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August 11, 2008

**ADVICE LETTER 2014-E/1791-G**  
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: ESTABLISHMENT AND MODIFICATION OF REGULATORY ACCOUNTS AND  
PERFORMANCE BASED RATEMAKING MECHANISM IN COMPLIANCE  
WITH DECISION (D) 08-07-046**

San Diego Gas & Electric Company (SDG&E) hereby submits for approval by the California Public Utilities Commission (Commission) the following revisions to its electric and gas tariffs as shown in Attachments A and B, respectively.

### **PURPOSE**

In accordance with D.08-07-046, this filing establishes the Distribution Integrity Management Program Balancing Account (DIMPBA), the Research, Development and Demonstration Expense Account (RDDEA), and revises or eliminates other existing balancing and memorandum accounts as described below. In addition, this filing revises Preliminary Statement, Part IV, Electric Distribution and Gas Performance Based Ratemaking (PBR) Mechanism, excluding changes to the performance incentive mechanisms provided for by D.08-07-046 as these changes will be made through a separate advice filing. This filing also revises Rule No. 11, Discontinuance of Service, to reflect the Settlement Agreement with the Pest Control Operators of California (PCOC).

SDG&E is also filing a separate advice letter (Advice No. 2015-E/1792-G) to implement the revenue requirements authorized by D.08-07-046.

### **BACKGROUND**

On July 31, 2008, the Commission issued D.08-07-046 adopting, among other things, the Settlement Agreements regarding SDG&E's revenue requirements for its Test Year 2008 General Rate Case (GRC) and post-test year ratemaking and incentive proposals. The decision also finds the effective date for the change in the revenue requirement is January 1, 2008, which resolves the effective date of the GRC Revenue Requirements Memorandum Account (GRCRRMA) authorized by D.07-12-053.

## **REGULATORY ACCOUNT MECHANISMS**

Consistent with the Settlement Agreement and D.08-07-046, the following regulatory account mechanisms are being established, modified, or eliminated:

### **Establishment of New Regulatory Accounts**

- **Distribution Integrity Management Program Balancing Account (DIMPBA)**  
The purpose of the DIMPBA is to record the difference between actual and authorized costs associated with SDG&E's Distribution Integrity Management Program (DIMP) for the 2008-2011 General Rate Case (GRC) cycle<sup>1</sup>. Any annual over or under collections may be carried forward within the GRC cycle while any unspent funds remaining at the end of the cycle will be returned to customers in the next GRC.
- **Research, Development and Demonstration Expense Account (RDDEA)**  
The purpose of the RDDEA is to record the difference between authorized RD&D funding recovered in base margin rates and actual costs associated with non-public purpose RD&D programs<sup>2</sup>.

### **Modified/Eliminated Regulatory Accounts**

- **General Rate Case Revenue Requirement Memorandum Account (GRCRRMA)**  
The purpose of the GRCRRMA is to record the revenue shortfall or overcollection resulting from revenues received under current rates compared to the final 2008 gas base margin revenue requirement adopted in A.06-12-009. SDG&E established the GRCRRMA pursuant to D.07-12-053 and Advice Letter 1955-E/1741-G but the effective date of the account was deferred pending the outcome of its GRC. Pursuant to D.08-07-046, SDG&E revises its GRCRRMA to be effective on January 1, 2008. The disposition of the GRCRRMA balance will be addressed in SDG&E's annual regulatory account balance update filing for rates effective January 1, 2009.
- **Natural Gas Vehicle Account (NGVA)**  
The NGVA balances actual natural gas vehicle (NGV) program costs with actual NGV program net revenues. Program costs include "discretionary" program costs such as customer service, training, research and development and other "non-mandatory" program costs. The NGVA is revised to note that SDG&E will no longer record discretionary costs to the NGVA effective January 1, 2008, as these costs are incorporated in 2008 base rates<sup>3</sup>.
- **Pension Balancing Account (PBA)**  
The PBA records the difference between the forecasted and actual minimum contributions to SDG&E's pension fund. Pursuant to the adopted settlement in D.08-07-046, SDG&E is revising its tariffs to remove the 20% shareholder limitation effective January 1, 2008<sup>4</sup>. In addition, for the period 2009 through the end of the GRC term, annual pension contributions will be no greater than the ERISA minimum required funding amount. If the ERISA minimum exceeds the DRA estimate of Pension expense (identified in Exhibit DRA-15 in SDG&E' GRC Application 06-12-009) in any year, then

<sup>1</sup> Pursuant to Pages 39-40 of the Joint Settlement, Exhibit No.: SDG&E-301.

<sup>2</sup> Pursuant to Pages 159-160 of the Joint Settlement, Exhibit No: SDG&E-301.

<sup>3</sup> Pursuant to page 28 of the direct testimony of Phillip Baker on Customer Services – Shared Services.

<sup>4</sup> Pursuant to Pages 8-9 of the Joint Settlement Agreement, Exhibit No.: SDG&E-301

SDG&E will file an advice letter containing the supporting calculation of the minimum ERISA contribution made.

- Post Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)  
SDG&E is updating the PBOPBA to reflect the balancing of actual annual PBOP costs embedded in authorized rates and actual tax deductible contributions to the PBOP Trust.<sup>5</sup>
- Tree Trimming Balancing Account (TTBA)  
The TTBA is retained pursuant to D.08-07-046 effective January 1, 2008.
- Electric Vehicle Balancing Account (EVBA)  
The EVBA balances discretionary EV program costs with actual EV revenues. Pursuant to D.08-07-046, discretionary EV program costs such as customer service, training, research and development and other “non-mandatory” program costs will be funded through 2008 base rates. The EVBA is therefore revised to note that discretionary EV program costs will no longer be recorded to the EVBA effective January 1, 2008. Disposition of the EVBA will be addressed in SDG&E’s October Regulatory Account Update advice filing
- Non-Fuel Generation Balancing Account (NGBA)  
The NGBA balances the authorized electric generation non-fuel revenue requirement with actual revenues collected through rates. SDG&E has revised the NGBA to reflect the 2008 revenue requirement authorized in D.08-07-046. The authorized revenue requirement for 2009, 2010, and 2011 will be adjusted according to the Post-Test Year Ratemaking Settlement.
- Interim Call Center Memorandum Account (ICCMA)  
The costs previously recorded to the ICCMA are those call center expenses not currently recovered in base rates authorized D.04-12-015 and in the gas and electric public purpose program charge. Since these costs will now be recovered in base rates pursuant to D. 08-07-046, SDG&E is eliminating the ICCMA and will transfer the undercollected balance to the Rewards and Penalties Balancing Account (RPBA)<sup>6</sup>.
- Interval Metering Program Memorandum Account (IMPMA)  
The IMPMA recorded incremental costs incurred by SDG&E prior to 2004 to implement the Interval Metering Program above the funding of \$2.4 million provided by the California Energy Commission (CEC), as authorized by Assembly Bill X1 29 and Senate Bill IX5. Interval Metering Program costs have since been recovered through the base margin as authorized in the D.04-12-015. Therefore, , SDG&E is eliminating the IMPMA and will transfer the undercollected balance to the RPBA<sup>5</sup>
- Biennial Cost Allocation Proceeding (BCAP)  
Minor changes have been made to SDG&E’s Preliminary Statement Section III, BCAP, to incorporate updated base margin and franchise fee amounts.

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<sup>5</sup> Pursuant to pages 8-9 of the Joint Settlement.

<sup>6</sup> Pursuant to page 265, SDG&E-301

- Other Account Changes

Minor changes have been made to the Electric Distribution Fixed Cost Account (EDFCA), Noncore Fixed Cost Account (NFCA), and the Core Fixed Cost Account (CFCA), to reflect updated base margin revenue requirements adopted in D.08-07-046.

### **Performance Based Regulation**

Consistent with D.08-07-046 the following post-test year mechanisms are being established or modified:

#### Post Test Year Revenue Requirement

The GRC covers a minimum of four years, Test Year (TY) 2008 plus Attrition Years (AY) 2009, 2010, and 2011. Annual revenue requirement changes, excluding FF&U will be fixed dollar amounts as follows:

AY2009	-	\$41 million
AY2010	-	\$44 million
AY2011	-	\$44 million

Revenue requirement amounts subject to balancing account treatment (e.g., Pensions, PBOPs, etc.) will not be increased above TY2008 levels except for routine amortization of over or under collections or any post-test year incremental changes to the level of funding authorized by the Commission. In addition, there will be no true-up or after-the-fact modification to any attrition year revenue requirement increase. Other Commission-approved revenue requirement and rate base changes such as cost of capital are incremental to the fixed amounts detailed above.

#### Sharing Mechanism

Pursuant to D.08-07-046, SDG&E will not be subject to an earnings sharing mechanism for the GRC period.

#### Z Factor Mechanism

SDG&E shall continue its Z Factor mechanism through 2011.

#### Performance Indicators

Performance indicators as described in the Customer Service, System Reliability, and Safety Performance Indicator Section of electric and gas Preliminary Statements, Part IV and VI, respectively, will not be updated by this filing. By letter dated August 5, 2008, SDG&E filed an extension of time from 10 days to 40 days from the effective date of D.08-07-046 in order to file a separate advice letter to modify its performance indicators in compliance with OP 17.

#### Fumigation

Consistent with the Settlement Agreement with the PCOC, SDG&E is modifying Rule 11, Discontinuance of Service, for changes in its shut-off procedures. These changes primarily relate to the scheduling of gas shut-off services and continued interaction with the PCOC on a regular basis to address and resolve its service issues.

**EFFECTIVE DATE**

SDG&E believes that this filing is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to GO 96-B. Consistent with D.08-07-046, Ordering Paragraph 14, SDG&E respectfully requests that this filing be approved on August 11, 2008, the date filed.

**PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Honesto Gatchalian ([jni@cpuc.ca.gov](mailto:jni@cpuc.ca.gov)) and Maria Salinas ([mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Todd Cahill  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1788  
E-mail: [tcahill@semprautilities.com](mailto:tcahill@semprautilities.com)

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list A.06-12-009, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1788 or by e-mail at [SDG&ETariffs@semprautilities.com](mailto:SDG&ETariffs@semprautilities.com).

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KEN DEREMER  
Director – Tariffs & Regulatory Accounts

(cc list enclosed)

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Aurora Carrillo

Phone #: (858) 654-1542

E-mail: acarrillo@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2014-E / 1791-G

Subject of AL: Establishment and modification of Regulatory Accounts and Performance Based  
Ratemaking Mechanism in Compliance with Decision (D) 08-07-046

Keywords (choose from CPUC listing): Compliance, GRC

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.08-07-046

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: \_\_\_\_\_

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 9/01/08

No. of tariff sheets: 58

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: See Table of Contents

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Todd Cahill**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**tcahill@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

General Order No. 96-B  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling  
S. Cauchois  
J. Greig  
R. Pocta  
W. Scott

Energy Division

P. Clanon  
S. Gallagher  
H. Gatchalian  
D. Lafrenz  
M. Salinas

CA. Energy Commission

F. DeLeon  
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell

C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman  
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham

E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes  
G. Lonergan  
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill  
J. Pau

Dept. of General Services

H. Nanjo

M. Clark

Douglass & Liddell

D. Douglass  
D. Liddell  
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell

M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg

J. Heather Patrick

J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate  
Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio

M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties In:

A.06-12-009

ATTACHMENT A  
ADVICE LETTER 2014-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 20721-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, DESCRIPTION/LISTING OF ACCOUNTS, Sheet 2	Revised 20706-E
Revised 20722-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, TREE TRIMMING BALANCING ACCOUNT (TTBA), Sheet 1	Original 19421-E
Revised 20723-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ELECTRIC VEHICLE BALANCING ACCOUNT (EVBA), Sheet 1	Original 19433-E
Revised 20724-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, NON-FUEL GENERATION BALANCING ACCOUNT (NGBA), Sheet 1	Revised 20337-E
Revised 20725-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, NON-FUEL GENERATION BALANCING ACCOUNT (NGBA), Sheet 2	Revised 19824-E
Revised 20726-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, NON-FUEL GENERATION BALANCING ACCOUNT (NGBA), Sheet 3	Revised 19825-E
Revised 20727-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 1	Original 19441-E
Revised 20728-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 2	Original 19442-E
Revised 20729-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA), Sheet 1	Original 19443-E
Revised 20730-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA), Sheet 2	Original 19444-E
Revised 20731-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ELECTRIC DISTRIBUTION FIXED COST ACCOUNT (EDFCA), Sheet 1	Revised 19978-E
Revised 20732-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, ELECTRIC DISTRIBUTION FIXED COST ACCOUNT (EDFCA), Sheet 2	Revised 19979-E
Original 20733-E	PRELIMINARY STATEMENT, II. BALANCING ACCOUNTS, RESEARCH, DEVELOPMENT AND DEMONSTRATION EXPENSE ACCOUNT (RDDEA), Sheet 1	

