

Proceeding No.: A.15-09-\_\_\_\_\_  
Exhibit No.: SDG&E-03  
Witness: Gentes

**PREPARED DIRECT TESTIMONY OF**  
**R. CRAIG GENTES**  
**ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

**SEPTEMBER 25, 2015**



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1                   **PREPARED DIRECT TESTIMONY OF R. CRAIG GENTES**  
2                   **ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

3  
4   **I.     INTRODUCTION**

5   Q.    Please state your name and business address.

6   A.    My name is R. Craig Gentes. My business address is 488 8<sup>th</sup> Avenue, San Diego, CA  
7   92101.

8   Q.    What is your current position?

9   A.    I am currently employed by San Diego Gas & Electric Company (“SDG&E”) as Director  
10   of Utility Accounting. My qualifications are set forth in Appendix 1 hereto.

11   **II.    PURPOSE OF TESTIMONY**

12   Q.    What is the purpose of your testimony?

13   A.    The purpose of my testimony is to present the Wildfire Expense Memorandum Account  
14   (“WEMA”) costs in the amount of \$379 million (“WEMA Costs”) that SDG&E is seeking to  
15   recover in this proceeding and to describe the WEMA accounting process. SDG&E witness Ms.  
16   Cynthia Fang presents testimony regarding the impact on rates associated with recovery of the  
17   WEMA Costs.

18   Q.    Please summarize your testimony.

19   A.    First, I provide a background discussion of the WEMA, including how it came into being,  
20   how it is maintained, and how its accuracy is verified (Section III). Next, I explain the various  
21   expenses and credits that are included in the WEMA Costs (Section IV). The expenses are  
22   comprised of third-party damage claims and associated legal fees that SDG&E paid to resolve  
23   third-party claims related to three wildfires – the Witch Fire, the Rice Fire, and the Guejito Fire –

1 that occurred in SDG&E's service territory in 2007 ("Wildfire Costs"). The credits or  
2 deductions relate to payments SDG&E has received from insurance companies, third-party  
3 settlements, as well as to recoveries approved by the Federal Energy Regulatory Commission  
4 ("FERC"). I also describe voluntary deductions that I was instructed to make by SDG&E  
5 witness Mr. Lee Schavrien. The resulting WEMA balance, after subtracting these credits and  
6 deductions from the total amount of Wildfire Costs plus estimated remaining claims, legal costs  
7 and FERC recoveries, constitutes the WEMA Costs of \$379 million that SDG&E seeks to  
8 recover in this proceeding.

### 9 **III. BACKGROUND**

10 Q. Please describe how the WEMA was established.

11 A. On August 31, 2009, SDG&E, along with Southern California Gas Company, Southern  
12 California Edison Company and Pacific Gas and Electric Company (collectively, "Utilities")  
13 filed Joint Application (A.) 09-08-020, requesting approval to establish a Wildfire Expense  
14 Balancing Account ("WEBA") to enable the Utilities to recover primarily the cost of uninsured  
15 wildfire claims. Soon after filing this Joint Application, each utility filed an advice letter to  
16 establish a Wildfire Expense Memorandum Account, in which they proposed to record wildfire  
17 costs incurred prior to a decision in A.09-08-020. SDG&E filed its Advice Letter 2109-E/1889-  
18 G on September 22, 2009, which I have attached as Appendix 2 to my testimony. In the advice  
19 letters, the utilities explained that in order to recover wildfire costs incurred prior to the approval  
20 of the WEBA, they must be able to record those costs in a memorandum account, and they  
21 further explained that the balance in the WEMA account could ultimately be transferred to the  
22 WEBA for recovery.

1 In Resolution E-4311, dated July 29, 2010, the Commission approved the establishment  
2 of a WEMA for each utility but required modification to the WEMA tariffs proposed by the  
3 utilities. The Commission directed the utilities to record the same wildfire costs in the WEMA  
4 as they proposed to record in the WEBA, except for incremental debt/equity costs associated  
5 with financing the account balance. The Commission also required the utilities to credit wildfire  
6 costs recovered through revenues authorized by FERC or through the Z-Factor mechanisms.  
7 As described in the direct testimony of Mr. Schavrien, the Commission ultimately denied the  
8 WEBA Application in Decision (D.) 12-012-029. In Ordering Paragraph 3 of that decision,  
9 however, the Commission indicated that SDG&E may file an application requesting recovery of  
10 WEMA balances, subject to a reasonableness review at a later time.

