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May 29, 2015

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: San Diego Gas & Electric Company, Fourth Annual Informational Filing
under the Appendix X Formula of the Transmission Owner Tariff, Docket
No. ER15-___**

Dear Secretary Bose:

Pursuant to the Appendix X Formula (“Appendix X”)¹ of San Diego Gas & Electric Company’s (“SDG&E”) Transmission Owner (“TO”) Tariff, SDG&E hereby submits for informational purposes its Fourth Informational Filing, *i.e.*, Cycle 4,² with a proposed effective date of June 1, 2015.

Because this Filing is provided for informational purposes pursuant to Appendix X of SDG&E’s TO Tariff, it is not subject to the requirements of Section 205 of the Federal Power Act, 16 U.S.C. §824d.

I. BACKGROUND

Citizens Sunrise Transmission, LLC (“Citizens”), a wholly-owned subsidiary of Citizens Energy Corporation, has leased 50% of the transfer capability of the Border East Line³ of the

¹ The Commission initially approved the Appendix X Formula in *San Diego Gas & Electric Company, Order Conditionally Accepting Tariff Revision*, 139 FERC ¶61,188 (June 8, 2012) and *Letter Order*, 141 FERC ¶61,054 (October 19, 2012). Subsequently, the Commission approved proposed modifications to Appendix X in Docket No. ER13-1866 in *Letter Order*, 144 FERC ¶61,144 (August 22, 2013). Further proposed modifications to the Appendix X Formula are pending Commission action in Docket No. ER15-1410.

² The term “Cycle” refers to the particular annual informational filing being made under the Appendix X Formula. All capitalized terms have the meaning provided in the Appendix X Formula or in this Filing.

³ The Border East Line segment leased to Citizens is located between SDG&E’s Imperial Valley substation and the San Diego County line.

Sunrise Powerlink Transmission Project (“Sunrise”).⁴ Appendix X was designed to ensure that Citizens pays its fair share of operation and maintenance expenses attributable to the Border East Line segment that Citizens leases.

Citizens prepaid SDG&E \$85.194 million in exchange for a 30-year entitlement to 50% of the Border East Line’s transfer capability effectuated through a lease arrangement. SDG&E operates and maintains the Border-East Line for Citizens for a charge, *i.e.*, the Border East Line Rate.⁵

The Appendix X Formula sets forth a formula rate for the service that SDG&E provides on behalf of Citizens. The applicable charge for each Rate Effective Period is specified annually on the basis of certain recorded costs reflected in an Appendix X Informational Filing that SDG&E is required to file on or before May 30, just prior to June 1, the first day of the Rate Effective Period. Such charge will remain in effect through May 31 of the subsequent year.

Appendix X provides that the Citizens Border East Line Rate shall consist of the following five cost components: (1) Direct Maintenance Expense Cost Component; (2) Non-Direct Expenses Cost Component; (3) Cost Component Containing Other Specific Costs; (4) True-Up Adjustment and (5) Interest True-Up Adjustment. Appendix X further provides that the Citizens Border East Line Rate shall be designed to reflect SDG&E’s cost to own, operate and maintain the Border-East transmission line segment.⁶

The cost components identified above are calculated based on the previous calendar year’s data shown in SDG&E’s FERC Form 1. The True-Up Adjustment cost component for each Rate Effective Period comes from an annual reconciliation of the difference between (a) SDG&E’s actual costs of providing the transmission service during the most recent consecutive twelve-month period (“True-Up Period”) ending December 31 preceding that Rate Effective Period, less (b) actual revenues received from Citizens for transmission services during the True-Up Period.

Appendix X also provides for SDG&E to reflect all Commission directed refunds or adjustments affecting the Border-East Line in the True-Up adjustment.

⁴ Sunrise is a 120-mile, 500 kV transmission line and associated upgrades that will extend from SDG&E’s Imperial Valley substation to load-centers in western San Diego County, California.

⁵ The Commission approved the transaction and established a certain accounting treatment that SDG&E must follow for the Border East Line in *San Diego Gas & Electric Company, Order on Petition for Declaratory Order*, 129 FERC ¶61, 233 (December 17, 2009).

⁶ In Docket No. ER15-1410, SDG&E filed for a one-time, four-month (“4-Month”) True-Up Adjustment. See further discussion in Section VI, hereof.