ATTACHMENT A  
ADVICE LETTER 2014-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 20734-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, DESCRIPTION/LISTING OF ACCOUNTS, Sheet 2	Revised 20639-E
Revised 20735-E	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNT, GENERAL RATE CASE REVENUE REQUIREMENTS MEMORANDUM ACCOUNT (GRCRRMA), Sheet 1	Original 20411-E
Revised 20736-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 1	Revised 20688-E
Revised 20737-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 2	Revised 18121-E
Revised 20738-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 3	Revised 18122-E
Revised 20739-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 4	Revised 18123-E
Revised 20740-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 5	Revised 18124-E *
Revised 20741-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 6	Revised 18125-E
Revised 20742-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 7	Revised 18126-E
Revised 20743-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 8	Revised 20358-E
Revised 20744-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 9	Revised 18128-E
Revised 20745-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 10	Revised 20689-E
Revised 20746-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 11	Revised 20690-E Revised 20691-E, 20692-E
Revised 20747-E	TABLE OF CONTENTS, Sheet 1	Revised 20716-E
Revised 20748-E	TABLE OF CONTENTS, Sheet 2	Revised 20710-E
Revised 20749-E	TABLE OF CONTENTS, Sheet 3	Revised 20699-E



**PRELIMINARY STATEMENT**

Sheet 2

**II. BALANCING ACCOUNTS**  
**DESCRIPTION/LISTING OF ACCOUNTS**

Listing of Accounts

- California Alternate Rates for Energy (CARE) Balancing Account
- Rewards and Penalties Balancing Account (RPBA)
- Transition Cost Balancing Account (TCBA)
- Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA)
- Research, Development and Demonstration (RD&D) Balancing Account
- Renewables Balancing Account (RBA)
- Tree Trimming Balancing Account (TTBA)
- Baseline Balancing Account (BBA)
- El Paso Turned-Back Capacity Balancing Account (EPTCBA)
- Energy Resource Recovery Account (ERRA)
- Low-Income Energy Efficiency Balancing Account (LIEEBA)
- Electric Vehicle Balancing Account (EVBA)
- Non-Fuel Generation Balancing Account (NGBA)
- Electric Procurement Energy Efficiency Balancing Account (EPEEBA)
- Common Area Balancing Account (CABA)
- Nuclear Decommissioning Adjustment Mechanism (NDAM)
- Pension Balancing Account (PBA)
- Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)
- Community Choice Aggregation Implementation Balancing Account (CCAIBA)
- Electric Distribution Fixed Cost Account (EDFCA)
- Rate Design Settlement Component Account (RDSCA)
- California Solar Initiative Balancing Account (CSIBA)
- SONGS O&M Balancing Account (SONGSBA)
- Advanced Metering Infrastructure Balancing Account (AMIBA)
- Research, Development and Demonstration Expense Account (RDDEA)

N

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



**PRELIMINARY STATEMENT**

Sheet 1

**II. BALANCING ACCOUNTS**  
**TREE TRIMMING BALANCING ACCOUNT (TTBA)**

1. Purpose

The purpose of the Tree Trimming Balancing Account (TTBA) is to record certain actual tree trimming costs and associated authorized revenues. This is an interest bearing, one-way balancing account where over-expenditures are not recovered as authorized by Decision 98-12-038, dated December 17, 1998, in the Utility's Distribution Performance-Based Ratemaking (PBR) proceeding (A98-01-014). The TTBA is retained pursuant to D.08-07-046, dated July 31, 2008 in the utility's General Rate Case (GRC) proceeding in A.06-12-009.

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2. Applicability

The TTBA applies to all electric distribution rate schedules.

3. Definitions

a. **Effective Date:** The effective date of this account is January 1, 1999. Pursuant to D.08-07-046, the TTBA is retained effective January 1, 2008.

T  
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b. **Interest Rate:** The annual interest rate will be equal to the average of the applicable monthly interest rates (prime 3-month commercial paper rates) as published in the Federal Reserve Statistical Release, H.15, or its successor publication.

c. **Tree Trimming Revenues/Expenses Included In TTBA:** All revenues/expenses associated with tree trimming necessary to comply with both existing and new state and regulatory rules, less revenues/expenses for brush management approved in D.08-07-046. Tree trimming costs primarily include expenses for crews, tree removals, mulching, and information systems support, among others.

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4. Accounting Treatment

Utility shall maintain the TTBA by making entries to this account as follows:

a. Monthly

(1) A debit entry equal to recorded "Tree Trimming Expenses Included In TTBA" during the month; and

(2) A credit entry equal to one-twelfth of the authorized "Tree Trimming Revenues Included in TTBA".

(3) An entry shall be made to reflect the amount returned to customers due to the amortization of the prior year ending balance pursuant to 5.b.(2) below.

(Continued)



**PRELIMINARY STATEMENT**

Sheet 1

**II. BALANCING ACCOUNTS**  
**ELECTRIC VEHICLE BALANCING ACCOUNT (EVBA)**

1. Purpose

The EVBA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to balance recorded discretionary electric vehicle (EV) program costs with recorded EV revenues authorized by the California Public Utilities Commission (Commission). Commission Decision (D.) 03-10-086, dated and effective October 30, 2003, authorized a budget for the discretionary aspects of SDG&E's EV program and directed it to utilize balancing account treatment. D.03-10-086 authorized SDG&E to use this account through December 31, 2005. D.05-05-010, dated and effective May 5, 2005, authorized the discretionary program funding authorized in D.03-10-086 to continue until a final Commission decision is issued on SDG&E's next Low Emission Vehicle funding request in its General Rate Case or Cost of Service proceeding. Pursuant to D.08-07-046, TY 2008 GRC, the 2008 base margin revenue requirement includes funding to recover discretionary program costs, therefore effective January 1, 2008, the EVBA will no longer record actual discretionary program costs.

2. Applicability

The EVBA applies to certain rate schedules and certain special contracts within the jurisdiction of the Commission.

3. Definitions

- a. Effective Date: The effective date of this account shall be January 1, 2004.
- b. EVBA Expenses: Discretionary expenses (e.g. customer information, education and training) authorized by the Commission associated with the EV Program. Expenses recorded to the EVBA shall be those in compliance with the guidelines for expenses authorized by the Commission. Program spending is limited to the amount authorized in D.03-10-086 and any expenditures above authorized may not be recovered from ratepayers. Pursuant to D.08-07-46, the 2008 base margin revenue requirement will include funding to recover discretionary expenses, therefore the EVBA will no longer record such costs effective January 1, 2008.
- c. EVBA Revenue: Revenue as authorized by the Commission including any applicable revenue in base or amortization rates (net of allowance for FF&U).
- d. Interest Rate: The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.
- e. Franchise Fees and Uncollectibles: Franchise Fees and Uncollectibles (FF&U) shall be based on the rate derived from the utility's most recent general rate case decision to provide for franchise fees and uncollectible accounts expense.

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**PRELIMINARY STATEMENT**

Sheet 1

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

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

**SONGS:**

The generation non-fuel revenue requirement shall consist of the SONGS operating & maintenance and capital-related costs approved for SDG&E in the Southern California Edison (SCE) General Rate Case (D.06-05-016) and the SDG&E General Rate Case (D.08-07-046). The 2008 revenue requirement authorized in D.08-07-046 shall be adjusted in future years pursuant to the Post-Test Year Ratemaking Settlement adopted in that proceeding. Year 2007 and 2008 revenue requirement shall be subject to escalation based on the SCE GRC escalation proposal adopted in D.06-05-016. SCE methodology uses a weighted average forecast of labor escalation based on Global Insight's Utility Cost Information Service (UCIS). Using categories of workers comprising SCE's SONGS workforce, a 2008 composite escalation rate will be developed using the October 2007 UCIS published escalation rate. Pursuant to D.06-05-016, the utility is authorized to recover \$14.685 million (2006 dollars), \$15.068 million (2007 dollars), and \$15.736 million (2008 dollars) for each SONGS 2&3 refueling and maintenance outage that occurs in 2006 through 2008 respectively. If the actual number of SONGS 2&3 refueling and maintenance outages in 2006 through 2008 is different than the number of outages in SDG&E's 2006 through 2008 generation revenue requirement, the difference will be addressed via an advice letter submitted to the Commission by February 15, 2007 (for the 2006 difference), 2008 (for the 2007 difference) and 2009 (for the 2008 difference). The resulting adjustment will be made as an entry to the NGBA. Pursuant to D. 06-11-026, beginning in January 2007 and ending in 2011, the utility is authorized to recover through depreciation expense, 20% of its ownership share of the removal and disposal costs of the original steam generators related to the Steam Generator Replacement Project (SGRP).

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**Miramar CT:**

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

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Advice Ltr. No. 2014-E  
Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008  
Effective Jan 1, 2008  
Resolution No. \_\_\_\_\_



**PRELIMINARY STATEMENT**

Sheet 2

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

3. Generation Non-fuel Revenue Requirement:

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Palomar Energy Center:

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

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4. NGBA Rate

Once the generation non-fuel revenue requirement is established, the NGBA rate will be included as part of the Utility's total schedule EECC rate. The NGBA rate will be equal to the total adopted generation non-fuel revenue requirement divided by the authorized forecasted sales for the current calendar year.

5. Effective Date

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

6. Accounting Procedure

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

- a. A debit entry equal to 1/12 of the authorized annual generation non-fuel revenue requirement for songs, as established in D.06-05-016 and D.08-07-046, excluding the SONGS 2 & 3 refueling and maintenance outages.
- b. A debit entry equal to 1/12 of the authorized SONGS 2&3 refueling and maintenance outage authorized revenue requirement as established in D.06-05-016.
- c. An entry equal to the SONGS 2&3 refueling and maintenance outage adjustment as described in Section 3 above.
- d. A debit entry equal to 1/12 of the authorized annual generation non-fuel revenue requirement for the Miramar CT as established in D.08-07-046.
- e. A debit entry equal to 1/12 of the authorized fixed annual generation non-fuel revenue requirement for the Palomar Energy Center as established in D.08-07-046.

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



**PRELIMINARY STATEMENT**

Sheet 3

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

6. Accounting Procedure (Continued)

- f. A debit entry equal to 1/12 of the authorized SONGS 2&3 revenue requirements for recovery of the Utility's ownership share of 20% of the estimated SGRP removal and disposal costs through depreciation, as established in D. 06-11-026.
- g. A credit entry equal to any revenues received from the ISO for reliability must run (RMR) contract.
- h. A credit entry equal to the revenue billed during the month from the NGBA rate, net of franchise fees and uncollectibles.
- i. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 6.a. through 6.j. at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15. or its successor.

7. Disposition

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

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

Sheet 1

II. BALANCING ACCOUNTS  
PENSION BALANCING ACCOUNT (PBA)

1. Purpose

The PBA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to balance the difference between the forecasted and actual minimum contributions to the Utility's pension fund. Decision 04-12-015 adopted in part the Settlement Agreement for SDG&E's Cost of Service base margin revenue requirements effective January 1, 2004 through December 31, 2007. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the PBA will continue for the 4-year GRC cycle through December 31, 2011.

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The Utility shall allocate all pension costs, 78.3% to the Electric Department and 21.7% to the Gas Department in 2008. These percentages are consistent with the administrative and general expenses in Account 926, Pension and Benefits, allocated based on operating payroll and approved pursuant to GRC D.08-07-046. In years 2009 through 2011, the allocation of pension costs between the Electric and Gas Departments will be trued up based on total pension costs recorded for the previous year. The Utility shall allocate all pension revenue 78.3% to the Electric Department and 21.7% to the Gas Department over the 4-year GRC cycle.

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The authorized electric pension revenue requirement, excluding the electric transmission component which is subject to the FERC, and the related actuarial pension expenses recorded in the PBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (i.e., for shared services) billed to and charged from SDG&E's affiliate companies. In addition, the PBA records an adjustment for the difference in pension costs embedded in authorized and actual depreciation along with the related return.

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2. Applicability

The PBA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

The PBA balance will be included in electric rates upon Commission approval.

4. Accounting Procedure

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

a. O&M Component:

A debit/credit entry equal to the difference between:

- (1) One-twelfth of the Utility's annual pension funding level currently embedded in rates, reduced by the component of authorized pension costs capitalized to utility rate base; and
- (2) Actual pension expense, reduced by the component of pension costs capitalized to utility rate base;

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



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II. BALANCING ACCOUNTS  
PENSION BALANCING ACCOUNT (PBA)

4. Accounting Procedure (Continued)

b. Depreciation/Return Component – Current Year:

A debit/credit entry equal to the difference, prorated for the year, between:

- (1) One twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized pension costs capitalized to utility rate base; and
- (2) The current month's actual pension costs embedded in recorded depreciation, including the return associated with the actual pension costs capitalized to utility rate base;

c. Depreciation/Return Component- Prior Year(s) [i.e. beginning with the initial year of the cost of service or GRC period]:

A debit/credit entry equal to the difference between:

- (1) One twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized pension costs capitalized to utility rate base in prior years; and
- (2) The corresponding pension costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual pension costs capitalized to utility rate base in prior years;

d. Other Adjustments:

- (1) A debit/credit entry for amortization of pension refund/recovery in rates;
- (2) On an annual basis, if actual pension contributions exceed forecasted amount as described in the Disposition section below, a credit entry shall be made equal to 20% of the corresponding pension component differences associated with O&M, depreciation and return;

e. An entry equal to the interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.d above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

For the period of 2009 through the end of the GRC, annual pension contributions will be no greater than the ERISA minimum required funding amount. If the ERISA minimum exceeds the DRA estimate of pension expenses (as identified in Exhibit DRA-15 in SDG&E's GRC application 06-012-009) in any year, SDG&E will file an advice letter containing the support calculation of the minimum ERISA contribution made. Disposition of any balance recorded in the PBA will be recovered/refunded in connection with SDG&E's next cost of service or GRC proceeding.

