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

Re: San Diego Gas & Electric Company, Docket No. ER21-____-000
Appendix X Formula Rate Tariff Filing

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act,¹ and Section 35.13 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,² San Diego Gas & Electric Company ("SDG&E") hereby submits modifications to Appendix X³ of its Transmission Owner ("TO") Tariff. The proposed effective date is January 1, 2021.

I. NATURE AND PURPOSE OF THE FILING

The purpose of this filing is to align Appendix X with SDG&E's currently effective TO5 Formula under Appendix VIII to its TO Tariff. Appendix X sets forth the ratemaking methodology for SDG&E to calculate the rate that it will charge to Citizens for the Transfer Capability Lease ("Lease" or "Lease Agreement"). Pursuant to the Lease, as of the effective date of Appendix X, Citizens prepaid SDG&E \$85.194 million for a 30-year leasehold entitlement to 50% of the Border East Line segment of the Sunrise Powerlink Transmission

¹ 16 U.S.C. §824d.

² 18 C.F.R. §35.13.

³ The Commission approved the original Appendix X Formula in *San Diego Gas & Electric Co.*, 139 FERC ¶ 61,188 (June 8, 2012) and *San Diego Gas & Electric Co.*, 141 FERC ¶ 61,054 (October 19, 2012). Subsequently, the Commission approved a modified Appendix X to conform it to SDG&E's Fourth Transmission Owner ("TO4") Formula Rate Tariff in *San Diego Gas & Electric Co.*, 151 FERC ¶ 61,177 (May 29, 2015) and an unpublished Letter Order issued July 8, 2015, in Docket No. ER15-1410-002.

Project. SDG&E operates and maintains the Border East line segment⁴ in which Citizens is leasing transfer capability and will allocate to Citizens a portion of the costs via the Citizens Border East Line Rate.⁵

The Appendix X Formula sets forth the way in which SDG&E will develop its rate for Citizens based on certain recorded costs that SDG&E will file on or before October 31 of each year. Such charge will remain in effect through December 31 of the subsequent year. To the extent that SDG&E's TO5 Formula Rate will be modified in the future, *e.g.*, in a TO6 Formula, the Appendix X will be modified accordingly.

The Appendix X provides that the Citizens Border East Line Rate consist of the following six parts: (1) the Direct Maintenance Expense Cost Component; (2) the Non-Direct Expenses Cost Component; (3) the Cost Component Containing Other Specific Expenses; (4) the True-Up Adjustment Cost Component; (5) the Interest True-Up Adjustment Cost Component; and (6) Other Adjustments. Appendix X further provides that the Citizens Border East Line Rate be designed to reflect SDG&E's cost to own, operate, and maintain the Border East line segment.

The cost components identified above are calculated based on the previous calendar year's data shown in SDG&E's FERC Form 1. The True-Up Adjustment cost component for each Rate Effective Period is an annual reconciliation of the difference between (a) SDG&E's actual costs of providing the transmission service during that Rate Effective Period, less (b) actual revenues received from Citizens for transmission services during the same period.

II. KEY DIFFERENCES IN THIS CYCLE 9 FILING COMPARED TO PRIOR FILINGS

In general terms, this Cycle 9 filing continues most, but not all, aspects of the existing Appendix X, as set forth in the tariff documents, including the structure and organization of those materials.

A. Change in the Rate Effective Period

On May 8, 2020, the Commission granted SDG&E's request for a one-time waiver of the requirement contained in Appendix X, Section I, of its TO Tariff to submit by May 30, 2020, an "Informational Filing showing the Citizens Border East Line Rate" in order to align Appendix X to the TO5 Formula approved in Appendix VIII.⁶ To facilitate this alignment, the proposed revisions to Appendix X will utilize a calendar year rate effective period, January 1 through

⁴ The Border East Line, a 30-mile segment of the Sunrise Powerlink Transmission Project is located between SDG&E's Imperial Valley substation and the San Diego County Line.

⁵ The Commission approved the transaction and established certain accounting treatment SDG&E must follow for the Border East Line in *San Diego Gas & Electric Co.*, 129 FERC ¶ 61,233 (2009).

⁶ *See generally San Diego Gas & Electric Co.*, 171 FERC ¶ 61,105 (2020).

December 31, starting in this Cycle 9 filing. Previously, Appendix X utilized a rate effective period spanning June 1 through May 31, including for the most recently completed Cycle 8.

B. Changes Reflected in the Tariff

The Appendix X Tariff proposes several changes to the Definitions and Terms. The changes include updates that help explain the items contained in the Formula Rate Spreadsheet and to conform to the FERC approved TO5 and Appendix XII formulas.

