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September 8, 2008

**ADVICE LETTER 2022-E / 1799-G**  
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: MODIFICATION OF PERFORMANCE INCENTIVE MECHANISMS PURSUANT  
TO DECISION 08-07-046**

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

**PURPOSE**

This filing revises SDG&E's Electric Distribution & Gas Performance Based Ratemaking Mechanism (PBR) contained in Section IV. of SDG&E's Electric Preliminary Statement and Section VI. of SDG&E's Gas Preliminary statement, to reflect changes to the performance incentive mechanisms provided by California Public Utilities Commission (CPUC) Decision (D.) 08-07-046, as modified in SDG&E / SoCalGas' joint acceptance letter, sent to the Executive Director Paul Clanon on August 29, 2008.

**DISCUSSION**

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 (TY) 2008 General Rate Case (GRC) and post-test year ratemaking and incentive proposals. On August 29, 2008, in compliance with Paragraph (OP) 16 of D.8-07-046, SoCalGas and SDG&E jointly filed a letter with the Commission to decline adopted incentive mechanisms for Customer Satisfaction (CS) and Electric Reliability (ER) for the duration of the 2008 GRC cycle. SDG&E did, however, adopt the incentive mechanism for Employee Safety (ES).

Therefore, Consistent with its rejection of certain adopted incentive mechanisms, SDG&E has modified the Electric Distribution & Gas PBR mechanism, contained in SDG&E's Electric and Gas Preliminary statements, to reflect the removal of the CS and ER incentive mechanisms. SDG&E has also updated language pertaining to the ES incentive mechanism and performance indicators.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

**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. SDG&E respectfully requests that this filing be approved on September 8, 2008, the date filed. This treatment is consistent with the Commission's approval of SDG&E's request for a 30 day extension for submittal of this advice letter (from the initial 10 days to within 40 days of the filing date of D.08-07-046).

**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 ([inj@cpuc.ca.gov](mailto:inj@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.06-12-010, 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: Will Fuller

Phone #: (858) 654-1885

E-mail: wfuller@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) #: 2022-E / 1799-G

Subject of AL: Modification of Performance Incentive Mechanisms Pursuant to Decision 08-07-046

Keywords (choose from CPUC listing): PBR, Performance

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

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

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: 9/8/08

No. of tariff sheets: 10

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: 2014-E / 1791-G

**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. DeLaacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

A.06-12-010

ATTACHMENT A  
ADVICE LETTER 2022-E

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 20867-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 1	Revised 20736-E
Revised 20868-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 5	Revised 20740-E
Revised 20869-E	PRELIMINARY STATEMENT, IV. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 6	Revised 20741-E
Revised 20870-E	TABLE OF CONTENTS, Sheet 1	Revised 20859-E
Revised 20871-E	TABLE OF CONTENTS, Sheet 3	Revised 20810-E



**PRELIMINARY STATEMENT**

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 employee safety. The total electric distribution and gas performance indicator reward or penalty that may be accrued in any year of the PBR mechanism, beginning with 2008, shall not exceed \$2,500,000.
- 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.

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B. EFFECTIVE DATE / DURATION

The PBR mechanism shall be effective through 2011. Pursuant to D.08-07-046, the performance incentives shall be effective from 2008 onwards until modified or terminated by further action of the Commission.

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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

These adjustments will be included as part of SDG&E's annual consolidated advice letter. 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.

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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**

**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 2008, shall not exceed \$2,500,000. The performance reward or penalty will be based on the utility's performance related to Employee Safety.

**1. Employee Safety:**

The Employee Safety performance indicator measures SDG&E performance based on its 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 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 \$2,500,000. Refer to the table below for details for each year 2008, 2009, 2010, and 2011. Rewards or penalties received for employee safety performance are allocated 79% to the electric department and 21% to the gas department revenue requirements based on the percent of authorized operating revenue as provided for in D08-07-046.

**SDG&E Employee Safety Performance Indicators**

	2008	2009	2010	2011
<b>OSHA Rate</b>	5.11	4.92	4.74	4.55
<b>Deadband</b>	4.45-5.61	4.34-5.50	4.21-5.37	3.87-5.03
<b>Reward Band</b>	2.44-4.44	2.33-4.33	2.20-4.20	1.86-3.86
<b>Penalty Band</b>	5.62-7.62	5.51-7.51	5.38-7.38	5.04-7.04
<b>Increment</b>	0.01	0.01	0.01	0.01
<b>Reward/Penalty Per Increment</b>	\$12,500	\$12,500	\$12,500	\$12,500
<b>Maximum Reward/Penalty</b>	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000

**2. 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.

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**PRELIMINARY STATEMENT**

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

E. PERFORMANCE INDICATORS

2. Service Guarantee (Continued)

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

F. RATEMAKING PROCEDURES

1. 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.

