Exhibit No. SDG-1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

San Diego Gas & Electric Company) Docket No. ER21-__-000

PREPARED DIRECT TESTIMONY OF

MELISSA A. ALESSI

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

October 29, 2020

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ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

I. INTRODUCTION

Q. Please state your name, position and business address.

A. My name is Melissa A. Alessi. I am a Senior Accountant in Transmission Revenue for San Diego Gas & Electric Company ("SDG&E"). My business address is 8330 Century Park Court Bldg. 3, San Diego, CA 92123.

Q. Please describe your current responsibilities.

A. My responsibilities include assisting in developing and analyzing Transmission revenue requirements.

Q. Please describe your educational and professional background.

A. I received a Bachelor of Science degree in Business Administration with an emphasis in Accounting from San Diego State University and a Master of Business Administration with an emphasis in Organizational Leadership.

I have been employed by SDG&E since 2008 and have held positions of increasing responsibility in Accounts Payable, Plant Accounting, Affiliate Billing & Costing, and Regulatory Reporting. I joined the Transmission Revenue group in October 2015.

Q. Have you previously submitted testimony to this Commission?

A. No.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding and how is it organized?

A. In July 2012, SDG&E entered into a Transfer Capability Lease ("Lease" or "Lease Agreement") agreement with Citizens Sunrise Transmission LLC ("Citizens") to lease a portion of the transfer capability of the Border East Line of the Sunrise Powerlink Transmission Line Project ("Sunrise Project"). Pursuant to the Lease Agreement, SDG&E operates and maintains the line on Citizens' behalf for a charge.[1] The purpose of my testimony is to explain SDG&E's modifications to the Appendix X Formula due to the approval of its Fifth TO ("TO5") Formula rate mechanism. The TO5 Formula became effective June 1, 2019.[2] Appendix X is being modified to align the Tariff, Protocols, and Formula Rate Spreadsheet with the TO5 Formula. On March 13, 2020 SDG&E filed a request for a one-time waiver in Docket ER20-1296 to conform to the approved TO5 Formula and include protocols consistent with those established in the Appendix XII Formula. The waiver was approved on May 8, 2020.[3] SDG&E is proposing to implement the modifications in the Cycle 9 Informational Filing, to become effective January 1, 2021.

I have organized my testimony as follows:

I. Introduction

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1 The Commission approved the transaction and established a certain accounting treatment that SDG&E must follow for the Border East Line in *San Diego Gas & Electric Company*, *Order on Petition for Declaratory Order*, 129 FERC ¶61,233 (December 17, 2009) (Docket No. EL10-2-000).

2 The Commission approved the TO5 Offer of Settlement by Letter Order dated March 23, 2020 in *San Diego Gas & Electric Company*, 170 FERC ¶61,240 (2020) (Docket No. ER19-221).

3 The Commission approved the waiver of Appendix X by Order Granting Waiver dated May 8, 2020 in *San Diego Gas & Electric Company*, 171 FERC ¶61,105 (2020) (Docket No. ER20-1296).

II. Purpose of Testimony

III. Description of Cost Components included in the Citizens Border East Line Rate

A. Section 1 – Direct Maintenance

B. Section 2 – Non-Direct Expenses

C. Section 3 – Other Specific Expenses

D. Section 4 – True-Up Adjustment

E. Section 5 – Interest True-Up Adjustment

F. Other Adjustments

IV. Key Differences in this Cycle 9 Filing Compared to Prior Filings

V. Description of Citizens Invoicing Process

VI. FERC Accounting Guidelines for Leases

III. DESCRIPTION OF COST COMPONENTS INCLUDED IN THE CITIZENS BORDER EAST LINE RATE

Q. What cost components comprise SDG&E's Border East Line Rate?

A. As indicated previously, SDG&E's Border East Line Rate is comprised of the following cost components:

A. Section 1 – Direct Maintenance Expense Cost Component

B. Section 2 – Non-Direct Expenses Cost Component

C. Section 3 – Cost Component Containing Other Specific Expenses

D. Section 4 – True-Up Adjustment Cost Component

E. Section 5 – Interest True-Up Adjustment Cost Component

F. Other Adjustments

In the remainder of this Section, I will describe each of the above listed cost components.

