

APPENDIX VIII

ATTACHMENT 1

FORMULA RATE PROTOCOLS

A. INTRODUCTION

This Attachment sets forth details with respect to the determination each year of San Diego Gas & Electric Company's ("SDG&E") Base Transmission Revenue Requirements ("BTRR") used to derive the charges assessed by SDG&E to its End Use Customers ("BTRR_{EU}") and SDG&E's BTRR used to derive the transmission charges assessed by SDG&E pursuant to its Transmission Owner ("TO") Tariff and by the California Independent System Operator Corporation ("CAISO") pursuant to the CAISO Tariff ("BTRR_{CAISO}"). SDG&E's Fifth TO Formula ("TO5 Formula") rate mechanism consists of Appendix VIII of SDG&E's TO Tariff and its two attachments: the Formula Rate Protocols ("Protocols") (Attachment 1) and the Formula Rate Spreadsheet (Attachment 2). Capitalized terms shall have the meaning ascribed to them herein or in Appendix VIII of SDG&E's TO Tariff.

The BTRR_{EU} and BTRR_{CAISO} for each Rate Effective Period will consist of the following four parts:

- (i) the Prior Year Revenue Requirements ("PYRR");
- (ii) the Forecast Period Capital Addition Revenue Requirements ("FC");
- (iii) a True-Up Adjustment; and
- (iv) an Interest True-Up Adjustment.

The PYRR, FC and True-Up Adjustment, including the Interest True-Up Adjustment, shall be designed to quantify SDG&E's cost to own, operate and maintain its transmission facilities.

The PYRR will be an annual calculation based on the previous calendar year's data as shown in SDG&E's Federal Energy Regulatory Commission ("FERC" or the "Commission") Form No. 1: Annual Report of Major Electric Utilities, Licensees, and Others ("Form 1") for that year and underlying ledger accounts. SDG&E shall make available the data reflected in the underlying ledger accounts used to determine SDG&E's PYRR in the annual Informational Filing described below. CPUC Intervenor Funding Expense, South Georgia tax impacts, and uncollectibles will be recovered as a component of PYRR for End Use Customers, but not for CAISO customers. The FC component will be an annual calculation based on an estimate of the revenue requirement associated with the transmission-related plant investments expected to be placed in service during the Forecast Period.

SDG&E shall calculate its BTRRs¹ using the formula rate that is presented in the Formula Rate Spreadsheet. The Formula Rate Spreadsheet contains fixed formulae that are described in Appendix VIII. If there is any conflict between the provisions of Appendix VIII and the Formula Rate Spreadsheet, the Formula Rate Spreadsheet shall control. The fixed formulae in the Formula Rate Spreadsheet are subject to change only pursuant to Sections 205 and 206 of the Federal Power Act ("FPA") and will be populated with data from SDG&E's annual Form 1 filing or SDG&E's underlying ledger accounts. Information in the Reference sections and footnotes of the Formula Rate Spreadsheet may, however, be changed without a Section 205 or Section 206 filing.² The sources of the data used in the TO5 Formula will be: (a)

¹ The term "BTRRs" includes the $BTRR_{EU}$ and the $BTRR_{CAISO}$ that are calculated in each annual update.

² SDG&E will document any modifications to the Reference sections and footnotes of the Formula Rate Spreadsheet in the transmittal letter accompanying the Draft Informational Filing, and all persons retain the rights to protest any such changes.

identified in the Formula Rate Spreadsheet by fixed references to specific locations in FERC Form No. 1, or (b) provided by SDG&E in accordance with Section C of these Protocols.

B. TERM OF SDG&E'S TO5 FORMULA

1. Effective Date

The Retail and Wholesale transmission rates for Cycle 1 shall become effective on June 1, 2019 and shall be re-determined annually thereafter in accordance with these Protocols and the TO5 Formula to become effective on January 1 through December 31 of the rate year.

The TO5 Formula shall be in effect from June 1, 2019 and each year thereafter, unless the Commission modifies or replaces the TO5 Formula. Notwithstanding the following, the existing rates in effect at the time the TO5 Formula terminates shall remain in effect until superseded by subsequent Commission-approved rates.