2. Annual Internal Audit Report

SDG&E will undertake an annual internal audit to ensure incentive mechanisms as described in Section E 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.

3. 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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**TABLE OF CONTENTS**

Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

	<u>Cal. P.U.C. Sheet No</u>
TITLE PAGE.....	16015-E
TABLE OF CONTENTS.....	20870, 20805, 20871, 20847, 20848, 20849, 20647-E 20424, 20860, 20861, 20862, 20308, 19529-E
<b>PRELIMINARY STATEMENT:</b>	
I. General Information.....	8274, 18225, 18226-E
<b>II. <u>Balancing Accounts</u></b>	
Description/Listing of Accounts	19402, 20706-E
California Alternate Rates for Energy (CARE) Balancing Account.....	19406, 19407-E
Rewards and Penalties Balancing Account (RPBA).....	19408, 19409-E
Transition Cost Balancing Account (TCBA).....	19410, 19411, 19412, 19413, 19414-E
Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA).....	19415, 19416-E
Research, Development and Demonstration (RD&D) Balancing Account.....	19417, 19418-E
Renewables Balancing Account (RBA).....	19419, 19420-E
Tree Trimming Balancing Account (TTBA).....	19421, 19422-E
Baseline Balancing Account (BBA).....	19423, 19424-E
El Paso Turned-Back Capacity Balancing Account (EPTCBA).....	19425-E
Energy Resource Recovery Account (ERRA).....	19426, 19712, 20329, 19429, 19430-E
Low-Income Energy Efficiency Balancing Account (LIEEBA).....	19431, 19432-E
Electric Vehicle Balancing Account (EVBA).....	19433, 19434-E
Non-Fuel Generation Balancing Account (NGBA).....	20337, 19436, 19437-E
Electric Procurement Energy Efficiency Balancing Account (EPEEBA).....	19438-E
Common Area Balancing Account (CABA).....	19439-E
Nuclear Decommissioning Adjustment Mechanism (NDAM).....	19440-E
Pension Balancing Account (PBA).....	19441, 19442-E
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA).....	19443, 19444-E
Community Choice Aggregation Implementation Balancing Account (CCAIBA).....	19445-E

(Continued)

1H5

Advice Ltr. No. 2022-E

Decision No. \_\_\_\_\_

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

Date Filed Sep 8, 2008

Effective Sep 8, 2008

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



**TABLE OF CONTENTS**

Sheet 3

III. Memorandum Accounts (Continued)

Litigation Cost Memorandum Account (LCMA).....	19494-E
Community Choice Aggregation Surcharge Memorandum Account (CCASMA).....	19988-E
Advanced Metering Infrastructure Memorandum Account (AMIMA).....	19496-E
Interim Call Center Memorandum Account (ICCMA).....	19497-E
Independent Evaluator Memorandum Account (IEMA)...	19498-E
Renewables Portfolio Standard Memorandum Account (RPSMA).....	20808-E
Market Redesign Technology Upgrade Memorandum Account.....	19972-E
Gain/Loss On Sale Memorandum Account (GLOSMA)....	20157-E
General Rate Case Revenue Requirements Memorandum Account (GRCRRMA).....	20735-E
Non-Residential Submetering Memorandum Account (NRSMA)	20474-E
Long Term Procurement Plan Technical Assistance Memorandum Account (LTAMA).....	20640-E

IV. Electric Distribution and Gas Performance	20867, 20737, 20738, 20739, 20868, 20869, 20742-E
Based Ratemaking (PBR) Mechanism.....	20743, 20744, 20745, 20746-E

V. SONGS 2&3 Procedures.....	17006, 17007-E
------------------------------	----------------

VI. Miscellaneous

Listing of Accounts	20158-E
Income Tax Component of Contributions and Advances Provision (ITCCAP).....	20435, 19501, 19502-E
Hazardous Substance Cleanup Cost Account (HSCCA)	19503, 19504, 19505, 19506, 19507, 19508-E 19509, 19510, 19511, 19512, 19513-E
Competition Transition Charge Responsibility (CTCR)	19514-E
Public Purpose Programs Adjustment Mechanism (PPPAM)	20610, 19516-E
Gain/Loss On Sale Mechanism (GLOSM)	20159, 20160, 20161, 20162, 20163-E

