

# **San Diego Gas & Electric Company**

## **Appendix XII Formula Rate Protocols Revision Filing**

Transmittal Letter; Revised Attachment  
1 - Formula Rate Protocols with  
Redlined Comparison

**June 27, 2019**

**Docket No. ER19-\_\_\_\_\_**

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June 27, 2019

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,  
 Docket No. ER19-1513-000  
 Amendment to Filing and Response to Deficiency Letter

Dear Secretary Bose:

San Diego Gas & Electric Company (“SDG&E”) respectfully submits revisions to the proposed Appendix XII to its Transmission Owner Tariff (“TO Tariff”) it submitted in this Docket on April 2, 2019. Specifically, SDG&E here proposes revisions to the Formula Rate Protocols included in Attachment 1 to Appendix XII of its TO Tariff. SDG&E submits these revised documents in response to the Federal Energy Regulatory Commission’s (“Commission”) letter dated May 28, 2019, requesting additional information regarding SDG&E’s proposed Formula Rate Protocols (the “Deficiency Letter”). As discussed in more detail below, SDG&E’s revised Formula Rate Protocols respond to the Deficiency Letter’s concerns about scope, transparency, and challenge procedures, and are modeled on protocols the Commission has adopted in other dockets.<sup>1</sup>

## **I. BACKGROUND**

On April 2, 2019, pursuant to Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d, and Part 35.12 of the Commission’s Regulations, SDG&E submitted an Appendix XII to its currently effective TO Tariff. Appendix XII establishes a Formula for calculating the rate that SDG&E will charge Citizens Sycamore-Penasquitos Transmission LLC (“Citizens”), a wholly owned subsidiary of Citizens Energy Corporation (“Citizens Energy”), for its lease of transfer

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<sup>1</sup> Additionally, in this filing SDG&E has removed as unnecessary language concerning the timing of the Cycle 1 filing.

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capability in a portion of the underground segment of the Sycamore-Peñasquitos 230 kV Transmission Project (“SX-PQ”).<sup>2</sup> SDG&E proposed an effective date of June 1, 2019.

Appendix XII sets forth the ratemaking methodology for SDG&E to calculate the rate that it will charge to Citizens for the Transfer Capability Lease (“Lease” or “Lease Agreement”). Upon the closing of this transaction,<sup>3</sup> Citizens will prepay to SDG&E \$27 million for a 30-year leasehold entitlement to 13.1% of the SX-PQ underground line segment’s<sup>4</sup> transfer capability. SDG&E will operate and maintain the underground line segment in which Citizens is leasing transfer capability and will allocate to Citizens a portion of the costs via the Citizens SX-PQ Line Rate. SDG&E’s accounting related to this transaction reflects the accounting treatment established with respect to another transfer capability lease.<sup>5</sup>

The Appendix XII Formula sets forth the way in which SDG&E will develop its rate for Citizens on the basis of certain recorded costs that SDG&E will file on or before October 31 of each year. Such charge will remain in effect through December 31 of the subsequent year. To the extent that SDG&E’s TO5 Formula Rate will be modified through settlement or in the future, *e.g.*, in a TO6 Formula, the proposed Appendix XII will be modified accordingly.

The proposed Appendix XII provides that the Citizens SX-PQ Line Rate shall consist of the following six parts: (i) the Direct Maintenance Expense Cost Component; (ii) the Non-Direct Expenses Cost Component; (iii) the Cost Component Containing Other Specific Expenses; (iv) the True-Up Adjustment Cost Component; (v) the Interest True-Up Adjustment Cost Component; and (vi) Other Adjustments. Appendix XII further provides that the Citizens SX-PQ Line Rate be designed to reflect SDG&E’s cost to own, operate, and maintain the SX-PQ underground line segment.

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<sup>2</sup> SX-PQ is comprised of a new 230 kV electric transmission line of approximately 14.5 miles between SDG&E’s Sycamore Canyon and Peñasquitos Substations, as well as other system modifications designed to reliably operate the new line.

<sup>3</sup> At the time SDG&E submitted its initial filing in this docket, SDG&E anticipated that Citizens would make its lease payment concurrent with the proposed effective date of June 1, 2019. SDG&E’s present expectation is that the lease payment will be made shortly after the date the Commission’s order in this proceeding becomes final and non-appealable.

<sup>4</sup> Segment B, the underground segment of the Sycamore to Peñasquitos 230kV Transmission Project, traverses westerly 11.5 miles within city streets along Pomerado Road, crossing Interstate 15, then continues along predominantly secondary streets through the commercial area of the community of Mira Mesa. The alignment transitions back into an overhead position within an existing SDG&E right-of-way along the east side of Interstate 805 at Carroll Canyon Road.

<sup>5</sup> *See generally San Diego Gas & Electric Company*, 129 FERC ¶ 61,233 (2009) (establishing accounting treatment for transfer capability lease in the Sunrise Powerlink Border-East line segment).

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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 is an annual reconciliation of the difference between (a) SDG&E's actual costs of providing the transmission service during that Rate Effective Period, less (b) actual revenues received from Citizens for transmission services during the same period.