Q. Which cost components comprise the Prior Year Cost of Service?

A. The Prior Year Cost of Service is the sum of the cost components listed as Sections 1, 2, and 3 in the previous question. This sum is also illustrated in the Summary of Cost Components page of the Formula Rate Spreadsheet.

A. Section 1 – Direct Maintenance Expense Cost Component

Q. Please explain the purpose of Section 1.

A. Section 1 represents direct maintenance expenses incurred on the Border East Line subject to the lease with Citizens. SDG&E utilizes an accounting process in which a work order tracks total direct maintenance expenses.

Q. Explain the Direct Maintenance derivation in Section 1.

A. The total direct maintenance expenses recorded on the work order is multiplied by Citizens' 50% transfer capability percentage to derive Citizens' share of Direct Maintenance. Additionally, the related Cash Working Capital is derived by applying the One Eighth O&M Rule to the amount of direct maintenance cost component. Finally, the Cost of Capital rate and Franchise Fee rate is applied to Citizens' portion of Cash Working Capital to derive the applicable Return and Associated Income Taxes, including Franchise Fees. This amount gets added to the Citizens' Direct Maintenance to derive the Total Direct Maintenance Expense applicable to the Citizens Border East Line.

Q. Which FERC account contains the direct maintenance expenses that are directly assigned to the Citizens Border East Line?

A. Citizens Border East Line direct maintenance expenses are charged to Account 571 (Maintenance of Overhead Lines). However, each year SDG&E reclassifies these costs to Account 413 (Expenses from Electric Plant Leased to Others) to conform to the accounting guidelines established in FERC's decision on the *PDO Order*.[4]

B. Section 2 – Non-Direct Maintenance Expense Cost Component

Q. Please explain the purpose of Section 2.

A. Non-direct expenses refer to all other FERC account expenses other than the Direct Maintenance Expenses included in Section 1. Such expenses include: operations and maintenance ("O&M"), administrative and general expenses ("A&G"), property taxes, payroll taxes, working capital, and general and common plant that support Citizens' interest in the transfer capability of the Border East Line. For these non-direct expenses, SDG&E cannot reasonably track these expenses because it would be administratively burdensome and unmanageable. As a result, SDG&E utilizes the allocation process explained below.

Q. Please explain how non-direct expenses are allocated to Citizens in the Sunrise Formula.

A. Page 2 of Section 2 derives an annual carrying charge percentage for each non-direct expense type by taking the ratio of the applicable expenses divided by SDG&E's total net transmission plant. Each annual carrying cost percentage is carried forward to page 1, where they are summed and applied to the $85.194 million lease amount. The resulting product yields the Total Non-Direct Expense charged to Citizens.

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[4] The Commission approved the transaction and established a certain accounting treatment that SDG&E must follow for the Border East Line in *San Diego Gas & Electric Company*, *Order on Petition for Declaratory Order*, 129 FERC ¶61,233 (December 17, 2009) (Docket No. EL10-2-000).

Q. Please explain how the O&M expense is derived for use in the annual carrying charge percentage on page 2.

A. The O&M workpaper support for Statement AH, page AH-2, provides transmission O&M expenses by FERC account. Expenses incurred to operate and maintain transmission facilities are charged to FERC Accounts 560 through 573 and are directly assigned to transmission. The FERC Accounts are analyzed to confirm expenses are just, reasonable, and appropriately charged to transmission. The total expenses are then adjusted for certain exclusions as well as the direct maintenance and non-direct O&M expenses billed to Citizens during the year to derive the total adjusted O&M with no additional allocations. In accordance with the accounting guidelines established in FERC's *PDO Order,* the O&M expenses included in the aforementioned FERC Accounts are reclassified to Account 413 (Expenses from Electric Plant Leased to Others).