VII. Cost of Capital Mechanism (CCM).....	20697-E
-------------------------------------------	---------

**INDEX OF RATE AREA MAPS**

Map 1 - Territory Served.....	15228-E
Map 1-A - Territory Served.....	4916-E
Map 1-B - Territory Served.....	7295-E
Map 1-C - Territory Served.....	9135-E
Map 1-D - Territory Served.....	9136-E

(Continued)

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Advice Ltr. No. 2022-E

Decision No. \_\_\_\_\_

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

Date Filed Sep 8, 2008

Effective Sep 8, 2008

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

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ATTACHMENT B  
ADVICE LETTER 1799-G

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 17246-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 1	Revised 17175-G
Revised 17247-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 5	Revised 17179-G
Revised 17248-G	PRELIMINARY STATEMENT, VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Sheet 6	Revised 17180-G
Revised 17249-G	TABLE OF CONTENTS, Sheet 1	Revised 17244-G
Revised 17250-G	TABLE OF CONTENTS, Sheet 2	Revised 17188-G



**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 employee safety. The total electric distribution and gas performance indicator reward or penalty that may be accrued in any year of the PBR mechanism, beginning with 2008, shall not exceed \$2,500,000.
- 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.08-07-046, the performance incentives shall be effective from 2008 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
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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**

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 2008, shall not exceed \$2,500,000. The performance reward or penalty will be based on the utility's performance related to Employee Safety.

1. Employee Safety:

The Employee Safety performance indicator measures SDG&E performance based on its 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.

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**SDG&E Employee Safety Performance Indicators**

	2008	2009	2010	2011
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<b>Deadband</b>	4.45-5.61	4.34-5.50	4.21-5.37	3.87-5.03
<b>Reward Band</b>	2.44-4.44	2.33-4.33	2.20-4.20	1.86-3.86
<b>Penalty Band</b>	5.62-7.62	5.51-7.51	5.38-7.38	5.04-7.04
<b>Increment</b>	0.01	0.01	0.01	0.01
<b>Reward/Penalty Per Increment</b>	\$12,500	\$12,500	\$12,500	\$12,500
<b>Maximum Reward/Penalty</b>	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000

2. 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.

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**PRELIMINARY STATEMENT**

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

E. PERFORMANCE INDICATORS

2. Service Guarantee (Continued)

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

F. RATEMAKING PROCEDURES

1. 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.

2. Annual Internal Audit Report

SDG&E will undertake an annual internal audit to ensure incentive mechanisms as described in Section E 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.

3. 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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San Diego Gas & Electric Company  
San Diego, California

Original Cal. P.U.C. Sheet No. \_\_\_\_\_

Canceling \_\_\_\_\_ Cal. P.U.C. Sheet No. \_\_\_\_\_

**PRELIMINARY STATEMENT**

Sheet 7

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

(Continued)