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

Sheet 1

II. BALANCING ACCOUNTS

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA)

1. Purpose

The PBOPBA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to balance the actual annual PBOP costs embedded in authorized rates with the actual tax-deductible contributions to the PBOP Trust including "pay-as-you-go" PBOP costs that are paid directly to pre-1993 retirees, pursuant to Decision 04-12-015. Decision 92-12-015 initially adopted the PBOP regulatory mechanism. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the PBOPBA will continue for the 4-year GRC cycle through December 31, 2011.

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The Utility shall allocate all PBOP costs, 78.3% to the Electric Department and 21.7% to the Gas Department in 2008. These percentages are consistent with the administrative and general expenses in Account 926, Pension and Benefits, allocated based on operating payroll and approved pursuant to GRC D.08-07-046. In years 2009 through 2011 the allocation of PBOP costs between the Electric and Gas Departments will be trued up based on total pension costs recorded for the previous year. The Utility shall allocate all PBOP revenue 78.3% to the Electric Department and 21.7% to the Gas Department over the 4-7 year GRC cycle.

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The authorized electric PBOP revenue requirement, excluding the electric transmission component which is subject to the FERC, and the related actual PBOP expenses recorded in the PBOPBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (i.e. for shared services) billed to and charged from SDG&E's affiliate companies. In addition, the PBOPBA records an adjustment for the difference in PBOP costs embedded in authorized and actual depreciation along with the related return.

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2. Applicability

The PBOPBA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

The PBOPBA balance will be included in electric rates upon Commission approval.

4. Accounting Procedure

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

a. O&M Component:

A debit/credit entry equal to the difference between:

- (1) One-twelfth of the Utility's annual PBOP funding level currently embedded in rates, reduced by the component of authorized PBOP costs capitalized to utility rate base; and
- (2) Actual tax-deductible PBOP contributions to the PBOP Trust, including "pay-as-you-go" PBOP costs that are paid directly to pre-1993 retirees, reduced by the component of PBOP costs capitalized to utility rate base;

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**PRELIMINARY STATEMENT**

Sheet 2

II. BALANCING ACCOUNTS

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA)

4. Accounting Procedure (Continued)

b. Depreciation/Return Component – Current Year:

A debit/credit entry equal to the difference, prorated for the year, between:

- (1) One twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized PBOP costs capitalized to utility rate base; and
- (2) The current month's actual PBOP costs embedded in recorded depreciation, including the return associated with the actual PBOP costs capitalized to utility rate base;

c. Depreciation/Return Component- Prior Year(s) [i.e. beginning with the initial year of the cost of service period or GRC period]:

A debit/credit entry equal to the difference between:

- (1) One twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized PBOP costs capitalized to utility rate base in prior years; and
- (2) The corresponding PBOP costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual PBOP costs capitalized to utility rate base in prior years;

d. Other Adjustments

- (1) A debit/credit entry for amortization of PBOP refund/recovery in rates;

e. An entry equal to the interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.d above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

Disposition of any balance recorded in the PBOPBA will be recovered/refunded in connection with SDG&E's next cost of service or GRC proceeding.

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**PRELIMINARY STATEMENT**

Sheet 1

**II. BALANCING ACCOUNTS**  
**ELECTRIC DISTRIBUTION FIXED COST ACCOUNT (EDFCA)**

1. Purpose

The EDFCA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to record the difference between the Utility's authorized distribution base margin revenue requirement and recorded base margin revenues from authorized distribution rates, in accordance with Commission Decision 08-07-046. In addition, administrative expenses and uncollected deferred billings associated with implementing the Energy Payment Deferral Plan for qualifying citrus growers and other qualifying affected agricultural growers are recorded to this account pursuant to Resolution E-4065. The EDFCA contains one Subaccount for the Neighbor to Neighbor program.

2. Applicability

The EDFCA shall apply to all customers unless otherwise specified by the Commission.

3. Effective Date

The effective date of this account shall be June 1, 2005.

4. Rates

The EDFCA shall be recovered through the electric distribution rate.

5. Authorized Distribution Base Margin Revenue Requirement:

The Utility's authorized distribution base margin revenue requirement reflects the revenue requirement adopted in Commission D. 08-07-046 adjusted to exclude non-fuel commodity costs recorded in the Non-Fuel Generation Balancing Account related to SONGS, Miramar I and Palomar generation facilities. The authorized revenue requirement shall be revised annually pursuant to the Post-Test Year Ratemaking Settlement adopted in D. 08-07-046.

The Authorized Distribution Base Margin Revenue Requirement is recorded to the EDFCA on a monthly basis to reflect the following seasonality factors:

JAN	7.37%	JUL	9.35%
FEB	7.70%	AUG	9.54%
MAR	7.55%	SEP	10.36%
APR	7.28%	OCT	8.75%
MAY	7.52%	NOV	7.96%
JUN	8.38%	DEC	8.24%

These factors may be adjusted, if needed, in the next applicable Rate Design Window filing or other appropriate proceeding.

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

Sheet 2

**II. BALANCING ACCOUNTS**  
**ELECTRIC DISTRIBUTION FIXED COST ACCOUNT (EDFCA)**

6. Energy Payment Deferral Plan for Citrus and Agricultural Growers

Resolution E-4065 authorizes an Energy Payment Deferral Plan to provide relief to growers' whose crops were destroyed by frost damage in January 2007. It permits growers to defer up to 50% of their billings from February 2007 through January 2008 associated with citrus and other qualifying agricultural production without incurring interest charges. Beginning February 2008, growers will be billed the accrued deferral in up to twelve equal monthly installment payments. The Utility is authorized to recover the monthly administrative costs and any uncollected deferred billings.

7. Accounting Procedure:

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

- a. A debit entry equal to the pro rata allocation of the authorized distribution base margin revenue requirement (reflecting the factors in Section 4 above), net of franchise fees and uncollectible expense.
- b. A credit entry equal to the monthly billed distribution base margin revenue, net of franchise fees and uncollectible expense.
- c. A debit entry equal to the incremental administrative costs and any amounts written off as uncollectible as a result of the 2007 citrus and other agricultural growers' Energy Payment Deferral Plan.
- d. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 7.a through 7.c above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

8. Account Disposition

The utility shall file in October of each year an advice letter requesting to amortize the projected EDFCA year-end balance in the electric distribution rate effective January 1 of the following year.

9. Neighbor-to-Neighbor Account (NTNA)

Purpose:

Pursuant to Resolution E-4030, the purpose of the (NTNA) is to allocate a portion of the EDFCA balance to provide additional funding to the Neighbor to Neighbor Program. Total funding for the program is \$1 million.

(Continued)



**PRELIMINARY STATEMENT**

Sheet 1

II. BALANCING ACCOUNTS

RESEARCH, DEVELOPMENT AND DEMONSTRATION EXPENSE ACCOUNT (RDDEA)

1. Purpose

The purpose of this account is to record the difference between authorized costs in rates, and actual costs associated with non-public purpose research, development, and demonstration programs. This is an interest bearing one-way account where over-expenditures are not recovered as authorized in Decision 08-07-046, in the Utility's General Rate Case (GRC) Application 06-12-009.

2. Applicability

The RDDEA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Accounting Treatment

The Utility shall maintain the RDDEA by making entries to this account as follows:

- a. A debit entry equal to actual research, development and demonstration expenses
- b. A credit entry equal to one-twelfth of the authorized RD&D expenses in rates.
- c. An entry shall be made to reflect the amount returned to ratepayers due to the amortization of the prior year ending balance where actual expenses were below authorized levels.
- d. Any royalties or gains on sale as a result of electric RD&D programs are to be credited to ratepayers.
- e. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 3.a through 3.d above, at a rate equal to one-twelfth of the interest rate on three-month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

At the end of the general rate case period, SDG&E will reconcile this account and adjust rates as needed. If there is a balance due to ratepayers, pursuant to Commission Decision 08-07-046, SDG&E will return the balance plus interest to ratepayers or will carry the balance forward to offset expenses in future proceedings.

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**PRELIMINARY STATEMENT**

Sheet 2

III. MEMORANDUM ACCOUNTS  
DESCRIPTION/LISTING OF ACCOUNTS

Listing of Accounts

- Catastrophic Event Memorandum Account (CEMA)
- Rate Reduction Bond Memorandum Account (RRBMA)
- Generation Divestiture Transaction Costs Memorandum Account (GDTCMA)
- Streamlining Residual Account (SRA)
- Nuclear Claims Memorandum Account (NCMA)
- Real-Time Energy Metering Memorandum Account (RTEMMA)
- Net Energy Metering Memorandum Account (NEMMA)
- Self-Generation Program Memorandum Account (SGPMA)
- Bond Payment Memorandum Account (BPMA)
- Direct Access Cost Responsibility Surcharge Memorandum Account (DACRSMA)
- Advanced Metering and Demand Response Memorandum Account (AMDRMA)
- Procurement Transaction Auditing Memorandum Account (PTAMA)
- Reliability Costs Memorandum Account (RCMA)
- Litigation Cost Memorandum Account (LCMA)
- Community Choice Aggregation Surcharge Memorandum Account (CCASMA)
- Advanced Metering Infrastructure Memorandum Account (AMIMA)
- Independent Evaluator Memorandum Account (IEMA)
- Community Choice Aggregation Procurement Memorandum Account (CCAPMA)
- California Solar Initiative Performance-Based Memorandum Account (CSIPMA)
- Renewables Portfolio Standard Memorandum Account (RPSMA)
- Market Redesign Technology Upgrade Memorandum Account (MRTUMA)
- Gain/Loss On Sale Memorandum Account (GLOSMA)
- General Rate Case Revenue Requirements Memorandum Account (GRCRRMA)
- Non-Residential Submetering Memorandum Account (NRSMA)
- Long Term Procurement Plan Technical Assistance Memorandum Account (LTAMA)

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Note: 1) SONGS 2&3 Unamortized Nuclear Fuel Inventory Memorandum Account, see Section V.  
2) SONGS 2&3 Permanent Closure Noninvestment-Related Expenses Memorandum Account, see Section V.

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Advice Ltr. No. 2014-E  
Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008  
Effective Jan 1, 2008  
Resolution No. \_\_\_\_\_



**PRELIMINARY STATEMENT**

Sheet 1

III. MEMORANDUM ACCOUNT

GENERAL RATE CASE REVENUE REQUIREMENTS MEMORANDUM ACCOUNT (GRCRRMA)

1. Purpose: Pursuant to D.07-12-053, the purpose of the GRCRRMA is to record the revenue shortfall or overcollection resulting from revenues received under current rates compared to the final 2008 generation and distribution base margin revenue requirements adopted in A.06-12-009. Pursuant to D.08-07-046, TY 2008 General Rate Case, the entries recorded to the GRCRRMA will reflect the revenues recorded effective January 1, 2008. The costs and revenues recorded to the GRCRRMA shall exclude the SONGS non-fuel costs and revenues that are not addressed in A.06-12-009.
2. Effective Date: The GRCRRMA is to be effective January 1, 2008.
3. Applicability: THE GRCRRMA shall apply to all customers unless otherwise specified by the Commission.
4. Rates: The GRCRRMA will be collected through the electric commodity and distribution rates.
5. Accounting Procedure: The GRCRRMA will include generation and distribution subaccounts to separately track the revenue requirements related to the commodity and distribution rate components. The utility shall maintain the GRCRRMA by making entries to each subaccount as follows:
  - a. A debit entry equal to the pro rata allocation of SDG&E's authorized generation and distribution base margin revenue requirement adopted in A.06-12-009, net of franchise fees and uncollectible expense, for the period January 1, 2008 until such time a final decision in the revenue requirement phase of A.06-12-009 becomes effective. This entry will be recorded once the decision is approved.
  - b. A credit entry equal to the recorded non-fuel generation and distribution base margin revenue, net of franchise fees and uncollectible expense, under current rates for each month beginning January 1, 2008 until such time a final decision in the revenue requirement phase of A.06-12-009 becomes effective. This entry will be recorded once the decision is approved.
  - c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entry 4.a and 4.b above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.
6. Disposition: The disposition of the balance in the GRCRRMA will be addressed in the SDG&E's General Rate Case proceeding (A.06-12-009) or in SDG&E's next annual regulatory account update and Non-fuel Generation Balancing Account (NGBA) filings.

