ATTACHMENT A

SDGE

PROPOSED DECISION ON

WILDFIRE INTERIM MECHANISM APPLICATION SLIDES

A.21-07-017

EX PARTE MEETING

APRIL 2022

Proposed Decision on Wildfire Interim Mechanism Application (A.21-07-017) Ex-Parte Meeting

Summary of Request

- SDG&E requests approval of an interim recovery mechanism for wildfire mitigation balances recorded in the Wildfire Mitigation Plan Memorandum Accounts (WMPMA) from 2019 – 2023.

- SDG&E proposes to amortize 50% of the recorded balances, subject to refund, after a reasonableness review.

Wildfire Mitigation Forecasted Revenue Requirement

(In Millions)

	2019	2020	2021	2022[8]	2023[9]	Total
CPUC WMP Revenue Requirement (excluding TTBA)	$44.4	$140.6	$224.0	$307.4	$356.6	$1,073.0
WMP GRC Revenue Requirement	($23.6)	($68.5)	($76.4)	($82.4)	($88.4)	($339.3)
Incremental WMP Revenue Requirement	**$20.8**	**$72.1**	**$147.6**	**$225.0**	**$268.2**	**$733.7**

Source: SDG&E Prepared Direct Testimony of Casey Butler (Cash Flow Impacts) (July 30, 2021) at CB-5

Increase of Uncollected Balances Puts SDG&E and Ratepayers at Risk

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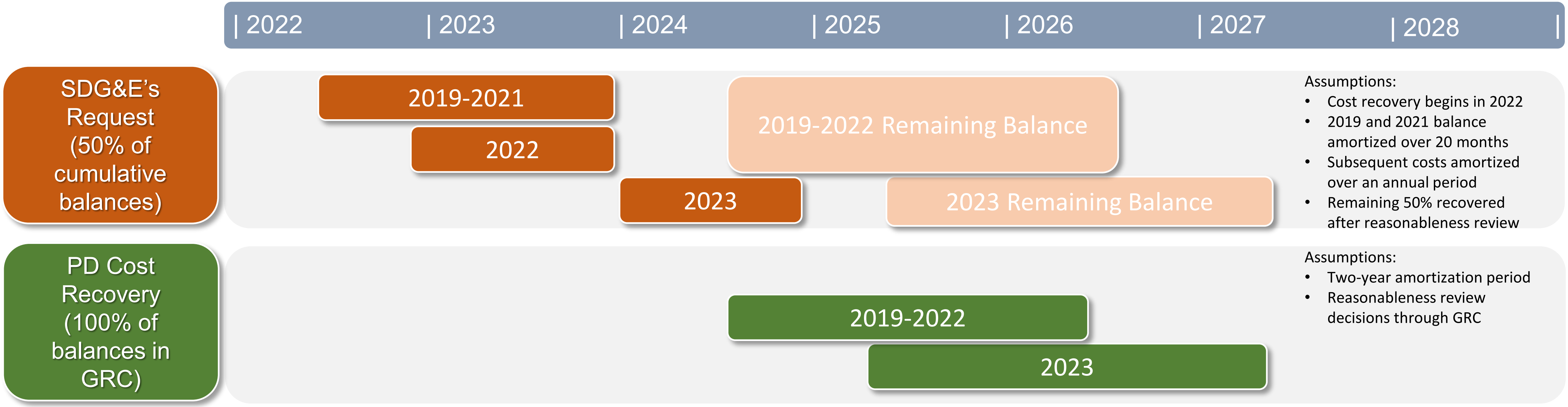
Current Credit Ratings:

Moody's	S&P	Fitch
A3	BBB+	BBB+

- SDG&E remains reduced by at least two notches by all three credit rating agencies since the 2017 and 2018 wildfires
- Regulatory environment is 50% of overall credit rating, including regulatory confidence in cost recovery of wildfire balances
- Accumulation of undercollected balances exposes SDG&E to additional financial risk due to adverse credit consequences
- Credit downgrade of SDG&E's ratings is possible upon:
  - Deterioration in the FFO/Debt credit metric to below 20% for a sustained period of time
  - Deterioration in regulatory support
- SDG&E's ability to access capital markets at low rates could be impacted, which would further increase costs to ratepayers

Build a Better Business

The PD Results in Additional Costs to Ratepayers



If the PD is adopted, SDG&E estimates ratepayers will pay approximately $40 million in additional costs.

Questions?

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Appendix

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Moody’s Credit Rating Approach

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Exhibit 6
Rating Factors
San Diego Gas & Electric Company

Regulated Electric and Gas Utilities Industry Scorecard [1][2]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Baa	Baa	Baa	Baa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.9x	A	5x - 7x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	20.3%	Baa	22% - 25%	A
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	18.2%	A	15% - 19%	A
d) Debt / Capitalization (3 Year Avg)	44.8%	A	40% - 45%	A
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching				
a) Scorecard-Indicated Outcome		A3		A3
b) Actual Rating Assigned		(P)A3		(P)A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2020
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics