of SDG&E's presently effective electric rates can be viewed electronically by accessing www.sdge.com/regulatory/tariff/current_tariffs.shtml. A copy is attached hereto as Attachment B.

3. Rule 3.2 (a) (3) – Statement of Proposed Rates

SDG&E's Statement of Proposed Rates is attached as Attachment C.

4. Rule 3.2 (a) (4) – Description of Property and Equipment

A general description of SDG&E's property and equipment was filed with the Commission on October 5, 2001, in connection with Application 01-10-005, and is incorporated herein by reference. A statement of Original Cost and Depreciation Reserve for the nine-month period ending September 30, 2018 is attached as Attachment D.

5. Rule 3.2 (a) (5) and (6) – Summary of Earnings

A summary of SDG&E's earnings (for the total utility operations for the company) for the nine-month period ending September 30, 2018, is included as Attachment E to this Application.

6. Rule 3.2 (a) (7) – Statement re Tax Depreciation

For financial statement purposes, depreciation of utility plant has been computed on a straight-line remaining life basis, at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SDG&E generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954

and prior to 1981. For financial reporting and rate-fixing purposes, “flow through accounting” has been adopted for such properties. For tax property additions in years 1981 through 1986, SDG&E has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SDG&E has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

7. Rule 3.2 (a) (8) – Proxy Statement

A copy of SDG&E’s most recent proxy statement, dated March 22, 2019, was provided to the California Public Utilities Commission on March 26, 2019, and is incorporated herein by reference.

8. Rule 3.2 (a) (10) – Statement Re Pass Through to Customers

This application both reallocates costs among customer classes as well as passes through to customers of SDG&E the costs for the services provided as authorized by the Commission.

9. Rule 3.2(b) - (d) – Service and Notice

SDG&E is serving this application and testimony (via filed and served notice of availability) on all parties to A.12-04-015, et al. and A.17-10-007, et al. Within 20 days of filing, SDG&E will mail notice of this application to the State of California and to cities and counties served by SDG&E in its service territory and to all those persons listed in Attachment F to this Application and will post the notice in their offices and publish the notice in newspapers of general circulation in each county in their service territories. In addition, SDG&E will, within 45 days after filing this application, include notices with the regular bills mailed to all customers affected by the proposed rate changes.

IX. CONCLUSION

WHEREFORE, SDG&E requests that the Commission grant SDG&E's Application as described herein.

Respectfully submitted this 22nd day of April 2019.

Respectfully submitted,

/s/ Ross R. Fulton

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Attorneys for
SAN DIEGO GAS & ELECTRIC COMPANY

/s/ Bruce A. Folkman

Bruce A. Folkman
SAN DIEGO GAS & ELECTRIC COMPANY
Vice President, Controller, and Chief Financial Officer

VERIFICATION

I am an officer of Southern California Gas Company and San Diego Gas & Electric Company and am authorized to make this verification on behalf of San Diego Gas & Electric Company. The matters stated in the foregoing application are true to my own knowledge, except as to matters that are stated therein on information and belief, and as to those matters I believe them to be true.

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

Executed this 22nd day of April 2019, at San Diego, California.

By: /s/ Bruce A. Folkmann
BRUCE A. FOLKMANN

Bruce A. Folkmann
Vice President, Controller, and Chief Financial Officer
SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY

ATTACHMENT A

BALANCE SHEET AND INCOME STATEMENT AND FINANCIAL STATEMENT

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
September 30,2018

	1. UTILITY PLANT	<u>2018</u>
101	UTILITY PLANT IN SERVICE	\$ 18,076,186,935
102	UTILITY PLANT PURCHASED OR SOLD	279,422
104	UTILITY PLANT LEASED TO OTHERS	85,194,000
105	PLANT HELD FOR FUTURE USE	0
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	1,330,567,123
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(5,510,929,374)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(863,743,883)
114	ELEC PLANT ACQUISITION ADJ	3,750,722
115	ACCUM PROVISION FOR AMORT OF ELECTRIC PLANT ACQUIS ADJ	(1,687,824)
118	OTHER UTILITY PLANT	1,303,370,018
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(266,380,066)
120	NUCLEAR FUEL - NET	-
	TOTAL NET UTILITY PLANT	<u>\$ 14,156,607,072</u>
	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	\$ 6,028,916
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION	(326,049)
158	NON-CURRENT PORTION OF ALLOWANCES	153,004,279
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	1,041,688,168
175	LONG-TERM PORTION OF DERIVATIVE ASSETS	98,473,756
	TOTAL OTHER PROPERTY AND INVESTMENTS	<u>\$ 1,298,869,070</u>

Data from SPL as of November 15, 2018

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
September 30,2018

3. CURRENT AND ACCRUED ASSETS

		2018
131	CASH	\$ 8,679,418
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	500
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	403,359,872
143	OTHER ACCOUNTS RECEIVABLE	133,123,963
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(4,871,013)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	723,143
151	FUEL STOCK	655,097
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	136,585,635
156	OTHER MATERIALS AND SUPPLIES	-
158	ALLOWANCES	272,239,297
158	LESS: NON-CURRENT PORTION OF ALLOWANCES	(153,004,279)
163	STORES EXPENSE UNDISTRIBUTED	-
164	GAS STORED	365,298
165	PREPAYMENTS	109,370,868
171	INTEREST AND DIVIDENDS RECEIVABLE	2,424,619
173	ACCRUED UTILITY REVENUES	71,348,000
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	2,400,000
175	DERIVATIVE INSTRUMENT ASSETS	132,604,309
175	LESS: LONG -TERM PORTION OF DERIVATIVE INSTRUMENT ASSETS	(98,473,756)
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1,017,530,971

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	\$ 35,191,699
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,668,321,332
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	682,437
184	CLEARING ACCOUNTS	(414,398)
185	TEMPORARY FACILITIES	323,699
186	MISCELLANEOUS DEFERRED DEBITS	126,035,739
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	6,948,253
190	ACCUMULATED DEFERRED INCOME TAXES	140,760,086
	TOTAL DEFERRED DEBITS	\$ 1,977,848,847

	\$ 18,450,855,960
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Data from SPL as of November 15, 2018

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
September 30, 2018

5. PROPRIETARY CAPITAL

		2018
201	COMMON STOCK ISSUED	\$ 291,458,395
204	PREFERRED STOCK ISSUED	-
207	PREMIUM ON CAPITAL STOCK	591,282,978
210	GAIN ON RETIRED CAPITAL STOCK	-
211	MISCELLANEOUS PAID-IN CAPITAL	479,665,368
214	CAPITAL STOCK EXPENSE	(24,605,640)
216	UNAPPROPRIATED RETAINED EARNINGS	4,537,331,009
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	(13,802,425)
	TOTAL PROPRIETARY CAPITAL	\$ 5,861,329,685

6. LONG-TERM DEBT

221	BONDS	\$ 4,776,266,000
223	ADVANCES FROM ASSOCIATED COMPANIES	-
224	OTHER LONG-TERM DEBT	-
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	(12,823,314)
	TOTAL LONG-TERM DEBT	\$ 4,763,442,686

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	\$ 991,240,490
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	23,683,235
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	175,464,960
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
244	LONG TERM PORTION OF DERIVATIVE LIABILITIES	107,472,404
230	ASSET RETIREMENT OBLIGATIONS	863,459,256
	TOTAL OTHER NONCURRENT LIABILITIES	\$ 2,161,320,345

Data from SPL as of November 15, 2018

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
September 30, 2018

8. CURRENT AND ACCRUED LIABILITES

		2018
231	NOTES PAYABLE	\$ 48,000,000
232	ACCOUNTS PAYABLE	445,137,643
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	52,392,077
235	CUSTOMER DEPOSITS	78,802,461
236	TAXES ACCRUED	37,733,370
237	INTEREST ACCRUED	58,315,429
238	DIVIDENDS DECLARED	250,000,000
241	TAX COLLECTIONS PAYABLE	5,414,155
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	259,305,218
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	57,220,250
244	DERIVATIVE INSTRUMENT LIABILITIES	149,254,500
244	LESS: LONG-TERM PORTION OF DERIVATIVE LIABILITIES	(107,472,404)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	\$ 1,334,102,699

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	\$ 54,590,239
253	OTHER DEFERRED CREDITS	312,629,900
254	OTHER REGULATORY LIABILITIES	2,207,491,998
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	15,913,107
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	1,612,853,805
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	127,181,496
	TOTAL DEFERRED CREDITS	\$ 4,330,660,545

	\$ 18,450,855,960
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\$4,330,660,545

Data from SPL as of November 15, 2018

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
September 30, 2018

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		\$ 3,833,640,636
401	OPERATING EXPENSES	\$ 2,358,985,257	
402	MAINTENANCE EXPENSES	118,287,250	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	484,763,212	
408.1	TAXES OTHER THAN INCOME TAXES	107,088,155	
409.1	INCOME TAXES	59,034,001	
410.1	PROVISION FOR DEFERRED INCOME TAXES	144,733,508	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(58,728,155)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(1,726,942)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		<u>\$3,212,436,286</u>
	NET OPERATING INCOME		\$ 621,204,350

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WOF \$	-	
417	REVENUES OF NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(314)	
418	NONOPERATING RENTAL INCOME	24,880	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	11,928,996	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	49,295,400	
421	MISCELLANEOUS NONOPERATING INCOME	662,098	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	<u>\$ 61,911,060</u>	
421.2	LOSS ON DISPOSITION OF PROPERTY	\$ -	
425	MISCELLANEOUS AMORTIZATION	187,536	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	3,278,730	
	TOTAL OTHER INCOME DEDUCTIONS	<u>\$ 3,466,266</u>	
408.2	TAXES OTHER THAN INCOME TAXES	\$ 494,640	
409.2	INCOME TAXES	3,464,600	
410.2	PROVISION FOR DEFERRED INCOME TAXES	28,615,773	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(24,589,289)	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	<u>\$ 7,985,724</u>	
	TOTAL OTHER INCOME AND DEDUCTIONS		<u>\$ 50,459,070</u>
	INCOME BEFORE INTEREST CHARGES		671,663,420
	EXTRAORDINARY ITEMS AFTER TAXES		-
	NET INTEREST CHARGES*		<u>151,163,791</u>
	NET INCOME		<u><u>\$ 520,499,629</u></u>

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION, (\$16,584,174)

Data from SPL as of November 15, 2018

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
September 30,2018

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$ 4,266,831,380
NET INCOME (FROM PRECEDING PAGE)	520,499,629
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	-
DIVIDENDS DECLARED - COMMON STOCK	(250,000,000)
OTHER RETAINED EARNINGS ADJUSTMENTS	-
RETAINED EARNINGS AT END OF PERIOD	<u>\$ 4,537,331,009</u>