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



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Sheet 1

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

A. OVERVIEW

Pursuant to Decision D.08-07-046, the Electric Distribution and Gas Performance-Based Ratemaking (PBR) Mechanism consists of 1) a revenue requirement and adjustment mechanism; 2) Z-Factor; 3) performance indicators; and 4) ratemaking procedures.

- 1. Revenue Requirement and Adjustment Mechanism – All authorized base rate revenues shall be recoverable by SDG&E through the operation of a regulatory balancing account mechanism, so that the recovery of the approved revenue requirement is not affected by variances in sales forecasts.
- 2. Z Factor – Z Factors are exogenous events, unforeseen at the implementation of PBR, largely uncontrollable by management, having a material and disproportionate impact on SDG&E.
- 3. Performance Indicators – Performance rewards or penalties are accrued based on the utility's performance in the categories of employee safety, service quality, and system reliability. The total electric distribution and gas performance indicator reward or penalty that may be accrued in any year of the PBR mechanism, beginning with 2005, shall not exceed \$13,780,000.
- 4. Ratemaking Procedures – The ratemaking procedures establish the requirements for filing annual rate adjustments, the filing of the annual PBR performance report, the submittal of an annual internal audit report and the accounting for approved rewards and penalties for both electric and gas.

B. EFFECTIVE DATE / DURATION

The PBR mechanism shall be effective through 2011. Pursuant to D.05-03-023, the performance incentives shall be effective from 2005 onwards until modified or terminated by further action of the Commission.

C. AUTHORIZED REVENUE REQUIREMENT AND ADJUSTMENT MECHANISM

The 2008 authorized base margin for SDG&E is \$1,097,897,000 for electric and \$235,125,000 for gas for a total of \$1,333,022,000. The annual revenue requirement changes for the attrition years 2009-2011, excluding FF&U, will be fixed dollar amounts as follows:

AY2009-	\$41 million
AY2010	\$44 million
AY2011-	\$44 million

Revenue requirement and rate base changes outside the scope of D.08-07-046 (e.g. cost of capital, Catastrophic Event Memorandum Account, etc.) are incremental to the fixed attrition amounts.

On a monthly basis, actual base margin revenues shall be recorded to the Electric Distribution Fixed Cost Account (EDFCA) and the Non-fuel Generation Balancing Account (NGBA) for electric and the Gas Core and Noncore Fixed Cost Accounts (CFCA, NFCA) for gas to be balanced against the monthly portion of the authorized base margin revenue requirement.

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**PRELIMINARY STATEMENT**

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

D. Z FACTOR

1. Definition

Z Factors are exogenous events, unforeseen at the implementation of PBR, largely uncontrollable by management, having a material and disproportionate impact on SDG&E as described below. Additionally, Z Factors include costs which are a normal part of doing business, the costs and event are not reflected in the rate update mechanism, the cost impact must be measurable and incurred reasonably. Potential Z Factors shall include, but are not limited to the items set forth below:

- a. Accounting rule changes promulgated by the Financial Accounting Standards Board (FASB), the Securities and Exchange Commission (SEC) or the California Public Utilities Commission (CPUC);
- b. Tax law changes by the federal government, the State Franchise Tax Board, Board of Equalization, or any local jurisdiction having taxing authority;
- c. Costs resulting from other mandated state, federal, or local governmental programs or from regional environmental programs;
- d. In the event that the Catastrophic Event Memorandum Account (CEMA) is subsequently eliminated, material cost impacts resulting from natural disasters; and
- e. Other events meeting the criteria set forth herein.

SDG&E must promptly notify the Commission of all potential Z Factors in compliance with D.99-05-030. Notice to the Commission shall be by a letter addressed to the Executive Director. Copies of the letter shall be sent to the following at the Commission: the Director of the Energy Division, the Investigations, Monitoring and Compliance Branch Chief, Energy Division, and the Director of the ORA. The letter shall clearly identify the proposed Z Factor to be recorded in the Z Factor Memorandum Account, shall include a detailed description of the event and a forecast of the annual cost impact of such Z Factor. SDG&E shall then be authorized to record, on a monthly basis, the associated cost in the Z Factor Memo Account.

2. Operation of the Z Factor Memorandum Account

SDG&E shall maintain a separate Z Factor Memorandum Sub-Account for each identified Z Factor. Recorded costs are charged to each sub-account at the end of each month. Revenues authorized by the Commission to amortize the balance are credited to each sub-account at the end of each month. Interest shall accrue on a monthly basis by applying 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, H.15, to the average of the beginning and ending balance (either positive or negative) less a \$5,000,000 deductible amount which is applicable to each qualifying Z Factor event.

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**PRELIMINARY STATEMENT**

Sheet 3

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

D. Z FACTOR (Continued)

3. Measure of Adjustment

a. Z Factor Calculation

The impact of the Z Factor event is less the \$5,000,000 deductible. The impact of the Z Factor event above the \$5,000,000 deductible will be the Z Factor used in the Base Rate Indexing Mechanism. The precise calculation is shown in the following formula:

$$Z_s = [ZC_s - \$5,000,000]$$

Where:

Z<sub>s</sub> = A particular Z Factor for subject year s

ZC<sub>s</sub> = Z Factor cost level in subject year s

b. Capital Related Z Factor Costs

The formula is identical for capital costs except that the result is multiplied by the Capital Service Price, where the Capital Service Price is defined as the margin requirement for capital related costs determined under traditional cost of service methodology divided by the associated capital costs. Such costs are: return on weighted average rate base (using the current CPUC authorized rate of return), taxes on that return, depreciation expense at the CPUC adopted system average rate, plus authorized franchise fees and uncollectible expense. The precise calculation is shown in the following formula:

$$Z_s = (ZC_s * SP_s) - \$5,000,000$$

Where:

Z<sub>s</sub> = A particular Z Factor for subject year s

ZC<sub>s</sub> = Z Factor cost level in subject year s

SP<sub>s</sub> = Capital Service Price in subject year s

c. Subsequent Year Adjustment

In subsequent years the Z Factor will be modified as described in D.4 below.

4. Operation of the \$5,000,000 Deductible Feature

To limit recoverable Z Factors to material events, the deductible feature of \$5,000,000 was authorized by the Commission in D.99-05-030 to operate as follows:

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Issued by

Date Filed

Aug 11, 2008

Advice Ltr. No. 2014-E

**Lee Schavrien**

Effective Jan 1, 2008

Senior Vice President  
Regulatory Affairs

Decision No. 08-07-046

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

Sheet 4

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

D. Z FACTOR (Continued)

4. Operation of the \$5,000,000 Deductible Feature (Continued)

- a. The deductible is a one-time feature applicable to the first \$5,000,000 in costs for each Z Factor event. For example, if a qualified Z Factor increased costs by \$20,000,000 in each year 1, 2 and 3 above the base level, the deductible will apply in year 1. Thus, the compensable amounts will be \$15,000,000, \$20,000,000 and \$20,000,000 in years 1, 2 and 3, respectively.
- b. The deductible is cumulative for each Z Factor event and completes its application in the first year that the cumulative Z Factor costs exceed the deductible amount. For example, if a qualified Z Factor increased costs by \$4,000,000, \$4,000,000 and \$4,000,000 in years 1, 2 and 3 above the base level, the deductible will be fully applied during year 2. Thus, the compensable amounts will be \$0, \$3,000,000 (\$4,000,000 plus \$4,000,000 minus \$5,000,000) and \$4,000,000 in years 1, 2 and 3, respectively. As demonstrated above, once a Z Factor is created and the full deductible is applied, the Z Factor remains compensable in subsequent years even if the amount is less than the one-time deductible.
- c. The deductible is applicable to each separate Z Factor event. Thus, in the event of multiple Z Factors, the following table depicts the Z Factor amounts, application of the deductible, and the compensable amounts:

	Year		
(\$ Millions)	1	2	3
Z Factor (a)	\$8	\$3	\$3
Z Factor (b)	6	6	4
Sub-Total	14	9	7
Deductible (a)	(5)	-	-
Deductible (b)	(5)	-	-
Compensable Amount	\$4	\$9	\$7

As demonstrated above, the deductible is a one-time amount applicable to each individual Z Factor. Again, once the deductible level is exceeded in any year for an individual Z Factor, that Z Factor is fully compensable in subsequent years.

(Continued)



**PRELIMINARY STATEMENT**

Sheet 5

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS

The total amount of electric distribution and gas performance indicator reward or penalty in any year of the PBR Mechanism, beginning with 2005, shall not exceed thirteen million, seven hundred, eighty thousand dollars (\$13.780 million). The performance reward or penalty will be based on the utility's performance in the following categories:

Performance Rewards/(Penalties) equals the sum of:

- (a) Employee Safety (Section E.1.)
- (b) Customer Service Indicators and Service Guarantee (Section E.2.)
- (c) System Reliability (Three Indicators) (Section E.3.)

1. Employee Safety:

The Employee Safety performance indicator measures SDG&E performance based on it's OSHA rate, a metric established by the Federal Occupational Safety and Health Act (OSHA). The OSHA rate is the number of incidents per 200,000 hours worked.

Reward/penalty mechanism – The employee safety indicator establishes a deadband from 5.55 to 6.07 for which no reward or penalty will apply. Beyond the deadband, SDG&E is authorized an incentive rate or \$12,500 per 0.01 change in the rate for a maximum reward or penalty of \$2.18 million. Refer to the table below for details. Rewards or penalties received for employee safety performance are allocated 77% to the electric department and 23% to the gas department revenue requirements based on the percent of authorized operating revenue as provided for in the Phase 1 Cost of Service decision (D.04-12-015).

Employee Safety Table:

Benchmark: 5.81 OSHA - reportable frequency rate

Deadband: 5.55 – 6.07

Liveband: +/- 1.75

Unit of change: 0.01

Incentive/(Penalty) per unit: \$12,500 outside the deadband

Maximum incentive/(penalty): +/- \$2.18 million

SDG&E shall also track reportable incidents in the following four categories: meter reading, customer field service, distribution and office. SDG&E shall report this information in its next General Rate Case proceeding.

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators and Service Guarantee

a. Service Guarantee:

SDG&E shall continue its current Service Guarantee. If the utility is unable to meet an appointment commitment with a customer for services at the customer's premises when access is required, SDG&E will credit \$50 to the customer's account. Appointments can be all day or they may be made within appointment windows (a.m./p.m.). The credit does not apply if the customer is notified at least four hours before the end of the appointment period. For establishment of service (turn-on orders), the customer will be credited with the applicable service establishment charge (\$15 or \$30) rather than the \$50. The guarantee does not apply for gas pilot light service or if the utility documents that the reason for the missed appointment was due to natural disaster, labor strike or the service person was called off to work on an Emergency Order. Emergency Orders are excluded as a result of the utility's public safety obligations and include the following events: 1) Fire or explosion; 2) Broken or blowing gas line; 3) High gas pressure; 4) Emergency carbon monoxide; and, 5) Hazardous leaks.

When an individual customer requests a date for a permanent new service establishment, the utility will turn on new service on the day promised (prior to midnight) or credit the customer's electric) instead of the \$50 stated above. The credit does not apply if at least 24 hours notice of a date change is given to the customer. Notice given on an answering machine or to another number designated by the customer is sufficient. For the guarantee to be valid, there must be: 1) Open access to the facility and the meter panel or gas service; 2) All required inspections must be completed and approved; and, 3) No threats or harm to utility employees

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

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**PRELIMINARY STATEMENT**

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators and Service Guarantee (Continued)

b.. Customer Service Indicators: (Continued)

SDG&E's performance on four Customer Service performance indicators will be measured to ensure appropriate service quality levels are maintained under PBR. Rewards or penalties received for customer satisfaction performance are allocated 77% to the electric department and 23% to the gas department revenue requirements based on the percent of authorized operating revenue as provided for in D.04-12-015. The four indicators that will be measured are as follows:

- (1) Phone / Office Contact Satisfaction – composite measure of customers' satisfaction with their overall experience with SDG&E's Customer Contact Center and Branch Offices.
- (2) Field Visit Satisfaction – measure of customer satisfaction with their overall experience with a field service visit.
- (3) Call Center Responsiveness – measure of how quickly SDG&E responds to customer calls.
- (4) Field Service Order Appointments Provided / Percent Made – measure of the frequency with which SDG&E provides customers with service window appointments and the frequency with which SDG&E meets those commitments.

Reward / penalty mechanism – For Phone / Office Contact, Field Visit, and Call Center Responsiveness, SDG&E is authorized a specific target and deadband for which no reward or penalty will apply. For each of the three indicators, performance beyond the deadband triggers a reward or penalty up to a maximum amount. Refer to individual tables below for details.