Q. Please explain the reasoning behind the O&M adjustments.

A. Adjustments are performed to prevent the double recovery of expenses that are recovered through other SDG&E rate mechanisms such as: Energy Resource Recovery Account ("ERRA"), Transmission Revenue Balancing Account ("TRBAA"), Transmission Access Charge Balancing Account ("TACBAA"), etc. Other adjustments are made per the Appendix X Formula to exclude expenses that are not applicable to the Border East Line. For instance, Accounts 564 and 572 are underground line accounts, but Citizens' portion of Border East Line is an overhead line. Furthermore, Accounts 562 and 570 are substation expenses to be excluded in the Border East Line Rate, as indicated in the lease agreement, which states that the Border East Line includes only the 500kV and shall not consist of any transmission facilities that operate at a lower voltage and substations per Article I, Section 1.1. Account 571 (Maintenance of Overhead Lines) is excluded because these costs have been directly assigned as reflected in Section 1 of the Appendix X Formula Rate Mechanism.

Q. Please explain how the A&G expense is derived for use in the annual carrying charge percentage on page 2.

A. The A&G workpaper support for Statement AH, page AH-3, provides transmission A&G expenses by FERC account. Total A&G expenses are recorded in FERC Accounts 920 through 935 and are not directly assigned to transmission because they are incurred to support the operations of the entire company. These FERC accounts are also analyzed to confirm expenses are appropriate. The total expenses are then adjusted for certain exclusions (for the same reason as described for O&M), as well as, the A&G expenses billed to Citizens during the year to arrive at total adjusted A&G expense. The A&G balance for Property Insurance (FERC Account 924) is allocated to transmission using the Property Insurance and Tax Allocation Factor, and the remaining adjusted A&G balances are allocated to Transmission using a Labor Ratio. In accordance with the accounting guidelines established in FERC's *PDO Order,* the A&G expenses included in the aforementioned FERC Accounts are reclassified to Account 413 (Expenses from Electric Plant Leased to Others).

Q. Please explain how the property tax expense is derived for use in the annual carrying charge percentage on page 2.

A. Property tax expense is derived in Statement AK. Transmission-related property taxes start with total Electric property taxes and include Citizens' property taxes, while excluding other taxes (such as business license taxes) and property taxes associated with the San Onofre Nuclear Generating Station ("SONGS") to arrive at total adjusted Electric property tax expense. Since property taxes are directly correlated with gross plant, the Transmission Property Insurance and Tax Allocation Factor is applied to the total adjusted Electric property tax expense to derive the total Transmission-related property tax expense used to calculate the annual carrying charge percentage.

Q. Please explain how the payroll tax expense is derived for use in the annual carrying charge percentage on page 2.

A. Payroll tax expense is derived in Statement AK. Transmission-related payroll taxes start with total Electric payroll taxes, including Citizens' payroll taxes. Since payroll taxes are directly correlated with labor, the Labor Ratio is applied to the total adjusted Electric payroll taxes to derive the total Transmission-related payroll tax expense used to calculate the annual carrying charge percentage.

Q. Please explain how the transmission related working capital revenue is derived for use in the annual carrying charge rate on page 2.

A. Total Transmission Related Working Capital is a summation of materials & supplies ("M&S"), prepayments, and working cash which are calculated in Statement AL. In Statement AL, total electric M&S and total electric prepayments are allocated to transmission using the Transmission Plant Allocation Factor produced in Statement AD because these components are closely correlated to changes in gross plant. Next, the related working cash is derived by taking the Transmission O&M and Transmission-related A&G balances from Statement AH, adding back the Transmission related CPUC intervenor funding expense, and multiplying the total by 12.5% to remain consistent with the Commission approved one-eighth O&M rule. The Cost of Capital Rate is applied to the resulting Total Transmission Related Working Capital to derive the Transmission Working Capital Revenue utilized to derive the carrying charge percentage.

Q. Please explain how the total transmission related general and common plant revenues are derived for use in the annual carrying charge percentage on page 2.