2. Return on Equity Moratorium

There shall be a moratorium on SDG&E and Intervenors that prohibits Section 205 or Section 206 filings seeking to change the Return on Equity component (both the Return on Common Equity on Statement AV, page 1, line 32, and the Incentive Return on Common Equity, on Statement AV, page 2, line 1), with the exception of the 50-basis point adder for CAISO membership, of the TO5 formula through June 30, 2021.

3. Notice of Termination

Each party to SDG&E's TO5 Formula rate filing proceeding at FERC (referred to collectively as "Parties" and individually as a "Party"), whether the Cycle 1 filing or subsequent Annual Informational Filings, and SDG&E, shall each have a right to terminate the TO5 Formula, to be exercised on an annual basis, by providing notice to SDG&E and to each party no later than June 30, 2021 or any year thereafter ("Notice of Termination"). Following the Notice of Termination, SDG&E shall file a successor rate pursuant to Section 205, which shall include a

request for an effective date that is January 1 of the upcoming year. All Parties retain their full rights to oppose the filing.

4. Final True-Up Adjustment

After termination of the TO5 Formula, SDG&E shall calculate a Final True-Up Adjustment. The Final True-Up Adjustment shall cover the period of time ending on the date the TO5 Formula terminated and beginning on the day after the period covered by the most recent Annual True-Up Adjustment that was included in the BTRRs. The Final True-Up Adjustment shall be determined using the same calculation methodology as the Annual True-Up Adjustment and shall be applied to the next successor rate.

C. PROCEDURES FOR UPDATING THE BASE TRR

SDG&E shall update its BTRRs according to the timelines and procedures described in this Section. A summary of the procedures for updating the BTRRs is set forth below.

Event	Date
Posting of Draft Informational Filing	July 1
Informational Requests	July 1 – October 31
Draft Informational Filing Meeting	On or before August 7
Annual Informational Filing	On or before December 1

SDG&E will update the BTRR in each cycle as follows:

TO5 Cycle 1

Rate Effective Period	June 1, 2019 – December 31, 2019
Base Period	12 Months ended December 31, 2017
Forecast Period	24 Months, January 2018 - December 2019
TU Adjustment	2017 calendar year applicable to TO4 Cycle 4
Interest TU Adjustment	January 1, 2017 – December 31, 2018

TO5 Cycle 2

Rate Effective Period	January 1, 2020 – December 31, 2020
Base Period	12 Months ended December 31, 2018
Forecast Period	24 Months, January 2019 - December 2020
TU Adjustment	2018 calendar year applicable to TO4 Cycle 5
Interest TU Adjustment	January 1, 2018 – December 31, 2019

TO5 Cycle 3

Rate Effective Period	January 1, 2021 – December 31, 2021
Base Period	12 Months ended December 31, 2019
Forecast Period	24 Months, January 2020 - December 2021
TU Adjustment	2019 calendar year applicable to TO5 Cycle 1
Interest TU Adjustment	January 1, 2019 – December 31, 2020

After Cycle 3, successive TO5 cycles will be consistent with Cycle 3 with regards to timing and the length of the Base Period, Forecast Period, TU Period, and Rate Effective Period.

1. Draft Informational Filing

On or before July 1 of each year, SDG&E shall post on its OASIS at <https://www.sdge.com/rates-and-regulations/tariff-information/open-access-ferc-tariffs>, a draft of the Informational Filing (the “Draft Informational Filing”) for review, comment and discussion prior to filing the Informational Filing at FERC on December 1. SDG&E will provide electronic notice of its posting to the Service List.³

³ The “Service List” includes: (1) any state regulatory agency with jurisdiction over SDG&E’s rates, charges or services; (2) any consumer advocacy agencies and attorneys general in a state with a regulatory agency that has jurisdiction over SDG&E’s rates; (3) any person or entity admitted as a party in the FERC proceedings concerning SDG&E’s TO5 Formula rate tariff filing; and (4) any person or entity admitted as a party in any Annual Informational Filing proceeding filed by SDG&E in accordance with these Protocols. For purposes of communications with parties on the Service List, SDG&E will include the individuals on the service list in in the FERC proceedings concerning SDG&E’s TO5 Formula rate tariff filing and parties that are admitted in future FERC proceedings

The Draft Informational Filing shall include the following:

- a. The populated version of the Formula Rate Spreadsheet itself.
- b. Workpapers supporting all inputs that are not taken from the FERC Form No. 1. SDG&E will document any modifications to or elimination of the workpapers in the transmittal letter accompanying the Draft Informational Filing, and all persons retain the rights to protest any such changes.
- c. Data and calculations for items such as ADIT that require adjustments from FERC Form No. 1 data, Taxes Other Than Income taxes, prepayments that may require plant-related and labor-related sub-amounts, certain A&G items, revenue credits and rate divisors, and thirteen-month balances.
- d. Identification and explanation of any material changes, such as a description of any Material Accounting Changes.⁴
- e. Identification and explanation of any aspects of the TO5 Formula rate or its inputs that are the subject of an ongoing dispute in any FERC proceeding on a prior Informational Filing.

involving SDG&E's Annual Informational Filings. Any references to an "Interested Party" in these Protocols shall include the Service List or any customer of SDG&E.

⁴ "Material Accounting Changes" shall mean any change in SDG&E's (i) accounting policies and practices from those in effect for the Rate Effective Year upon which the immediately preceding Annual Informational Filing was based, including changes in estimation methods or policies and/or adoption of any new accounting standard or policy; (ii) internal corporate cost allocation policies or practices from those policies and/or practices in effect for the Rate Effective Year upon which the immediately preceding Informational Filing was based; or (iii) changes to income tax elections.

2. Draft Informational Filing Meeting

SDG&E will provide notice to Interested Parties of a one-day meeting to take place on or before August 7 of each year to discuss any details or questions regarding SDG&E's Draft Informational Filing. By mutual agreement of SDG&E and Interested Parties, such meeting may take place in-person, via telephone, or video-conference. SDG&E shall make appropriate personnel available for such meeting. Additional meetings to discuss the Draft Informational Filing shall be scheduled as SDG&E and the Interested Parties may mutually agree.

3. Information Requests

- a. Interested Parties may submit reasonable information requests to SDG&E regarding the Draft Informational Filing.
- b. SDG&E shall make a good faith effort to respond to information requests in writing within 10 business days of receipt, or sooner depending on the timing of the information requests. SDG&E shall contemporaneously provide copies of all responses to all parties on the Service List that have indicated to SDG&E that they wish to receive such copies. SDG&E and the Interested Party serving the information request on SDG&E will work cooperatively and in good faith to resolve any questions, objections, or disputes relating to the information requests.
- c. Responses to information requests shall not be designated as settlement communications or produced under the Commission's rules and regulations governing settlements, unless provided as a privileged settlement communication in a Commission proceeding being conducted under the Commission's settlement rules. SDG&E may mark materials provided in response to an information request as Protected Materials in

accordance with the Protective Order adopted in the FERC proceedings concerning SDG&E's TO5 Formula rate tariff filing ("Protective Order"). Interested Parties will have all rights provided to them under the Protective Order to challenge SDG&E's classification of any materials as Protected Materials. To the extent an information request response calls for the production of Protected Materials, SDG&E will provide such materials only to the parties that have signed non-disclosure certificates agreeing to abide by the terms of the Protective Order.⁵

- d. To the extent SDG&E and any Interested Party are unable to resolve disputes related to information requests submitted in accordance with these protocols, SDG&E or any Interested Party may petition the FERC to appoint an Administrative Law Judge as a discovery master after reasonable attempts to resolve the dispute have been made by SDG&E and any Interested Party. Neither SDG&E nor any Interested Party shall object to a request for a discovery master. The discovery master shall have the authority to issue binding orders to resolve discovery disputes and compel the production of discovery, if appropriate, in accordance with the Protocols and consistent with FERC's discovery rules. The discovery master's orders shall be subject to appeal to the Commission and to the courts to the same extent and under the same rules as would be applicable to an Initial Decision issued under Rule 708 of the Commission's Rules of

⁵ Nothing in these Protocols limits the CPUC's statutory or Constitutional authority to seek information from SDG&E.

Practice and Procedure. In the event the Commission establishes hearing or settlement procedures for an Annual Informational Filing, the discovery master's responsibility shall be transferred to the Presiding Judge for such hearing or settlement procedures, effective upon his or her appointment.