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

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**PRELIMINARY STATEMENT**

Sheet 8

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators and Service Guarantee (Continued)

b. Customer Service Indicators: (Continued)

Phone / Office Contact Satisfaction Table:

Target.....83.4%  
Deadband.....84.4% – 82.4%  
Reward/(Penalty) Liveband...+ /- 5%  
Incentive Rate.....\$10,000 / 0.1  
Maximum Reward / Penalty...\$500,000

Field Visit Satisfaction Table:

Target.....94.1%  
Deadband.....95.1% – 93.1%  
Reward/(Penalty) Liveband...+ /- 5%  
Incentive Rate.....\$10,000 / 0.1  
Maximum Reward / Penalty...\$500,000

Call Center Responsiveness Table:

Target.....80% within 60 seconds  
Deadband.....82% – 78%  
Reward/(Penalty) Liveband...+ /- 5%  
Incentive Rate.....\$30,000 / 0.1  
Maximum Reward / Penalty...\$1,500,000

Field Service Order Appointments Provided/Percent Made:

There are seven bands by which Field Service Order Appointments Provided are assessed in terms of the Percentage of On-Time Arrivals (Percent Made). The maximum Reward or Penalty is + / - \$600,000 and are assessed in increments of \$12,000 per each 0.1% change in Percent On-Time Arrivals (Percent Made) within each of the seven Percent Appointments Provided bands. There is only one deadband area which is found in band > 35%-40% for 99.01-100% On-Time Arrivals Met. The targets, deadbands, and livebands are as follows:

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

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IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators and Service Guarantee (Continued)

b. Customer Service Indicators: (Continued)

- 35% or Below: Target: 100%  
Deadband: none  
Liveband: Penalty only 95.01-100% met
- >35-40%: Target: 99.01%  
Deadband: 99.01-100%  
Liveband: Penalty 94.01-99% met.
- >40-45%: Target: 99.01%  
Deadband: none  
Liveband: Penalty 94.01-99% met; Reward 99.01-100% met
- >45-50%: Target: 98.01%  
Deadband: none  
Liveband: Penalty 93.01-98% met; Reward 98.01-100% met
- >50-55%: Target: 97.01%  
Deadband: none  
Liveband: Penalty 92.01-97% met; Reward 97.01-100% met
- >55-60%: Target: 96.01%  
Deadband: none  
Liveband: Penalty 91.01-96% met; Reward 96.01-100% met
- >60%: Target: 95.01%  
Deadband: none  
Liveband: Penalty 90.01-95% met; Reward 95.01-100% met

Customer Service – Monitor Only Indicators

SDG&E's performance on ten performance indicators will be tracked to monitor the service quality levels. SDG&E will submit quarterly data on these indicators on an annual basis, beginning in 2006 to include data for the year 2005. The following monitor-only measures have been adopted per D.05-03-023:

- (1) Level of Busy Signal
- (2) Estimated Meter Reads
- (3) Missed Appointments
- (4) Problem Resolved on First Visit
- (5) Elapsed Time
- (6) Percentage of Abandoned Calls
- (7) Shortest time to CSR
- (8) Gas Emergency Response Time
- (9) Electric Emergency Response Time
- (10) Complaints

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Issued by

Date Filed

Aug 11, 2008

Advice Ltr. No. 2014-E

**Lee Schavrien**

Effective Jan 1, 2008

Senior Vice President  
Regulatory Affairs

Decision No. 08-07-046

Resolution No. \_\_\_\_\_

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IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

3. System Reliability

Rewards or penalties for system reliability will be determined based on the utility's performance on three separate performance indicators. These indicators are: 1) the System Average Interruption Duration Index (SAIDI) measurement, 2) the System Average Interruption Frequency Index (SAIFI); and, 3) the Momentary Average Interruption Frequency Index (MAIFI). SAIDI measures the duration of electric service forced and sustained interruptions experienced by customers each year, excluding major events and planned outages. SAIFI and MAIFI both measure the frequency of electric distribution forced outages that occur in a year, excluding major events and planned outages. SAIFI measures sustained outages (5 minutes or greater), whereas MAIFI measures momentary outages (less than 5 minutes). Rewards or penalties received for the system reliability performance indicators are allocated 100% to the electric department revenue requirements.

a. Reward/(Penalty) Mechanism: Rewards and Penalties shall be based on the following parameters (Excluding Major Events and Planned Outages):

<b>Adopted Reliability Incentives</b>			
	<b>SAIDI</b>	<b>SAIFI</b>	<b>MAIFI</b>
Target	68	0.67	0.76
Deadband	+/-2	+/-0.02	+/-0.02
Increment	1	0.01	0.015
Liveband	+/-15	+/- 0.15	+/- 0.30
Reward/(Penalty) per unit	\$250,000	\$250,000	\$50,000
Maximum Reward/(Penalty)	\$3,750,000	\$3,750,000	\$1,000,000

b. Exclusions: The measurement of each of the electric reliability performance indicators excludes planned outages, Major Events, and events that are the direct result of failures in the ISO-controlled bulk power market or other non-utility owned transmission facilities.

Major Events are defined in D.96-09-045 as an event that meets at least one of the following criteria: 1) the event is caused by earthquake, fire or storm of sufficient intensity to give rise to a state of emergency being declared by the government; or, 2) an event that affects more than 15% of the system facilities or 10% of the utility's customers, whichever is less for each event.

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**PRELIMINARY STATEMENT**

IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

F. RATEMAKING PROCEDURES

1. Annual Rate Adjustments (ARA's)

SDG&E shall make an annual advice letter filing on or before November 1 to update base margin by the fixed attrition amount effective January 1 of the following year for each year the PBR is in effect. The filing may also include proposed Z Factor adjustments (described in Section D).

2. Annual PBR Report

SDG&E will file an annual advice letter providing the results of the performance indicators for the previous calendar year. If there are any rewards/penalties under the PBR mechanism, the rewards/penalties shall be included in rates on January 1 of the subsequent year upon Commission approval. SDG&E will submit this advice letter on May 1 of the following year, including workpapers detailing operating results for SDG&E's base rates.

3. Annual Internal Audit Report

SDG&E will undertake an annual internal audit to ensure incentive mechanisms for safety, customer service, and reliability as described in Section x above are implemented, operated and calculated correctly and fairly. The internal audit will examine internal controls and management oversight of the calculations. The internal audit report will be submitted to the Director of the Energy Division, Director of the Consumer Protection and Safety Division, and the Director of Ratepayer Advocates. The internal audit report will be held confidential pursuant to the Commission's General Order 66-C and Public Utilities Code Section 583. SDG&E will submit the internal audit report on May 1 of each year for the prior calendar year. SDG&E executive management will report all remedial actions taken in response to the internal audit as part of the report.

4. Rewards and Penalties Balancing Account (RPBA)

Pursuant to Resolution E-3588, the utility shall record rewards and penalties under the PBR mechanism to its gas and electric Rewards and Penalties Balancing Account (RPBA). The utility shall file in October of each year an advice letter requesting to amortize the projected RPBA year-end balance in the electric distribution and gas transportation rates effective January 1 of the following year.

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

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Issued by  
**Lee Schavrien**  
Senior Vice President  
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(Continued)

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Advice Ltr. No. 2014-E

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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ATTACHMENT B  
ADVICE LETTER 1791-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 17161-G	PRELIMINARY STATEMENT, III. BIENNIAL COST ALLOCATION PROCEEDING (BCAP), Sheet 3	Revised 14247-G
Revised 17162-G	PRELIMINARY STATEMENT, III. BIENNIAL COST ALLOCATION PROCEEDING (BCAP), Sheet 4	Revised 16689-G
Revised 17163-G	PRELIMINARY STATEMENT, III. BIENNIAL COST ALLOCATION PROCEEDING (BCAP), Sheet 5	Revised 14249-G
Revised 17164-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, DESCRIPTION/LISTING OF ACCOUNTS, Sheet 2	Revised 17107-G
Revised 17165-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, NATURAL GAS VEHICLE (NGV) ADJUSTMENT CLAUSE , Sheet 1	Original 15683-G
Revised 17166-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 1	Original 15698-G
Revised 17167-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 2	Original 15699-G
Revised 17168-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA), Sheet 1	Original 15700-G
Revised 17169-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA), Sheet 2	Original 15701-G
Revised 17170-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 1	Revised 16482-G
Revised 17171-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 1	Revised 16483-G
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Revised 17173-G	PRELIMINARY STATEMENT, V. MEMORANDUM ACCOUNTS, DESCRIPTION/LISTING OF ACCOUNTS, Sheet 2	Revised 16710-G
Revised 17174-G	PRELIMINARY STATEMENT, III. MEMORANDUM ACCOUNTS, GENERAL RATE CASE REVENUE REQUIREMENTS MEMORANDUM ACCOUNTS (GRCRRMA), Sheet 1	Original 16711-G

ATTACHMENT B  
ADVICE LETTER 1791-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 17175-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 1	Revised 17081-G
Revised 17176-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 2	Revised 14509-G
Revised 17177-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 3	Revised 14510-G
Revised 17178-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 4	Revised 14511-G
Revised 17179-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 5	Revised 14512-G *
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Revised 17184-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 10	Revised 17082-G
Revised 17185-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 11	Revised 17083-G
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**PRELIMINARY STATEMENT**

III. BIENNIAL COST ALLOCATION PROCEEDING (BCAP)

B. APPLICATION AND REVISION DATES (CONTINUED)

2. (Continued)

a. Core Trigger Filing

The utility may file an advice letter requesting a core rate adjustment 45 days before the end of the first year of its cost allocation test year if the percentage adjustment to bundled core rates required to amortize the first year's net over or undercollection in the core PGA and core fixed cost accounts over one year of previously adopted core sales would exceed five (5%) percent. The proposed rate filing changes shall be determined as follows:

- (1) The first year of the Forecast Period's net over/under- collection (nine months of recorded data, plus three months of forecasted data) in the core purchased gas account (CPGA) divided by the previously adopted core portfolio gas purchases.
- (2) The first year of the Forecast Period's net over/under- collection (nine months of recorded data, plus three months of forecasted data) in the core gas fixed cost balancing account (CFCA) divided by the previously adopted core transmission volumes.
- (3) The proposed core rates shall equal the sum of the core rate adders computed in (1) and (2) above and the average bundled core rates previously adopted in the utility's last cost allocation proceeding.
- (4) If the sum of the rates computed in (3) above is five percent or greater in absolute value than the previously adopted average bundled core rate, then the utility may file for a change of core rates.

C. DEFINITIONS

1. Last General Rate Case (GRC) / Cost of Service (COS) Decision

The last GRC/COS decision for the utility is Decision 08-07-046, issued by the California Public Utilities Commission on July 31, 2008.

2. The Gas OIR Implementation Decision

The Gas OIR Implementation Decision for the utility is Decision 90-09-089, issued by the California Public Utilities Commission on September 24, 1990, as modified by Decision 90-12-100, dated December 19, 1990, Decision 91-02-022, dated February 6, 1991, Decision 91-02-046, dated February 21, 1991, and Resolution G-2948, dated May 22, 1991.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

Sheet 4

III. BIENNIAL COST ALLOCATION PROCEEDING (BCAP)

C. DEFINITIONS (Continued)

3. Cost of Purchased Gas

The Cost of Purchased Gas is the sum of expenses included in Accounts 800 through 808 of the Federal Uniform System of Accounts.

4. Gas Base Margin

Pursuant to Commission Decision 08-07-046, the Gas Base Margin is \$235,125,000 effective January 1, 2008. Gas Base Margin represents the total revenue requirement less miscellaneous revenues.

5. Cost Allocation Factors

These percent factors, which are derived from Decision 06-04-033, dated April 13, 2006 are used to allocate recorded gas expenses each month to the appropriate balancing/tracking accounts as follows:

	<u>Cost Description</u>	<u>CORE</u>	<u>NONCORE</u>
(a)	Gas Base Margin	96.26% I	3.74% R

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(Continued)



**PRELIMINARY STATEMENT**

III. BIENNIAL COST ALLOCATION PROCEEDING (BCAP)

C. DEFINITIONS (Continued)

6. San Diego Franchise Fee Differential (SDFFD)

A San Diego Franchise Fee Differential of 1.03% is applied to retail customer bills in which utility gas services have been rendered within the corporate limits of the City of San Diego.

7. San Diego Franchise Fee and Uncollectible Factor (F&U Factor)

The San Diego Franchise Fee and Uncollectible Factor is 1.023102, based on the Last General Rate Case Decision. This factor is applicable to all retail gas service rendered within the utility's service territory.

8. Balancing Accounts

Accounts where expenses are compared with revenues from rates designed to recover those expenses; forecasted expenses are compared with recorded expenses; or forecasted revenues are compared with recorded revenues. The resulting over or undercollection, plus interest, as described hereunder, is recorded on the utility's financial statement as an asset or liability, which is owed from or due to the ratepayers. These balances are amortized in future rates, as approved by the Commission.