SAN DIEGO GAS & ELECTRIC COMPANY

FINANCIAL STATEMENT

September 30, 2018

(a) Amounts and Kinds of Stock Authorized:					
Common Stock			255,000,000	shares	Without Par Value
Amounts and Kinds of Stock Outstanding:					
Common Stock			116,583,358	shares	291,458,395
(b) Brief Description of Mortgage:					
Full information as to this item is given in Application Nos. 93-09-069,04-01-009, 06-05-015, 08-07-029, 10-10-023, 12-03-005, 15-08-011, and 18-02-012 to which references are hereby made.					
(c) Number and Amount of Bonds Authorized and Issued:					
	Nominal		Par Value		
	Date of		Authorized		Interest Paid
	Issue		and Issued	Outstanding	(update required in Q4' 20xx)
First Mortgage Bonds:					as of Q4' 2017
5.875% Series VV, due 2034	06-17-04		43,615,000	43,615,000	2,562,319
5.875% Series WW, due 2034	06-17-04		40,000,000	40,000,000	2,349,979
5.875% Series XX, due 2034	06-17-04		35,000,000	35,000,000	2,056,232
5.875% Series YY, due 2034	06-17-04		24,000,000	24,000,000	1,409,987
5.875% Series ZZ, due 2034	06-17-04		33,650,000	33,650,000	1,976,920
4.00% Series AAA, due 2039	06-17-04		75,000,000	75,000,000	3,000,000
5.35% Series BBB, due 2035	05-19-05		250,000,000	250,000,000	13,375,000
6.00% Series DDD, due 2026	06-08-06		250,000,000	250,000,000	15,000,000
1.65% Series EEE, due 2018	09-21-06		161,240,000	0	2,660,460
6.125% Series FFF, due 2037	09-20-07		250,000,000	250,000,000	15,312,500
6.00% Series GGG, due 2039	05-14-09		300,000,000	300,000,000	18,000,000
5.35% Series HHH, due 2040	05-13-10		250,000,000	250,000,000	13,375,000
4.50% Series III, due 2040	08-26-10		500,000,000	500,000,000	22,500,000
3.00% Series JJJ, due 2021	08-18-11		350,000,000	350,000,000	10,500,000
3.95% Series LLL, due 2041	11-17-11		250,000,000	250,000,000	9,875,000
4.30% Series MMM, due 2042	03-22-12		250,000,000	250,000,000	10,750,000
3.60% Series NNN, due 2023	09-09-13		450,000,000	450,000,000	16,200,000
1.9140% Series PPP, due 2022	03-12-15		250,000,000	42,077,292	3,536,512
2.50% Series QQQ, due 2026	05-19-16		500,000,000	500,000,000	12,500,000
3.75% Series RRR, due 2047	06-08-17		400,000,000	400,000,000	7,208,333
4.15% Series SSS, due 2048	05-15-18		400,000,000	400,000,000	-
Total 1st. Mortgage Bonds:				4,693,342,292	184,148,242
Total Bonds:					184,148,242
TOTAL LONG-TERM DEBT				4,693,342,292	

ATTACHMENT B

STATEMENT OF PRESENT RATES



TABLE OF CONTENTS

Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

	<u>Cal. P.U.C. Sheet No</u>
TITLE PAGE	16015-E
TABLE OF CONTENTS	31681, 31242, 31243, 31650, 31629, 31674-E 31675, 31682, 31668, 31170, 31171, 31172-E 31173, 31174, 31175, 31176, 31177-E
 PRELIMINARY STATEMENT:	
I. General Information	8274, 30670, 31260-E
II. Balancing Accounts	
Description/Listing of Accounts	31586-E
California Alternate Rates for Energy (CARE) Balancing Acct	26553, 26554-E
Rewards and Penalties Balancing Account (RPBA).....	21929, 23295-E
Transition Cost Balancing Account (TCBA).....	31213, 31214, 31215, 31216, 31631, 31632-E
Post-1997 Electric Energy Efficiency Balancing Acct (PEEEBA)	22059, 30893-E
Tree Trimming Balancing Account (TTBA).....	27944, 19422-E
Baseline Balancing Account (BBA).....	21377, 28769-E
Energy Resource Recovery Account (ERRA).....	26358, 26359, 26360, 26361, 31631, 31632-E
Low-Income Energy Efficiency Balancing Acct (LIEEBA).....	19431, 19432-E
Non-Fuel Generation Balancing Account (NGBA).....	31217, 31218, 31219, 25575-E
Electric Procurement Energy Efficiency Balancing Account (EPEEBA)	30675-E
Common Area Balancing Account (CABA).....	28770-E
Nuclear Decommissioning Adjustment Mechanism (NDAM)...	30676-E
Pension Balancing Account (PBA).....	29835, 27949-E
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)	29836, 27951-E
Community Choice Aggregation Implementation Balancing Account (CCAIBA).....	19445-E
Electric Distribution Fixed Cost Account (EDFCA).....	31453, 22813, 21116-E
Rate Design Settlement Component Account (RDSCA)	26555-E
California Solar Initiative Balancing Account (CSIBA)....	30647, 30648, 30649-E
SONGS O&M Balancing Account (SONGSBA).....	30998, 30999-E
On-Bill Financing Balancing Account (OBFBA).....	30677-E
Solar Energy Project Balancing Account (SEPBA)....	22078-E
Electric Program Investment Charge Balancing Acct (EPICBA)	30102, 30103, 27692-E
Tax Equity Investment Balancing Account (TEIBA)	22797-E
California Energy Systems 21 st Century Balancing Acct (CES-21BA)	30678-E
Greenhouse Gas Revenue Balancing Account (GHGRBA).	30820-E
Local Generation Balancing Account (LGBA).....	28765-E
New Environmental Regulatory Balancing Account (NERBA).....	27955, 27956-E
Master Meter Balancing Account (MMBA).....	31664, 31665-E
Smart Meter Opt-Out Balancing Account (SMOBA).....	26898, 26899-E

T
T

(Continued)



TABLE OF CONTENTS

Sheet 2

II. Balancing Accounts (Continued)

Low Carbon Fuel Standard Balancing Account (LCFSBA).....	26173-E
Green Tariff Shared Renewables Balancing Account (GTSRBA).....	28264, 28265-E
Cost of Financing Balancing Account (CFBA).....	26180-E
Family Electric Rate Assistance Balancing Account (FERABA).....	26631-E
Vehicle Grid Integration Balancing Account (VGIBA).....	30679-E
Demand Response Generation Balancing Account (DRGMA).....	28123-E
Incentive Pilot Contract Payment Balancing Account (IPCPBA).....	28919-E
Incentive Pilot Incentive Balancing Account (IPIBA).....	28920-E
Distribution Resources Plan Demonstration Balancing Acct (DRPDBA)	28885-E
Food Bank Balancing Account (FBBA).....	29282-E
Clean Transportation Priority Balancing Account (CTPBA).....	30731-E
Solar on Multifamily Affordable Housing Balancing Acct (SOMAHBA)..	30099-E
Community Solar Green Tariff Balancing Account (CSGRBA).....	30811-E
Disadvantaged Communities Green Tariff Balancing Acct (DACGTBA)	30812-E
Disadvantaged Communities Single Family Solar Homes Balancing Account (DACSASHBA)	30813-E
Statewide Energy Efficiency Balancing Account (SWEEBA).....	30894, 30895-E
Customer Information System Balancing Account (CISBA).....	31042, 31043-E
Transition, Stabilization and OCM Balancing Account (TSOBA).....	31044-E
Net Energy Metering Measurement and Evaluation BA (NEMMEBA)	31181-E
Portfolio Allocation Balancing Account (PABA).....	31220, 31221, 31222, 31223, 31226-E
Tree Mortality Non-Bypassable Charge Balancing Account (TMNBCBA)	31587, 31588-E

III. Memorandum Accounts

Description/Listing of Accounts.....	19451, 31002, 31448-E
Catastrophic Event Memorandum Account (CEMA).....	19453, 19454, 22814-E
Streamlining Residual Account (SRA).....	30680, 28771-E
Nuclear Claims Memorandum Account (NCMA).....	30681-E
Real-Time Energy Metering Memorandum Account (RTEMMA).....	19472-E
Net Energy Metering Memorandum Account (NEMMA).....	19473-E
Self-Generation Program Memorandum Acct (SGPMA).....	30650, 30651-E
Bond Payment Memorandum Account (BPMA).....	19481-E
Direct Access Cost Responsibility Surcharge Memo Acct (DACRSMA)	19576, 19577, 19578-E

(Continued)

2C9

Advice Ltr. No. 3324-E

Decision No. E-4963

Issued by
Dan Skopec
Vice President
Regulatory Affairs

Submitted Dec 24, 2018
Effective Jan 1, 2019
Resolution No. _____



TABLE OF CONTENTS

Sheet 3

III. Memorandum Accounts (Continued)

Greenhouse Gas Admin Costs Memo Account (GHGACMA)	30684-E
Advanced Metering & Demand Response Memo Acct (AMDRMA)	31021,31022,31023,31024,31025,31026-E
Reliability Costs Memorandum Account (RCMA).....	19493-E
Litigation Cost Memorandum Account (LCMA).....	20893-E
Community Choice Aggregation Surcharge Memo Account (CCASMA)	19988-E
Independent Evaluator Memorandum Account (IEMA)	22548-E
Community Choice Aggregation Procurement Memo Acct (CCAPMA)	19703-E
CSI Performance-Based Incentive Memorandum Account (CSIPMA)	19681-E
Gain/Loss On Sale Memorandum Account (GLOSMA).....	20157-E
Non-Residential Sub-metering Memo Account (NRSMA)...	20474-E
Long Term Procurement Plan Technical Assistance Memo Acct (LTAMA)	20640-E
Fire Hazard Prevention Memorandum Account (FHPMA)...	26366, 26367-E
Dynamic Pricing Memorandum Account (DPMA).....	22248-E
El Dorado Transition Cost Memorandum Account (EDTCMA)	22408-E
Energy Savings Assistance Programs Memo Acct (ESAPMA)	28362-E
Greenhouse Gas Customer Outreach and Education Memorandum Account (GHGCOEMA).....	23428-E
Renewable Portfolio Standard Cost Memorandum Acct (RPSCMA)	24939-E
Alternative Fuel Vehicle Memorandum Account (AFVMA).....	28772-E
Net Energy Metering Aggregation Memorandum Acct (NEMAMA)	24066-E
Energy Data Request Memorandum Account (EDRMA).....	25177-E
Residential Disconnect Memorandum Account (RDMA).....	25227-E
SONGS 2&3 Permanent Closure Non-Investment Relates Expense (SPCEMA).....	30685-E
Marine Mitigation Memorandum Account (MMA).....	27751, 27752-E
Deductible Tax Repairs Benefits Memo Account (DTRBMA)....	27753-E
Green Tariff Shared Renewables Administrative Costs Memorandum Account (GTSRACMA).....	27434-E
Green Tariff Marketing, Edu & Outreach Memo Acct (GTME&OMA).	27435-E
Enhanced Community Renewables Marketing, Education & Outreach Memorandum Account (ECRME&OMA).....	27436-E
Direct Participation Demand Response Memo Acct (DPDRMA)	27620-E
Tax Memorandum Account (TMA).....	28101-E
Officer Compensation Memorandum Account (OCMA).....	27981-E
Rate Reform Memorandum Account (RRMA).....	26407-E
Assembly Bill 802 Memorandum Account (AB802MA).....	27395-E