4. Annual Informational Filing

a. SDG&E shall submit to the Commission on or before December 1 of each year, starting in 2019, an Annual Informational Filing (the "Informational Filing") showing the rates to be in effect for the Rate Effective Period of the succeeding calendar year. The information provided in the Draft Informational Filing procedures (C.1.a through e. of these Protocols) shall also be included in the Annual Informational Filing, modified as necessary to reflect any changes resulting from the Draft Informational Filing procedures. Further, the Informational Filing shall show:

- (i) for the PYRR for the Base Period, each of the thirteen monthly balances (and thirteen-month average of those balances) for transmission plant investment and the transmission plant retirements, reclassifications or additions reflected in each monthly balance; and
- (ii) for the Forecast Period, any weighted forecast plant additions to transmission-related plant net of forecast retirements and reclassifications of Transmission Plant anticipated during that Forecast Period.

b. It is expressly intended by these Protocols that the Commission will issue public notice of the Informational Filing inviting public comment, and

SDG&E shall request in its Informational Filing that the Commission issue public notice of the Informational Filing inviting public comment.

- c. The Informational Filing shall not modify the TO5 Formula set forth in Appendix VIII and shall not constitute a rate change under Section 205 of the FPA. The Informational Filing shall not subject the TO5 Formula to modification.
- d. Any person may comment on or protest the Informational Filing. Any person may request that FERC establish hearing and/or settlement procedures regarding an Informational Filing, and all Parties to the FERC proceedings concerning SDG&E's TO5 Formula rate tariff filing reserve their rights to oppose such requests on their merits. More particularly, any person may challenge the justness and reasonableness of SDG&E's implementation of the TO5 Formula with respect to such matters as:
 - (i) whether the costs and expenditures included for recovery have been or will be prudently incurred, consistent with Commission precedent regarding prudence;
 - (ii) whether SDG&E has properly and reasonably applied the TO5 Formula as described in Appendix VIII, the Formula Rate Spreadsheet and these Protocols;
 - (iii) whether the costs to be recovered through the BTRRs have been accurately stated, properly recorded and accounted for pursuant to applicable FERC accounting rules, and are consistent with the formula;

- (iv) whether SDG&E's calculation methodologies are consistent with the formula;
 - (v) whether any Material Accounting Changes are reasonable and consistent with applicable FERC accounting rules; and
 - (vi) whether forecasts and projections have been reasonably made.
- e. Nothing in these Protocols shall act as a bar to a person raising an issue in comments or in protests to the Informational Filing that it has not raised in a prior Informational Filing proceeding (including pre-filing phases of such proceeding) or with respect to which it has not previously exercised its rights under the FPA.
- f. It is expressly intended by these Protocols that FERC will issue an order taking action, assuming any action is requested, on the Informational Filing if protests and/or comments on the Informational Filing are filed.
- g. In any proceeding on SDG&E's Informational Filing, SDG&E shall bear the burden of showing the justness and reasonableness of the implementation of its TO5 Formula on matters set forth in subsections d. (i) through (vi) above in accordance with Commission precedent.
- h. SDG&E will make any revisions to the BTRRs and associated rates that are required by a final⁶ Commission order with respect to each Informational Filing. Unless otherwise ordered by the Commission, such

⁶ All references in these Protocols to Commission orders or actions refer to the final form of such orders or actions (in accordance with the FPA and applicable Commission regulations, including without limitation Commission regulations with respect to a stay of a Commission order upon rehearing and/or an appeal), including as they may be modified as a result of a request for rehearing or Court appeal.

revisions shall be effective as of the first day of the applicable Rate Effective Year and shall be reflected, with interest calculated pursuant to the interest rates in Section 35.19a of the Commission's regulations, in the next subsequent Informational Filing as a component of the True-Up Adjustment. If the term of the TO5 Formula is ending so that there will be no future Informational Filing, SDG&E shall include the TRR difference in the Final True-Up Adjustment.