On May 28, 2019, the Commission issued a Deficiency Letter requiring SDG&E to address issues relating to scope, transparency, and challenge procedures in its Formula Rate Protocols. In response, SDG&E here proposes revisions to the Formula Rate Protocols included in Attachment 1 to Appendix XII of its TO Tariff. The Formula Rate Protocols, as supplemented here, are intended to satisfy the elements present in formula rate protocols proposed by the GridLiance West Transco LLC and accepted by the Commission in Docket No. ER17-706 (the "GridLiance Protocols").

## II. RESPONSES TO QUESTIONS

The proposed revisions to Attachment 1 to Appendix XII of SDG&E's TO Tariff are intended to address the scope, transparency, and challenge procedures issues identified in the Deficiency Letter. SDG&E addresses each question raised in the Deficiency Letter below.

**1. Please provide the section where SDG&E's proposed Formula Rate Protocols include the definition of interested parties that is consistent with Commission policy, or submit revised tariff records including the definition.**

The Deficiency Letter raised the concern that SDG&E's proposed TO Tariff lacked a definition of "interested parties," which could limit the scope of participation and access to information about the annual updates.<sup>6</sup> SDG&E has revised its proposed Formula Rate Protocols to include the following definition:

For the purposes of these Protocols, the term "Interested Party" includes, but is not limited to, customers under the CAISO [California Independent System Operator] Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.<sup>7</sup>

This definition is modeled on the definition the Commission approved in previous dockets.<sup>8</sup>

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<sup>6</sup> Deficiency Letter at 2.

<sup>7</sup> Revised Attachment 1 to Appendix XII at 5, n.1.

<sup>8</sup> See e.g. *Midcontinent Independent System Operator, Inc.*, 146 FERC ¶ 61,212 (2014) at PP 16, 18 (2014); *GridLiance West Transco LLC*, 163 FERC ¶ 61,203 (2018) (approving settlement).

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To ensure full participation, SDG&E proposes to send the postings required by the Formula Rate Protocols to a “Service List” consisting of the following:

(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 Appendix XII Formula 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 Appendix XII Formula filing and parties that are admitted in future FERC proceedings involving SDG&E’s Annual Informational Filings. For the purposes of these Protocols, the term “Interested Party” includes, but is not limited to, customers under the CAISO Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.<sup>9</sup>

**2. Additionally, explain how the Formula Rate Protocols afford all interested parties adequate opportunity to participate in the information exchange and review processes of the formula rate and its inputs, or submit revised tariff records that provide for this opportunity, consistent with Commission policy.**

The Deficiency Letter raised the concern that SDG&E’s proposed Attachment 1 did not afford all interested parties adequate opportunity to participate in the review process.<sup>10</sup> SDG&E has revised its Attachment 1 to include additional detail concerning scope of participation. Specifically, sections C.1 and C.2 of the revised Attachment 1 to Appendix XII detail the opportunity SDG&E will provide interested parties to participate.

Under section C.1, on or before July 15 of each year, SDG&E will post on its website 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 October 31. SDG&E will provide electronic notice of its posting to the Service List.<sup>11</sup>

Under section C.2, 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

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<sup>9</sup> Revised Attachment 1 to Appendix XII at 5, n.1. *See generally* GridLiance Protocols, Docket No. ER17-706.

<sup>10</sup> Deficiency Letter at 2.

<sup>11</sup> Revised Attachment 1 to Appendix XII at section C.1.

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SDG&E's Draft Informational Filing. Additional meetings to discuss the Draft Informational Filing shall be scheduled as SDG&E and the Interested Parties may mutually agree.<sup>12</sup>

Interested Parties may submit information requests to SDG&E regarding the Draft Informational Filing.<sup>13</sup> 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.<sup>14</sup>

With these revisions, SDG&E believes it has satisfied the Commission's concerns regarding scope.

**3. Please explain why SDG&E's proposed Formula Rate Protocols do not include all of the Commission's required transparency-related provisions, or submit revised tariff records including these provisions.**

The Deficiency Letter raised concerns that SDG&E's proposed Attachment 1 did not provide sufficient transparency to ensure that Interested Parties are provided sufficient information for them to understand and evaluate the implementation of the formula rate.<sup>15</sup> SDG&E has revised its proposed Attachment 1 to include additional transparency-related provisions. Specifically, sections C.1 and C.2 of Attachment 1 to Appendix XII detail the information SDG&E will provide interested parties.

As noted, under section C.1, on or before July 15 of each year, SDG&E will post on its website a Draft Informational Filing for review, comment and discussion prior to the October 31st filing of the Informational Filing with the Commission. SDG&E will provide electronic notice of its posting to the Service List. The Draft Informational Filing will include (a) the populated version of the Formula Rate Spreadsheet, (b) workpapers supporting all inputs that are not taken from the FERC Form 1, (c) identification and explanation of any accounting changes that affect the inputs, and (d) identification and explanation of any aspects of the Appendix XII Formula or its inputs that are subject of an ongoing dispute in any FERC proceeding on a prior Informational Filing.<sup>16</sup> As indicated in response to the previous question, section C.2 of the revised Attachment 1 states that SDG&E will provide notice to Interested Parties of a one-day

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<sup>12</sup> *Id.* at section C.2.

<sup>13</sup> *Id.* at section C.3.b.

<sup>14</sup> *Id.*

<sup>15</sup> Deficiency Letter at 2-3.