(Continued)



TABLE OF CONTENTS

Sheet 4

III. Memorandum Accounts (Continued)

Vehicle Grid Integration Memorandum Account (VGIMA).....	27419-E
Distribution Interconnection Memorandum Account (DIMA).....	28001-E
BioMASS Memorandum Account (BIOMASSMA).....	30686-E
BioRAM Memorandum Account (BIORAMMA).....	28249-E
Incentive Pilot Administrative Cost Memorandum Account (IPACMA)	28921-E
Avoided Cost Calculator Update Memorandum Account (ACCUMA)	28820-E
Wheeler North Reef Memorandum Account (WNRMA).....	28843, 28873-E
Customer Information System Memorandum Account (CISMA)....	28971-E
Integration Capacity Analysis and Location Net Benefit Analysis Memorandum Account (ICLNBMA).....	30328, 30329-E
Wildfire Consumer Protections Memorandum Account (WCPMA)	30091-E
Adaptive Streetlight Implementation Memorandum Acct (ASLIMA)	30268-E
Adaptive Streetlight Maintenance Memorandum Acct (ASLMMA)	30269-E
Integrated Resource Plan Costs Memorandum Acct (IRPCMA)	30284-E
General Rate Case Memorandum Acct 2019 (GRCMA2019)	30851-E
Emergency Customer Protections Memorandum Acct (ECPMA)	30899-E
Disadvantaged Communities Single Family Solar Homes Memorandum Account (DACSASHMA).....	30817-E
San Diego Unified Port District Memorandum Account (SDUPDMA)	31206-E
Power Charge Indifference Adjustment Customer Outreach Memorandum Account (PCIACOMA).....	30856-E
Officer Compensation Memorandum Account 2019 (OCMA2019)	31239, 31240-E
Fire Risk Mitigation Memorandum Account (FRMMA)	31449-E

IV. Electric Distribution and Gas Performance

30687, 21378, 20738, 20739, 29479, 30688-E
29481-E

VI. Miscellaneous

Listing of Accounts	20158-E
Hazardous Substance Cleanup Cost Account (HSCCA)	19503,19504,25384,19506,19507,19508-E 19509,19510,19511,19512,19513-E
Income Tax Component of Contributions and Advances Provision (ITCCAP)	31209, 19501, 19502-E
Competition Transition Charge Responsibility (CTCR)	19514-E
Public Purpose Programs Adjustment Mechanism (PPPAM)	20610, 19516-E
Gain/Loss On Sale Mechanism (EGOS)	20159, 20160, 20161, 20162, 20163-E

VII. Cost of Capital Mechanism (CCM).....

23463-E

INDEX OF RATE AREA MAPS

Map 1 - Territory Served.....	15228-E
Map 1-A - Territory Served.....	4916-E
Map 1-B - Territory Served.....	7295-E
Map 1-C - Territory Served.....	9135-E
Map 1-D - Territory Served.....	9136-E

(Continued)

4C5

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Dan Skopec
Vice President
Regulatory Affairs

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Resolution No.



TABLE OF CONTENTS

SCHEDULE OF RATES

<u>SCHEDULE NUMBER</u>	<u>SERVICE</u>	<u>CAL. P.U.C. SHEET NO.</u>	
	<u>Residential Rates</u>		
DR	Domestic Service	30591, 31592, 31593, 30409, 27653, 24223-E	T
DR-TOU	Domestic Time-of-Use Service	31594, 31595-98-E 25535, 26565-E	T
TOU-DR	Residential – Time of Use Service	31599, 31600, 31601, 31602, 26500, 30415-E	T
		31603, 31604, 31605, 31606-E	T
DR-SES	Domestic Households with a Solar Energy System	30424, 26571, 30425, 30426, 29921-E	
E-CARE	California Alternate Rates for Energy	26573, 31607, 30372, 26576, 30373, 26578-79E	T
DM	Multi-Family Service	31608, 31609, 31610, 30431, 27668, 24242-E	T
DS	Submetered Multi-Family Service	31611,31612, 31613, 24247, 27672, 24249-50-E	T
DT	Submetered Multi-Family Service Mobilehome Park	31614, 31615, 31616, 30439, 24455, 27676-E	T
		24257, 24258, 24259-E	
DT-RV	Submetered Service – Recreational Vehicle Parks and Residential Marinas	31617, 31618, 31619, 24455, 27680, 24266-67-E	T
		24266, 24267-E	
EV-TOU	Domestic Time-of-Use for Electric Vehicle Charging	30444, 30445, 24270, 24271, 30446-E	
EV-TOU-2	Domestic Time-of-Use for Households With Electric Vehicles	30447, 30448, 24272, 24274, 24275, 30449-E	
EV-TOU-5	Cost-Based Domestic Time-of-Use for Households with Electric Vehicles	30450, 30451, 30452, 30453, 30454, 30455-E	
DE	Domestic Service to Utility Employee.....	20017-E	
FERA	Family Electric Rate Assistance.....	30374, 26601-E	
PEVSP	Plug-In Electric Vehicle Submetering Pilot	25237, 26183, 26184, 26185, 26186-E	
E-SMOP	Electric Smart Meter Opt-Out Program	26151, 26152-E	
TOU-DR1	Residential Time-of-Use DR1 (Experimental)	29952, 31620, 31621, 31622, 30664-78-E	T
TOU-DR2	Residential Time-of-Use DR2 (Experimental)	29956, 31623, 31624, 31625, 30665 - 30484-E	T
DAC-GT	Disadvantage Communities Green Tariff.....	30881, 30882, 30883, 30884-E	
CSGT	Community Solar Green Tariff.....	30885, 30886, 30887, 31458, 30889-E	
	<u>Commercial/Industrial Rates</u>		
TOU-M	General Service - Small - Time Metered	30485, 30486, 30487, 30488, 30489, 30490-E	
TOU-A	General Service – Time of Use Service.....	30456, 30457, 30458, 30459, 30460, 30461-E	
TOU-A-2	Optional Cost-Based Service – Time of Use Service	30462, 30463, 30464, 30465, 30466-E	
TOU-A-3	Optional 3-Period Time of Use Service	30497, 30498, 30499, 30500, 30501- 30504	
A-TC	Traffic Control Service.....	30472, 24282, 24283-E	
TOU-M	General Service - Small - Time Metered	29962, 29963, 20503, 21773, 29964 -E	
AL-TOU	General Service - Time Metered	29965, 30491, 30492, 30493, 29353, 29354-E	
		29355, 29356, 29357, 30494, 30495, 30496-E	
AL-TOU-2	Optional Cost-Based Service – Time Metered	30497, 30498, 30499, 30500, 30501 - 30504-E	
A6-TOU	General Service - Time Metered	30505, 30506, 25435, 20521, 29974-6, 30507, 30508-E	
DG-R	Distributed Generation Renewable –Time Metered	29976, 30509, 30510, 30511, 21059, 21060-E, 29979-	
		10, 30512, 30513, 30514-E	
OL-TOU	Outdoor Lighting – Time Metered	30515, 24302, 21448, 21449. 30516-E	

(Continued)



TABLE OF CONTENTS

<u>SCHEDULE NO.</u>	<u>SERVICE</u>	<u>CAL. P.U.C. SHEET NO.</u>
	<u>Lighting Rates</u>	
LS-1	Lighting - Street and Highway – Utility-Owned Installations	31355, 31356, 31357, 12626, 12627, 12628-E 21439-E
LS-2	Lighting - Street and Highway – Customer-Owned Installations	31358, 31359, 31360, 31361, 313562 22362-E 22363, 22364-E
LS-3	Lighting - Street and Highway -Customer-Owned Install	31368, 14943, 21441-E
OL-1	Outdoor Area Lighting Service	31369, 20280, 21442-E
OL-2	Outdoor Area Lighting Service Metered – Customer-Owned Installation	31370, 21444, 21445-E
DWL	Residential Walkway Lighting.....	31371, 21450-E
LS-2DS	Lighting - Street & Highway - Customer-Owned Dimmable Installations.....	30711, 31363, 31364, 31365, 30715, 30716-E 30717, 30718-E
LS-2AD	Lighting -Street & Highway - Customer-Owned Ancillary Device Installations.....	31366, 31367, 30721, 30722, 30723, 30724-E
	<u>Miscellaneous</u>	
PA	Power – Agricultural	29995, 29996, 26508-E
TOU-PA	Power - Agricultural Time of Use Service	31372, 31373, 29999, 31374, 31375-E
PA-T-1	Power – Agricultural – Optional Time-of-Use	31381,31382,31383,26516,26517, 29593,29667-E 31384, 31385-E
S	Standby Service	30005, 18256, 21453-E
S-I	Standby Service – Interruptible	17678, 6085, 6317-E
SE	Service Establishment Charge	27816, 27817-E
DA	Transportation of Electric Power for Direct Access Customers	17679, 14953, 14954, 21894, 15111, 16976-E 21454, 21895-E
NDA	UDC Meter Services for Non-Direct Access Cust.	17892, 11850, 11851, 21455, 16427-E
E-Depart	Departing Load Nonbypassable ND & PPP Charges ..	18385-E, 18386-E
BIP	Base Interruptible Program	31669, 31670, 30067, 29487, 29488, 30765-E 30766, 30767, 30768-E
OBMC	Optional Binding Mandatory Curtailment Plan.....	14625, 15198, 14627, 21948-21951-E
PEVSP	Plug-in Electric Vehicle Submetering Pilot (Phase I)	25237, 25378, 25239, 25379, 25241-E
SLRP	Scheduled Load Reduction Program.....	14584, 22957, 22958, 14587, 18367-E
RBRP	Rolling Blackout Reduction Program.....	18259, 18260, 20546, 18262-E
DBP	Demand Bidding Program	25218, 23478, 23479, 25219-E
DBP-DA	Demand Bidding - Day Ahead (US Navy).....	25220, 25221, 23630, 32631-E
NEM	Net Energy Metering	28166, 25273, 25274-75, 28167-68, 25278-79-E 28169, 25281-89, 28170-71, 28847-E
NEM ST	Net Energy Metering Successor Tariff.....	28173, 27171-72, 27696-97, 28174-76, 27701-E 27179-95, 28177-78, 28848-E
NEM-FC	Net Energy Metering for Fuel Cell Customer Generators.....	24910, 23437, 23438, 23439, 23440, 23441-E 23442, 23442-E
E-PUC	Surcharge to Fund PUC Reimbursement Fee	29841-E
DWR-BC	Department of Water Resources Bond Charge.....	31387-E
DA-CRS	Direct Access Cost Responsibility Surcharge.....	21812, 31388, 31389, 27047, 27048-E
CGDL-CRS	Customer Generation Departing Load Cost Responsibility Surcharge.....	30008, 19582, 27196, 18584, 18391-E
CCA	Transportation of Electric Power, For Community Choice Aggregation Customers.....	17894, 17895, 17896, 17897-E
CCA-CRS	Community Choice Aggregation Cost Resp Surchrge...	31390, 21817-E
CCA-INFO	Info Release to Community Choice Providers.....	30947, 17858, 22784, 17860-E
CBP	Capacity Bidding Program	31671,31229,31230,30772,31186,31231-E 30361,30698,30699,30363,30206,30773,30774-E 30774,30775,30776-E
UM	Unmetered Electric Service	31391,19337,19338-E