9. Memorandum Accounts

Accounts which operate in the same fashion as the balancing accounts, described above, except that interest would not be accumulated unless approved by the Commission, and stockholders may be at risk for the resulting over or undercollection. These balances are not recorded on the utility's financial statements and do not represent a part of ongoing or future revenue requirements. These balances may be amortized in future rates subject to specific Commission approval.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



**PRELIMINARY STATEMENT**

Sheet 2

IV. BALANCING ACCOUNTS  
DESCRIPTION/LISTING OF ACCOUNTS

Listing of Accounts

- Interstate Transition Cost Surcharge Account (ITCS)
- Curtailment Penalty Funds Account (CPFA)
- California Alternate Rates for Energy (CARE) Balancing Account
- Natural Gas Vehicle (NGV) Adjustment Clause
- Gas Storage Balancing Account (GSBA)
- Core Interstate Transition Cost Surcharge Account (CITCS)
- Research, Development and Demonstration (RD&D) Balancing Account
- Gas Energy Efficiency Balancing Account (GEEBA)
- Rewards & Penalties Balancing Account (RPBA)
- Baseline Balancing Account (BBA)
- Fiber Optic Cable in Gas Pipelines Services Account (FIGA)
- Pension Balancing Account (PBA)
- Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)
- Core Fixed Cost Account (CFCA)
- Noncore Fixed Cost Account (NFCA)
- Post-2005 Gas Energy Efficiency Balancing Account (PGEEBA)
- Post-2005 Gas Low Income Energy Efficiency Balancing Account (PGLIEEBA)
- California Solar Initiative Balancing Account (CSIBA)
- Integrated Transmission Balancing Account (ITBA)
- Advanced Metering Infrastructure Balancing Account (AMIBA)
- Distribution Integrity Management Program Balancing Account (DIMPBA)

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



**PRELIMINARY STATEMENT**

Sheet 1

IV. BALANCING ACCOUNTS  
NATURAL GAS VEHICLE (NGV) ADJUSTMENT CLAUSE

1. Purpose

The purpose of the NGV Adjustment Clause (NGVAC) is to balance recorded NGV program costs with recorded NGV revenues as authorized by the California Public Utilities Commission (Commission). Commission Decision (D.)03-10-086, dated and effective October 30, 2003, authorized a budget for the discretionary aspects of SDG&E's NGV program and directed it to utilize balancing account treatment. D.03-10-086 authorized SDG&E to use this account through December 31, 2005. D.05-05-010, dated and effective May 5, 2005, authorized the discretionary program funding authorized in D.03-10-086 to continue until a final Commission decision is issued on SDG&E's next Low Emission Vehicle funding request in its General Rate Case (GRC). Pursuant to D.08-07-046, TY 2008 GRC, the 2008 base margin revenue requirement includes funding to recover discretionary program costs, therefore, effective January 1, 2008, the NGVA will no longer record discretionary program costs.

2. Applicability

The NGV Adjustment Clause applies to certain rate schedules and certain special contracts subject to the jurisdiction of the Commission.

3. Definitions

- a. Effective Date: The effective date of this account shall be January 1, 2004.
- b. Interest Rate: The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, H. 15. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H.15 or its successor publication.
- c. NGV Program Costs: Discretionary expenses (e.g. customer information, education and training) authorized by the Commission associated with the NGV Program. Expenses recorded to the NGVAC shall be those in compliance with the guidelines for expenses authorized by the Commission. Program spending is limited to the amount authorized in D.03-10-086 and any expenditures above authorized may not be recovered from ratepayers.
- d. NGVBA Revenue: Revenue as authorized by the Commission including any applicable revenue in base or amortization rates (net of allowance for FF&U).
- e. Franchise Fees and Uncollectibles: Franchise Fees and Uncollectibles shall be based on the rate derived from the utility's most recent general rate case decision to provide for franchise fees and uncollectible accounts expense.

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**PRELIMINARY STATEMENT**

Sheet 1

IV. BALANCING ACCOUNTS  
PENSION BALANCING ACCOUNT (PBA)

1. Purpose

The PBA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to balance the difference between the forecasted and actual minimum contributions to the Utility's pension fund. Decision 04-12-015 adopted in part the Settlement Agreement for SDG&E's Cost of Service base margin revenue requirements effective on January 1, 2004 through December 31, 2007. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the PBA will continue for the 4-year GRC cycle through December 31, 2011.

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The Utility shall allocate all pension costs, 78.3% to the Electric Department and 21.74% to the Gas Department in 2008. These percentages are consistent with the administrative and general expenses in Account 926, Pension and Benefits, allocated based on operating payroll and approved pursuant to GRC D.08-07-046. In years 2009 through 2011 the allocation of pension costs between the Electric and Gas Departments will be trued up based on total pension costs recorded for the previous year. The Utility shall allocate all pension revenue 78.3% to the Electric Department and 21.7% to the Gas Department over the 4-year GRC cycle.

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The authorized gas pension revenue requirement and the related actual pension expenses recorded in the PBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (i.e., for shared services) billed to and charged from SDG&E's affiliate companies. In addition, the PBA records an adjustment for the difference in pension costs embedded in authorized and actual depreciation along with the related return.

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2. Applicability

The PBA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

The PBA balance will be included in gas rates upon Commission approval.

4. Accounting Procedure

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

a. O&M Component:

A debit/credit entry equal to the difference between:

- (1) One-twelfth of the Utility's annual pension funding level currently embedded in rates, reduced by the component of authorized pension costs capitalized to utility rate base; and
- (2) Actual pension expense, reduced by the component of pension costs capitalized to utility rate base;

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**PRELIMINARY STATEMENT**

Sheet 2

IV. BALANCING ACCOUNTS  
PENSION BALANCING ACCOUNT (PBA)

4. Accounting Procedure (Continued)

b. Depreciation/Return Component – Current Year:

A debit/credit entry equal to the difference, prorated for the year, between:

- (1) One twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized pension costs capitalized to utility rate base; and
- (2) The current month's actual pension costs embedded in recorded depreciation, including the return associated with the actual pension costs capitalized to utility rate base;

c. Depreciation/Return Component- Prior Year(s) [i.e. beginning with the initial year of the cost of service or GRC period]:

A debit/credit entry equal to the difference between:

- (1) One twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized pension costs capitalized to utility rate base in prior years; and
- (2) The corresponding pension costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual pension costs capitalized to utility rate base in prior years;

d. Other Adjustments:

- (1) A debit/credit entry for amortization of pension refund/recovery in rates;

e. An entry equal to the interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.d above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

For the period of 2009 through the end of the current GRC cycle, annual pension contributions will be no greater than the ERISA minimum required funding amount. If the ERISA minimum exceeds the DRA estimate of pension expense (as identified in Exhibit DRA-15 in SDG&E's GRC application 06-12-009) in any year, SDG&E will file an advice letter containing the supporting calculation of the minimum ERISA contribution made. Disposition of any balance recorded in the PBA will be recovered/refunded in connection with SDG&E's next cost of service or GRC proceeding.

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**PRELIMINARY STATEMENT**

Sheet 1

IV. BALANCING ACCOUNTS

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA)

1. Purpose

The PBOPBA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to balance the actual annual PBOP costs embedded in authorized rates with the actual tax-deductible contributions to the PBOP Trust, including "pay-as-you-go" PBOP costs that are paid directly to pre-1993 retirees, pursuant to Decision 04-12-015. Decision 92-12-015 initially adopted the PBOP regulatory mechanism. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the PBOPBA will continue for the 4-year GRC cycle through December 31, 2011.

The Utility shall allocate all PBOP costs, 78.3% to the Electric Department and 21.7% to the Gas Department in 2008. These percentages are consistent with the administrative and general expenses in Account 926, Pension and Benefits, allocated based on operating payroll and approved pursuant to D.08-07-046. In years 2009 through 2011 the allocation of PBOP costs between the Electric and Gas Departments will be trued up based on total pension costs recorded for the previous year. The Utility shall allocate all PBOP revenue 78.3% to the Electric Department and 21.7% to the Gas Department over the 4-year GRC cycle.

The authorized gas PBOP revenue requirement and the related actual PBOP expenses recorded in the PBOPBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (i.e., for shared services) billed to and charged from SDG&E's affiliate companies. In addition, the PBOPBA records an adjustment for the difference in PBOP costs embedded in authorized and actual depreciation along with the related return.

2. Applicability

The PBOPBA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

The PBOPBA balance will be included in gas rates upon Commission approval.

4. Accounting Procedure

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

a. O&M Component:

A debit/credit entry equal to the difference between:

- (1) One-twelfth of the Utility's annual PBOP funding level currently embedded in rates, reduced by the component of authorized PBOP costs capitalized to utility rate base; and
- (2) Actual tax-deductible PBOP contributions to the PBOP Trust, including "pay-as-you-go" PBOP costs that are paid directly to pre-1993 retirees, reduced by the component of PBOP costs capitalized to utility rate base;

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**PRELIMINARY STATEMENT**

Sheet 2

IV. BALANCING ACCOUNTS

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA)

4. Accounting Procedure (Continued)

b. Depreciation/Return Component – Current Year: (Continued)

A debit/credit entry equal to the difference, prorated for the year, between:

- (1) One twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized PBOP costs capitalized to utility rate base; and
- (2) The current month's actual PBOP costs embedded in recorded depreciation, including the return associated with the actual PBOP costs capitalized to utility rate base;

c. Depreciation/Return Component- Prior Year(s) [i.e. beginning with the initial year of the cost of service period]:

A debit/credit entry equal to the difference between:

- (1) One twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized PBOP costs capitalized to utility rate base in prior years; and
- (2) The corresponding PBOP costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual PBOP costs capitalized to utility rate base in prior years;

d. Other Adjustments

- (1) A debit/credit entry for amortization of PBOP refund/recovery in rates;

e. An entry equal to the interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.d above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

Disposition of any balance recorded in the PBOPBA will be recovered/refunded in connection with SDG&E's next cost of service or GRC proceeding.

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**PRELIMINARY STATEMENT**

Sheet 1

IV. BALANCING ACCOUNTS  
CORE FIXED COST ACCOUNT (CFCA)

1. Purpose

The CFCA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to record the difference between the Utility's authorized gas core transportation base margin revenue requirement (excluding transmission revenue requirements upon implementation of system integrated rates pursuant to D.06-04-033) and the corresponding recorded base margin revenues from authorized gas transportation rates, in accordance with Commission D.08-07-046.

The CFCA shall also record the difference between recorded expenses and revenues related to the recovery of transportation charges billed by SoCalGas to SDG&E, Unaccounted For (UAF) gas and Company Use (CU) gas. In addition, the CFCA will record administrative costs and uncollected deferred billings associated with implementing the Energy Payment Deferral Plan for qualifying citrus growers and other qualifying affected agricultural growers pursuant to Resolution E-4065.

This account shall be divided into three subaccounts: 1) base margin revenue requirement, 2) SoCalGas transportation costs and 3) other SDG&E costs.

The effective date of this account shall be June 1, 2005.

2. Applicability

The CFCA shall apply to all core customers unless otherwise specified by the Commission.

3. Rates

The CFCA will be recovered through the core transportation rate.

4. Authorized Gas Base Margin Revenue Requirement

The Utility's authorized gas base margin revenue requirement reflects the revenue requirement adopted in Commission D.08-07-046. The authorized revenue requirement shall be revised annually pursuant to in D.08-07-046.

The authorized gas core transportation base margin revenue requirement is recorded to the CFCA on a monthly basis to reflect the following seasonality percentage factors:

JAN	14.32	JUL	5.61
FEB	12.87	AUG	4.92
MAR	11.17	SEP	5.01
APR	8.65	OCT	5.55
MAY	6.76	NOV	7.05
JUN	6.40	DEC	11.69

The seasonality percentage factors may be updated, if needed, pursuant to the applicable Biennial Cost Allocation Proceeding (BCAP) or other appropriate proceeding.

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**PRELIMINARY STATEMENT**

Sheet 1

IV. BALANCING ACCOUNTS  
NONCORE FIXED COST ACCOUNT (NFCA)

1. Purpose

The NFCA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to record the difference between the Utility's authorized gas noncore transportation base margin revenue requirement (excluding transmission revenue requirements upon implementation of system integrated rates pursuant to D.06-04-033) and the corresponding recorded base margin revenues from authorized gas transportation rates, in accordance with Commission D.08-07-046.

The NFCA shall also record the difference between recorded expenses and revenues related to the recovery of transportation charges billed by SoCalGas to SDG&E, Unaccounted For (UAF) gas and Company Use (CU) gas. In addition, the NFCA will record administrative costs and uncollected deferred billings associated with implementing the Energy Payment Deferral Plan for qualifying citrus growers and other qualifying affected agricultural growers pursuant to Resolution E-4065.

This account shall be divided into three subaccounts: 1) base margin revenue requirement, 2) SoCalGas transportation costs and 3) other SDG&E costs.

The effective date of this account shall be June 1, 2005.

2. Applicability

The NFCA shall apply to all noncore customers unless otherwise specified by the Commission.