11 Q. Did SDG&E implement Resolution E-4311?

12 A. Yes. In Advice Letter 2109-E-A/1889-G-A, submitted on August 6, 2010, SDG&E filed  
13 tariff revisions to comply with Resolution E-4311. See Appendix 3 hereto. As indicated in that  
14 Advice Letter, SDG&E proposed revised WEMA tariffs to record for future recovery wildfire  
15 costs including: (1) payments to satisfy wildfire claims,<sup>1</sup> including any co-insurance and  
16 deductible expense paid by the Utilities, but excluding costs already authorized for recovery in  
17 rates; (2) outside legal expenses incurred in the defense of wildfire claims; and (3) increases or  
18 decreases in wildfire insurance premiums from amounts authorized in the General Rate Case or  
19 other applicable proceeding. SDG&E also indicated that insurance proceeds, as well as any  
20 payments received from third parties, will be credited to WEMA as they are received. By letter

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<sup>1</sup> Per Advice Letter 2109-E-A/1889-G-A, “wildfire claims” were explained as “amounts paid by SDG&E to a third party in respect of a claim by such third party for damage or loss resulting from a wildfire, including claims by a governmental entity for the reimbursement of fire suppression costs, damages to environmental resources and other governmental claims against SDG&E arising from a wildfire.”

1 dated September 2, 2010, the Energy Division determined that Advice Letter 2109-E-A/1889-G-  
2 A complied with Resolution E-4311 and became effective as of July 29, 2010. *See id.*

3 Q. How is the WEMA maintained by SDG&E?

4 A. When SDG&E makes cash payments for wildfire claims and outside legal expenses  
5 incurred in the defense of wildfire claims, a debit entry is recorded to WEMA which represents a  
6 potential receivable from CPUC ratepayers. When SDG&E receives cash as a reimbursement  
7 from insurance companies or third party settlements, a credit entry is recorded to WEMA which  
8 reduces the potential receivable from CPUC ratepayers. Also, when cash is received through  
9 authorized FERC transmission rates for recovery of costs related to wildfire claims and outside  
10 legal costs, a credit entry is recorded to WEMA which reduces the potential receivable from  
11 CPUC ratepayers. Each month an entry is recorded to calculate the interest on the average  
12 monthly balance of the account.

13 Q. How does SDG&E verify the accuracy of the amounts recorded in the WEMA?

14 A. On a monthly basis, the entries recorded to WEMA are prepared by an Accountant and  
15 reviewed by a more senior Accountant and then reviewed by the department's Manager. On  
16 quarterly basis, the activity and balances of the WEMA are reviewed by the Program Managers,  
17 who sign off that the activity and balances are accurate. Monthly, Regulatory Accounts  
18 personnel review the summarized balances and activity with their Director. Also monthly,  
19 Regulatory Accounts personnel meet with SDG&E's Chief Financial Officer and Senior Vice  
20 President to review summarized balances and activity.

#### 21 **IV. WEMA COSTS FOR RECOVERY**

22 Q. Have you prepared a chart that provides a detailed breakdown of the WEMA Costs for  
23 which SDG&E seeks recovery in this proceeding?

1 A. Yes. That chart is set forth in Appendix 4.

2 Q. What is the total amount of costs that SDG&E has recorded to the WEMA?

3 A. Through August 31, 2015, SDG&E has recorded \$1.207 billion in costs and \$128 million  
4 in outside legal costs to WEMA. These amounts began being recorded to WEMA in 2010 after  
5 SDG&E had exhausted all insurance reimbursements and began paying wildfire costs from its  
6 own cash. Thus, although the actual total wildfire costs are approximately \$2.4 billion, SDG&E  
7 has only recorded a portion of that amount because of the approximately \$1.1 billion insurance  
8 reimbursement offset.

9 Q. Please explain what is included in the WEMA.

10 A. The WEMA includes the actual expenses recorded to the WEMA, which are then reduced  
11 by certain credits or deductions. The expenses are comprised of two categories: (1) wildfire-  
12 related settlement payments,<sup>2</sup> which include the costs to settle subrogated insurers' claims and  
13 under-insured and individual claims;<sup>3</sup> and (2) legal costs incurred in defense of these claims.  
14 Also included in the expenses are estimates for the remaining wildfire claims and wildfire legal  
15 costs, which total approximately \$10 million.

16 Q. You also mentioned that there are certain credits recorded to the WEMA. Please describe  
17 those items.

18 A. First, SDG&E deducted settlement payments it received from third parties (or their  
19 insurers) in connection with the wildfires at issue in the following amounts: Cox

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<sup>2</sup> On behalf of SDG&E, Ms. Karen Sedgwick provides a discussion of the process by which claims were settled.

<sup>3</sup> SDG&E reached a settlement agreement in 2009 with homeowner insurers that had insured homes that were damaged by the wildfires. In addition to the claims of homeowner insurers, claims were also brought for damage to uninsured and underinsured structures, business interruption, evacuation expenses, agricultural damage, emotional harm, personal injury, and other losses.