5. Adjustments to Reflect Correction of Errors

- a. In the event SDG&E or any Interested Party identifies an error in the TO5 Formula or the FERC Form No. 1 data or data based on SDG&E's books and records that is used as an input to the formula, or SDG&E is required by applicable law, a court, or regulatory body to correct an error, and such error affects the True-Up TRR calculated in an Informational Filing, SDG&E shall include in its next subsequent Informational Filing a brief description of the errors included in its prior Informational Filing that must be corrected. Errors include mistakes or omission regarding the values used as inputs to the Formula Rate template, such as arithmetic or computational errors, or errors with respect to established FERC practices or methodologies. Errors shall not include changes of judgment or opinion. SDG&E should inform parties of any identified errors through the transmittal letter accompanying its Draft Informational Filing.
- b. SDG&E's subsequent Informational Filing shall:
 - (i) Recalculate the True-Up TRR for all affected Prior Years;

- (ii) Compare, on a monthly basis, the difference between the initial incorrect True-Up TRR and the revised correct True Up; and
 - (iii) Determine the cumulative amount of the difference in Section C.5.a.ii, including interest calculated pursuant to the interest rate in 18 C.F.R. § 35.19a, through the date of implementation of the correction.
- c. Absent an order requiring refunds outside of the True-Up process, the difference in Section C.5.a.(iii) shall be included as an additional component to SDG&E's True-Up Adjustment in its next Informational Filing or Final True-Up Adjustment, as applicable, as a one-time True-Up Adjustment in accordance with the TO5 Formula.

D. SINGLE-ISSUE FILINGS

1. Post-Employment Benefits Other Than Pensions

If the expense levels for SDG&E's Post-Employment Benefits Other than Pensions ("PBOP"), as recorded in FERC Account No. 926, Employee Pensions and Benefits, change from those expense levels contained in SDG&E's TO5 Filing submitted in connection with SDG&E's TO5 Formula rate tariff filing, then:

- a. SDG&E may make a single-issue filing under Section 205 of the FPA, to recover such changed PBOP expense pursuant to the TO5 Formula; or
- b. Any person may exercise its rights under Section 206 of the FPA to request that the Commission direct SDG&E to reflect any changed PBOP expense pursuant to the TO5 Formula.

- c. SDG&E and/or any other person shall retain full rights to oppose such filings under the FPA and in accordance with the Commission's Rules of Practice and Procedure.
- d. If there is a change from the PBOP expense levels contained in SDG&E's TO5 Filing and SDG&E elects not to make a filing, SDG&E will provide notice of the change to the Service List as part of its Draft Informational Filing.

2. Project-Specific Incentives

If SDG&E requests and is authorized by the Commission to recover project-specific incentives, SDG&E will incorporate the values associated with the approved incentives as a line item in the placeholders set forth in Appendix VIII. Such placeholders will not change absent approval of a separate Section 205 filing seeking such a change.

- a. During the term of the TO5 Formula, SDG&E shall have the right to seek transmission project-specific incentives, and all persons shall retain their rights to oppose the requested incentives. The following conditions on SDG&E's right to seek incentives shall apply:
- b. SDG&E may not seek to include construction work in progress ("CWIP") in rate base except for any transmission project for which construction commenced in good faith during the term of the TO5 Formula. For any project for which the Commission grants SDG&E a CWIP incentive, SDG&E will reflect an Allowance for Funds Used During Construction ("AFUDC"), rather than 100% of CWIP, on project costs incurred prior to the date SDG&E obtains: (i) any required licensing approval from the

CPUC for the project; and (ii) CAISO approval for the project through the applicable CAISO planning or interconnection process.

- c. SDG&E may not seek to recover 100% of prudently-incurred abandoned plant costs except for any transmission project for which construction commenced in good faith during the term of the TO5 Formula. Further, for any transmission project that requires CAISO approval, SDG&E may not seek to recover 100% of prudently-incurred abandoned plant costs unless the project is included in the CAISO transmission plan.