<sup>16</sup> Revised Attachment 1 to Appendix XII at section C.1.

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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.<sup>17</sup>

These procedures are based on protocols the Commission has previously approved.<sup>18</sup> With these revisions, SDG&E believes it has addressed the Commission's concerns regarding transparency.

**4. Please explain why SDG&E's proposed Formula Rate Protocols do not include all of the Commission's required provisions implementing challenge procedures, or submit revised tariff records including these provisions.**

The Deficiency Letter raised concerns that SDG&E's proposed TO Tariff did not provide interested parties the ability to challenge SDG&E's annual update and to resolve disputes through straightforward and defined procedures.<sup>19</sup> SDG&E has revised its proposed Attachment 1 to include additional provisions establishing challenge procedures. These procedures are set forth in sections C.1, C.3, and C.4 of the revised Attachment 1 to Appendix XII.

Section C.1 is described in detail in response to previous questions.

Section C.3 addresses Interested Parties' opportunity to request information from SDG&E and to notify SDG&E and to lodge Preliminary Challenge against the Draft Informational Filing. SDG&E shall provide copies of information requests and responses to Preliminary Challenges to all parties on the Service List that have indicated to SDG&E that they wish to receive such copies.

Section C.4 addresses Interested Parties' opportunity to file a Formal Challenge with the Commission. Failure to raise an issue in a Preliminary Challenge will not be a bar to an Interested Party raising that issue in a Formal Challenge so long as the Interested Party submitted a Preliminary Challenge to at least one other issue during the review period.<sup>20</sup> With respect to its informational filing, SDG&E will bear the burden of establishing the justness and reasonableness of the rate resulting from its application of the formula.<sup>21</sup> Unless otherwise specified, section C.3 shall not limit SDG&E's right to make a unilateral Section 205 filing to change its formula or

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<sup>17</sup> *Id.* at section C.2.

<sup>18</sup> *GridLiance West Transco LLC*, 163 FERC ¶ 61,203 (2018) (approving settlement).

<sup>19</sup> Deficiency Letter at 3.

<sup>20</sup> Revised Attachment 1 to Appendix XII at section C.4.b.

<sup>21</sup> *Id.* at section C.4.d.



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any of its inputs. Nor shall section C.3 limit, unless otherwise specified, the right of any other party of the Commission to seek changes pursuant to Section 206 of the FPA.<sup>22</sup>

These procedures are modeled on protocols the Commission has previously approved.<sup>23</sup>

### **III. UNIQUE ELEMENTS OF SDG&E APPENDIX XII FORMULA RATE AND PROTOCOLS**

SDG&E has omitted certain standard protocol provisions from its revised Attachment 1 that SDG&E believes should not apply to the formula rate established by Appendix XII. Specifically, the revised Attachment 1 to Appendix XII does not contain provisions for Construction Work in Progress (“CWIP”), Joint Meetings, or Start-Up Regulatory Assets as contained in the GridLiance protocols. SDG&E will not be building any transmission projects with costs to be recovered under Appendix XII, and therefore SDG&E believes there is no need to address CWIP in these protocols. Similarly, SDG&E’s proposed revisions to Attachment 1 do not include provisions establishing joint meetings among transmission owners, because SDG&E does not anticipate that it will ever need to engage in such joint meetings with respect to Appendix XII. Appendix XII establishes a rate that is and will only be applicable to a single customer holding a leasehold interest to transfer capability in a single project. Finally, SDG&E will not use start-up regulatory assets in this rate and therefore does not believe it is necessary to address this issue in its protocols.

### **IV. SERVICE**

Copies of this Filing are being served on all parties to Docket No. ER19-221, in which SDG&E’s TO5 Formula Tariff filing is pending, in addition to the service list in this docket. To the extent not reflected in the foregoing, copies are also being served on the California Public Utilities Commission, the CAISO, Participating Transmission Owners that have transferred operational control over their transmission facilities and entitlements to the CAISO, and counsel to Citizens.

### **V. COMMUNICATIONS**

Correspondence and other communications concerning this Informational Filing should be addressed to:<sup>24</sup>

Jonathan J. Newlander  
 Senior Counsel  
 San Diego Gas & Electric Company

Will Fuller  
 Case Manager  
 San Diego Gas & Electric Company

<sup>22</sup> *Id.* at section C.4.e.

<sup>23</sup> *GridLiance West Transco LLC*, 163 FERC ¶ 61,203 (2018) (approving settlement).

<sup>24</sup> SDG&E requests waiver of Rule 203(b)(3) to the extent necessary to permit each of these individuals to be placed on the Commission’s official service list in this proceeding.

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Respectfully submitted,

/s/ Jonathan J. Newlander  
Jonathan J. Newlander  
Attorney for  
San Diego Gas & Electric Company

Enclosures

**APPENDIX XII**  
**ATTACHMENT 1**  
**CITIZENS SX-PQ PROTOCOLS**

**A. INTRODUCTION**

This Attachment sets forth details with respect to the determination each year of San Diego Gas & Electric Company's ("SDG&E") SX-PQ Line Rate used to derive the charges assessed by SDG&E to Citizens Sycamore-Penasquitos Transmission LLC ("Citizens"). SDG&E's Appendix XII Formula rate mechanism consists of SDG&E's TO Tariff and two attachments: the Citizens SX-PQ Protocols ("Protocols") (Attachment 1) and the Formula Rate Spreadsheet (Attachment 2). Capitalized terms shall have the meaning ascribed to them herein or in Appendix XII of SDG&E's TO Tariff.