II. FUTURE MODIFICATIONS TO APPENDIX X RESULTING FROM TO4 SETTLEMENT AGREEMENT

Prior to this Cycle 4 Informational Filing, Appendix X was based upon SDG&E's third TO Formula ("TO3 Formula") rate mechanism's cost allocation procedures. The TO3 Formula terminated by its terms on August 31, 2013 and has been superseded by SDG&E's TO4 Formula rate mechanism.⁷ On March 31, 2015, in Docket No. ER15-1410, SDG&E filed an Appendix X Formula Modification Filing ("FMF") to conform Appendix X to SDG&E's currently-effective Fourth TO Tariff Formula rate mechanism (TO4 Formula). The purpose of the FMF is to ensure that Citizens and SDG&E's transmission customers continue to be allocated costs on the same basis. The FMF is pending Commission action.

The primary conforming changes in the FMF included: (1) a revised return on equity and removal rate, (2) a revised derivation of state and federal income tax expense to permit an amount for Depreciation Expense on Allowance for Funds Used During Construction Equity and (3) a provision permitting SDG&E to correct errors in Informational Filings. These conforming changes are reflected in this Cycle 4 Informational Filing and ensure that costs will continue to be allocated to Citizens and SDG&E's transmission customers on the same basis.

III. SUMMARY OF THE INFORMATIONAL FILING

The Appendix X Formula in this Informational Filing is based upon the following

- a 2014 calendar Base Period, a 2014 True Up Period, and
- a 12-month Rate Effective Period from June 1, 2015 through May 31, 2016.

Based upon the above, the instant filing reflects a total annual charge to Citizens of approximately \$1.242 million ("M"), consisting of the following Formula Cost Components:

(1) Direct Maintenance Expense Cost Component	=	\$0.015 M
(2) Non-Direct Expenses Cost Component	=	\$2.522 M
(3) Cost Component Containing Other Specific Costs	=	\$(0.236) M
(4) True-Up Adjustment	=	\$(1.056) M
(5) Interest True-Up Adjustment	=	\$(0.003) M
TOTAL	=	<u>\$1.242 M</u>

IV. DESCRIPTION OF THE FILING AND LIST OF DOCUMENTS SUBMITTED

This Informational Filing consists of Volumes 1 and 2. Volume 1 includes this cover letter, the "Appendix-X, Cycle 4 Informational Filing Report," ("Informational Filing Report")

⁷ The Commission approved the TO4 Formula in *San Diego Gas & Electric Company*, 147 FERC ¶61,150 (2014).

and Attachments 1 through 4. Volume 2 includes Attachments 5 and 6. The contents of Volumes 1 and 2 are described more fully below:

- A. Volume 1 – Twelve-Month Base Period and True-Up Adjustment:
 1. Cycle 4 Informational Filing Report, including Exhibit No. SDG-1, summarizing the cost changes between Appendix X under the Existing Formula (TO3) and Appendix X under the Modified Formula (TO4);
 2. Attachment 1 – Summary of Annual and Monthly charges;
 3. Attachment 2 – Derivation of 2014 Base Period/True-Up Period Cost Components (BK2 – Sections 1 through 3);
 4. Attachment 3 – Derivation of the 2014 True-Up Adjustment (BK2 – Sections 4 through 5).
 5. Attachment 4 – 2014 Base Period/True-up Period Cost Statements and Work Papers.
- B. Volume 2 – One Time 4-Month True Up Adjustment:
 1. Attachment 5 – Derivation of the 4-Month True-Up Adjustment (September 1, 2013 through December 31, 2013) – Under the Modified (TO4) and Existing (TO3) Appendix X Formula.
 - a. Section 5A – 4-Month True-Up Adjustment – Modified (TO4) Appendix X (Sections 1-3).
 - b. Section 5B – 4-Month True-Up Adjustment – Existing (TO3) Appendix X (Sections 1-3).
 - c. Section 5C – Derivation of the 4-Month True-Up Cost of Service (Sections 4-5).
 - i. Section 4A – Derivation of the 4-Month True-Up Cost of Service Using the Existing Appendix X Formula.
 - ii. Section 4B – Derivation of the 4-Month True-Up Cost of Service Using the Modified Appendix X Formula.
 - iii. Section 4C – Derivation of the 4-Month True-Up Adjustment based on the outcome between Sections 4A and 4B.

