



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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Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

Date Filed Aug 11, 2008

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Resolution No. _____



PRELIMINARY STATEMENT

Sheet 2

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. Pursuant to D.09-09-011, SDG&E will amortize the PBA balance in connection with its annual regulatory account balance update filing for rates effective January 1 of the following year.

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