The SX-PQ Line Rate for each Rate Effective Period will consist of the following six parts:

- (i) the Direct Maintenance Expense Cost Component;
- (ii) the Non-Direct Expense Cost Component;
- (iii) the Cost Component Containing Other Specific Expenses;
- (iv) the True-Up Adjustment Cost Component;
- (v) the Interest True-Up Adjustment Cost Component; and
- (vi) Other Adjustments.

These cost components shall be designed to quantify SDG&E's cost to operate and maintain the segment of the SX-PQ transmission line leased to Citizens.

The SX-PQ Line Rate 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 SX-PQ Line Rate in the annual Informational Filing described below.

SDG&E shall calculate its SX-PQ Line Rate using the formula methodology that is presented in the Citizens SX-PQ Formula Rate Spreadsheet. The Formula Rate Spreadsheet contains fixed formulae that are described in Appendix XII. If there is any conflict between the provisions of Appendix XII 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 FERC 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. The sources of the data used in the Citizens SX-PQ Line Rate formula ("Appendix XII Formula") will be: (a) identified in the Formula Rate Spreadsheet by fixed references to specific locations in FERC Form 1, or (b) provided by SDG&E in accordance with Section C of these Protocols.

#### **B. TERM OF SDG&E'S APPENDIX XII FORMULA**

The SX-PQ Line Rate shall initially become effective on June 1, 2019 and shall be re-calculated annually thereafter in accordance with these Protocols and the Appendix XII Formula.

The Appendix XII Formula shall be in effect from June 1, 2019 and each year

thereafter, unless the Commission modifies or replaces SDG&E's Transmission Owner ("TO") Formula. The costing methodology utilized in the Appendix XII Formula reflects the same methodologies reflected in SDG&E's proposed TO5 Formula. Citizens and SDG&E agree that if the costing methodology for the proposed TO5 Formula or any subsequent TO Formula (ex: TO6) is modified and filed, the Appendix XII Formula will be modified accordingly.

After termination of the Appendix XII Formula, SDG&E shall calculate a Final True-Up Adjustment, which will cover the period end date from the most recent true-up and ending on the date the Appendix XII Formula terminated. The Final True-Up Adjustment shall be calculated using the methodology set forth in the Appendix XII Formula in existence during that base period.

### **C. PROCEDURES FOR UPDATING THE SX-PQ LINE RATE**

SDG&E shall update its SX-PQ Line Rate in each cycle according to the timelines described below:

Events	Date
Post of Draft Informational Filing	July 15
Informational Requests	July 15 – October 15
Draft Informational Filing Meeting	On or before August 7
Annual Informational Filing	On or before October 31

**Appendix XII Cycle 1**

Rate Effective Period	June 1, 2019 – December 31, 2019
Base Period	12 Months ended December 31, 2017
True-Up Adjustment	N/A
Interest True-Up Adjustment	N/A

**Appendix XII Cycle 2**

Rate Effective Period	January 1, 2020 – December 31, 2020
Base Period	12 Months ended December 31, 2018
True-Up Adjustment	N/A
Interest True-Up Adjustment	N/A

**Appendix XII Cycle 3**

Rate Effective Period	January 1, 2021 – December 31, 2021
Base Period	12 Months ended December 31, 2019
True-Up Adjustment	June 1, 2019 – December 31, 2019 applicable to Cycle 1
Interest True-Up Adjustment	N/A

**Appendix XII Cycle 4**

Rate Effective Period	January 1, 2022 – December 31, 2022
Base Period	12 Months ended December 31, 2020
True-Up Adjustment	2020 calendar year applicable to Cycle 2
Interest True-Up Adjustment	January 1, 2020 – December 31, 2021

After Cycle 4, successive Appendix XII Formula cycles will be consistent with Cycle 4 with regards to timing and the length of the Base Period, True-Up Period, and Rate Effective Period.

### **1. Draft Informational Filing**

On or before July 15 of each year, SDG&E shall post on its website 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 October 31. SDG&E will provide electronic notice of its posting to the Service List<sup>1</sup>. If the date for making the Draft Informational Filing posting should fall on a weekend or holiday recognized by the FERC, then the posting shall be made on the next business day.

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 1.

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<sup>1</sup> 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 Appendix XII Formula rate mechanism 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 the FERC proceedings concerning SDG&E’s Appendix XII Formula and parties that are admitted in future FERC proceedings involving SDG&E’s Annual Informational Filings. For the purposes of these Protocols, the term “Interested Party” includes, but is not limited to, customers under the CAISO Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.

- c. Identification and explanation of any accounting changes that affect the inputs.
- d. Identification and explanation of any aspects of the Appendix XII Formula or its inputs that are the subject of an ongoing dispute in any FERC proceeding on a prior Informational Filing.

The Draft Informational Filing shall be subject to review and challenge in accordance with the procedures set forth in these Protocols; provided, however, that with respect to the prudence of any costs and expenditures included for recovery in the Informational Filing, nothing in these Protocols is intended to modify the Commission's applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges.