3. Rates

The NFCA will be recovered through the noncore transportation rate.

4. Authorized Gas Base Margin Revenue Requirement

The Utility's authorized gas base margin revenue requirement reflects the revenue requirement adopted in Commission D.08-07-046. The authorized revenue requirement shall be revised annually pursuant to D.08-07-046.

The authorized gas noncore transportation base margin revenue requirement is recorded to the NFCA on a monthly basis to reflect the following seasonality percentage factors:

JAN	7.52	JUL	9.02
FEB	7.43	AUG	9.68
MAR	7.60	SEP	9.19
APR	7.19	OCT	8.86
MAY	6.97	NOV	8.88
JUN	8.21	DEC	9.45

The seasonality percentage factors may be updated, if needed, pursuant to the applicable Biennial Cost Allocation Proceeding (BCAP) or other appropriate proceeding.

(Continued)



**PRELIMINARY STATEMENT**

Sheet 1

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IV. BALANCING ACCOUNTS

DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (DIMPBA)

1. Purpose

The Distribution Integrity Management Program Balancing Account is a one-way balancing account that records the difference between actual and authorized operating and maintenance costs associated with SDG&E's Distribution Integrity Management Program (DIMP), pursuant to D.08-07-046 in SDG&E's Test Year 2008 General Rate Case (GRC). The DIMPBA is effective for the GRC cycle of 2008 through 2011.

2. Applicability

This account shall apply to all gas services that are within the jurisdiction of the Commission.

3. Rates

The balance in the DIMPBA will be applied to gas rates as described in item 5 below.

4. Accounting Procedure

The DIMPBA shall record entries at the end of the month as follows:

- a. A debit entry equal to the actual costs related to SDG&E's DIMP;
- b. A credit entry equal to one-twelfth of the authorized DIMP revenue requirement; and
- c. An entry equal to interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a and 4.b above, at a rate equal to one-twelfth of the interest rate on the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H:15, or its successor publication.

5. Account Disposition

The DIMPBA is a one-way balancing account and any over- or uncollected balance at the end of each year within the GRC cycle will be carried over to the following year. Any unspent DIMP funds at the end of the current GRC cycle will be returned to gas customers in rates in the next GRC cycle.

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San Diego Gas & Electric Company  
San Diego, California

Revised Cal. P.U.C. Sheet No. 17173-G

Canceling Revised Cal. P.U.C. Sheet No. 16710-G

**PRELIMINARY STATEMENT**

Sheet 2

V. MEMORANDUM ACCOUNTS  
DESCRIPTION/LISTING OF ACCOUNTS

Listing of Accounts

- Catastrophic Event Memorandum Account (CEMA)
- Core Reclassification Shortfall Memorandum Account (CRSMA)
- Gas DSM Memorandum Account
- Cogeneration Shortfall Memorandum Account (CSMA)
- Liquefied Natural Gas Service Tracking Account (LNGSTA)
- Global Settlement Tracking Account (GLOBAL)
- Self-Generation Program Memorandum Account (SGPMA)
- FERC Settlements Proceeds Memorandum Account (FSPMA)
- Advanced Metering Infrastructure Memorandum Account (AMIMA)
- Gain/Loss on Sale Memorandum Account (GLOSMA)
- General Rate Case Revenue Requirement Memorandum Account (GRCRRMA)

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NOTE: For information relating to the Hazardous Substance Memorandum Account (HSMA), which is part of the Hazardous Substance Cleanup Cost Account (HSCCA), see Section VIII.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



**PRELIMINARY STATEMENT**

Sheet 1

III. MEMORANDUM ACCOUNTS

GENERAL RATE CASE REVENUE REQUIREMENTS MEMORANDUM ACCOUNTS (GRCRRMA)

1. Purpose: Pursuant to D.07-12-053, the purpose of the GRCRRMA is to record the revenue shortfall or overcollection resulting from revenues received under current rates compared to the final 2008 gas base margin revenue requirement adopted in A.06-12-009. Pursuant to D.08-07-046, TY 2008 General Rate Case, the entries recorded to the GRCRRMA will reflect the revenues recorded effective January 1, 2008.
2. Effective Date: The GRCRRMA is effective January 1, 2008.
3. Applicability: THE GRCRRMA shall apply to all customers unless otherwise specified by the Commission.
4. Rates: The GRCRRMA will be collected through the gas transportation rates.
5. Accounting Procedure: The utility shall maintain the GRCRRMA by making entries as follows:
  - a. A debit entry equal to the pro rata allocation of SDG&E's authorized gas base margin revenue requirement adopted in A.06-12-009, net of franchise fees and uncollectible expense, for the period January 1, 2008 until such time a final decision in the revenue requirement phase of A.06-12-009 becomes effective. This entry will be recorded once the decision is approved.
  - b. A credit entry equal to the recorded gas base margin revenue, net of franchise fees and uncollectible expense, under current rates for each month beginning January 1, 2008 until such time a final decision in the revenue requirement phase of A.06-12-009 becomes effective. This entry will be recorded once the decision is approved.
  - c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entry 4.a and 4.b above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.
6. Disposition: The disposition of the balance in the GRCRRMA will be addressed in the SDG&E's General Rate Case proceeding (A.06-12-009) or in SDG&E's next annual regulatory account update filing.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No.



**PRELIMINARY STATEMENT**

Sheet 1

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

A. OVERVIEW

Pursuant to Decision D.08-07-046, the Electric Distribution and Gas Performance-Based Ratemaking (PBR) Mechanism consists of 1) a revenue adjustment mechanism; 2) Z-Factor; 3) performance indicators; and 4) ratemaking procedures.

- 1. Revenue Requirement and Adjustment Mechanism – All authorized base rate revenues shall be recoverable by SDG&E through the operation of a regulatory balancing account mechanism, so that the recovery of the approved revenue requirement is not affected by variances in sales forecasts.
- 2. Z-Factor – Z Factors are exogenous events, unforeseen at the implementation or PBR, largely uncontrollable by management, having a material and disproportionate impact on SDG&E.
- 3. Performance Indicators – Performance rewards or penalties are accrued based on the utility's performance in the categories of employee safety, service quality, and system reliability. The total electric distribution and gas performance indicator reward or penalty that may be accrued in any year of the PBR mechanism, beginning with 2005, shall not exceed \$13,780,000.
- 4. Ratemaking Procedures – The ratemaking procedures establish the requirements for filing annual rate adjustments, the filing of the annual PBR performance report, the submittal of an annual internal audit report and the accounting for approved rewards and penalties for both electric and gas.

B. EFFECTIVE DATE / DURATION

The PBR mechanism shall be effective through 2011. Pursuant to D.05-03-023, the performance incentives shall be effective from 2005 onwards until modified or terminated by further action of the Commission.

C. AUTHORIZED REVENUE REQUIREMENT AND ADJUSTMENT MECHANISM

The 2008 authorized base margin for SDG&E is \$1,097,897,000 for electric and \$235,125,000 for gas for a total of \$1,333,022,000. The annual revenue requirement changes for the attrition years 2009-2011, excluding FF&U, will be fixed dollar amounts as follows:

AY2009-	\$41 million
AY2010-	\$44 million
AY2011-	\$44 million

Revenue requirement and rate base changes outside the scope of D.08-07-046 (e.g. cost of capital, Catastrophic Event Memorandum Account, etc.) are incremental to the fixed attrition amounts.

On a monthly basis, actual base margin revenues shall be recorded to the Electric Distribution Fixed Cost Account (EDFCA) and the Non-fuel Generation Balancing Account (NGBA) for electric and the Gas Core and Noncore Fixed Cost Accounts (CFCA, NFCA) for gas to be balanced against the monthly portion of the authorized base margin revenue requirement.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

D. Z FACTOR

1. Definition

Z Factors are exogenous events, unforeseen at the implementation of PBR, largely uncontrollable by management, having a material and disproportionate impact on SDG&E as described below. Additionally, Z Factors include costs which are a normal part of doing business, the costs and event are not reflected in the rate update mechanism, the cost impact must be measurable and incurred reasonably. Potential Z Factors shall include, but are not limited to the items set forth below:

- a. Accounting rule changes promulgated by the Financial Accounting Standards Board (FASB), the Securities and Exchange Commission (SEC) or the California Public Utilities Commission (CPUC);
- b. Tax law changes by the federal government, the State Franchise Tax Board, Board of Equalization, or any local jurisdiction having taxing authority;
- c. Costs resulting from other mandated state, federal, or local governmental programs or from regional environmental programs;
- d. In the event that the Catastrophic Event Memorandum Account (CEMA) is subsequently eliminated, material cost impacts resulting from natural disasters; and
- e. Other events meeting the criteria set forth herein.

SDG&E must promptly notify the Commission of all potential Z Factors in compliance with D.99-05-030. Notice to the Commission shall be by a letter addressed to the Executive Director. Copies of the letter shall be sent to the following at the Commission: the Director of the Energy Division, the Investigations, Monitoring and Compliance Branch Chief, Energy Division, and the Director of the ORA. The letter shall clearly identify the proposed Z Factor to be recorded in the Z Factor Memorandum Account, shall include a detailed description of the event and a forecast of the annual cost impact of such Z Factor. SDG&E shall then be authorized to record, on a monthly basis, the associated cost in the Z Factor Memo Account.

2. Operation of the Z Factor Memorandum Account

SDG&E shall maintain a separate Z Factor Memorandum Sub-Account for each identified Z Factor. Recorded costs are charged to each sub-account at the end of each month. Revenues authorized by the Commission to amortize the balance are credited to each sub-account at the end of each month. Interest shall accrue on a monthly basis by applying 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, H.15, to the average of the beginning and ending balance (either positive or negative) less a \$5,000,000 deductible amount which is applicable to each qualifying Z Factor event.

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**PRELIMINARY STATEMENT**

Sheet 3

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

D. Z FACTOR (Continued)

3. Measure of Adjustment

a. Z Factor Calculation

The impact of the Z Factor event is less the \$5,000,000 deductible. The impact of the Z Factor event above the \$5,000,000 deductible will be the Z Factor used in the Base Rate Indexing Mechanism. The precise calculation is shown in the following formula:

$$Z_s = [ZC_s - \$5,000,000]$$

Where:

$Z_s$  = A particular Z Factor for subject year  $s$

$ZC_s$  = Z Factor cost level in subject year  $s$

b. Capital Related Z Factor Costs

The formula is identical for capital costs except that the result is multiplied by the Capital Service Price, where the Capital Service Price is defined as the margin requirement for capital related costs determined under traditional cost of service methodology divided by the associated capital costs. Such costs are: return on weighted average rate base (using the current CPUC authorized rate of return), taxes on that return, depreciation expense at the CPUC adopted system average rate, plus authorized franchise fees and uncollectible expense. The precise calculation is shown in the following formula:

$$Z_s = (ZC_s * SP_s) - \$5,000,000$$

Where:

$Z_s$  = A particular Z Factor for subject year  $s$

$ZC_s$  = Z Factor cost level in subject year  $s$

$SP_s$  = Capital Service Price in subject year  $s$

c. Subsequent Year Adjustment

In subsequent years the Z Factor will be modified as described in D.4 below.

4. Operation of the \$5,000,000 Deductible Feature

To limit recoverable Z Factors to material events, the deductible feature of \$5,000,000 was authorized by the Commission in D.99-05-030 to operate as follows:

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

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**PRELIMINARY STATEMENT**

Sheet 4

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

D. Z FACTOR (Continued)

4. Operation of the \$5,000,000 Deductible Feature (Continued)

- a. The deductible is a one-time feature applicable to the first \$5,000,000 in costs for each Z Factor event. For example, if a qualified Z Factor increased costs by \$20,000,000 in each year 1, 2 and 3 above the base level, the deductible will apply in year 1. Thus, the compensable amounts will be \$15,000,000, \$20,000,000 and \$20,000,000 in years 1, 2 and 3, respectively.
- b. The deductible is cumulative for each Z Factor event and completes its application in the first year that the cumulative Z Factor costs exceed the deductible amount. For example, if a qualified Z Factor increased costs by \$4,000,000, \$4,000,000 and \$4,000,000 in years 1, 2 and 3 above the base level, the deductible will be fully applied during year 2. Thus, the compensable amounts will be \$0, \$3,000,000 (\$4,000,000 plus \$4,000,000 minus \$5,000,000) and \$4,000,000 in years 1, 2 and 3, respectively. As demonstrated above, once a Z Factor is created and the full deductible is applied, the Z Factor remains compensable in subsequent years even if the amount is less than the one-time deductible.
- c. The deductible is applicable to each separate Z Factor event. Thus, in the event of multiple Z Factors, the following table depicts the Z Factor amounts, application of the deductible, and the compensable amounts:

(\$ Millions)	Year		
	<u>1</u>	<u>2</u>	<u>3</u>
Z Factor (a)	\$8	\$3	\$3
Z Factor (b)	<u>6</u>	<u>6</u>	<u>4</u>
Sub-Total	14	9	7
Deductible (a)	(5)	-	-
Deductible (b)	<u>(5)</u>	-	-
Compensable Amount	\$4	\$9	\$7

As demonstrated above, the deductible is a one-time amount applicable to each individual Z Factor. Again, once the deductible level is exceeded in any year for an individual Z Factor, that Z Factor is fully compensable in subsequent years.

