



**PRELIMINARY STATEMENT**

Sheet 1

**II. BALANCING ACCOUNTS**  
**NON-FUEL GENERATION BALANCING ACCOUNT (NGBA)**

- 1. Purpose: The purpose of the NGBA is to provide recovery of approved electric generation non-fuel costs not being recovered by another component of SDG&E's rates. Currently, the Utility has ownership interest in the following plants in operation: San Onofre Nuclear Generating Station (SONGS) the Miramar Combustion Turbine (CT) facility and the Palomar Energy Center facility and the Miramar Energy Facility II (MEF II).
- 2. Applicability: The NGBA shall be applied only to the Utility's bundled service customers.
- 3. Generation Non-fuel Revenue Requirement:

**SONGS:**

The generation non-fuel revenue requirement shall consist of the SONGS operating & maintenance and capital-related costs approved for SDG&E in the Southern California Edison (SCE) General Rate Case (D.09-03-025) and the SDG&E General Rate Case (D.08-07-046). The 2009 revenue requirement authorized in D.09-03-025 shall be adjusted in future years pursuant to the PYTR mechanism adopted in the proceeding. Year 2010 and 2011 revenue requirements shall be subject to increases of 4.25% and 4.35% respectively, consistent with the PTYR mechanism adopted in D.09-03-025. Pursuant to D.09-03-025, the utility is authorized to recover \$13.36 million (2009 dollars), \$13.92 million (2010 dollars), and \$14.53 million (2011 dollars) for each SONGS 2&3 refueling and maintenance outage that occurs in 2009 through 2011 respectively. If the actual number of SONGS 2&3 refueling and maintenance outages in 2009 through 2011 is different than the number of outages in SDG&E's 2009 through 2011 generation revenue requirement, the difference will be addressed via an advice letter submitted to the Commission by February 15, 2010 (for the 2009 difference), 2011 (for the 2010 difference) and 2012 (for the 2011 difference). The resulting adjustment will be made as an entry to the NGBA.

**Miramar CT:**

The generation non-fuel revenue requirement shall consist of the operating and maintenance and capital-related costs approved in SDG&E's General Rate Case (D.08-07-046). The revenue requirement for 2009, 2010, and 2011 shall be adjusted pursuant to the Post-Test Year Ratemaking settlement adopted in D.08-07-046. The fuel costs of the Miramar CT shall be recorded in the Energy Resource Recovery Account (ERRA). Any revenues received from the Independent System Operator (ISO) under the reliability-must run (RMR) contract shall be credited to the NGBA.

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**PRELIMINARY STATEMENT**

**II. BALANCING ACCOUNTS**  
**NON-FUEL GENERATION BALANCING ACCOUNT (NGBA)**

3. Generation Non-fuel Revenue Requirement:

Palomar Energy Center:

The adopted generation non-fuel revenue requirement shall consist of the adopted operating and maintenance, and capital-related costs approved in SDG&E's General Rate Case (D.08-07-046). The revenue requirement for 2009, 2010, and 2011 shall be adjusted pursuant to the Post-Test Year Ratemaking Settlement adopted in D.08-07-046. The fuel costs of the Palomar Energy Center shall be recorded in the Energy Resource Recovery Account (ERRA). Any revenues received from the Independent System Operator (ISO) under the reliability-must run (RMR) contract shall be credited to the NGBA.

Miramar Energy Facility (MEF II)

The adopted generation non-fuel revenue requirement shall consist of the adopted operating and maintenance, and capital-related costs approved in D.09-01-008 updated for actual construction costs approved in AL 2126-E. The fuel costs of MEF II shall be recorded in the Energy Resource Recovery Account (ERRA). Any revenues received from the Independent System Operator (ISO) under the reliability-must run (RMR) contract shall be credited to the NGBA.

Desert Star Energy Center

The adopted generation non-fuel revenue requirement shall consist of the adopted operating and maintenance, and capital-related costs approved in D.07-11-046 and updated through advice letter upon in-service date of October 1, 2011. The fuel costs of Desert Star Energy Center shall be recorded in the Energy Resource Recovery Account (ERRA).