(Continued)



TABLE OF CONTENTS

Sheet 7

SCHEDULE OF RATES

<u>SCHEDULE NUMBER</u>	<u>SERVICE</u>	<u>CAL P.U.C. SHEET NO.</u>
	<u>Miscellaneous</u>	
WATER	Water Agency Tariff for Eligible Renewables...	20287,19337,19338, 20429,20430-E
PTR	Peak Time Rebate ...	30564, 22926, 23475, 28069-E
TCRE	Customer Renewable Energy...	20882, 20883-E
NEM-V	Virtual Net Metering for Multi-Tenant and Meter Properties...	23222, 22934, 23333, 23334, 23965-E 23966, 23967, 30565-E
NEM-V-ST	Virtual Net Metering for Multi-Tenant and Meter Properties Successor Tariff....	27197-30566-E
VNM-A	Virtual Net Metering Multi-Family Affordable Housing	22385, 22402, 22403, 22404, 30567-E
VNM-A-ST	Virtual Net Metering for Multi-Family Affordable Housing Successor Tariff....	27209-27216, 30568-E
RES-BCT	Renewable Energy Self-Generation Bill Credit Trans	29722, 29724, 22584, 22585, 22586-E
ECO	Energy Credit Option...	21280, 21281, 21282, 21283-E
SPSS	Station Power Self Supply...	21625, 21626, 21627, 21628-E
CHP	Combined Heat and Power...	22625, 22626-E
GHG-ARR	Greenhouse Gas Allowance Rate Return...	30725, 30726, 27052-E
BIOMAT	Bioenergy Market Adjusting Tariff...	30057, 28283, 30058-59, 28286-88-E 26834, 30060, 26836, 30400, 26838-E 30061, 30062, 28290-93, 30401-E
ECR	Enhanced Community Renewables...	30012, 31113, 29888, 28269, 28270-E 30570, 28788, 29889-E
GT	Green Tariff.....	30014, 31114, 28290, 28291, 28277-E 30571-E
ECR-PDT	Enhanced Community Renewables Project Development Tariff...	26860, 26861, 26862, 26863, 26864-E 26865, 26866, 26867, 26868, 26869-E 26870, 26871, 26872, 26873-E
AC SAVER	Air Conditioner (AC) Saver...	31672, 30069, 30070-E
VGI	Vehicle Grid Integration...	28860, 31115, 31116, 28863, 28871 -E
AFP	Armed Forces Pilot...	30071, 30072, 30073, 30074, 30075-E 30777, 30778, 30779, 30780-E
Residential GIR	Residential Grid Integrated Rate	31162, 31455, 31164, 31165-E

(Continued)

7C5

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Decision No. _____

Issued by
Dan Skopec
Vice President
Regulatory Affairs

Submitted Apr 1, 2019

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TABLE OF CONTENTS

COMMODITY RATES

<u>Schedule No.</u>	<u>SERVICE</u>	<u>CAL. P.U.C. SHEET NO.</u>
EECC	Electric Energy Commodity Cost	31117-31128 (1-12), 30586-8 (13-16)-E 31129-35 (17-23)-E
EECC-TOU-DR-P	Electric Commodity Cost - Time of Use Plus	31136, 29436, 25548, 26613, 29437, 29671-E 31137, 29940-E
EECC-TOU-A-P	Electric Commodity Cost – Time of Use Plus	30597, 31138-39, 30600, 26537, 29444-E 311140, 29446-E
EECC-TOU-PA-P	Electric Commodity Cost – Time of Use Plus	31141-42, 30604-07, 30759, 31143-E
EECC-TBS	EECC – Transitional Bundled Service	22903, 22904, 30609, 19750-E
EECC-CPP-D	EECC Critical Peak Pricing Default...	31144-46, 30613-18, 31147-48, 30621-E
EECC-CPP-D-AG	EECC, Critical Peak Pricing Default Agricultural	31149-51, 30625-27, 29462, 30184-E 31152-53-E, 30630-E

LIST OF CONTRACTS AND DEVIATIONS....	14296, 5488-89, 6205-06, 5492, 16311-E, 22320, 5495, 6208-09, 8845, 5902, 8808-09- 6011-E, 8001, 8891, 24064, 22533, 30636-E
--------------------------------------	--

RULES

<u>RULE NO.</u>	<u>SERVICE</u>	<u>CAL. P.U.C. SHEET NO.</u>
1	Definitions.....	20584, 20585, 23310, 29284, 20588, 27101, 22066, 18413-E 14584, 24475, 19394, 24671, 24476, 22068-E
2	Description of Service.....	15591-15600, 15601, 15602, 15603, 20415-E
3	Applications for Service.....	15484, 15485-E
4	Contracts.....	15488, 15489, 15490-E
5	Special Information Available for Customers.....	31461, 31462-E
6	Establishment & Re-establishment of Credit.....	20223, 25228-E
7	Deposits.....	25229, 20228-E
8	Notices.....	17405-E
9	Rendering and Payment of Bills.....	25230, 29075, 20142, 20143-E
10	Disputed Bills.....	31463, 31464-E
11	Discontinuance of Service.....	31643, 31679, 31645, 31467, 31646, 31469, 31470, 31680-E 30248, 32049-E
12	Rates and Optional Rates.....	23252-E
13	Temporary Service.....	19757-E
14	Shortage of Elec Supply/Interruption Delivery.....	4794-E
15	Distribution Line Extensions.....	19758, 11221, 11222, 28879, 13202, 13203, 20417, 12777-E 17074, 17075, 17076, 28880, 28881, 20420-E
16	Service Extensions.....	11233, 22794, 10501, 11235, 11236, 13238, 11238, 11239-E 11240, 19759, 11242, 11243, 11244, 11245-E
17	Meter Reading.....	26153, 24705-E
18	Meter Tests and Adjustment of Bills.....	16585, 22130, 22131-E

(Continued)



TABLE OF CONTENTS

RULES

<u>RULE NO.</u>	<u>SERVICE</u>	<u>CAL. P.U.C. SHEET NO</u>
19	Supply to Separate Premises and Resale	18704, 20591, 26879, 22515-E
20	Replace of OH w/ UG Elec Facilities	25251, 15505, 15506, 15507, 15508-E
21	Interconnection Standards for Non-Utility Owned Generation	28143, 28005-06, 30734-35, 29027, 30736, 28007-08-E 29798-800, 27218, 29028, 27220-22-E 27720, 27224-29, 28011, 28145-E 31037, 27722-27, 28013, 27729-34, 28014, 27736, 30737-38-E 29801, 28016-19, 28388, 28021-22, 27259-60, 28023-27, 27266-88-E 28028-30, 28389-30739, 28035-39, 28799-803, 28045-48, 28095, 28050-E 27312-19, 30740, 29029, 27322-29-E 29899-900, 31003-11, 31651, 29137-39-E 29802-03, 30741-42, 29806-08, 30743, 29810-15, 30744-48-E 29821, 30749, 29823, 30750-53, 29828-32-E
21.1	Final Standard Offer 4 Qualifying Facilities	7966-7976, 7977-7986, 7989-E
22	Special Service Charges	8713, 8714-E
23	Competition Transition Charge Responsibility	19760, 15189, 15190, 15191, 15192, 15123, 10623, 10624-E 10625, 12720, 12721, 12722, 12723, 12724-E
25	Direct Access Rules	22714, 23311, 21669-21671, 23312, 21673, 23313, 22715-16-E 23775-23780, 21683, 21691, 23316, 21693, 11915, 20294, 20295-E 11918-11920, 20296, 11922-11924, 20297-E 11926, 20298, 11928-11930-E 23413, 22644, 22727, 22646, 21889, 21699, 21700, 22728-E 23317, 23318, 21704, 28297, 28298, 23416-E
25.1	Switching Exemptions.....	
25.2	DA Qualified Nonprofit Charitable Org	19818-E
27	Community Choice Aggregation.....	19763-19770, 20299, 21898, 19773-76, 21899, 21900, 21901-E 19780, 19781, 26377, 22825, 19784-91, 20300, 22826, 19794-98-E
27.2	CCA Open Season	19799, 19800, 20466, 20467-E
28	Provision of Utility Right-of-Way Information	14167, 14168, 14169, 14170, 14171-E
29	Third-Party Marketers for BIP	22966, 22967, 30781, 30782, 30783, 30784, 30785, 30786, 30787, 30788, 30789-E
30	Capacity Bidding Program	19658, 19659, 30790, 30791, 30792, 30793, 30794, 30795, 30796-E
31	Participating Load Pilot	21265, 21266, 21267, 21268, 21269, 21270-E
31.1	Demand Response Wholesale Market Pilot	22041, 22042, 22043, 22044, 22045, 22046-E
32	Direct Participation Demand Response	24708, 27076, 30252, 27078, 27079, 27080, 30253, 27105, 27083-E 30254, 27085, 27086, 30255-30257, 27091, 27092, 30258, 27094-E 27095, 30259, 26386, 24731, 27096, 24733-E
33	Privacy & Security – Energy Use Data	23298, 23299, 23300, 23301, 23302, 23303, 23304, 23305-E
40	On-Bill Financing Program	20937-E
41	DR Multiple Program Participation	21501, 21502, 21503, 21504, 21505, 21506-E
43	On-Bill Repayment Pilots	26465, 23976, 26466, 26467, 26468, 26469, 26470-E
44	Mobilehome Park Utility Upgrade Program	31666, 29472, 29473, 29474, 25471- 25474-E

(Continued)