A. The Rate Base derivation workpaper support for Statement AV, page AV-4, provides amounts for Net Transmission Related Common Plant and Net Transmission Related General Plant. These two amounts are combined and multiplied by the Cost of Capital Rate to calculate Transmission Related General and Common Return and Associated Income Taxes. The Transmission Related General and Common Depreciation Expense from Statement AJ is added to derive the Total General and Common Plant Revenues used in the carrying charge percentage.

C. Section 3 – Cost Component Containing Other Specific Expenses

Q. Please explain the purpose of Section 3.

A. There are three specific costs allocated to Citizens as follows:

- Part A – Direct Assignment of Accumulated Deferred Income Taxes (“ADIT”) to Citizens;

- Part B – Equity AFUDC Component of Transmission Depreciation Expense; and
- Part C – Derivation of Citizens Border East Line Cost of Removal.

Q. Please explain Part A.

A. Part A derives the amount of incremental ADIT associated with Bonus Depreciation allocated to Citizens. The Average ADIT Difference With and Without Bonus Depreciation is multiplied by the Cost of Capital rate to determine the Total ADIT Revenue Adjustment.

Q. Please explain Part B.

A. Part B derives the revenue requirement applicable to the annual income tax expense resulting from the Equity AFUDC Component of Transmission Depreciation Expense allocated to Citizens. The complete derivation of the revenue requirement adjustment is reflected in Statement AV, page "AV-2B". The annual book depreciation associated with AFUDC equity is determined by taking the AFUDC equity embedded in the Border East Line and dividing it over the 30-year lease term, which then applies the combined federal and state tax rate to determine the total tax cost of the AFUDC equity included in transmission depreciation expense. The tax cost is grossed up to determine the total revenue requirement adjustment.

Q. Please explain Part C.

A. Part C derives Citizens' share of cost of removal that will be required when the Border East Line is retired. Column (a) shows plant balances by FERC account that make up the total $85.194 million gross plant leased to Citizens. The balances will be reflected as follows:

- FERC 354: Towers & Fixtures $ 46,971,000
- FERC 356: Overhead Conductors & Devices $ 16,615,000
- FERC 359: Roads & Trails $ 19,939,000
- FERC 350.1: Land $ 0
- FERC 350.2: Land Rights $ 1,669,000

Column (b) shows the cost of removal rate for each of these plant accounts. The plant balance multiplied by the removal rate derives the annual cost of removal plus an additional inclusion of franchise fees expense, directly assigned to Citizens.

D. Section 4 – True-Up Adjustment Cost Component

Q. Please explain the purpose of Section 4.

A. The True-Up ("TU") Adjustment reconciles the difference between (a) SDG&E's actual costs of providing the transmission service ("Cost of Service" / "COS") during the TU Period, less (b) recorded revenues billed by SDG&E and paid by Citizens for transmission services during the TU Period, less (c) adjustments to back out the applicable prior year TU and interest TU adjustments that are included in recorded revenues, less (d) adjustments to back out Other Adjustments such as error corrections or out-of-cycle adjustments, plus (e) applicable interest. In this way, Citizens will pay no more and no less than actual costs associated with its Lease.

In this Cycle 9 Appendix X filing, the TU Adjustment is made up of the monthly TU COS for the 12-month Base Period ending December 31, 2019, Cycle 7 and Cycle 8 monthly TU recorded revenues, prior TU and interest adjustments, and prior Other Adjustments. Prior to Cycle 9, rates were in effect over the 12-month period, June 1 through May 31. As such, for the Cycle 9 TU Adjustments calculation, the monthly TU revenues, prior TU and interest adjustments, and prior Other Adjustments are comprised of Cycle 7 costs from January to May 2019 and Cycle 8 costs from June to December 2019. The Rate Effective Period for Cycle 9 and forward will be over the 12-month period, January 1 through December 31, which will allow the True-Up and Base Periods to be in alignment.

E. Section 5 – Interest True-Up Adjustment Cost Component

Q. Please explain the purpose of Section 5.

A. The purpose of Section 5 is to accrue interest on a prior cycle's TU amount to fully compensate SDG&E (under-collection) or Citizens (over-collection). Interest is to be accrued from the end of the TU period through the end of the Rate Effective Period at which time the amount is fully refunded (or collected) by the Border East Line Rate.