## **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. Review Procedures**

Each Draft Informational Filing provided for in Appendix XII shall be subject to the



following review procedures:

- a. Interested Parties shall have until October 15 to review the calculations and to notify SDG&E in writing of any specific challenges, including but not limited to challenges related to accounting changes, to the Draft Informational Filing (“Preliminary Challenge”). SDG&E shall contemporaneously provide copies of all Preliminary Challenges to all parties on the Service List that have indicated to SDG&E that they wish to receive such copies. SDG&E shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which SDG&E agrees or disagrees with the challenge. If SDG&E disagrees with the Preliminary Challenge, its response shall include supporting documentation. SDG&E shall provide copies of responses to all Preliminary Challenges to all parties on the Service List that have indicated to SDG&E that they wish to receive such copies.
- b. Interested Parties may submit reasonable information requests to SDG&E regarding the Draft Informational Filing. 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 Appendix XII Formula ("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.<sup>2</sup>
- d. To the extent SDG&E and any Interested Party are unable to resolve disputes related to information requests submitted in

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<sup>2</sup> Nothing in these Protocols limits the CPUC's statutory or Constitutional authority to seek information from SDG&E.

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 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.

- e. Information requests, Preliminary Challenges, and Formal Challenges, shall be limited to what is necessary to determine: (1) the extent, effect, or impact of an accounting change; (2) whether the Draft Informational Posting fails to include data properly recorded in accordance with the Protocols; (3) the proper

application of the formula and procedures in the Protocols; (4) the accuracy of the data and consistent with the formulas of the changes shown in the Draft Informational Posting; (5) the prudence of the actual costs; (6) the effect of any change to the underlying USofA or applicable form; and (7) any other information that may reasonably have substantive effect on the calculation pursuant to Appendix XII and this Attachment 1.

- f. If a change made by SDG&E to its accounting policies, practices and procedures, or the application of the formula is found by the FERC to be unjust or unreasonable, then the calculation of the amounts to be assessed during the rate year then under review, and the amounts to be assessed during any subsequent rate years, including any true-up adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the formula continues to operate in a manner that is just and reasonable.

#### **4. Resolution of Challenges**

- a. Interest Parties may file a Preliminary Challenge to the Draft Informational Filing, or a challenge with the FERC ("Formal Challenge"), which shall be serviced on SDG&E by electronic service on the date of such filing. Subject to any applicable

confidentiality and Critical Energy Infrastructure Information restrictions, all information and correspondence produced by SDG&E pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding related to the formula.

Interested Parties may challenge, through a Formal Challenge, the justness and reasonableness of SDG&E's implementation of the formula with respect to any issues to be raised in a Preliminary Challenge, as outlined in section C.3.e., above. Formal Challenges must be filed in the same docket as the informational filings made pursuant to these Protocols. Interested Parties shall have until thirty (30) calendar days after SDG&E submits the Draft Informational Filing described in section C.1 of these Protocols to file a Formal Challenge with the FERC (unless such date is extended with the written consent of both SDG&E and the complaining party to continue efforts to resolve the dispute).

- b. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more issues. Likewise, failure to make a Preliminary Challenge shall not bar an Interested Party from making a subsequent Preliminary Challenge related to a subsequent informational filing to the extent the issue affects the subsequent informational filing.

- c. Any response by SDG&E to a Formal Challenge must be submitted to the FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge and shall be served on the filing party(ies) and the Service List by electronic service on the date of such filing.
- d. In any proceeding concerning a given year's informational filing (including corrections) or accounting changes, SDG&E shall bear the burden, consistent with Section 205 of the FPA, of proving the justness and reasonableness of the rate resulting from its application of the formula by demonstrating: (i) that it has reasonably and accurately calculated the informational posting by properly and reasonably applying the formula and the procedures in these Protocols; (ii) that it has reasonably adopted and applied any accounting changes; (iii) the amounts to be recovered through SDG&E's formula have been accurately stated, properly recorded and accounted for pursuant to applicable FERC accounting practices and procedures and the USofA, unless otherwise approved by FERC; (iv) its calculation methodologies are consistent with Appendix XII and this Attachment 1.
- e. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of SDG&E to file unilaterally, pursuant to Section 205 of the FPA and the regulations thereunder, an application seeking changes to the formula or to any of the stated value inputs requiring a Section 205 filing under these

Protocols, or the right of any other party or the Commission to seek such changes pursuant to Section 206 of the FPA and the regulations thereunder. All parties reserve the right to contest such filing(s).

**5. Annual Informational Filing**

- a. SDG&E shall submit to the Commission on or before October 31 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.
- 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 Appendix XII Formula set forth in Appendix XII and shall not constitute a rate change under Section 205 or Section 206 of the FPA. The Informational Filing shall not subject the Appendix XII 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 Appendix XII 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 Appendix XII 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 Appendix XII Formula as described in Appendix XII, the Formula Rate Spreadsheet, and these Protocols;
  - (iii) whether the costs to be recovered through the SX-PQ Line Rate 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 accounting changes are reasonable and consistent with applicable FERC accounting rules.
- 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 Appendix XII Formula on matters set forth in subsections d. (i) through (v) above in accordance with Commission precedent.
- h. SDG&E will make any revisions to the SX-PQ Line Rate and associated rates that are required by a final<sup>3</sup> Commission order with respect to each Informational Filing. Unless otherwise ordered by the Commission, such 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 Appendix XII Formula is ending so that there will be no future Informational Filing, SDG&E shall include the SX-PQ Line Rate difference in the Final True-Up Adjustment.