T



TABLE OF CONTENTS

Sheet 10

SAMPLE FORMS

<u>FORM NO.</u>	<u>DATE</u>	<u>APPLICATIONS, AGREEMENTS AND CONTRACTS</u>	<u>CAL C.P.U.C. SHEET NO.</u>
101-663A	10-68	Agreement - Bills/Deposits...	2497-E
101-4152G	6-69	Sign Up Notice for Service....	1768-E
106-1202	6-96	Contract for Special Facilities...	9118-E
106-1502C	5-71	Contract for Agricultural Power Service...	1919-E
106-1959A	5-71	Absolving Service Agreement, _____ Service from Temporary Facilities...	1921-E
106-2759L	4-91	Agreement for Replacement of Overhead with Underground Facilities...	7063-E
106-3559	---	Assessment District Agreement...	6162-E
106-3559/1	---	Assessment District Agreement...	6202-E
106-3859	01-01	Request for Service at Secondary/Primary Substation Level Rates...	14102-E
106-3959	6-96	Contract for Special Facilities Refund...	9120-E
106-4059	6-96	Contract for Buyout Special Facilities...	9121-E
106-5140A	10-72	Agreement for _____ Service...	2573-E
106-15140	5-71	Agreement for Temporary Service...	1920-E
106-21600	11-14	Agreement for the Purchase of Electrical Energy...	25563-E
106-36140	11-73	Agreement for Street Lighting - Schedule LS-1...	2575-E
106-37140	11-73	Agreement for Street Lighting - Schedule LS2-A....	2576-E
106-38140	11-73	Agreement for Street Lighting - Schedule LS2-B...	2577-E
106-13140	6-95	General Street Lighting Contract....	8785-E
106-14140A	1-79	Street Lighting Contract, Supplement....	3593-E
106-2059A	6-69	Contract for Outdoor Area Lighting Service....	1773-E
106-23140	9-72	Contract for Residential Walkway Lighting Service....	2581-E
106-35140E	11-85	Underground Electric General Conditions....	5547-E
106-39140	9/14	Contract for Unmetered Service Agreement for Energy Use Adjustments for network Controlled Dimmable Streetlight ...	25464-E
106-43140	11-85	Overhead Line Extension General Conditions...	5548-E
106-44140	1-08	Agreement for Extension and Construction of _____	20421-E
65502	5-04	Statement Of Applicant's Contract Anticipated Cost For Applicant Installation Project...	17139-E
107-00559	3-98	Proposal to Purchase and Agreement for Transfer of Ownership of Distribution Systems...	11076-E
116-2001	12-11	Combined Heat & Power System Contract less than 20 MW	22627-E
116-0501	12-11	Combined Heat & Power System Contract less than 5 MW	22628-E
116-0502	06-12	Combined Heat & Power System Contract less than 500kW	22997-E
117-2159B	---	Standard Offer for Power Purchase and Interconnection – Qualifying Facilities Under 100 Kw...	5113-E

(Continued)

10C11

Advice Ltr. No. 3292-E

Decision No. _____

Issued by
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Regulatory Affairs

Submitted Nov 1, 2018

Effective _____

Resolution No. _____



TABLE OF CONTENTS

Sheet 11

SAMPLE FORMS

<u>FORM NO.</u>	<u>DATE</u>	<u>APPLICATIONS, AGREEMENTS AND CONTRACTS</u>	<u>CAL C.P.U.C. SHEET NO.</u>
117-2160	06-17	Generating Facility Interconnection Agreement (NEM/Non-NEM Generating Facility Export)...	29046-E
117-2160-A	06-17	Generating Facility Interconnection Agreement (NEM/Non-NEM Generating Facility Export) Federal Government Only..	29047-E
117-2259	8-95	Electronic Data Interchange (EDI) and Funds Transfer Agreement....	8802-E
118-159	7-91	Group Load Curtailment Demonstration Program – Curtailment Agreement...	7153-E
118-00228	7-98	Agreement for Illuminated Transit Shelters	11455-E
118-459	07-91	Group Load Curtailment Demonstration Program - Peak Capacity Agreement	7154-E
118-228	01-11	Operating Entity Agreement for Illuminated Transit Shelters.....	22224-E
118-1228	01-11	Agreement for Illuminated Transit Shelters	22225-E
124-363	- - -	Declaration of Eligibility for Lifeline Rates.....	2857-E
124-463	07-07	Continuity of Service Agreement.....	20126-E
124-463/1	07-07	Continuity of Service Agreement Change Request.....	20127-E
124-1000	09-07	Community Choice Aggregator (CCA) Service Agreement.....	20301-E
124-1010	10-12	Community Choice Aggregator Non-Disclosure Agreement.....	23228-E
124-1020	03-12	Declaration by Mayor or Chief County Administrator Regarding Investigation, Pursuit or Implementation of Community Choice Aggregation	22786-E
124-5152F	08-73	Application for Gas/Electric Service.....	2496-E
132-150	05-16	Medical Baseline Allowance Application.....	27490-E
132-150/1	07-02	Medical Baseline Allowance Self-Certification.....	23637-E
132-01199	02-99	Historical Energy Usage Information Release (English).....	11886-E
132-01199/1	02-99	Historical Energy Usage Information Release (Spanish).....	11887-E
132-1259C	06-74	Contract for Special Electric Facilities	2580-E
		Contract for Electric Service - Agua Caliente – Canebrake.....	1233
132-2059C		Resident's Air Conditioner Cycling Agreement..	4677-E
132-6263	06-07	On-Bill Financing Loan Agreement...	21100-E
132-6263/1	06-07	On-Bill Financing Loan Agreement for Self Installers.....	21101-E
132-6263/2	11-12	On-Bill Financing Loan Agreement for CA State Government Customers	23268-E
132-6264	08-15	Authorization to Add Charges to Utility Bill....	26474
132-20101	12-10	Affidavit for Small Business Customer...	22132-E
135-00061	12-00	Voluntary Rate Stabilization Program Contract for Fixed Price Electric Energy with True-up...	14001-E
135-559	07-87	Power Line Analysis and/or Engineering Study Agreement...	5978-E
135-659	10-92	Annual Certification Form - Master Metered Accounts.....	7542-E
139-0001	02-07	Energy Payment Deferral Plan for Citrus & Agricultural Growers...	19981-E
142-00012	02-03	Scheduled Load Reduction Program Contract...	16102-E
142-140	08-93	Request for Service on Schedule LR.....	7912-E
142-259	07-87	Contract for Service, Schedule S-I(Standby Service - Interruptible)...	5975-E
142-359A	07-87	Contract for Service, Schedule S (Standby Service)....	5974-E
142-459		Agreement for Standby Service.....	6507-E

(Continued)

11C9

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Nov 1, 2018

Advice Ltr. No. 3292-E

Dan Skopec

Effective

Decision No. _____

Vice President
Regulatory Affairs

Resolution No. _____



TABLE OF CONTENTS

Sheet 12

SAMPLE FORMS

<u>FORM NO.</u>	<u>DATE</u>	<u>APPLICATIONS, AGREEMENTS AND CONTRACTS</u>	<u>CAL C.P.U.C. SHEET NO.</u>
142-732	05/18	Application and Statement of Eligibility for the California Alternate Rates for Energy (CARE) Program...	30375-E
142-732/1	05/18	Residential Rate Assistance Application (IVR/System-Gen...	30376-E
142-732/2	05-18	Sub-metered Household Application and Statement of Eligibility for California Alternate Rates for Energy (CARE) Program...	30377-E
142-732-3	05-18	CARE Program Recertification Application & Statement of Eligibility...	30378-E
142-732/4	05-18	CARE/FERA Program Renewal – Application & Statement of Eligibility for Sub-metered Customers...	30379-E
142-732/5	05-18	CARE Post Enrollment Verification...	30380-E
142-732/6	05-18	Residential Rate Assistance Application (Vietnamese)...	30381-E
142-732/8	05-18	Residential Rate Assistance Application (Direct Mail)...	30382-E
142-732/10	05-18	Residential Rate Assistance Application (Mandarin Chinese)...	30383-E
142-732/11	05-18	Residential Rate Assistance Application (Arabic)...	30384-E
142-732/12	05-18	Residential Rate Assistance Application (Armenian)...	30385-E
142-732/13	05-18	Residential Rate Assistance Application (Farsi)...	30386-E
142-732/14	05-18	Residential Rate Assistance Application (Hmong)...	30387-E
142-732/15	05-18	Residential Rate Assistance Application (Khmer)...	30388-E
142-00832	05-18	Application for CARE for Qualified Nonprofit Group Living Facilities	30394-E
142-732/16	05-18	Residential Rate Assistance Application (Korean)	30389-E
142-732/17	05-18	Residential Rate Assistance Application (Russian)	30390-E
142-732/18	05-18	Residential Rate Assistance Application (Tagalog)...	30391-E
142-732/19	05-18	Residential Rate Assistance Application (Thai)...	30392-E
142-740	05-18	Residential Rate Assistance Application (Easy/App)	30393-E
142-959	06-96	Standard Form Contract for Service New Job Incentive Rate Service	9129-E
142-1059	06-96	Standard Form Contract for Service New Job Connection Credit...	9130-E
142-1159	03-94	Standard Form Contract - Use of Rule 20A Conversion Funds to Fund New Job Connection Credit	8103-E
142-1359	05-95	Request for Contract Minimum Demand...	8716-E
142-1459	05-95	Agreement for Contact Closure Service...	8717-E
142-1559	05-95	Request for Conjunctive Billing...	8718-E
142-1659	05-95	Standard Form Contract - Credits for Reductions in Overhead to Underground Conversion Funding Levels...	8719-E
142-01959	01-01	Consent Agreement...	14172-E
142-02559	01-98	Contract to Permit Billing of Customer on Schedule AV-1 Prior to Installation of all Metering and Equipment Required to Provide a Contract Closure in Compliance With Special Condition 12 of Schedule AV-1...	11023-E
142-2760	12-12	Interconnection Agreement for Net Energy Metering Solar or Wind Electric Generating Facilities for Other than Residential or Small Commercial of 10 Kilowatts or Less...	26167-E
142-02760.5	07-14	Interconnection Agreement for Virtual Net Metering (VNM) Photovoltaic Electric Generating Facilities...	16697-E

(Continued)

12C13

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Submitted

Nov 1, 2018

Advice Ltr. No. 3292-E

Dan Skopec

Effective

Decision No. _____

Vice President
Regulatory Affairs

Resolution No. _____



TABLE OF CONTENTS

Sheet 13

SAMPLE FORMS

<u>FORM NO.</u>	<u>DATE</u>	<u>APPLICATIONS, AGREEMENTS AND CONTRACTS</u>	<u>CAL C.P.U.C. SHEET NO.</u>
142-02762	01-13	Fuel Cell Generating Facility NEM and Interconnection Agreement	23444-E
142-02763	10-12	NEM/VNM-A Inspection Report...	23234-E
142-02765	01-15	NEM Application & Interconnection Agreement for Customers with Solar and/or Wind Electric Generating Facilities of 30 kW or Less...	26168-E
142-02766	01-15	NEM Application & Interconnection Agreement for Solar and/or Wind Electric Generating Facilities Greater than 30 kW or up to 1000 kW...	26169-E
142-02768	02-09	Photovoltaic Generation Allocation Request Form...	21148-E
142-02769	07-14	NEM Aggregation Form...	25293-E
142-02770	12-12	Generation Credit Allocation Request Form...	23288-E
142-02771	08-16	Rule 21 Generator Interconnection Agreement (GIA)...	28051-E
142-02772	06-14	Rule 21 Detailed Study Agreement...	25065-E
142-02773	08-16	Interconnection App for Solar and/or Wind ONLY >30 Kw...	29492-E
142-02774	08-16	Interconnection App for Solar and/or Wind ONLY <30 Kw...	29493-E
142-3201		Residential Hotel Application for Residential Rates	5380-E
142-3242		Agreement for Exemption from Income Tax Component on Contributions and Refundable Advances...	6041-E
142-4032	05-18	Application for California Alternate Rates for Energy (CARE) Program for Qualified Agricultural Employee Housing Facilities...	30395-E
142-4035	06-05	Application for California Alternate Rates for Energy (CARE) Program for Migrant Farm Worker Housing Centers...	18415-E
142-05200	08-16	Generator Interconnection Agreement for Fast Track Process...	28054-E
142-05201	08-16	Exporting Generating Facility Interconnection Request...	28055-E
142-05202	01-01	Generating Facility Interconnection Application Agreement...	14152-E
142-05203	06-18	Generating Facility Interconnection Application...	30754-E
142-05204	07-16	Rule 21 Pre-Application Report Request...	27744-E
142-05205	07-02	Optional Binding Mandatory Curtailment Plan Contract...	17729-E
142-05207	07-18	Base Interruptible Program Contract...	30797-E
142-05209	04-01	No Insurance Declaration...	15476-E
142-05210	06-04	Rolling Blackout Reduction Program Contract...	18273-E
142-05211	06-04	Bill Protection Application...	18273-E
142-05215	07-18	Third Party Marketer Agreement for BIP...	30798-E
142-05216	07-18	Notice to Add, Change or Terminate Third Party Marketer for BIP...	30799-E
142-05220	07-18	Armed Forces Pilot Contract...	30800-E
142-05300	07-18	Capacity Bidding Program Customer Contract...	30801-E
142-05301	07-18	Aggregator Agreement for Capacity Bidding Program (CBP)...	30802-E
142-05302	02-18	Notice to Add, Change, or Terminate Aggregator for Capacity Bidding...	30210-E