1 Communications – \$444 million; Herman Weissker, Inc. – \$10 million; Davey Tree – \$190  
2 million; and PAR Electric – \$180 million. The total amount of these settlement-related credits is  
3 \$824 million. Second, FERC has authorized and approved \$30 million of wildfire related  
4 recoveries to date and SDG&E is anticipated to collect an additional \$50 million. FERC has  
5 directed SDG&E to allocate the FERC jurisdiction’s share of all wildfire costs using labor  
6 ratios.<sup>4</sup> Just as the expenses include an estimate for the remaining wildfire claims and wildfire  
7 legal costs, the credits include an estimate of the remaining amount of FERC recoveries.

8 Q. What is the total CPUC regulatory asset that remains after those deductions?

9 A. It is \$421 million.

10 Q. What additional deduction has SDG&E made to that total CPUC regulatory asset in order  
11 to arrive at the \$379 million?

12 A. Per Mr. Schavrien’s instruction, SDG&E has proposed to deduct 10% from the total  
13 CPUC regulatory asset – or \$42 million.

14 Q. After that deduction, what is the remaining balance?

15 A. \$379 million.

16 Q. Is that the total amount that SDG&E seeks to recover in this proceeding?

17 A. Yes. However, that amount could change. As noted above, the \$379 million includes  
18 expense estimates of approximately \$10 million and a credit estimate of approximately \$15  
19 million for anticipated FERC recoveries. In total, these estimates reduce the WEMA balance by

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<sup>4</sup> SDG&E initially sought to directly assign Wildfire Costs (in excess of insurance) to distribution and transmission based on actual claims incurred by specific fire, and it thus sought FERC authorization to recover through FERC-jurisdictional rates all costs relating to the Witch Fire for the time period covered by the applicable FERC formula rate filing. FERC, however, directed SDG&E to reverse its proposed accounting entries and to allocate the FERC jurisdiction’s share of all Wildfire Costs in excess of insurance to Account 925 (Injuries & Damages) using labor ratios. *San Diego Gas & Electric Co.*, 137 FERC ¶ 61,041 at PP 20-22 (2011).



1 \$5 million. If the actual costs or expenses vary from SDG&E's estimates, SDG&E will file an  
2 update.

3 **V. CONCLUSION**

4 Q. Does this conclude your testimony?

5 A. Yes it does.

# **APPENDIX 1**

## **STATEMENT OF QUALIFICATIONS OF R. CRAIG GENTES**

My name is R. Craig Gentes. My business address is 488 8<sup>th</sup> Avenue, San Diego, California 92101. I am employed by San Diego Gas & Electric Company (“SDG&E”) as the Director – Utility Accounting within the Controller’s organization.

In 2010, I assumed my current role of Director of Utility Accounting. I am responsible for the Financial Accounting, the Regulatory Reporting and Bank Reconciliation and Escheatment functions for both SDG&E and Southern California Gas Company (“SCG”).

Previously I have served as Director of Accounting Operations, responsible for the Cost Accounting, the Affiliate Billing and Costing and Sundry Services functions for both SDG&E and SCG; Director of Compliance, responsible for the CPUC and FERC Affiliate Compliance activities, the Accounts Payable function, and Financial Policies and Controls; Manager of Financial Policies and Controls, responsible for the implementation of the compliance process to meet the requirements of the Sarbanes-Oxley Act; and Financial Accounting Manager, primarily responsible for the monthly closing of the financial statements, GAAP accounting issues and research, and participating in SEC and CPUC financial reporting issues and requirements.

Prior to joining SDG&E, I worked for Deloitte Haskins & Sells, now Deloitte & Touche, in the auditing department. I obtained my California CPA license in 1984, and that license is currently in active status.

I received a Bachelor of Science degree in Business Administration with a major in Accounting from the University of Nebraska-Lincoln in 1982.

I have previously testified before the CPUC.

## **APPENDIX 2**



Ron van der Leeden  
Rates, Revenues & Tariffs  
8330 Century Park Court  
San Diego, CA 92123-1548

Tel: 213-244-2009  
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September 22, 2009

**ADVICE LETTER 2109-E/1889-G**  
(U 902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: ESTABLISHMENT OF THE WILDFIRE EXPENSE MEMORANDUM ACCOUNT  
(WEMA)**

San Diego Gas & Electric (SDG&E) hereby submits for filing revisions to its gas and electric Preliminary Statements Part III and V, Memorandum Accounts, applicable throughout its service territory, as shown on Attachment A and B respectively.

### **PURPOSE**

This filing seeks approval to establish a Wildfire Expense Memorandum Account (WEMA) as discussed below.

### **BACKGROUND**

On August 31, 2009, SDG&E, along with Southern California Gas (SoCalGas), Southern California Edison Company and Pacific Gas and Electric Company (Utilities) filed Joint A. 09-08-020, requesting approval to establish a Wildfire Expense Balancing Account (WEBA) to enable the Utilities to recover primarily the cost of uninsured wildfire claims to the extent that such claims would have been covered by insurance policies the Utilities historically have been able to purchase. SDG&E seeks to establish the WEMA to record these same types of costs prior to a final decision in A. 09-08-020 and the establishment of the WEBA, should any costs be incurred.