C. Addition of Protocols

In this filing SDG&E proposes to add Protocols to the Appendix X Formula (Attachment 1 to Appendix X) to align with the Protocols included in Appendix XII of its TO Tariff. SDG&E proposes the Border East Line Rate become effective January 1, 2021 and remain in effect until the effective date of any successor rate filing to the TO5 Formula is approved by the Commission (for example, a TO6).

D. True-Up Adjustment

In the FERC approved TO5 Formula, the true-up adjustment (“TU”) calculation was simplified to reflect the difference between actual costs and recorded revenues for the TU period. In the Appendix X Cycle 9 filing, the TU mechanism is updated to conform with this method.

E. Changes Reflected in the Appendix X Formula Rate Spreadsheet

SDG&E has proposed several changes to the Formula Rate Spreadsheet (Attachment 2 to Appendix X). The changes include the following:

Combining the Operations and Maintenance Carrying Charge Percentage: SDG&E is proposing to merge the Operations and Maintenance Carrying Charge Percentages into a single carrying charge rate line item within Section 2 Non-Direct Expenses.

Transmission Related Property Tax Expense: SDG&E is moving the Property Tax Expense calculation to Section 2, Non-Direct Expenses, from Statement AK and Section 3, Other Costs. This change is in alignment with the handling of Transmission Related Property Tax Expense as established in the Appendix XII Tariff.

Transmission Related General & Common Plant Revenue: To conform with the Appendix XII formula, SDG&E has simplified the General & Common Plant Revenues calculation.

Net Transmission Plant to Derive Carrying Charge Percentage: To conform with the TO5 and Appendix XII formulas, SDG&E is utilizing Net Transmission Plant (Gross Plant Less Accumulated Depreciation) as the denominator, instead of Gross Transmission Plant, to calculate the Non-Direct Annual Carrying Charge Percentages reflected in Section 2 of Appendix X.

Removal Rates: The Border East Line depreciation rates for cost of removal were approved in the TO5 Formula for FERC 354 Towers & Fixtures and 356 Overhead Conductors & Devices at 0.0110 and 0.0161, respectively.

Statement AH – Operation and Maintenance Expenses: The FERC approved TO5 Formula includes an adjustment to FERC account 560 for ICP Executive Compensation and is included in the Appendix X filing to conform.

Return on Equity (“ROE”): The FERC approved TO5 Formula includes an ROE of 10.6% that is reflected in Appendix X Cycle 9.

III. SUMMARY OF THE APPENDIX X CYCLE 9 FILING

The Appendix X Formula in this filing utilizes the following:

- a 2019 calendar Base Period, and
- a 12-month Rate Effective Period from January 1, 2021 through December 31, 2021.

The instant Appendix X Filing reflects a charge of \$5.6M to Citizens as reflected in the following cost components:

(1) Direct Maintenance Expense	=	\$0.183M
(2) Non-Direct Expenses	=	\$2.815M
(3) Other Specific Expenses	=	\$0.946M
(4) True-Up Adjustment ⁷	=	\$1.644M
(5) Interest True-Up Adjustment ⁸	=	<u>\$0.050M</u>
SUB-TOTAL	=	\$5.637M
(6) Other Adjustments	=	<u>\$0.000M</u>
TOTAL	=	\$5.637M

IV. LIST OF DOCUMENTS SUBMITTED

In support of the filing, SDG&E provides the following:

- (1) Transmittal Letter; (2) Prepared Direct Testimony of SDG&E Witness Melissa Alessi (Exhibit Nos. SDG-1 and SDG-2); (3) a clean and redlined version of Appendix X; (4) the newly added Appendix X Formula Rate Protocols (included as Attachment 1); the proposed Appendix X Formula Rate Spreadsheet (included as

⁷ Includes Cycle 7 revenues for the months January through May 2019 and Cycle 8 revenues June through December 2019 due to the current rate effective period June 1 to May 31, 2020.

⁸ Accrues interest from January 2019 to May 2020 and is fully amortized in May 2020.

Attachment 2); and a populated excel version of the formula rate spreadsheet for Appendix X Cycle 3 (reflecting the 2021 billing to Citizens).

V. SERVICE

Electronic copies of this Filing are being served on all parties to Docket No. ER19-221, in which SDG&E's TO5 Formula was approved by the Commission on March 23, 2020. To the extent not reflected in the foregoing, electronic copies are also being served on the California Public Utilities Commission, the CAISO, Participating Transmission Owners that have transferred operational control over their transmission facilities and entitlements to the CAISO, and counsel to Citizens.

VI. COMMUNICATIONS

Correspondence and other communications concerning this filing should be addressed to:

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Respectfully submitted,

/s/ Jonathan J. Newlander
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