(Continued)

13C14

Advice Ltr. No. 3292-E

Decision No. _____

Issued by
Dan Skopec
Vice President
Regulatory Affairs

Submitted Nov 1, 2018

Effective _____

Resolution No. _____



TABLE OF CONTENTS

Sheet 14

SAMPLE FORMS

<u>FORM NO.</u>	<u>DATE</u>	<u>APPLICATIONS, AGREEMENTS AND CONTRACTS</u>	<u>CAL C.P.U.C. SHEET NO.</u>
142-05303	07-18	Technical Assistance Incentive Application...	16568-E
142-05213	07-03	Technical Incentive Program Application...	30079-E
142-05219	01-18	Technical Incentive Program Agreement...	30080-E
142-05219/1	01-18	Customer Generation Agreement	15384-E
142-0541	06-02	Generating Facility Interconnection Agreement	29058-E
142-0542	06-17	(3 rd Party Inadvertent Export)	29059-E
		Generating Facility Interconnection Agreement	
142-0543	06-17	(3 rd Party Non-Exporting)	29060-E
		Generating Facility Interconnection Agreement	
142-0544	06-17	(Inadvertent Export)	19323-E
		Generating Facility Interconnection Agreement (Continuous Export)	
142-0545	06-06	Generation Bill Credit Transfer Allocation Request Form	21852-E
142-0600	06-13	SDG&E's Final Standard Form Re-Mat PPA	23604-E
143-359		Service Agreement between the Customer and SDG&E for Optional UDC Meter Services	
143-00212		Resident's Agreement for Water Heater Switch Credit	
143-459		Resident's Agreement for Air Conditioner or Water Heater Switch...	3543-E
143-559		Owner's Agreement for Air Conditioner or Water Heater Switch...	3545-E
143-659		Owner's Agreement for Air Conditioner Switch Payment...	3699-E
143-759	12-97	Occupant's Agreement for Air Conditioner Switch Payment...	3700-E
143-01212	1-99	Letter of Understanding between the Customer's Authorized Meter Supplier and SDG&E for Optional UDC Meter Services	11855-E
143-1459B	12-97	Thermal Energy Storage Agreement...	5505-E
143-01759	12-97	Meter Data and Communications Request...	11004-E
143-01859	2-99	Energy Service Provider Service Agreement...	10572-E
143-01959	8-98	Request for the Hourly PX Rate Option Service Agreement...	11005-E
143-01959/1	2-99	Request for the Hourly PX Rate Option (Spanish)...	11888-E
143-02059	12-99	Direct Access Service Request (DASR)...	13196-E
143-02159	12-97	Termination of Direct Access (English)...	11889-E
143-02159/1	12-97	Termination of Direct Access (Spanish)...	11890-E
143-2259	12-97	Departing Load Competition Transition Charge Agreement...	10629-E
143-02359	12-97	Customer Request for SDG&E to Perform	11007-E
143-02459	12-97	ESP Request for SDG&E to Perform ESP Meter Services...	11008-E
143-02659	3-98	ESP Request to Receive Meter Installation/Maintenance Charges	11175-E
143-02759	12-17	Direct Access Customer Relocation Declaration....	29838-E
143-02760	12-12	Six Month Notice to Return to Direct Access Service...	23319-E
143-02761	01-12	Six Month Notice to Return to Bundled Portfolio Service...	22730-E
143-02762	02-13	Direct Access Customer Assignment Affidavit...	23432-E
143-02763	04-10	Notice of Intent to Transfer to DA During OEW	21709-E

(Continued)

14C16

Advice Ltr. No. 3292-E

Decision No. _____

Issued by
Dan Skopec
Vice President
Regulatory Affairs

Submitted Nov 1, 2018

Effective _____

Resolution No. _____



TABLE OF CONTENTS

SAMPE FORMS

FORM NO.	DATE	APPLICATIONS, AGREEMENTS AND CONTRACTS	CAL C.P.U.C. SHEET NO.
143-02764	02-13	Direct Access Customer Replacement Declaration.....	23701-E
144-0810	03-08	Critical Peak Pricing (CPP) Opt-Out Form.....	20594-E
144-0811	03-09	Capacity Reservation Election.....	21133-E
144-0812	08-13	Event Notification Form.....	23703-E
144-0813	08-13	Future Communications Contact Information Form.....	23704-E
144-0820	04-18	CISR-DRP.....	30366-E
144-0821	01-16	DRP Service Agreement.....	27107-E
175-1000	07-09	Customer Energy Network – Terms and Conditions.....	21298-E
182-1000	11-13	Renewable Energy Credits Compensation Agreement.....	23970-E
183-1000	07-14	PEV Submetering Pilot (Phase I) Customer Enrollment Agreement	26187-E
183-2000	07-14	Submeter MDMA Registration Agreement.....	26188-E
185-1000	02-14	Customer Information Service Request Form.....	24202-E
185-2000	12-15	Energy Efficiency Financing Pilot Programs Authorization or Revocation of Authorization to Release Customer Information	26941-E
187-1000	04-15	Rule 33 Standard Non-Disclosure Agreement (NDA).....	26294-E
187-2000	04-15	Rule 33 Terms of Service Acceptance Form.....	26295-E
189-1000	11-14	Mobilehome Park Utility Upgrade Agreement.....	25558-E
189-2000	11-14	Mobilehome Park Utility Upgrade Application.....	25559-E
190-1000	10-15	Bioenergy Market Adjusting Tariff Power Purchase Agreement	26846-E
190-2000	10-15	Green Tariff Shared Renewables (GTSR) Enhanced Community Renewables (ECR) Program Project Development Tariff Rider and Amendment	26874-E
195-1000	05-17	Station Power -Agreement for Energy Storage Devices	28966-E
200-1000	09/17	Declaration of Eligibility for Foodbank Discount	29285-E

(Continued)

15C15

Advice Ltr. No. 3292-E

Decision No. _____

Issued by
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Vice President
Regulatory Affairs

Submitted Nov 1, 2018

Effective _____

Resolution No. _____

L

L



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San Diego, California

Original Cal. P.U.C. Sheet No. 31176-E

Canceling _____ Cal. P.U.C. Sheet No. _____

TABLE OF CONTENTS

Sheet 16

<u>FORM NO.</u>	<u>DATE</u>	<u>DEPOSITS, RECEIPTS AND GUARANTEES</u>	<u>CAL C.P.U.C. SHEET NO.</u>
144-0812	03-09	Critical Peak Pricing - Event Notification Information Form	21134-E
144-0813	03-09	Critical Peak Pricing - Future Communications Contact Information Form	21135-E
155-100	03-06	Application and Contract for Unmetered Service.....	30273-E
160-2000	10-12	Customer Renewable Energy Agreement.....	23241-E
101-00197	09-08	Payment Receipt for Meter Deposit	11197-E
101-363	04-98	Guarantor's Statement	20604-E
101-1652B	04-08	Receipt of Payment	2501-E
103-1750-E	03-68	Return of Customer Deposit	2500-E
<u>BILLS AND STATEMENTS</u>			
108-01214	03-14	Residential Meter Re-Read Verification	24576-E
110-00432	11-16	Form of Bill - General, Domestic, Power, and Lighting Service - Opening, Closing, and Regular Monthly Statements	28256-E
110-00432/2	07-16	Form of Bill - Past Due Format	27837-E

(Continued)

16C15

Advice Ltr. No. 3292-E

Decision No. _____

Issued by
Dan Skopec
Vice President
Regulatory Affairs

Submitted Nov 1, 2018

Effective _____

Resolution No. _____

L
L



TABLE OF CONTENTS

Sheet 17

COLLECTION NOTICES

<u>FORM NO.</u>	<u>DATE</u>		<u>CAL C.P.U.C. SHEET NO.</u>
101-00751	08-14	Final Notice Before Disconnect (MDTs).....	25419-E
101-00752	04-11	Final Notice Before Disconnect (delivered)	22324-E
101-00753	03-14	Back of Urgent Notice Applicable to Forms 101-00753/1 through 101-00753/11	24579-E
101-00753/1	04-11	Urgent Notice Payment Request Security Deposit to Establish Credit	22325-E
101-00753/2	03-05	Urgent Notice Payment Request Security Deposit to Re-Establish Credit.	18084-E
101-00753/3	04-11	Urgent Notice Payment Request for Past Due Security Deposit	22326-E
101-00753/4	04-11	Urgent Notice Payment Request for Past Due Bill	22327-E
101-00753/5	02-04	Urgent Notice Payment Request for Returned Payment	16948-E
101-00753/6	02-04	Urgent Notice Payment Request for Final Bill.	16949-E
101-00753/7	02-04	Urgent - Sign Up Notice for Service	16950-E
101-00753/8	02-04	Reminder Notice – Payment Request for Past Due Bill	16951-E
101-00753/9	02-04	Closing Bill Transfer Notification	16952-E
101-00753/10	03-14	Payment Agreement Confirmation	24580-E
101-00753/11	02-04	ESP Reminder Notice – Payment Request for Past Due Bill	16954-E
101-00754	03-14	Final Notice Before Disconnection (mailed), Notice of Past Due Closing	24581-E
101-01071	04-11	Bill, and Notice of Past Due Closing Bill Final Notice	22330-E
101-01072	08-14	Notice of Disconnect (delivered).....	25420-E
101-01073	05-14	Notice of Shut-off (Mailed).....	24851-E
101-02171	05-10	Notice to Landlord - Termination of Tenant's Gas/Electric Service (two or more units)	21885-E
101-02172	03-14	Notice of Disconnect (MDTs).....	24582-E
101-2452G	02-04	Notice to Tenants - Request for Termination of Gas and Electric Service Customer Payment Notification.....	16959-E

OPERATIONS NOTICES

101-2371	11-95	No Access Notice.....	8826-E
101-3052B	3-69	Temporary "After Hour" Turn On Notice	2512-E
101-15152B	3-69	Door Knob Meter Reading Card.....	2515-E
107-04212	4-99	Notice of Temporary Electric Service Interruption (English & Spanish)	12055-E
115-00363/2	9-00	Sorry We Missed You.....	13905-E
115-002363	9-00	Electric Meter Test.....	13906-E
115-7152A		Access Problem Notice.....	3694-E
124-70A		No Service Tag	2514-E

ATTACHMENT C

STATEMENT OF PROPOSED RATES

**STATEMENT OF PROPOSED RATE CHANGES ASSOCIATED WITH THIS
2020 COST OF CAPITAL APPLICATION**

The charts shown below illustrate the changes in rates that would result from CPUC approval of this Application, compared to current rate levels.