In this Cycle 9 Appendix X filing, the Interest TU is being calculated from January 2019 through May 2020. The timing of the Interest TU is due to the existing rate effective period, June 1 through May 31, applicable to Cycle 8 and prior filings. As a result, the interest is being amortized starting in January 2019 and is fully amortized in May 2020.

F. Other Adjustments

Q. Please explain the purpose of Other Adjustments.

A. The purpose of the Other Adjustments line in the Summary of Cost Components is to allow for potential adjustments to the Border East Line Rate that may result from Error Corrections, FERC audits, and out-of-cycle adjustments.

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

Q. Please explain the key differences in the instant Cycle 9 filing compared to the prior Appendix X filings.

A. This Cycle 9 filing is being modified to align with the approved TO5 Formula.

Q. Please describe the key differences.

A. The key differences are as follows:

i. **Change in the Rate Effective Period:** On May 8, 2020 the Commission approved SDG&E's one-time waiver to align the Appendix X filing to the TO5 formula. As part of the waiver, the Appendix X is now utilizing a calendar year rate effective period, January 1 through December 31, starting in this Cycle 9 filing. Previous filings, most recently the Cycle 8, utilized a rate effective period spanning June 1 through May 31.

ii. **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.

iii. **Addition of Protocols:** New in this Cycle 9 formula is the addition of Protocols. SDG&E is adding these formula Protocols to specify the Appendix X filing timelines and review policies with interested parties. SDG&E proposes the Border East Line Rate become effective January 1, 2021 and remain in effect until a successor rate filing to the TO5 Formula is approved by the Commission (for example, a TO6).

iv. **True-Up Adjustment:** In the FERC approved TO5 Formula, the true-up adjustment ("TU") calculation was simplified in reflecting the difference between actual costs and recorded revenues for the TU period. In the instant Appendix X Cycle 9 filing, the TU mechanism is updated to conform with the method from the FERC approved TO5 Formula.

v. **Changes Reflected in the Appendix X Formula Rate Spreadsheet:** SDG&E has proposed several changes to the Formula Rate Spreadsheet. The changes include the following:

a. **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. The combined Transmission Related O&M Expense Carrying Charge Percentage is calculated by dividing Transmission O&M Expense by Net Transmission Plant. This update utilizes Total Non-Direct Adjusted Transmission O&M Expenses from Statement AH in the numerator and the Net Transmission Plant from the Statement AV workpapers in the denominator. See Section III, Item B for more information on how the O&M costs are derived.

b. **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. In past Appendix X filings, Property Tax Expense was allocated using a rate derived in Statement AK, while Property Insurance was allocated using a rate calculated in Statement AH. By moving the Property Tax Expense to Section 2, Appendix X conforms with Appendix XII and TO5 formulas. In addition, the carrying charge rate derivation methodologies based upon recorded data from Statement AK for Property and Payroll Tax Expenses are aligned.

c. **Transmission Related General & Common Plant Revenue:** To conform with the Appendix XII formula, SDG&E has simplified the General & Common Plant Revenues calculation. The updated format includes the sum of the Transmission Related General and Common Plant derived in the Statement AV workpapers multiplied by the Cost of Capital Rate to arrive at the Transmission Related General & Common Return and Associated Income Taxes amount. The Transmission Related General and Common Depreciation

Expense from Statement AJ is then added to arrive at the total Transmission Related General and Common Plant Revenues. The total is divided by Net Transmission Plant to yield the Transmission Related General & Common Plant Carrying Charge Percentage.

d. **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. By using Net Transmission Plant, SDG&E is able to better align its revenues and costs during the rate effective period.

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

f. **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 instant Appendix X filing to conform with the FERC approved TO5 formula.

g. **Rate of Return on Equity:** The FERC approved TO5 Formula includes a ROE of 10.6% that is reflected in the Appendix X Cycle 9 filing.