7D2

Advice Ltr. No. 1799-G

Decision No. \_\_\_\_\_

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

Date Filed Sep 8, 2008

Effective Sep 8, 2008

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



San Diego Gas & Electric Company  
San Diego, California

Original Cal. P.U.C. Sheet No. \_\_\_\_\_

Canceling \_\_\_\_\_ Cal. P.U.C. Sheet No. \_\_\_\_\_

**PRELIMINARY STATEMENT**

Sheet 8

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

8D1

Advice Ltr. No. 1799-G

Decision No. \_\_\_\_\_

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

Date Filed Sep 8, 2008

Effective Sep 8, 2008

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



**TABLE OF CONTENTS**

Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

	<u>Cal. P.U.C. Sheet No.</u>
TITLE PAGE.....	12805-G
TABLE OF CONTENTS.....	17249, 17250, 17245, 17137, 16998-G 16357, 17204, 17205, 15760-G
<b>PRELIMINARY STATEMENT</b>	
I. General Information.....	7270, 14986-G
II. Statement of Rates.....	11981, 17236, 17126, 17211, 17212, 16688-G
III. Biennial Cost Allocation Proceeding (BCAP).....	7587, 7277, 14247, 16689, 14249, 7281-G 7489, 14250, 14251, 14252, 7493, 7494-G
IV. <u>Balancing Accounts</u>	
Description/Listing of Accounts.....	15671, 17107-G
Interstate Transition Cost Surcharge Account (ITCS).....	15678, 16579-G
Curtailment Penalty Funds Account (CPFA).....	15680-G
California Alternate Rates for Energy (CARE) Balancing Account.....	15681, 15682-G
Natural Gas Vehicle (NGV) Adjustment Clause.....	15683, 15684-G
Gas Storage Balancing Account (GSBA).....	15685, 15686, 15687-G
Core Interstate Transition Cost Surcharge Amount (CITCS).....	15688-G
Research, Development and Demonstration (RD&D) Balancing Account.....	15689, 15690, 15691-G
Gas Energy Efficiency Balancing Account (GEEBA).....	15692, 15693-G
Rewards & Penalties Balancing Account (RPBA)....	16270, 15695-G
Baseline Balancing Account (BBA).....	15696-G
Fiber Optic Cable in Gas Pipelines Services Account (FIGA).....	15697-G
Pension Balancing Account (PBA).....	15698, 15699-G
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA).....	15700, 15701-G
Core Fixed Cost Account (CFCA).....	16139, 15703, 16140-G
Noncore Fixed Cost Account (NFCA).....	16141, 15706, 16142-G
Post-2005 Gas Energy Efficiency Balancing Account (PGEEBA).....	15708, 15709-G
Post-2005 Gas Low Income Energy Efficiency Balancing Account (PGLIEEBA).....	15710, 15711-G
California Solar Initiative Balancing Account (CSIBA).....	15712, 15713-G

(Continued)



**TABLE OF CONTENTS**

Sheet 2

IV. <u>Balancing Accounts</u>		
Integrated Transmission Balancing Account (ITBA)		16484-G
Advanced Metering Infrastructure Account (AMIBA)	16271, 16272, 16273-G	
California Institute for Climate Solutions		
Balancing Account (CICS).....		17108-G
Distribution Integrity Management Program		
Balancing Account (DIMPBA).....		17172-E
V. <u>Memorandum Accounts</u>		15714, 17173-G
Description/Listing of Accounts.....	15716, 15717, 15718-G	
Catastrophic Event Memorandum Account (CEMA)		
Core Reclassification Shortfall Memorandum		15719-G
Account (CRSMA).....		15720-G
Gas DSM Memorandum Account (GDSMMA).....		
Cogeneration Shortfall Memorandum Account		15721-G
(CSMA).....		
Liquefied Natural Gas Service Tracking Account	15723, 15724-G	
(LNGSTA).....		15725-G
Global Settlement Tracking Account (GLOBAL).....		
Self-Generation Program Memorandum Account	15727, 15728-G	
(SGPMA).....		
FERC Settlements Proceeds Memorandum		15730-G
Account (FSPMA).....		
Advanced Metering Infrastructure Memorandum	15965, 15732-G	
Account (AMIMA).....		16402-G
Gain/Loss On Sale Memorandum Account (GLOSMA)		
General Rate Case Revenue Requirement		16711-G
Memorandum Account (GRCRRMA) .....	17174, 14509, 14510, 14511, 14512, 14513-G	
VI. Electric Distribution and Gas Performance	17246, 17176, 17177, 17178, 17247, 17248-G	
Based Ratemaking (PBR) Mechanism.....	17181, 17182, 17183, 17184, 17185-G	
VII. Gas Procurement Performance-Based		
Ratemaking Mechanism Procedure.....	15827, 15056, 15057, 13262, 13263, 13264-G	
VIII. <u>Miscellaneous</u>		
Listing of Accounts.....		16403-G
Natural Gas Supplier Refunds (NGSR).....		15735-G
California Public Utilities Commission Mobilehome		
Park Gas Safety Inspection and Enforcement		
Program Surcharge (PUCMPGS).....		15736-G
Allocation of Pacific Interstate Transmission		
Company (PITCO) and Pacific Offshore Pipeline		
Company (POPCO) Excess Costs.....		15737-G
Income Tax Component of Contributions and		
Advances Provisions.....		16884, 15739, 15740-G
Hazardous Substance Cleanup Cost Account	15741, 15742, 15743, 15744, 15745, 15746-G	
(HSCCA).....	5747, 15748, 15749, 15750, 15751-G	
Gain/Loss on Sale Mechanism (GLOSM)	16404, 16405, 16406, 16407, 16408-G	
Consolidated Gas Portfolio.....		16681-G
IX. Cost of Capital Mechanism (CCM).....		17090-G

(Continued)