Estimated Impact on Electric Rates and Bills

If the CPUC approves SDG&E’s request, a typical non-CARE residential customer living in the inland climate zone and using 500 kilowatt-hours per month could see a monthly summer bill increase of 3.9%, or \$5.59. The percentages shown do not necessarily reflect the changes that you may see on your bill. Changes in individual bills will also depend on how much electricity each customer uses.

**SAN DIEGO GAS & ELECTRIC COMPANY® - ELECTRIC DEPARTMENT
Estimated Increase in Class Average Electric Rates Due to
Proposed Authorized Cost of Capital Effective January 1, 2020**

	3/1/2019 Class Average Rates	Class Average Rates Reflecting Proposed Revenue Changes	Total Rate Change	Percentage Rate Change
	(¢/kWh)	(¢/kWh)	(¢/kWh)	%
Residential	26.251	27.442	(1.191)	4.54%
Small Commercial	24.963	26.083	(1.120)	4.49%
Medium and Large C&I*	22.205	22.941	(0.736)	3.31%
Agricultural	17.459	18.161	(0.702)	4.02%
Lighting	21.850	23.111	(1.261)	5.77%
System Total	23.738	24.675	(0.937)	3.95%

* C&I stands for Commercial and Industrial

Estimated Impact on Gas Rates and Bills

In this Application, SDG&E proposes an increase in overall gas transportation revenues of \$26.52 million, or 5.6% for 2020. This overall increase would only apply to the transportation component of a total gas bill. A summary of the proposed rates for the various customer classes for 2020 are shown below:

SAN DIEGO GAS & ELECTRIC COMPANY - GAS DEPARTMENT
Estimated Increase in Class Average Gas Rates Due to
Proposed Authorized Cost of Capital Effective January 1, 2020

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates for 2020</u>	<u>¢/therm Change</u>	<u>% Change Rates</u>
	<u>(¢/therm)</u>	<u>(¢/therm)</u>	<u>(¢/therm)</u>	<u>%</u>
Residential (Core)*	111.3 ¢/therm	118.5 ¢/therm	7.3 ¢/therm	6.5%
Average Residential Bill \$/month	\$34.60	\$36.29	\$1.68	4.9%
Commercial/Industrial (Core)*	0.4 ¢/therm	0.5 ¢/therm	0.0 ¢/therm	3.6%
(Noncore Distribution Level Service)** Commercial/Industrial	21.4 ¢/therm	22.0 ¢/therm	0.6 ¢/therm	2.6%
Electric Generation	3.8 ¢/therm	3.8 ¢/therm	0.0 ¢/therm	0.6%
(Transmission Level Service) *** Commercial/Industrial	3.6 ¢/therm	3.7 ¢/therm	0.0 ¢/therm	0.1%
Backbone Transmission Service****	27.8 ¢/dth/day	27.8 ¢/dth/day	0.0 ¢/dth/day	0.1%
System Total	38.4 ¢/therm	40.6 ¢/therm	2.1 ¢/therm	5.6%

* Core customers generally use smaller quantities of gas and the Utility purchases their gas.

** Noncore customers are generally large gas users who purchase their own natural gas supplies for SDG&E to transport.

*** Transmission Level Service is for noncore service on the Local Transmission System from the SoCalGas Citygate.

**** Backbone Transmission Service are rights that customers may purchase to transport gas over the backbone system to the SoCalGas Citygate. Core customers who purchase gas supplies from SDG&E will have this charge included in the gas commodity rate. Customers that do not purchase gas supplies from SDG&E may purchase these rights directly from SoCalGas.

A typical residential customer using 24 therms per month will see a \$1.68 monthly bill increase, or a 4.9% increase in 2020.⁽¹⁾

⁽¹⁾These monthly bill estimates include charges for transportation, Public Purpose Program Surcharges natural gas commodity, and Backbone Transmission Service.

ATTACHMENT D

COST OF PROPERTY AND DEPRECIATION RESERVE

SAN DIEGO GAS & ELECTRIC COMPANY

**COST OF PROPERTY AND
DEPRECIATION RESERVE APPLICABLE THERETO
AS OF SEPTEMBER 30, 2018**

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
ELECTRIC DEPARTMENT			
302	Franchises and Consents	222,841.36	202,900.30
303	Misc. Intangible Plant	178,592,058.86	125,268,083.95
	TOTAL INTANGIBLE PLANT	<u>178,814,900.22</u>	<u>125,470,984.25</u>
310.1	Land	14,526,518.29	46,518.29
310.2	Land Rights	0.00	0.00
311	Structures and Improvements	89,230,272.75	41,757,102.84
312	Boiler Plant Equipment	161,752,233.19	77,199,366.30
314	Turbogenerator Units	130,881,904.46	50,825,314.80
315	Accessory Electric Equipment	83,852,556.38	39,928,344.67
316	Miscellaneous Power Plant Equipment	49,998,833.19	14,459,499.15
	Steam Production Contra Accounts	<u>(1,621,911.83)</u>	<u>(470,229.65)</u>
	TOTAL STEAM PRODUCTION	<u>528,620,406.43</u>	<u>223,745,916.40</u>
320.1	Land	0.00	0.00
320.2	Land Rights	0.00	0.00
321	Structures and Improvements	27,285,711.08	2,658,162.87
322	Boiler Plant Equipment	243,225,717.06	21,662,290.99
323	Turbogenerator Units	26,982,364.66	2,370,893.39
324	Accessory Electric Equipment	10,878,214.63	1,458,232.53
325	Miscellaneous Power Plant Equipment	166,754,468.81	48,807,803.51
101	SONGS PLANT CLOSURE GROSS PLANT-	<u>(475,126,476.33)</u>	<u>(76,957,383.29)</u>
	TOTAL NUCLEAR PRODUCTION	<u>(0.09)</u>	<u>0.00</u>
340.1	Land	224,368.91	0.00
340.2	Land Rights	2,427.96	2,427.96
341	Structures and Improvements	23,529,950.99	8,901,979.24
342	Fuel Holders, Producers & Accessories	21,368,233.00	8,087,773.26
343	Prime Movers	94,575,339.90	42,149,571.14
344	Generators	360,077,971.61	156,001,772.94
345	Accessory Electric Equipment	32,510,919.85	15,038,708.85
346	Miscellaneous Power Plant Equipment	<u>29,087,796.47</u>	<u>15,425,425.03</u>
	TOTAL OTHER PRODUCTION	<u>561,377,008.69</u>	<u>245,607,658.42</u>
	TOTAL ELECTRIC PRODUCTION	<u>1,089,997,415.03</u>	<u>469,353,574.82</u>

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
350.1	Land	77,827,209.51	0.00
350.2	Land Rights	161,387,770.81	23,778,841.84
352	Structures and Improvements	537,386,626.77	79,070,758.57
353	Station Equipment	1,710,121,925.35	344,888,681.77
354	Towers and Fixtures	900,966,680.38	184,588,939.40
355	Poles and Fixtures	600,064,916.49	119,286,844.53
356	Overhead Conductors and Devices	654,615,080.06	242,305,965.32
357	Underground Conduit	456,586,221.74	67,320,044.31
358	Underground Conductors and Devices	518,568,520.03	65,967,471.90
359	Roads and Trails	320,628,960.42	36,871,750.01
101	SONGS PLANT CLOSURE GROSS PLANT-	0.00	0.00
	TOTAL TRANSMISSION	5,938,153,911.56	1,164,079,297.65
360.1	Land	16,558,313.10	0.00
360.2	Land Rights	88,412,505.50	44,060,804.07
361	Structures and Improvements	9,321,203.30	1,619,793.25
362	Station Equipment	547,176,331.98	202,687,930.96
363	Storage Battery Equipment	124,269,130.82	26,319,167.06
364	Poles, Towers and Fixtures	764,676,388.40	283,055,904.85
365	Overhead Conductors and Devices	743,469,939.47	226,021,736.01
366	Underground Conduit	1,318,884,752.78	507,723,366.85
367	Underground Conductors and Devices	1,606,438,999.77	940,155,526.29
368.1	Line Transformers	640,608,509.15	179,076,948.11
368.2	Protective Devices and Capacitors	34,061,366.83	9,406,533.37
369.1	Services Overhead	172,105,185.03	117,685,980.03
369.2	Services Underground	361,458,414.22	254,527,049.70
370.1	Meters	196,818,316.98	99,554,665.76
370.2	Meter Installations	58,655,280.65	26,114,602.06
371	Installations on Customers' Premises	9,360,128.68	10,498,157.03
373.1	St. Lighting & Signal Sys.-Transformers	0.00	0.00
373.2	Street Lighting & Signal Systems	31,160,189.31	20,217,576.06
	TOTAL DISTRIBUTION PLANT	6,723,434,955.97	2,948,725,741.46
389.1	Land	7,312,142.54	0.00
389.2	Land Rights	0.00	0.00
390	Structures and Improvements	44,850,290.10	25,888,083.96
392.1	Transportation Equipment - Autos	0.00	49,884.21
392.2	Transportation Equipment - Trailers	58,145.67	18,047.26
393	Stores Equipment	46,521.59	531.34
394.1	Portable Tools	33,263,509.74	9,595,007.24
394.2	Shop Equipment	278,147.42	207,215.61
395	Laboratory Equipment	5,333,953.73	893,002.61
396	Power Operated Equipment	60,528.93	117,501.67
397	Communication Equipment	302,470,411.71	119,076,988.06
398	Miscellaneous Equipment	18,168,839.54	1,998,621.19
	TOTAL GENERAL PLANT	411,842,490.97	157,844,883.15
101	TOTAL ELECTRIC PLANT	14,342,243,673.75	4,865,474,481.33