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<sup>3</sup> 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.

**6. Adjustments to Reflect Correction of Errors**

- a. In the event SDG&E or any Interested Party identifies an error in the Appendix XII Formula, in the FERC Form 1 data, in data based on SDG&E's books and records that is used as an input to the formula, or if SDG&E is required by applicable law, a court, or regulatory body to correct an error, and such error affects the True-Up Adjustment calculated in an Informational Filing, SDG&E shall include in its next subsequent Informational Filing a brief description of the error(s) included in its prior Informational Filing that must be corrected. SDG&E's subsequent Informational Filing shall:
- (i) Recalculate the SX-PQ Line Rate for all affected Prior Years;
  - (ii) Compare, on a monthly basis, the difference between the initial incorrect True-Up Adjustment 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.
- b. 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 a one-time True-Up Adjustment in accordance with the Appendix XII Formula.

#### **D. 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; and
2. Actual revenues billed by SDG&E and paid by Citizens for transmission service during the True-Up Period, plus applicable interest.

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

#### **E. BILLING PROCEDURES**

SDG&E shall bill Citizens through a monthly invoice issued by the 30<sup>th</sup> of each service month. Payments are due no later than 30 days following the issuance date of the invoice.

#### **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 applicable provision of the FPA and/or the Commission's regulations or to participate in Informational Filing proceedings.
2. Except as set forth in Section B 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 Appendix XII Formula, or to submit any other request for relief under any applicable provision of the FPA and/or the Commission's regulations.

**APPENDIX XII**  
**ATTACHMENT 1**  
**CITIZENS SX-PQ PROTOCOLS**

**A. INTRODUCTION**

This Attachment sets forth details with respect to the determination each year of San Diego Gas & Electric Company's ("SDG&E") SX-PQ Line Rate used to derive the charges assessed by SDG&E to Citizens Sycamore-Penasquitos Transmission LLC ("Citizens"). SDG&E's Appendix XII Formula rate mechanism consists of SDG&E's TO Tariff and two attachments: the Citizens SX-PQ Protocols ("Protocols") (Attachment 1) and the Formula Rate Spreadsheet (Attachment 2). Capitalized terms shall have the meaning ascribed to them herein or in Appendix XII of SDG&E's TO Tariff.

The SX-PQ Line Rate for each Rate Effective Period will consist of the following six parts:

- (i) the Direct Maintenance Expense Cost Component;
- (ii) the Non-Direct Expense Cost Component;
- (iii) the Cost Component Containing Other Specific Expenses;
- (iv) the True-Up Adjustment Cost Component;
- (v) the Interest True-Up Adjustment Cost Component; and
- (vi) Other Adjustments.

These cost components shall be designed to quantify SDG&E's cost to operate and maintain the segment of the SX-PQ transmission line leased to Citizens.

The SX-PQ Line Rate 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 SX-PQ Line Rate in the annual Informational Filing described below.

SDG&E shall calculate its SX-PQ Line Rate using the formula methodology that is presented in the Citizens SX-PQ Formula Rate Spreadsheet. The Formula Rate Spreadsheet contains fixed formulae that are described in Appendix XII. If there is any conflict between the provisions of Appendix XII 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 FERC 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. The sources of the data used in the Citizens SX-PQ Line Rate formula ("Appendix XII Formula") will be: (a) identified in the Formula Rate Spreadsheet by fixed references to specific locations in FERC Form 1, or (b) provided by SDG&E in accordance with Section C of these Protocols.

#### **B. TERM OF SDG&E'S APPENDIX XII FORMULA**

The SX-PQ Line Rate shall initially become effective on June 1, 2019 and shall be re-calculated annually thereafter in accordance with these Protocols and the Appendix XII Formula.

The Appendix XII Formula shall be in effect from June 1, 2019 and each year

thereafter, unless the Commission modifies or replaces SDG&E's Transmission Owner ("TO") Formula. The costing methodology utilized in the Appendix XII Formula reflects the same methodologies reflected in SDG&E's proposed TO5 Formula. Citizens and SDG&E agree that if the costing methodology for the proposed TO5 Formula or any subsequent TO Formula (ex: TO6) is modified and filed, the Appendix XII Formula will be modified accordingly.

After termination of the Appendix XII Formula, SDG&E shall calculate a Final True-Up Adjustment, which will cover the period end date from the most recent true-up and ending on the date the Appendix XII Formula terminated. The Final True-Up Adjustment shall be calculated using the methodology set forth in the Appendix XII Formula in existence during that base period.

