

San Diego Gas & Electric Company
Southern California Gas Company
Application 09-08-020



Wildfire Expense Balancing Account (WEBA) Application

Public Participation Hearing

April 5, 2012
San Diego, California

WEBA proposal

- Proposed mechanism for possible future rate recovery of wildfire-related claims and litigation costs not recovered from insurers, third parties, or through FERC rates (Excess Wildfire Costs)
- Would apply to Excess Wildfire Costs from 2007 wildfires
- Would also cover Excess Wildfire Costs from future large wildfires, if any, involving SDG&E and SoCalGas equipment and facilities

WEBA proposal (continued)

- No rate recovery in this proceeding; SDG&E would need to file a separate WEBA application with the CPUC
- CPUC would determine the cost “categories”
 - Category A: (inverse condemnation/strict liability) = 100% rate recovery
 - Category B: 95% customer/5% utility sharing to cap of \$30 million in 12-month period; 100% recovery after cap reached
 - Category C: (reckless/willful misconduct by execs) = 0% recovery through WEBA mechanism
- No rate recovery without a CPUC categorization decision

WEBA Alternative Proposal

- No categorization
- Instead, all Excess Wildfire Costs from large wildfires simply shared 90/10 between customers and SDG&E
- Not our preferred option; responds to concerns from parties about our original proposal
- Based on 90/10 statewide mechanism for hazardous waste cleanup costs adopted by the CPUC in 1994

Estimate of 2007 wildfire costs

- Estimated costs = costs to date - \$1.1 billion of insurance coverage – over \$450 million of third party recoveries + estimated future costs (estimate changes quarterly)
- The estimate of 2007 Excess Wildfire Costs to be recovered through WEBA is approximately \$500 million
- All figures based on SDG&E's SEC 10-K filing dated 2/28/12
- This amount could increase if claims costs are higher than anticipated, or decrease if SDG&E obtains recoveries from additional third parties
- Actual wildfire costs paid in excess of insurance and third party recoveries are \$62 million

Potential effect on customer rates

- Too early to determine the actual effect on CPUC rates/bills
- CPUC rate/bill impact will be based on actual 2007 Excess Wildfire Costs, which won't be known for some time
- Rate impact will also depend on how long the costs are included in rates – SDG&E will ask to spread the rate recovery over time to mitigate the impact on customers' bills

For illustration only:

- If actual 2007 Excess Wildfire Costs = \$500 million, and costs are spread over 4 years, impact would be approximately \$3-\$4/month added to typical bill of 500 kilowatt-hours