### **WILDFIRE MEMORANDUM ACCOUNT**

Consistent with the Utilities' request in A.09-08-020, SDG&E proposes to record for future recovery wildfire-related costs including: (1) payments to satisfy wildfire claims<sup>1</sup>, including any co-insurance and deductible expense paid by the Utilities, but excluding costs already authorized for recovery in rates; (2) outside legal expenses incurred in the defense of wildfire claims; (3) increases or decreases in wildfire insurance premiums from amounts authorized in

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<sup>1</sup> Wildfire claims means amounts paid by SDG&E to a third party in respect of a claim by such third party for damage or loss resulting from a wildfire, including claims by a governmental entity for the reimbursement of fire suppression costs, damages to environmental resources and other governmental claims against SDG&E arising from a wildfire.

the General Rate Case (GRC) or other applicable proceeding; and (4) the cost of financing the WEMA balance. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.

Similar to other Commission-approved memorandum accounts, the WEMA will protect against retroactive ratemaking concerns but will not guarantee recovery in rates of any of the recorded costs prior to Commission review and approval. SDG&E proposes to only use this interim ratemaking (i.e. the WEMA) until such time as the Commission authorizes the establishment of the WEBA. Once the WEBA has been established, SDG&E proposes to transfer any balance recorded in the WEMA to the WEBA and will seek recovery of the amounts recorded in the WEBA consistent with the proposal for recovering costs recorded in the WEBA set forth in A. 09-08-020. Note that in A.09-08-019, SDG&E has also filed for authorization to recover unforeseen liability insurance premium and deductible expense increases as a Z-factor event. As explained in A.09-08-019, should the Commission approve A.09-08-020, SDG&E proposes that the mechanism adopted by the Commission in A.09-08-020 supersede the Z-factor methodology for such expenses going forward. In no event will SDG&E seek recovery of the same expenses twice.

## **PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Honesto Gatchalian ([jni@cpuc.ca.gov](mailto:jni@cpuc.ca.gov)) and Maria Salinas ([mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1748  
E-mail: [mcaulson@semprautilities.com](mailto:mcaulson@semprautilities.com)

**EFFECTIVE DATE**

SDG&E believes that this filing is subject to Energy Division disposition and should be classified as Tier 3 (effective after approval) pursuant to GO 96-B. SDG&E respectfully requests that this filing be approved effective October 22, 2009, which is 30 days from the date filed.

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list A.09-08-019 by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1748 or by e-mail at SDG&ETariffs@semprautilities.com.

---

RON VAN DER LEEDEN  
Director – Rates, Revenues & Tariffs

(cc list enclosed)

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2109-E/1889-G

Subject of AL: Establishment of the Wildfire Expense Memorandum Account (WEMA)

Keywords (choose from CPUC listing): Compliance, Memorandum Account, Preliminary Statements

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 10/22/09

No. of tariff sheets: 8

Estimated system annual revenue effect (%): None

Estimated system average rate effect (%): None

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statements Part III, Part V and TOCs

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: None.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Megan Caulson**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**mcaulson@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.



General Order No. 96-B  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling  
S. Cauchois  
J. Greig  
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Energy Division

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J. Squeri

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M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark  
M. Huffman  
S. Lawrie  
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

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School Project for Utility Rate Reduction

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Solar Turbines

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Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

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K. Cini  
K. Gansecki  
H. Romero

TransCanada

R. Hunter  
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TURN

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M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi  
N. Furuta  
L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

A.09-08-019

ATTACHMENT A  
ADVICE LETTER 2109-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 21358-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, DESCRIPTION/LISTING OF ACCOUNTS, Sheet 2	Revised 21343-E
Original 21359-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA), Sheet 1	
Revised 21360-E	TABLE OF CONTENTS, Sheet 1	Revised 21357-E
Revised 21361-E	TABLE OF CONTENTS, Sheet 3	Revised 21348-E