3. FERC Form No. 1

SDG&E may make a single-issue Section 205 filing to update the references in the TO5 Formula to reflect any changes to the format and/or content of the FERC Form No. 1 or the Uniform System of Accounts that affect the calculations set forth in the TO5 Formula in the event that a Commission order revises the format and/or content of the FERC Form No. 1 or the Uniform System of Accounts. This filing shall be submitted within thirty days of any FERC decision to revise the FERC Form No. 1 or the Uniform System of Accounts, and shall be effective on the same date as the revisions to the FERC Form No. 1 or Uniform System of Accounts, as applicable, become effective. All persons retain full rights to oppose such filing under the FPA and in accordance with the Commission's Rules of Practice and Procedure. If there is a change to the format and/or content of the FERC Form No. 1 or the Uniform System of Accounts that affects the calculations set forth in the TO5 Formula, and SDG&E elects not to make a filing, SDG&E will provide notice of the change to the Service List as part of its Draft Informational Filing. Information in the Reference sections and footnotes of the Formula Rate Spreadsheet may, however, be changed without a Section 205 or Section 206 filing. SDG&E will document any modifications to the Reference sections and footnotes of the Formula Rate

Spreadsheet in the transmittal letter accompanying the Draft Informational Filing, and all persons retain the rights to protest any such changes.

4. Abandoned Plant for Non-Incentive Projects

SDG&E reserves the right to make a single-issue Section 205 filing to seek recovery of abandoned project costs for non-incentive projects. All persons retain full rights to oppose such filing under the FPA and in accordance with the Commission's Rules of Practice and Procedure.

5. Depreciation Rates and/or Amortization Periods for General Plant, Common Plant and/or Intangible Plant

SDG&E reserves the right to make a single-issue Section 205 filing to change the depreciation rates for General Plant and Common Plant and the amortization periods for Intangible Plant upon approval by the CPUC of revised depreciation rates and/or amortization periods for these plant categories. SDG&E shall make a filing at the Commission, as set forth in this section, by the later of either the filing date for the next Informational Filing following issuance of the CPUC ruling or sixty days after issuance of the CPUC ruling. All persons retain full rights to oppose such filing under the FPA and in accordance with the Commission's Rules of Practice and Procedure. If there is a change in the depreciation rates for General Plant and Common Plant and/or in the amortization periods for Intangible Plant, and SDG&E elects not to make a filing, SDG&E will provide notice of the change to the Service List as part of its Draft Informational Filing. However, SDG&E will not then be able to incorporate the CPUC-approved change in its TO5 Formula.

6. Restriction on Single-Issue Filings

Unless otherwise provided for in this Section D., SDG&E may not make single-issue filings during the term of the TO5 Formula. Further, the Parties recognize that the Commission is not bound by single-issue filings and may at its discretion broaden the scope of the filing.

E. TRUE-UP ADJUSTMENT

The True-Up Adjustment for each True-Up Period will be a reconciliation of the difference between:

1. SDG&E's actual cost of providing transmission service during the applicable True-Up Period as determined by application of the PYRR component of the TO5 Formula; and
2. Actual revenues billed by SDG&E and paid by transmission customers for transmission service during the True-Up Period.

The True-Up Adjustment shall be calculated in accordance with the Formula Rate Spreadsheet.⁷

F. USE OF INFORMATION

Information produced pursuant to these Protocols may be used in any administrative or judicial proceeding; provided, however, that to the extent that any information provided pursuant to these Protocols has been designated and provided as Protected Materials, the use of such information shall be governed by the Protective Order. This section shall not apply to any information provided in the course of Commission-established settlement proceedings pursuant to the Commission's rules and regulations governing settlement.

G. RESERVATION OF RIGHTS

1. Nothing in these Protocols shall limit or shall be deemed to limit in any way the right of any Interested Party to file a request for relief under any

⁷ The End Use Customer and CAISO wholesale True-Up cost of service will be derived pursuant to Attachment 1. The End Use Customer recorded revenues used to derive the End Use Customer True-Up Adjustment will come from the books of SDG&E.

applicable provision of the FPA and/or the Commission's regulations or to participate in Informational Filing proceedings.

2. Except as set forth in Sections B and D above, nothing in these Protocols shall be deemed to limit in any way SDG&E's right to file unilaterally, pursuant to Section 205 of the FPA and the regulations thereunder, to seek to change or cancel the TO5 Formula, or to submit any other request for relief under any applicable provision of the FPA and/or the Commission's regulations.
3. Except as set forth in Section B above, nothing in these Protocols shall be deemed to limit in any way the Interested Parties' rights to unilaterally, pursuant to Section 206 of the Federal Power Act and the regulations thereunder, to seek to change or cancel the TO5 Formula, or submit any other requests for relief under any applicable provisions of the FPA and/or the Commission's regulations.