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
GAS PLANT			
302	Franchises and Consents	86,104.20	86,104.20
303	Miscellaneous Intangible Plant	0.00	0.00
	TOTAL INTANGIBLE PLANT	86,104.20	86,104.20
360.1	Land	0.00	0.00
361	Structures and Improvements	0.00	0.00
362.1	Gas Holders	0.00	0.00
362.2	Liquefied Natural Gas Holders	0.00	0.00
363	Purification Equipment	0.00	0.00
363.1	Liquefaction Equipment	0.00	0.00
363.2	Vaporizing Equipment	0.00	0.00
363.3	Compressor Equipment	0.00	0.00
363.4	Measuring and Regulating Equipment	0.00	0.00
363.5	Other Equipment	0.00	0.00
363.6	LNG Distribution Storage Equipment	2,242,164.87	1,254,337.90
	TOTAL STORAGE PLANT	2,242,164.87	1,254,337.90
365.1	Land	4,649,143.75	0.00
365.2	Land Rights	3,515,541.91	1,474,582.24
366	Structures and Improvements	19,306,097.54	10,747,287.22
367	Mains	244,206,472.31	84,172,238.01
368	Compressor Station Equipment	92,181,833.42	71,548,133.48
369	Measuring and Regulating Equipment	27,307,998.16	17,363,626.62
371	Other Equipment	1,994,264.34	102,032.16
	TOTAL TRANSMISSION PLANT	393,161,351.43	185,407,899.73
374.1	Land	1,083,616.95	0.00
374.2	Land Rights	8,372,869.81	7,189,249.97
375	Structures and Improvements	43,446.91	61,253.10
376	Mains	1,207,988,580.87	401,841,603.66
378	Measuring & Regulating Station Equipment	19,025,030.10	8,758,431.64
380	Distribution Services	314,129,551.34	297,410,351.30
381	Meters and Regulators	162,001,323.69	65,512,915.77
382	Meter and Regulator Installations	103,635,103.94	44,407,723.29
385	Ind. Measuring & Regulating Station Equipm	1,516,810.70	1,254,330.86
386	Other Property On Customers' Premises	0.00	0.00
387	Other Equipment	11,402,034.82	5,561,192.56
	TOTAL DISTRIBUTION PLANT	1,829,198,369.13	831,997,052.15

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
392.1	Transportation Equipment - Autos	0.00	25,503.00
392.2	Transportation Equipment - Trailers	0.00	0.13
394.1	Portable Tools	11,637,669.14	4,352,177.63
394.2	Shop Equipment	53,038.12	31,837.63
395	Laboratory Equipment	0.00	(7,344.15)
396	Power Operated Equipment	16,162.40	13,031.16
397	Communication Equipment	2,066,323.73	730,941.80
398	Miscellaneous Equipment	465,784.09	110,437.55
	TOTAL GENERAL PLANT	<u>14,238,977.48</u>	<u>5,256,584.75</u>
101	TOTAL GAS PLANT	<u>2,238,926,967.11</u>	<u>1,024,001,978.73</u>
COMMON PLANT			
303	Miscellaneous Intangible Plant	521,298,693.05	342,938,277.88
350.1	Land	0.00	0.00
360.1	Land	0.00	0.00
389.1	Land	7,494,792.37	0.00
389.2	Land Rights	856,578.73	27,775.65
390	Structures and Improvements	425,505,879.71	156,827,600.17
391.1	Office Furniture and Equipment - Other	39,628,607.13	14,808,980.42
391.2	Office Furniture and Equipment - Computer E	50,989,156.88	14,305,413.70
392.1	Transportation Equipment - Autos	594,873.39	223,530.73
392.2	Transportation Equipment - Trailers	107,977.72	580.77
392.3	Transportation Equipment - Aviation	11,580,557.15	628,300.30
393	Stores Equipment	333,835.97	16,873.43
394.1	Portable Tools	1,520,822.86	468,329.86
394.2	Shop Equipment	142,759.33	90,378.13
394.3	Garage Equipment	1,854,148.83	303,044.26
395	Laboratory Equipment	1,731,116.64	768,963.28
396	Power Operated Equipment	0.00	(192,979.10)
397	Communication Equipment	230,270,983.03	74,914,894.70
398	Miscellaneous Equipment	5,151,851.74	215,084.31
118.1	TOTAL COMMON PLANT	<u>1,299,062,634.53</u>	<u>606,345,048.49</u>
	TOTAL ELECTRIC PLANT	14,342,243,673.75	4,865,474,481.33
	TOTAL GAS PLANT	2,238,926,967.11	1,024,001,978.73
	TOTAL COMMON PLANT	<u>1,299,062,634.53</u>	<u>606,345,048.49</u>
101 & 118.1	TOTAL	<u>17,880,233,275.39</u>	<u>6,495,821,508.55</u>
101	PLANT IN SERV-SONGS FULLY RECOVER	<u>0.00</u>	<u>0.00</u>
101	PLANT IN SERV-ELECTRIC NON-RECON		
	Electric	0.00	0.00
	Gas	0.00	0.00
	Common	0.00	0.00
		<u>0.00</u>	<u>0.00</u>

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
101	PLANT IN SERV-CONTRA-ELECTRIC		
	Electric	0.00	0.00
	Common	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
101	PLANT IN SERV-LEGACY METER RECLASS		
	Electric	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
101	PLANT IN SERV-PP TO SAP OUT OF BAL		
	Electric	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
118	PLANT IN SERV-COMMON NON-RECON		
	Common - Transferred Asset Adjustment	(1,540,513.52)	(1,540,513.52)
		<u>(1,540,513.52)</u>	<u>(1,540,513.52)</u>
101	Accrual for Retirements		
	Electric	(4,759,459.52)	(4,759,459.52)
	Gas	(435,362.71)	(435,362.71)
		<u>(4,759,459.52)</u>	<u>(4,759,459.52)</u>
	TOTAL PLANT IN SERV-ACCRUAL FOR RE	<u>(5,194,822.23)</u>	<u>(5,194,822.23)</u>
102	Electric	279,421.69	0.00
	Gas	0.00	0.00
		<u>279,421.69</u>	<u>0.00</u>
	TOTAL PLANT PURCHASED OR SOLD	<u>279,421.69</u>	<u>0.00</u>
104	Electric	85,194,000.02	19,225,724.58
	Gas	0.00	0.00
		<u>85,194,000.02</u>	<u>19,225,724.58</u>
	TOTAL PLANT LEASED TO OTHERS	<u>85,194,000.02</u>	<u>19,225,724.58</u>
105	Plant Held for Future Use		
	Electric	0.00	0.00
	Gas	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
	TOTAL PLANT HELD FOR FUTURE USE	<u>0.00</u>	<u>0.00</u>
107	Construction Work in Progress		
	Electric	1,072,815,410.20	
	Gas	105,735,960.72	
	Common	152,015,752.40	
		<u>1,330,567,123.32</u>	<u>0.00</u>
	TOTAL CONSTRUCTION WORK IN PROGRESS	<u>1,330,567,123.32</u>	<u>0.00</u>
108	Accum. Depr SONGS Mitigation/Spent Fuel Disallowance		
	Electric	0.00	0.00
		<u>0.00</u>	<u>0.00</u>

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
108.5	Accumulated Nuclear Decommissioning Electric	0.00	1,040,779,458.92
	TOTAL ACCUMULATED NUCLEAR DECOMMISSIONING	0.00	1,040,779,458.92
101.1	ELECTRIC CAPITAL LEASES	1,352,823,281.00	306,191,775.00
118.1	COMMON CAPITAL LEASE	14,305,775.75	12,476,541.94
		1,367,129,056.75	318,668,316.94
120	NUCLEAR FUEL FABRICATION	62,963,775.37	40,861,208.00
120	SONGS PLANT CLOSURE-NUCLEAR FUEL	(62,963,775.37)	(40,861,208.00)
143	FAS 143 ASSETS - Legal Obligation	17,125,479.67	(1,038,527,427.03)
	SONGS Plant Closure - FAS 143 contra	0.00	0.00
	FIN 47 ASSETS - Non-Legal Obligation	100,964,116.53	40,162,963.19
143	FAS 143 ASSETS - Legal Obligation	0.00	(1,634,437,856.68)
	TOTAL FAS 143	118,089,596.20	(2,632,802,320.52)
	UTILITY PLANT TOTAL	20,774,757,137.62	5,234,957,352.72

ATTACHMENT E

SUMMARY OF EARNINGS

SAN DIEGO GAS & ELECTRIC COMPANY
SUMMARY OF EARNINGS
September 30, 2018
(\$ IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	\$ 3,834
2	Operating Expenses	<u>3,212</u>
3	Net Operating Income	<u>\$ 621</u>
4	Weighted Average Rate Base	\$ 9,354
5	Rate of Return*	7.55%

*Authorized Cost of Capital

ATTACHMENT F

GOVERNMENTAL ENTITIES RECEIVING NOTICE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Department of U.S. Administration
General Services Administration
300 N. Los Angeles St. #3108
Los Angeles, CA 90012

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Lemon Grove
Attn. City Clerk
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Lemon Grove, CA 92045

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

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

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

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

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

City of Oceanside
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City of Oceanside
Attn. City Attorney
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Santa Ana, CA 92702

County of Orange
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Attn. City Clerk
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City of Poway
Attn. City Attorney
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City of Ramona
Attn. City Clerk
960 Main Street
Ramona, CA 92065

City of Ramona
Attn. City Attorney
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Ramona, CA 92065

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

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

City of San Clemente
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San Clemente, CA 92672

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San Diego, CA 92101

County of San Diego
Attn. County Clerk
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San Diego, CA 92101

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San Diego, CA 92101

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Attn. City Clerk
202 C Street, 2nd Floor
San Diego, CA 92101

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

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

City of Santee
Attn. City Attorney
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Santee, CA 92071

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

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

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

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

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

City of Aliso Viejo
12 Journey
Aliso Viejo, CA 92656

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

Application of San Diego Gas & Electric Company (U902M) for Authority to: (i) Adjust its Authorized Return on Common Equity, (ii) Adjust its Authorized Embedded Costs of Debt and Preferred Stock, (iii) Adjust its Authorized Capital Structure; (iv) Decrease its Overall Rate of Return, (iv) Modify its Adopted Cost of Capital Mechanism Structure, and (v) Revise its Electric Distribution and Gas Rates Accordingly, and for Related Substantive and Procedural Relief.

A.19-04-____
(Filed April 22, 2019)

**NOTICE OF AVAILABILITY OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) IN THE
TEST YEAR 2020 COST OF CAPITAL APPLICATION**

Please take notice that on April 22, 2019, San Diego Gas & Electric Company (“SDG&E”) electronically filed its Test Year 2020 Cost of Capital Application (“Application”). Pursuant to Rule 1.9 of the Rules of Practice and Procedure of the California Public Utilities Commission, the Application and testimony will be made available by 5:00 p.m. on April 22, 2019 on SDG&E’s website at the following location:

<https://www.sdge.com/rates-and-regulations/proceedings/2020-cost-of-capital>

The Application and testimony exceed the limits set forth in Rule 1.9(d)(1) and 1.9(d) (2). SDG&E will provide a copy upon request. If you experience any difficulties accessing the Application or testimony documents, please contact:

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