### C. PROCEDURES FOR UPDATING THE SX-PQ LINE RATE

~~SDG&E shall submit to the Commission, an Annual Informational Filing, which updates the SX-PQ Line Rate on or before October 31<sup>st</sup> of each year.~~ SDG&E shall update its SX-PQ Line Rate in each cycle according to the timelines described below:

<u>Event</u>	<u>Date</u>
<u>Posting of Draft Informational Filing</u>	<u>July 15</u>
<u>Informational Requests</u>	<u>July 15 – October 15</u>
<u>Draft Informational Filing Meeting</u>	<u>On or before August 7</u>
<u>Annual Informational Filing</u>	<u>On or before October 31</u>

**Appendix XII Cycle 1**

Rate Effective Period	June 1, 2019 – December 31, 2019
Base Period	12 Months ended December 31, 2017
True-Up Adjustment	N/A
Interest True-Up Adjustment	N/A

**Appendix XII Cycle 2**

Rate Effective Period	January 1, 2020 – December 31, 2020
Base Period	12 Months ended December 31, 2018
True-Up Adjustment	N/A
Interest True-Up Adjustment	N/A

**Appendix XII Cycle 3**

Rate Effective Period	January 1, 2021 – December 31, 2021
Base Period	12 Months ended December 31, 2019
True-Up Adjustment	June 1, 2019 – December 31, 2019 applicable to Cycle 1
Interest True-Up Adjustment	N/A

**Appendix XII Cycle 4**

Rate Effective Period	January 1, 2022 – December 31, 2022
Base Period	12 Months ended December 31, 2020
True-Up Adjustment	2020 calendar year applicable to Cycle 2
Interest True-Up Adjustment	January 1, 2020 – December 31, 2021



After Cycle 4, successive Appendix XII Formula cycles will be consistent with Cycle 4 with regards to timing and the length of the Base Period, True-Up Period, and Rate Effective Period.

### **1. Draft Informational Filing**

On or before July 15 of each year, SDG&E shall post on its website 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 October 31. SDG&E will provide electronic notice of its posting to the Service List<sup>1</sup>. If the date for making the Draft Informational Filing posting should fall on a weekend or holiday recognized by the FERC, then the posting shall be made on the next business day.

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 1.
- c. Identification and explanation of any accounting changes that affect the inputs.

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<sup>1</sup> 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 Appendix XII Formula rate mechanism 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 the FERC proceedings concerning SDG&E’s Appendix XII Formula and parties that are admitted in future FERC proceedings 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.

- d. Identification and explanation of any aspects of the Appendix XII Formula or its inputs that are the subject of an ongoing dispute in any FERC proceeding on a prior Informational Filing.

The Draft Informational Filing shall be subject to review and challenge in accordance with the procedures set forth in these Protocols; provided, however, that with respect to the prudence of any costs and expenditures included for recovery in the Informational Filing, nothing in these Protocols is intended to modify the Commission's applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges.

## **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. Review Procedures**

Each Draft Informational Filing provided for in Appendix XII shall be subject to the following review procedures:

a. Interested Parties shall have until October 15 to review the calculations and to notify SDG&E in writing of any specific challenges, including but not limited to challenges related to accounting changes, to the Draft Informational Filing (“Preliminary Challenge”). SDG&E shall contemporaneously provide copies of all Preliminary Challenges to all parties on the Service List that have indicated to SDG&E that they wish to receive such copies. SDG&E shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which SDG&E agrees or disagrees with the challenge. If SDG&E disagrees with the Preliminary Challenge, its response shall include supporting documentation. SDG&E shall provide copies of responses to all Preliminary Challenges to all parties on the Service List that have indicated to SDG&E that they wish to receive such copies.

b. Interested Parties may submit reasonable information requests to SDG&E regarding the Draft Informational Filing. 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 Appendix XII Formula ("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.<sup>2</sup>

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

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<sup>2</sup> Nothing in these Protocols limits the CPUC's statutory or Constitutional authority to seek information from SDG&E.

\_\_\_\_\_ 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 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.

e. \_\_\_\_\_ Information requests, Preliminary Challenges, and Formal  
\_\_\_\_\_ Challenges, shall be limited to what is necessary to determine: (1)  
\_\_\_\_\_ the extent, effect, or impact of an accounting change; (2) whether  
\_\_\_\_\_ the Draft Informational Posting fails to include data properly  
\_\_\_\_\_ recorded in accordance with the Protocols; (3) the proper  
\_\_\_\_\_ application of the formula and procedures in the Protocols; (4) the

accuracy of the data and consistent with the formulas of the changes shown in the Draft Informational Posting; (5) the prudence of the actual costs; (6) the effect of any change to the underlying USofA or applicable form; and (7) any other information that may reasonably have substantive effect on the calculation pursuant to Appendix XII and this Attachment 1.

f. If a change made by SDG&E to its accounting policies, practices and procedures, or the application of the formula is found by the FERC to be unjust or unreasonable, then the calculation of the amounts to be assessed during the rate year then under review, and the amounts to be assessed during any subsequent rate years, including any true-up adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the formula continues to operate in a manner that is just and reasonable.

#### **4. Resolution of Challenges**

a. Interest Parties may file a Preliminary Challenge to the Draft Informational Filing, or a challenge with the FERC (“Formal Challenge”), which shall be serviced on SDG&E by electronic service on the date of such filing. Subject to any applicable confidentiality and Critical Energy Infrastructure Information

restrictions, all information and correspondence produced by SDG&E pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding related to the formula. Interested Parties may challenge, through a Formal Challenge, the justness and reasonableness of SDG&E's implementation of the formula with respect to any issues to be raised in a Preliminary Challenge, as outlined in section C.3.e., above. Formal Challenges must be filed in the same docket as the informational filings made pursuant to these Protocols. Interested Parties shall have until thirty (30) calendar days after SDG&E submits the Draft Informational Filing described in section C.1 of these Protocols to file a Formal Challenge with the FERC (unless such date is extended with the written consent of both SDG&E and the complaining party to continue efforts to resolve the dispute).

b. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more issues.