- iv. Section 5 – Derivation of the Interest True-Up Adjustment Applicable to the 4-Month True-Up Adjustment Ending December 31, 2013.
2. Attachment 6 – 4-Month True-Up Adjustment Cost Statements and Work Papers.
 - a. Attachment 6A – Modified (TO4) Appendix X 4-Month True-Up Adjustment Cost Statements and Related Work Papers.
 - b. Attachment 6B – Existing (TO3) Appendix X 4-Month True-Up Adjustment Cost Statements and Related Work Papers.

V. REASONS FOR COST DECREASE

As indicated in Statement BG, which shows a comparison of proposed versus current rates, for the Rate Effective Period the Citizens rate change is a decrease of approximately 73.5%. The primary reasons for this decrease are summarized below and reflected on Exhibit No. SDG-1 and summarized below:

- A. The Non Direct Expense Cost Component of \$2.522 M indicated above decreased by \$.520 M from the Cycle 3 comparable amount of \$3.041⁸ M because the Cycle 4 proposed rates are based upon the Citizens Formula Modification Filing in Docket No. ER15-1410. In addition, the decrease was also caused by lower Operation and Maintenance and Administrative and General expenses, and a lower transmission labor ratio allocation factor.
- B. The Cost Component Containing Other Specific Costs of \$<0.236> M decreased by \$<579,000> because the cost of the removal rate component of the depreciation expense was changed to zero.
- C. The Cycle 4 True-Up Adjustment Cost Component decreased by a combined total of \$<2.350M> to reflect the conforming changes and the lower O&M, A&G and transmission labor ratio allocation factor.

VI. ONE-TIME 4-MONTH TRUE-UP ADJUSTMENT CALCULATION FOR SEPTEMBER 1, 2013 THROUGH DECEMBER 31, 2013

In Section III.D.2 of the FMF, SDG&E filed for a “One-Time Four Month True-Up Adjustment” (“4-Month True-Up Adjustment”) to conform the Appendix X Formula from SDG&E’s TO3 Formula to SDG&E’s TO4 Formula. The TO4 Formula became effective

⁸ See SDG&E’s Cycle 3 Citizens formula filing that was filed May 28, 2014 in Docket No. ER14-2057-000; Non Direct Expense Cost Component = \$3.041 M. Thus, \$2.522 M - \$3.041M = \$.520 M.

September 1, 2013.⁹ The 4-Month True-Up Adjustment is intended solely to conform the Appendix X Formula to SDG&E's TO4 Formula. No other changes, modifications or adjustments are included in this 4-Month True-Up Adjustment. Nor does this 4-Month True-Up Adjustment result in any double recoveries or raise any new issues beyond those associated with conforming the Appendix X Formula to SDG&E's TO4 Formula.

VII. SERVICE

Copies of this Filing are being served on all parties to Docket Nos. ER14-2057 and ER15-1410. Copies are also being served on the California Public Utilities Commission, the CAISO, Pacific Gas and Electric Company, Southern California Edison Company and other participating transmission owners that have transferred operational control over their transmission facilities and entitlements to the CAISO.

VIII. COMMUNICATIONS

Correspondence and other communications concerning this Informational Filing should be addressed to:¹⁰

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⁹ Section III.D.2. of Appendix X provides:

2. Derivation of a One-Time Four Month (September 1-December 31, 2013) True-Up Adjustment

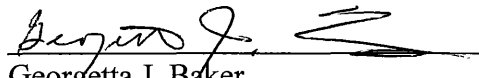
The derivation of the Four Month True-Up Adjustment shall be calculated as follows:
The sum of Citizens monthly recorded rate revenue for the four months of September 1, 2013 to December 31, 2013, excluding the True-Up Adjustment and Interest True-Up Adjustment for the 4 [M]onth True-Up, minus the 4-Month True-[Up] Cost of Service for the same 4 [Month] True-Up Period.

¹⁰ SDG&E requests waiver of Rule 203(b)(3) to the extent necessary to permit each of the individuals identified above to be placed on the Commission's official service list in this proceeding.

Kimberly D. Bose, Secretary
May 29, 2015
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Respectfully submitted,



Georgetta J. Baker
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San Diego Gas & Electric Company

Enclosures

cc: Donald Allen (Citizens)
Ashley Bond (Citizens)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served an electronic copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in Docket Nos. ER14-2057 and ER15-1410. In addition, I certify that I have also caused the foregoing to be served upon the following:

Arocles Aguilar (*via Overnight Mail*)
General Counsel
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Roger Collanton (*via Overnight Mail*)
General Counsel
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Dated at San Diego, California, this 29th of May, 2015.

/s/ Tamara Grabowski

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