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**PRELIMINARY STATEMENT**

Sheet 5

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS

The total amount of electric distribution and gas performance indicator reward or penalty in any year of the PBR Mechanism, beginning with 2005, shall not exceed thirteen million, seven hundred, eighty thousand dollars (\$13.780 million). The performance reward or penalty will be based on the utility's performance in the following categories:

Performance Rewards/(Penalties) equals the sum of:

- (a) Employee Safety (Section E.1.)
- (b) Customer Service Indicators (Section E.2.)
- (c) System Reliability (Three Indicators) (Section E.3.)

1. Employee Safety:

The Employee Safety performance indicator measures SDG&E performance based on it's OSHA rate, a metric established by the Federal Occupational Safety and Health Act (OSHA). The OSHA rate is the number of incidents per 200,000 hours worked. Reward/penalty mechanism – The employee safety indicator establishes a deadband from 5.55 to 6.07 for which no reward or penalty will apply. Beyond the deadband, SDG&E is authorized an incentive rate or \$12,500 per 0.01 change in the rate for a maximum reward or penalty of \$2.18 million. Refer to the table below for details. Rewards or penalties received for employee safety performance are allocated 77% to the electric department and 23% to the gas department revenue requirements based on the percent of authorized operating revenue as provided for in the Phase 1 Cost of Service decision (D.04-12-015).

Employee Safety Table:

Benchmark: 5.81 OSHA - reportable frequency rate

Deadband: 5.55 – 6.07

Liveband: +/- 1.75

Unit of change: 0.01

Incentive/(Penalty) per unit: \$12,500 outside the deadband

Maximum incentive/(penalty): +/- \$2.18 million

SDG&E shall also track reportable incidents in the following four categories: meter reading, customer field service, distribution and office. SDG&E shall report this information in its next General Rate Case proceeding.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators and Service Guarantee

a. Service Guarantee:

SDG&E shall continue its current Service Guarantee. If the utility is unable to meet an appointment commitment with a customer for services at the customer's premises when access is required, SDG&E will credit \$50 to the customer's account. Appointments can be all day or they may be made within appointment windows (a.m./p.m.). The credit does not apply if the customer is notified at least four hours before the end of the appointment period. For establishment of service (turn-on orders), the customer will be credited with the applicable service establishment charge (\$15 or \$30) rather than the \$50. The guarantee does not apply for gas pilot light service or if the utility documents that the reason for the missed appointment was due to natural disaster, labor strike or the service person was called off to work on an Emergency Order. Emergency Orders are excluded as a result of the utility's public safety obligations and include the following events: 1) Fire or explosion; 2) Broken or blowing gas line; 3) High gas pressure; 4) Emergency carbon monoxide; and, 5) Hazardous leaks.

When an individual customer requests a date for a permanent new service establishment, the utility will turn on new service on the day promised (prior to midnight) or credit the customer's electric) instead of the \$50 stated above. The credit does not apply if at least 24 hours notice of a date change is given to the customer. Notice given on an answering machine or to another number designated by the customer is sufficient. For the guarantee to be valid, there must be: 1) Open access to the facility and the meter panel or gas service; 2) All required inspections must be completed and approved; and, 3) No threats or harm to utility employees

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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Sheet 7

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators and Service Guarantee (Continued)

b. Customer Service Indicators:

SDG&E's performance on four Customer Service performance indicators will be measured to ensure appropriate service quality levels are maintained under PBR. Rewards or penalties received for customer satisfaction performance are allocated 77% to the electric department and 23% to the gas department revenue requirements based on the percent of authorized operating revenue as provided for in D.04-12-015. The four indicators that will be measured are as follows:

- (1) Phone / Office Contact Satisfaction – composite measure of customers' satisfaction with their overall experience with SDG&E's Customer Contact Center and Branch Offices.
- (2) Field Visit Satisfaction – measure of customer satisfaction with their overall experience with a field service visit.
- (3) Call Center Responsiveness – measure of how quickly SDG&E responds to customer calls.
- (4) Field Service Order Appointments Provided / Percent Made – measure of the frequency with which SDG&E provides customers with service window appointments and the frequency with which SDG&E meets those commitments.

Reward / penalty mechanism – For Phone / Office Contact, Field Visit, and Call Center Responsiveness, SDG&E is authorized a specific target and deadband for which no reward or penalty will apply. For each of the three indicators, performance beyond the deadband triggers a reward or penalty up to a maximum amount. Refer to individual tables below for details.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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Sheet 8

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators and Service Guarantee (Continued)

b. Customer Service Indicators: (Continued)

Phone / Office Contact Satisfaction Table:

Target.....83.4%  
Deadband.....84.4% – 82.4%  
Reward/(Penalty) Liveband...+ /- 5%  
Incentive Rate.....\$10,000 / 0.1  
Maximum Reward / Penalty...\$500,000

Field Visit Satisfaction Table:

Target.....94.1%  
Deadband.....95.1% – 93.1%  
Reward/(Penalty) Liveband...+ /- 5%  
Incentive Rate.....\$10,000 / 0.1  
Maximum Reward / Penalty...\$500,000

Call Center Responsiveness Table:

Target.....80% within 60 seconds  
Deadband.....82% – 78%  
Reward/(Penalty) Liveband...+ /- 5%  
Incentive Rate.....\$30,000 / 0.1  
Maximum Reward / Penalty...\$1,500,000

Field Service Order Appointments Provided/Percent Made:

There are seven bands by which Field Service Order Appointments Provided are assessed in terms of the Percentage of On-Time Arrivals (Percent Made). The maximum Reward or Penalty is + / - \$600,000 and are assessed in increments of \$12,000 per each 0.1% change in Percent On-Time Arrivals (Percent Made) within each of the seven Percent Appointments Provided bands. There is only one deadband area which is found in band > 35%-40% for 99.01-100% On-Time Arrivals Met. The targets, deadbands, and livebands are as follows:

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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Sheet 9

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

2. Customer Service Indicators (Continued)

b. Customer Service Indicators: (Continued)

- 35% or Below: Target: 100%  
Deadband: none  
Liveband: Penalty only 95.01-100% met
- >35-40%: Target: 99.01%  
Deadband: 99.01-100%  
Liveband: Penalty 94.01-99% met.
- >40-45%: Target: 99.01%  
Deadband: none  
Liveband: Penalty 94.01-99% met; Reward 99.01-100% met
- >45-50%: Target: 98.01%  
Deadband: none  
Liveband: Penalty 93.01-98% met; Reward 98.01-100% met
- >50-55%: Target: 97.01%  
Deadband: none  
Liveband: Penalty 92.01-97% met; Reward 97.01-100% met
- >55-60%: Target: 96.01%  
Deadband: none  
Liveband: Penalty 91.01-96% met; Reward 96.01-100% met
- >60%: Target: 95.01%  
Deadband: none  
Liveband: Penalty 90.01-95% met; Reward 95.01-100% met

Customer Service – Monitor Only Indicators

SDG&E's performance on ten performance indicators will be tracked to monitor the service quality levels. SDG&E will submit quarterly data on these indicators on an annual basis, beginning in 2006 to include data for the year 2005. The following monitor-only measures have been adopted per D.05-03-023:

- (1) Level of Busy Signal
- (2) Estimated Meter Reads
- (3) Missed Appointments
- (4) Problem Resolved on First Visit
- (5) Elapsed Time
- (6) Percentage of Abandoned Calls
- (7) Shortest time to CSR
- (8) Gas Emergency Response Time
- (9) Electric Emergency Response Time
- (10) Complaints

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_

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**PRELIMINARY STATEMENT**

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

E. PERFORMANCE INDICATORS (Continued)

3. System Reliability

Rewards or penalties for system reliability will be determined based on the utility's performance on three separate performance indicators. These indicators are: 1) the System Average Interruption Duration Index (SAIDI) measurement, 2) the System Average Interruption Frequency Index (SAIFI); and, 3) the Momentary Average Interruption Frequency Index (MAIFI). SAIDI measures the duration of electric service forced and sustained interruptions experienced by customers each year, excluding major events and planned outages. SAIFI and MAIFI both measure the frequency of electric distribution forced outages that occur in a year, excluding major events and planned outages. SAIFI measures sustained outages (5 minutes or greater), whereas MAIFI measures momentary outages (less than 5 minutes). Rewards or penalties received for the system reliability performance indicators are allocated 100% to the electric department revenue requirements.

a. Reward/(Penalty) Mechanism: Rewards and Penalties shall be based on the following parameters (Excluding Major Events and Planned Outages):

<b>Adopted Reliability Incentives</b>			
	<b>SAIDI</b>	<b>SAIFI</b>	<b>MAIFI</b>
Target	68	0.67	0.76
Deadband	+/-2	+/-0.02	+/-0.02
Increment	1	0.01	0.015
Liveband	+/-15	+/- 0.15	+/- 0.30
Reward/(Penalty) per unit	\$250,000	\$250,000	\$50,000
Maximum Reward/(Penalty)	\$3,750,000	\$3,750,000	\$1,000,000

b. Exclusions: The measurement of each of the electric reliability performance indicators excludes planned outages, Major Events, and events that are the direct result of failures in the ISO-controlled bulk power market or other non-utility owned transmission facilities.

Major Events are defined in D.96-09-045 as an event that meets at least one of the following criteria: 1) the event is caused by earthquake, fire or storm of sufficient intensity to give rise to a state of emergency being declared by the government; or, 2) an event that affects more than 15% of the system facilities or 10% of the utility's customers, whichever is less for each event.

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**PRELIMINARY STATEMENT**

VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM

F. RATEMAKING PROCEDURES

1. Annual Rate Adjustments (ARA's)

SDG&E shall make an annual advice letter filing on or before November 1 to update base margin by the fixed attrition amount effective January 1 of the following year for each year the PBR is in effect. The filing may also include proposed Z Factor adjustments (described in Section D).

2. Annual PBR Report

SDG&E will file an annual advice letter providing the results of the performance indicators for the previous calendar year. If there are any rewards/penalties under the PBR mechanism, the rewards/penalties shall be included in rates on January 1 of the subsequent year upon Commission approval. SDG&E will submit this advice letter on May 1 of the following year, including workpapers detailing operating results for SDG&E's base rates.

3. Annual Internal Audit Report

SDG&E will undertake an annual internal audit to ensue incentive mechanisms for safety, customer service, and reliability as described in Section x above are implemented, operated and calculated correctly and fairly. The internal audit will examine internal controls and management oversight of the calculations. The internal audit report will be submitted to the Director of the Energy Division, Director of the Consumer Protection and Safety Division, and the Director of Ratepayer Advocates. The internal audit report will be held confidential pursuant to the Commission's General Order 66-C and Public Utilities Code Section 583. SDG&E will submit the internal audit report on May 1 of each year for the prior calendar year. SDG&E executive management will report all remedial actions taken in response to the internal audit as part of the report.

4. Rewards and Penalties Balancing Account (RPBA)

Pursuant to Resolution E-3588, the utility shall record rewards and penalties under the PBR mechanism to its gas and electric Rewards and Penalties Balancing Account (RPBA). The utility shall file in October of each year an advice letter requesting to amortize the projected RPBA year-end balance in the electric distribution and gas transportation rates effective January 1 of the following year.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



**RULE 11**

DISCONTINUANCE OF SERVICE

M. Termination of Service for Fumigations (Continued)

- 4. If the fumigator violates any of the provisions of Rule 11.K, the Utility shall submit written notice of the alleged violation directly to the violating Branch 1 registered company (pest control operator), with a copy to the Executive Officer of the Structural Pest Control Board and the Director of the Consumer Protection and Safety Division of the California Public Utilities Commission.
- 5. In compliance with D.08-07-046 which approved the Memorandum of Understanding between SDG&E and the Pest Control Operators of California (PCOC), SDG&E commits to the following:
  - a) Offer gas shut-off service on holidays during which the Utility is already operating under a standard work day.
  - b) If a Utility representative arrives at a PCOC work site to perform a gas shut-off and is unable to perform the shut-off, the Utility representative will immediately contact the Utility scheduling function, or if possible, the PCOC business associated with the shut-off, to attempt to accomplish the shut-off as scheduled.
  - c) Endeavor to address PCOC service issues on an ongoing basis, which shall include, at a minimum, holding in-person meetings with PCOC on no less than an annual basis.
  - d) Reserve the right to modify or discontinue any or all of the services described above; however, the Utility will meet and discuss the planned actions with PCOC prior to making any such changes.

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Advice Ltr. No. 1791-G

Decision No. 08-07-046

Issued by  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

Date Filed Aug 11, 2008

Effective Jan 1, 2008

Resolution No. \_\_\_\_\_



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