Likewise, failure to make a Preliminary Challenge shall not bar an Interested Party from making a subsequent Preliminary Challenge related to a subsequent informational filing to the extent the issue affects the subsequent informational filing.

c. Any response by SDG&E to a Formal Challenge must be submitted

to the FERC within thirty (30) calendar days of the date of the filing  
of the Formal Challenge and shall be served on the filing party(ies)  
and the Service List by electronic service on the date of such filing.

d. In any proceeding concerning a given year's informational filing  
(including corrections) or accounting changes, SDG&E shall bear  
the burden, consistent with Section 205 of the FPA, of proving the  
justness and reasonableness of the rate resulting from its  
application of the formula by demonstrating: (i) that it has  
reasonably and accurately calculated the informational posting by  
properly and reasonably applying the formula and the procedures in  
these Protocols; (ii) that it has reasonably adopted and applied any  
accounting changes; (iii) the amounts to be recovered through  
SDG&E's formula have been accurately stated, properly recorded  
and accounted for pursuant to applicable FERC accounting  
practices and procedures and the USofA, unless otherwise  
approved by FERC; (iv) its calculation methodologies are  
consistent with Appendix XII and this Attachment 1.

e. Except as specifically provided herein, nothing herein shall be  
deemed to limit in any way the right of SDG&E to file unilaterally,  
pursuant to Section 205 of the FPA and the regulations thereunder,  
an application seeking changes to the formula or to any of the  
stated value inputs requiring a Section 205 filing under these  
Protocols, or the right of any other party or the Commission to seek



such changes pursuant to Section 206 of the FPA and the regulations thereunder. All parties reserve the right to contest such filing(s).

**5. Annual Informational Filing**

- a. SDG&E shall submit to the Commission on or before October 31 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. ~~For Cycle 1, in 2019, SDG&E shall submit to the Commission the Appendix XII Formula Rate Filing no later than sixty days prior to the Effective Date of the Transfer Capability Lease applications pursuant to Sections 203 and 205 of the FPA in connection with the lease to Citizens.~~
- 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 Appendix XII Formula set forth in Appendix XII and shall not constitute a rate change under Section 205 or Section 206 of the FPA. The Informational Filing shall not subject the Appendix XII 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 Appendix XII 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 Appendix XII 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 Appendix XII Formula as described in Appendix XII, the Formula Rate Spreadsheet, and these Protocols;
  - (iii) whether the costs to be recovered through the SX-PQ Line Rate 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.

- 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 Appendix XII Formula on matters set forth in subsections d. (i) through (v) above in accordance with Commission precedent.
- h. SDG&E will make any revisions to the SX-PQ Line Rate and associated rates that are required by a final<sup>3</sup> Commission order with respect to each Informational Filing. Unless otherwise ordered by the Commission, such 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

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<sup>3</sup> 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.

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 Appendix XII Formula is ending so that there will be no future Informational Filing, SDG&E shall include the SX-PQ Line Rate difference in the Final True-Up Adjustment.

**6. Adjustments to Reflect Correction of Errors**

- a. In the event SDG&E or any Interested Party identifies an error in the Appendix XII Formula, in the FERC Form 1 data, in data based on SDG&E's books and records that is used as an input to the formula, or if SDG&E is required by applicable law, a court, or regulatory body to correct an error, and such error affects the True-Up Adjustment calculated in an Informational Filing, SDG&E shall include in its next subsequent Informational Filing a brief description of the error(s) included in its prior Informational Filing that must be corrected. SDG&E's subsequent Informational Filing shall:
- (i) Recalculate the SX-PQ Line Rate for all affected Prior Years;
  - (ii) Compare, on a monthly basis, the difference between the initial incorrect True-Up Adjustment and the revised correct True-Up; and
  - (iii) Determine the cumulative amount of the difference in Section C.25.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.

- b. Absent an order requiring refunds outside of the True-Up process, the difference in Section C.25.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 a one-time True-Up Adjustment in accordance with the Appendix XII Formula.

**~~3. Information Requests~~**

- ~~a. Interested Parties may submit reasonable information requests to SDG&E regarding the 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 Appendix XII 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.<sup>4</sup>~~

~~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~~

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<sup>4</sup> ~~Nothing in these Protocols limits the CPUC's statutory or Constitutional authority to seek information from SDG&E.~~

~~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 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.~~

#### **D. 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; and
2. Actual revenues billed by SDG&E and paid by Citizens for transmission service during the True-Up Period, plus applicable interest.

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

#### **E. BILLING PROCEDURES**

SDG&E shall bill Citizens through a monthly invoice issued by the 30<sup>th</sup> of each service month. Payments are due no later than 30 days following the issuance date of the invoice.

## **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 applicable provision of the FPA and/or the Commission's regulations or to participate in Informational Filing proceedings.
2. Except as set forth in Section B 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 Appendix XII Formula, or to submit any other request for relief under any applicable provision of the FPA and/or the Commission's regulations.