**PRELIMINARY STATEMENT**

Sheet 2

III. MEMORANDUM ACCOUNTS  
DESCRIPTION/LISTING OF ACCOUNTS

Listing of Accounts

- Catastrophic Event Memorandum Account (CEMA)
- Generation Divestiture Transaction Costs Memorandum Account (GDTCSMA)
- Streamlining Residual Account (SRA)
- Nuclear Claims Memorandum Account (NCMA)
- Real-Time Energy Metering Memorandum Account (RTEMMA)
- Net Energy Metering Memorandum Account (NEMMA)
- Self-Generation Program Memorandum Account (SGPMA)
- Bond Payment Memorandum Account (BPMA)
- Direct Access Cost Responsibility Surcharge Memorandum Account (DACRSMA)
- Advanced Metering and Demand Response Memorandum Account (AMDRMA)
- Procurement Transaction Auditing Memorandum Account (PTAMA)
- Reliability Costs Memorandum Account (RCMA)
- Litigation Cost Memorandum Account (LCMA)
- Community Choice Aggregation Surcharge Memorandum Account (CCASMA)
- Advanced Metering Infrastructure Memorandum Account (AMIMA)
- Independent Evaluator Memorandum Account (IEMA)
- Community Choice Aggregation Procurement Memorandum Account (CCAPMA)
- California Solar Initiative Performance-Based Memorandum Account (CSIPMA)
- Renewables Portfolio Standard Memorandum Account (RPSMA)
- Market Redesign Technology Upgrade Memorandum Account (MRTUMA)
- Gain/Loss On Sale Memorandum Account (GLOSMA)
- Non-Residential Submetering Memorandum Account (NRSMA)
- Long Term Procurement Plan Technical Assistance Memorandum Account (LTAMA)
- 2009 SONGS Revenue Requirement Memorandum Account (2009-SRRMA)
- Fire Hazard Prevention Memorandum Account (FHPMA)
- Wildfire Expense Memorandum Account (WEMA)

N

- Note: 1) SONGS 2&3 Unamortized Nuclear Fuel Inventory Memorandum Account, see Section V.  
 2) SONGS 2&3 Permanent Closure Noninvestment-Related Expenses Memorandum Account, see Section V.

(Continued)



**PRELIMINARY STATEMENT**

Sheet 1

III. MEMORANDUM ACCOUNTS  
WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA)

1. Purpose

The WEMA is an interim ratemaking mechanism until such time as the Commission authorizes the establishment of the Wildfire Expense Balancing Account (WEBA) as proposed in A.09-08-020. The purpose of the WEMA is to record all costs of third party claims paid by San Diego Gas & Electric (SDG&E) resulting from wildfires that would have been covered by insurance, as well as costs that would not have been incurred by SDG&E if insurance were available, that are not currently authorized in SDG&E's General Rate Case (GRC) or any other proceeding including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by the Utilities; (2) outside legal costs incurred in the defense of wildfire claims; and (3) the cost of financing these amounts. Related insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.

2. Applicability

This account shall apply to all electric and gas customers.

3. Rates

See Disposition Section.

4. Accounting Procedures

SDG&E shall maintain the WEMA by recording entries at the end of each month as follows:

- a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SDG&E that are not authorized as part of SDG&E's GRC or any other proceeding;
- b) A debit entry equal to incremental outside legal costs incurred by SDG&E in the defense of wildfire claims;
- c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account; and
- d) An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part E-3. Interest includes any incremental debt/equity costs associated with financing the WEMA under-collection balance over a long-term period as authorized by the Commission.

5. Disposition

Once the WEBA is established, the WEMA balance will be transferred to the WEBA for recovery of the balance as authorized by the procedures adopted in A.09-08-020.

N  
N  
N  
N  
N



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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.

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Advice Ltr. No. 2109-E

Decision No. \_\_\_\_\_

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Sep 22, 2009

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_



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Advice Ltr. No. 2109-E

Decision No. \_\_\_\_\_

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Sep 22, 2009

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_

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ATTACHMENT B  
ADVICE LETTER 1889-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 17757-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, DESCRIPTION/LISTING OF ACCOUNTS, Sheet 2	Revised 17286-G
Original 17758-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA), Sheet 1	
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Revised 17760-G	TABLE OF CONTENTS, Sheet 2	Revised 17688-G



San Diego Gas & Electric Company  
San Diego, California

Revised Cal. P.U.C. Sheet No. 17757-G

Canceling Revised Cal. P.U.C. Sheet No. 17286-G

**PRELIMINARY STATEMENT**

Sheet 2

V. MEMORANDUM ACCOUNTS  
DESCRIPTION/LISTING OF ACCOUNTS

Listing of Accounts

- Catastrophic Event Memorandum Account (CEMA)
- Core Reclassification Shortfall Memorandum Account (CRSMA)
- Gas DSM Memorandum Account
- Cogeneration Shortfall Memorandum Account (CSMA)
- Liquefied Natural Gas Service Tracking Account (LNGSTA)
- Global Settlement Tracking Account (GLOBAL)
- Self-Generation Program Memorandum Account (SGPMA)
- FERC Settlements Proceeds Memorandum Account (FSPMA)
- Advanced Metering Infrastructure Memorandum Account (AMIMA)
- Gain/Loss on Sale Memorandum Account (GLOSMA)
- General Rate Case Revenue Requirement Memorandum Account (GRCRRMA)
- Energy Efficiency 2009-2011 Memorandum Account (EEMA)
- Wildfire Expense Memorandum Account (WEMA)

**NOTE:** For information relating to the Hazardous Substance Memorandum Account (HSMA), which is part of the Hazardous Substance Cleanup Cost Account (HSCCA), see Section VIII.

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2P7

Advice Ltr. No. 1889-G

Decision No. \_\_\_\_\_

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Sep 22, 2009

Effective \_\_\_\_\_

Resolution No. \_\_\_\_\_





**PRELIMINARY STATEMENT**

Sheet 1

V. MEMORANDUM ACCOUNTS  
WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA)

N  
N  
N  
N

1. Purpose

The WEMA is an interim ratemaking mechanism until such time as the Commission authorizes the establishment of the Wildfire Expense Balancing Account (WEBA) as proposed in A.09-08-020. The purpose of the WEMA is to record all costs of third party claims paid by San Diego Gas & Electric (SDG&E) resulting from wildfires that would have been covered by insurance, as well as costs that would not have been incurred by SDG&E if insurance were available, that are not currently authorized in SDG&E's General Rate Case (GRC) or any other proceeding including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by the Utilities; (2) outside legal costs incurred in the defense of wildfire claims; and (3) the cost of financing these amounts. Related insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.

2. Applicability

This account shall apply to all electric and gas customers.

3. Rates

See Disposition Section.

4. Accounting Procedures

SDG&E shall maintain the WEMA by recording entries at the end of each month as follows:

- a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SDG&E that are not authorized as part of SDG&E's GRC or any other proceeding;
- b) A debit entry equal to incremental outside legal costs incurred by SDG&E in the defense of wildfire claims;
- c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account; and
- d) An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part E-3. Interest includes any incremental debt/equity costs associated with financing the WEMA under-collection balance over a long-term period as authorized by the Commission.

5. Disposition

Once the WEBA is established, the WEMA balance will be transferred to the WEBA for recovery of the balance as authorized by the procedures adopted in A.09-08-020.

N



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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.

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(Continued)

## **APPENDIX 3**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 2, 2010

Clay Faber  
Director – Regulatory Affairs  
San Diego Gas & Electric Company  
8330 Century Park Court  
San Diego, CA 92123-1548

Advice Letter 2109-E-A/1889-G-A

Subject: SDG&E's Advice Letter 2109-E-A/1889-G-A, Establishment of the Wildfire Expense Memorandum Account (WEMA)

Dear Mr. Faber:

The Energy Division has determined that SDG&E's Advice Letter (AL) 2109-E-A/1889-G-A is in compliance with Resolution E-4311 and is effective as of July 29, 2010. The supplemental AL 2109-E-A/1889-G-A replaces the original advice letter, 2109-E/1889-G, in its entirety and has an effective date of July 29, 2010, the date that Resolution E-4311 was adopted by the Commission.

Resolution E-4311 approved the establishment of the WEMA. The resolution ordered SDG&E to submit a supplement to AL 2109-E/1889-G to make specific changes to the WEMA tariff that SDG&E proposed in that advice letter. The tariff changes that SDG&E filed in supplemental AL 2109-E-A/1889-G-A comply with the changes ordered in Resolution E-4311.

A protest to SDG&E's supplemental AL 2109-E-A/1889-G-A was filed on August 26, 2010 by Ruth Henricks. The protest contends that the supplemental AL must be denied as improper because SDG&E's justification for the WEMA is based on the same facts that are contested by parties in Application 09-08-020, which is currently pending before the Commission.

The contention in the protest is contrary to the Commission's determination in Resolution E-4311 that approval of the WEMA does not prejudice the outcome of A.09-08-020 (see Finding and Conclusion 14 of Resolution E-4311). Additionally, General Rule 7.4.2 of General Order 96-B sets forth that a protest may not rely on policy objections to an advice letter where the relief requested in the advice letter follows rules or directions established by Commission order. Accordingly, the protest of Ruth Hendricks is rejected.

Please contact Don Lafrenz of the Energy Division staff at 415-703-1063 (dlf@cpuc.ca.gov) if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie A. Fitch".

Julie A. Fitch  
Director, Energy Division

cc: Michael Aguirre for Ruth Henricks



Clay Faber  
Director – Regulatory Affairs  
8330 Century Park Court  
San Diego, CA 92123-1548

Tel: 858-654-3563  
Fax: 858-654-1788  
CFaber@semprautilities.com

August 6, 2010

ADVICE LETTER 2109-E-A/1889-G-A  
(U 902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: SUPPLEMENTAL – ESTABLISHMENT OF THE WILDFIRE EXPENSE  
MEMORANDUM ACCOUNT (WEMA)**

San Diego Gas and Electric Company (SDG&E) hereby submits for filing with the California Public Utilities Commission (Commission) revisions to its Preliminary Statement Part III (electric), Part V (gas), Memorandum Accounts and Table of Contents applicable throughout its service territory, as show on Attachment A and B.

**PURPOSE**

This supplemental filing complies with Ordering Paragraph (OP) 2 of Resolution E-4311 (the Resolution) which orders SDG&E to replace in its entirety Advice No. 2019-E/1889-G filed on September 22, 2009, and establish a Wildfire Expense Memorandum Account (WEMA) with the modifications as described in Resolution E-4311 and specified in the Appendix thereto.

**BACKGROUND**

On August 31, 2009, SDG&E, along with Southern California Gas Company, Southern California Edison Company and Pacific Gas and Electric Company (Utilities) filed Joint Application (A.) 09-08-020, requesting approval to establish a Wildfire Expense Balancing Account (WEBA) to enable the Utilities to recover primarily the cost of uninsured wildfire claims to the extent that such claims would have been covered by insurance policies the Utilities historically have been able to purchase. SDG&E seeks to establish the WEMA to record these same types of costs prior to a final decision in A.09-08-020 and the establishment of the WEBA, should any costs be incurred.

In Resolution E-4311, issued on July 29, 2010, the Commission approved, with certain modifications, the Utilities' proposals to establish WEMAs. The Commission noted that the recovery of costs recorded in the WEMAs is dependent on a Commission decision in A.09-08-020.<sup>1</sup> The Commission also required that: (1) the electric Utilities' WEMA tariffs include a credit entry for any wildfire cost recovered through revenues authorized by the Federal Energy

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<sup>1</sup> Resolution E-4311 at 6.

Regulatory Commission, and (2) interest on WEMA balances shall accrue at the three-month commercial paper rate and shall not include incremental debt/equity costs.<sup>2</sup>

### **WILDFIRE EXPENSE MEMORANDUM ACCOUNT**

Consistent with the Utilities' request in A.09-08-020 and the modifications adopted in Resolution E-4311, SDG&E proposes revised WEMA tariffs (one electric and one natural gas) to record for future recovery wildfire-related costs including: (1) payments to satisfy wildfire claims,<sup>3</sup> including any co-insurance and deductible expense paid by the Utilities, but excluding costs already authorized for recovery in rates; (2) outside legal expenses incurred in the defense of wildfire claims; and (3) increases or decreases in wildfire insurance premiums from amounts authorized in the General Rate Case (GRC) or other applicable proceeding. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received. In accordance with Resolution E-4311, these WEMA tariffs include a special disposition section that links the recovery of any costs recorded in the WEMA to the Commission's decision in A.09-08-020.

### **PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received by August 26, 2010, twenty days from the date filed. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

California Public Utilities Commission Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Honesto Gatchalian ([inj@cpuc.ca.gov](mailto:inj@cpuc.ca.gov)) and Maria Salinas ([mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1788  
E-Mail: [mcaulson@semprautilities.com](mailto:mcaulson@semprautilities.com)

---

<sup>2</sup> Resolution E-4311 at 7.

<sup>3</sup> Wildfire claims means amounts paid by SDG&E to a third party in respect of a claim by such third party for damage or loss resulting from a wildfire, including claims by a governmental entity for the reimbursement of fire suppression costs, damages to environmental resources and other governmental claims against SDG&E arising from a wildfire.

**EFFECTIVE DATE**

OP 2 of Resolution E-4311 also orders SDG&E to designate this as Tier1 and be made effective on July 29, 2010, the date of the Resolution, subject to Energy Division's review for compliance with the Resolution.

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including parties in A.09-08-020, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1788 or by e-mail at [SDG&ETariffs@semprautilities.com](mailto:SDG&ETariffs@semprautilities.com)

(cc list enclosed)

---

CLAY FABER  
Director - Regulatory Affairs



# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2109-E-A/1889-G-A

Subject of AL: Supplemental - Establishment of the Wildfire Expense Memorandum Account (WEMA)

Keywords (choose from CPUC listing): Compliance, Memorandum Account, Preliminary Statements

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 7/29/2010

No. of tariff sheets: 6

Estimated system annual revenue effect (%): None

Estimated system average rate effect (%): None

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statements Part III (electric), Part V (gas) and TOC

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: None.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Megan Caulson**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**mcaulson@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

General Order No. 96-B  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling  
S. Cauchois  
J. Greig  
R. Pocta  
W. Scott

Energy Division

P. Clanon  
S. Gallagher  
H. Gatchalian  
D. Lafrenz  
M. Salinas

CA. Energy Commission

F. DeLeon  
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell  
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham  
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes  
G. Lonergan  
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

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A. Friedl

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D. Douglass  
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G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

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Ellison Schneider & Harris LLP

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Energy Policy Initiatives Center (USD)

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Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell  
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg  
J. Heather Patrick  
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard  
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark  
M. Huffman  
S. Lawrie  
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman  
J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

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M. Shames

U.S. Dept. of the Navy

K. Davoodi  
N. Furuta  
L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

A.09-08-020

ATTACHMENT A  
ADVICE LETTER 2109-E-A

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 21959-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA), Sheet 1	Original 21359-E
Revised 21960-E	TABLE OF CONTENTS, Sheet 1	Revised 21896-E
Revised 21961-E	TABLE OF CONTENTS, Sheet 3	Revised 21633-E



**PRELIMINARY STATEMENT**

Sheet 1

**III. MEMORANDUM ACCOUNTS**  
**WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA)**

1. Purpose

The WEMA is an interim ratemaking mechanism until such time as the Commission authorizes the establishment of the Wildfire Expense Balancing Account (WEBA) as proposed in A.09-08-020. The purpose of the WEMA is to record all costs of third party claims paid by San Diego Gas & Electric (SDG&E) resulting from wildfires that would have been covered by insurance, as well as costs that would not have been incurred by SDG&E if insurance were available, that are not currently authorized in SDG&E's General Rate Case (GRC) or any other proceeding including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by the Utilities and outside legal costs incurred in the defense of wildfire claims. Related insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.

2. Applicability

This account shall apply to all customer classes.

3. Rates

See Disposition Section.

4. Accounting Procedures

SDG&E shall maintain the WEMA by recording entries at the end of each month as follows:

- a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SDG&E that are not authorized as part of SDG&E's GRC or any other proceeding;
- b) A debit entry equal to incremental outside legal costs incurred by SDG&E in the defense of wildfire claims;
- c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account;
- d) A credit entry each month equal to amounts received through FERC authorized transmission rates for the recovery of costs related to wildfire claims;
- e) A credit entry each month equal to any wildfire related costs recorded in the WEMA that are recovered through the Z-factor mechanism described in Preliminary Statement Part IV.D; and
- f) An entry each month equal to the interest on the average of the balance during the month, calculated in the manner described in Preliminary Statement, Part III, Description/Listing of Accounts.

5. Disposition

The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.

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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.

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Advice Ltr. No. 2109-E-A

Decision No. \_\_\_\_\_

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 6, 2010

Effective Jul 29, 2010

Resolution No. \_\_\_\_\_

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ATTACHMENT B  
ADVICE LETTER 1889-G-A

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Original 18350-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA), Sheet 1	Original 17758-G
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Revised 18352-G	TABLE OF CONTENTS, Sheet 2	Revised 18195-G



**PRELIMINARY STATEMENT**

Sheet 1

V. MEMORANDUM ACCOUNTS  
WILDFIRE EXPENSE MEMORANDUM ACCOUNT (WEMA)

1. Purpose

The WEMA is an interim ratemaking mechanism until such time as the Commission authorizes the establishment of the Wildfire Expense Balancing Account (WEBA) as proposed in A.09-08-020. The purpose of the WEMA is to record all costs of third party claims paid by San Diego Gas & Electric (SDG&E) resulting from wildfires that would have been covered by insurance, as well as costs that would not have been incurred by SDG&E if insurance were available, that are not currently authorized in SDG&E's General Rate Case (GRC) or any other proceeding including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by the Utilities and outside legal costs incurred in the defense of wildfire claims. Related insurance proceeds, as well as any payments received from third parties, will be credited to the WEMA as they are received.

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2. Applicability

This account shall apply to all customer classes.

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3. Rates

See Disposition Section.

4. Accounting Procedures

SDG&E shall maintain the WEMA by recording entries at the end of each month as follows:

- a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SDG&E that are not authorized as part of SDG&E's GRC or any other proceeding;
- b) A debit entry equal to incremental outside legal costs incurred by SDG&E in the defense of wildfire claims;
- c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account.
- d) A credit entry each month equal to any wildfire related costs recorded in the WEMA that are recovered through the Z-factor mechanism described in Preliminary Statement Part VI.D; and
- e) An entry each month equal to the interest on the average of the balance during the month, calculated in the manner described in Preliminary Statement, Part V, Description/Listing of Accounts.

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5. Disposition

The disposition of any amounts recorded in the WEMA shall be established by a Commission decision in A.09-08-020.

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

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# APPENDIX 4

**SDG&E**  
**Wildfire Cost Summary**  
**August 31, 2015**  
**(\$ in millions)**

Description	TOTAL
Settlements/Reserves:	
Subrogated Insurers' Claims	\$ 918
Under-insured & Individual Claims	1,326
Subtotal	2,244
Legal Costs:	
Charges through 8/31/2015	167
Accrual	2
SubTotal	169
<b>Total Costs</b>	<b>2,413</b>
<b>Insurance Coverage</b>	
Self Retention	(3)
COX Settlement	(444)
Weissker Settlement	(10)
Davey Tree Settlement	(190)
PAR Settlement	(180)
Insurance Reimbursement	(1,085)
<b>Wildfire Costs in Excess of Insurance</b>	<b>501</b>
<b>Less amount Allocated to FERC</b>	<b>(80)</b>
<b>Gross CPUC Regulatory Asset</b>	<b>421</b>
<b>Less 10% Voluntary Reduction:</b>	<b>(42)</b>
<b>Net CPUC Regulatory Asset</b>	<b>\$ 379</b>