4. NGBA Rate

Once the generation non-fuel revenue requirement is established, the NGBA rate will be included as part of the Utility's total schedule EECC rate. The NGBA rate will be equal to the total adopted generation non-fuel revenue requirement including the SONGS Steam Generator Replacement Project (SGRP) disposal and installation costs authorized in D.06-11-026, divided by the authorized forecasted sales for the current calendar year.

5. Effective Date

This tariff is effective for service rendered on and after January 1, 2004.

6. Accounting Procedure

The Utility shall maintain the NGBA by making entries at the end of each month as follows:

- a. A debit entry equal to 1/12 of the authorized annual generation non-fuel revenue requirement for songs, as established in D.09-03-025 and D.08-07-046, excluding the SONGS 2 & 3 refueling and maintenance outages.

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**PRELIMINARY STATEMENT**

Sheet 3

**II. BALANCING ACCOUNTS**  
**NON-FUEL GENERATION BALANCING ACCOUNT (NGBA)**

6. Accounting Procedure (Continued)

- b. A debit entry equal to 1/12 of the authorized SONGS 2&3 refueling and maintenance outage authorized revenue requirement as established in D.09-03-025.
- c. An entry equal to the SONGS 2&3 refueling and maintenance outage adjustment as described in Section 3 above.
- d. A debit entry equal to 1/12 of the authorized annual generation non-fuel revenue requirement for the Miramar CT as established in D.08-07-046.
- e. A debit entry equal to 1/12 of the authorized fixed annual generation non-fuel revenue requirement for the Palomar Energy Center as established in D.08-07-046.
- f. A debit entry equal to 1/12 of the authorized fixed annual generation non-fuel revenue requirement for the MEF II as established in D.09-01-008 and updated in AL 2099-E.
- g. A debit entry equal to 1/12 of the authorized revenue requirement for Desert Star Energy Center consisting of both 1.) fixed annual generation non-fuel revenue requirements as established in D.07-11-046 and updated through advice letter upon in-service date of October 1, 2011, and 2.) authorized variable O&M non-fuel costs, calculated by multiplying the authorized variable O&M rate times the MWh generated.
- h. A credit entry equal to any revenues received from the ISO for reliability must run (RMR) contract.
- i. A credit entry equal to the revenue billed during the month from the NGBA rate, net of franchise fees and uncollectibles.
- j. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 6.a. through 6.j. at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15. or its successor.

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7. Disposition

Disposition of the balance in the NGBA shall be addressed as part of the Utility's annual consolidated electric rate change filed via advice letter in December of each year.

8. SONGS Major Additions Adjustment Clause (MAAC) Subaccount

- a. Purpose: The purpose of the SONGS MAAC Subaccount is to record SDG&E's authorized revenue requirement associated with its share of the SONGS Unit 2 and Unit 3 steam generator installation costs, the associated capital-related expenses, and any remaining, unrecovered actual disposal/removal costs of the original steam generators in compliance with D.06-11-026.

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b. Accounting Procedure:

i. The SONGS MAAC Subaccount shall contain a SONGS Unit 2 Subaccount and a SONGS Unit 3 Subaccount.

ii. SDG&E shall maintain the SONGS MAAC Subaccount by making entries to the SONGS Unit 2 & 3 Subaccounts at the end of each month as follows:

1. A debit entry equal to 1/12 of the authorized annual revenue requirement associated with its share of the replacement steam generator installation costs including O&M, depreciation expense, authorized return and all applicable taxes for each unit as of the date of operation of each unit in the year of commercial operation.
2. A debit entry equal to 1/12 of the authorized annual revenue requirement associated with its share of the remaining balance of its share of the removal and disposal costs of the original steam generators for each unit including O&M, depreciation expense, authorized return and all applicable taxes for each unit as of the date of disposal for each unit in the year of commercial operation.
3. An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

iii. At the end of the year, following commercial operation of each unit, a credit entry to transfer the balance in the Subaccount to the ongoing Non-fuel Generation Balancing Account (NGBA) for cost recovery.

c. Disposition: The balance in the SONGS MAAC Subaccount will be transferred to the ongoing Non-Fuel Generation Balancing Account (NGBA) at the end of each year following commercial operation of each unit and included as part of SDG&E's annual NGBA advice letter filing.

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