V. DESCRIPTION OF CITIZENS INVOICING PROCESS

Q. Please summarize the invoicing and allocation procedures SDG&E will use to bill Citizens for its lease of transfer capability in the Border East Line.

A. SDG&E will invoice Citizens on a monthly basis for the costs to operate and maintain the Border East Line as derived in the Appendix X Cycle 9 filing starting January 1, 2021. The first page of the Appendix X filing entitled Summary of Cost Components reflects the costs that will be billed to Citizens each month. SDG&E will bill Citizens through a monthly invoice issued by the 30th of each service month. Payments are due no later than 30 days following the issuance date of the invoice.

VI. FERC ACCOUNTING GUIDELINES FOR LEASES

Q. You have referred to the *PDO Order* previously in your testimony. Please explain the accounting requirements regarding the treatment of the Citizens Lease and Border East Line Costs set forth there.

A. As previously discussed, the *PDO Order* was granted by the FERC with specific accounting and ratemaking treatment in December 2009 for the Appendix X Citizens Border East Line. Original guidance delineated in the *PDO Order* specifies the following:

> Accordingly, we grant SDG&E's requests subject to the following conditions. First, SDG&E must record the original cost of the portion of the Border-East Line leased to Citizens in Account No. 104. Second, SDG&E must depreciate the cost of electric plant recorded in Account No.

> 104 using Account No. 413 and Account No. 108, Accumulated Provision for Depreciation of Electric Utility Plant. Third, SDG&E must record all O&M and A&G expenses related to the leased property in Account No. 413 and all revenues from Citizens must be recorded in Account No. 412. Finally, SDG&E must record Citizens' prepaid lease payment in Account No. 253, Other Deferred Credits, and amortize the amount to Account No. 412 over the life of the lease.[5]

Exhibit No. SDG-2 to my testimony provides an illustration of these guidelines. Column A is provided to show where costs are normally recorded absent the Citizens lease. Column B indicates where these costs are recorded pursuant to the FERC guidelines.

Q. Please explain your understanding of the above-referenced FERC accounting guidelines as they relate to the Lease.

A. In general, FERC authorized SDG&E to directly assign or allocate expenses related to the plant leased to Citizens and required SDG&E to track these expenses in the FERC accounts outlined in column B of Exhibit No. SDG-2.

Q. How does SDG&E ensure compliance with the accounting guidelines set forth by the *PDO Order*?

A. During the year, SDG&E records total transmission costs to its FERC accounts (reflected in column A of Exhibit No. SDG-2) as if there were no Lease. Once SDG&E determines the costs allocated to Citizens per the Appendix X Formula, SDG&E reclassifies the costs out of the normal FERC account to the appropriate FERC accounts outlined in the *PDO Order* (reflected in column B) on a monthly basis. Reclassifying the Border East Line related costs from the original FERC

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[5] 129 FERC ¶61,233 at 5.

account ensures SDG&E's Wholesale and Retail End Use transmission customers are not subsidizing the costs allocated to Citizens.

Q. Will the Lease Costs shown in column B also be shown in FERC Form 1?

A. Yes. As indicated above, the *PDO Order* directed SDG&E to create a separate set of FERC accounts (column B of Exhibit No. SDG-2) to reflect the costs allocated to the Citizens Border East Line lease.

Q. Does this conclude your testimony?

A. Yes.

VERIFICATION

Melissa A. Alessi hereby declares under penalty of perjury of the laws of the United States that the foregoing document is true and correct to the best of her knowledge and belief. See 28 U.S.C. § 1746.

Executed this 29th day of October 2020

/s/ Melissa A. Alessi

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EXHIBIT NO. SDG-2

EXHIBIT TO THE PREPARED DIRECT TESTIMONY OF

MELISSA A. ALESSI

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

October 29, 2020

San Diego Gas & Electric
FERC Accounting Guidelines for Recording Citizens' Costs Applicable to Appendix X
Consistent With Order on Petition for Declaratory Order, 129 FERC ¶ 61,233 (2009) ("PDO Order")

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

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

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

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

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

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

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

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

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