

APPENDIX III**Transmission Revenue Requirement and Transmission
Effective January 1, ~~2024~~2025**

1. The Transmission Revenue Requirement shall be ~~\$4,554,270~~4,485,288 which is composed of a Base Transmission Revenue Requirement of ~~\$4,539,219~~4,470,237 and a Transmission Revenue Balancing Account Adjustment (“TRBAA”) of \$15,051.
2. The Base Transmission Revenue Requirement consists of a Transmission Capital Cost Revenue Requirement associated with Citizens Sycamore-Penasquitos Transmission’s share of the Sycamore to Penasquitos Project of \$2,857,693, and a Transmission Operating Cost Revenue Requirement associated with Citizens Sycamore-Penasquitos Transmission’s share of the Sycamore to Penasquitos Project of ~~\$1,681,526~~1,612,544.
3. Except to the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a governmental authority, the Transmission Capital Cost Revenue Requirement associated with Citizens Sycamore-Penasquitos Transmission’s share of the Sycamore to Penasquitos Project will remain fixed for the thirty year term of Citizens Sycamore-Penasquitos Transmission’s lease of Transfer Capability in the Sycamore to Penasquitos Project. To the extent a change in law, rule, or regulation results in any new taxes, income taxes, property taxes, fees or other charges being levied by a Governmental Authority, Citizens Sycamore-Penasquitos Transmission’s may seek approval for inclusion in its rates of an allowance to recover any such new taxes, income taxes, property taxes, fees or other charges.
4. The costs included in the Transmission Operating Cost Revenue Requirement associated with Citizens Sycamore to Penasquitos Transmission’s share of the Sycamore to Penasquitos Project are those directly attributable to Citizens Sycamore to Penasquitos Transmission’s Transfer Capability on the Project. The costs are in two parts; (1) those costs billed to Citizens Sycamore-Penasquitos Transmission by SDG&E, the operator of the Project, and (2) those costs incurred directly by Citizens Sycamore-Penasquitos Transmission in managing and administering its Transfer Capability. The Transmission Operating Cost Revenue Requirement is the sum of those two parts, and is established each year as described in paragraphs 5, 6, 7 and 8 below.

5. The costs billed to Citizens Sycamore-Penasquitos Transmission by SDG&E are those billed pursuant to the Transfer Capability Lease. The costs included in this Transmission Operating Cost Revenue Requirement are those costs specified under the provisions of Appendix XII to the SDG&E Transmission Owner Tariff.

6. Pursuant to Appendix XII, SDG&E will submit to FERC on or before October 31 of each year an informational filing showing the Citizens Sycamore-Penasquitos Rate in effect for the period January 1 through December 31 of the subsequent year. Citizens Sycamore-Penasquitos Transmission shall include in the Transmission Operating Cost Revenue Requirement effective January 1 each year the Citizens Sycamore-Penasquitos Rate amount specified in the SDG&E informational filing each year. Appendix XII to the SDG&E Transmission Owner Tariff provides that SDG&E shall bear the burden of demonstrating the justness and reasonableness of the implementation of its appendix XII formula. Therefore, Citizens Sycamore-Penasquitos Transmission shall not bear the burden of demonstrating that such portion of its costs and expenditures included for recovery that were specified in Appendix XII to the SDG&E Transmission Owner Tariff are just and reasonable. However, Citizens Sycamore-Penasquitos Transmission will adjust its Transmission Operating Cost Revenue Requirement to reflect any required changes to the Citizens Sycamore-Penasquitos Rate pursuant to a FERC Order and revised billing by SDG&E. The initial Citizens Sycamore-Penasquitos Rate for the period through December 31, 2019 is \$799,000 per year as specified in the SDG&E filing in FERC Docket ER19-1513-000. The amount shall be extrapolated as necessary to be properly reflected in an annual Transmission Revenue Requirement calculation.

7. The costs incurred directly by Citizens Sycamore-Penasquitos Transmission in managing and administering its Transfer Capability are those recorded by Citizens Sycamore-Penasquitos Transmission in FERC accounts 561.4, 923, 924, 925, 928, and 930.2. Citizens Sycamore-Penasquitos Transmission shall include in the Transmission Operating Cost Revenue Requirement effective January 1 each year the sum of the amounts recorded in the above FERC accounts for the second calendar year prior to the January 1 effective date, plus or minus a true-up adjustment equal to the difference between the total amount recorded in the above FERC accounts for the calendar year (or part thereof for the initial period) and the amount recovered through the Transmission Operating Cost Revenue Requirement for that calendar year (or part thereof for the initial period). Interest will be calculated on the true-up adjustment in accordance with FERC Regulation 35.19(a) for each month of the period January through December (or part thereof for the initial period), and such interest will be fully amortized over the twelve month

period commencing in January. The initial amount of costs incurred directly by Citizens Sycamore-Penasquitos Transmission in managing and administering its Transfer Capability is estimated and shall be \$185,210 per year for the period through December 31, 2019. The amount shall be extrapolated as necessary to be properly reflected in an annual Transmission Revenue Requirement calculation.

8. Citizens Sycamore-Penasquitos Transmission shall submit to FERC on or before October 31 of each year an Informational Filing showing Citizens Sycamore-Penasquitos Transmission's Transmission Operating Cost Revenue Requirement to be in effect for the Period January 1 through December 31 of the subsequent year (the "Informational Filing"). The Informational Filing shall not subject the Formula set forth in this Appendix III to modification. The Informational Filing shall only be contestable with respect to the prudence of the Citizens Sycamore-Penasquitos Transmission costs and expenditures included for recovery, the accuracy of the data and the consistency with the Formula of the changes in data shown in the Informational Filing. In the event of a challenge to any of the costs reflected in the Transmission Operating Cost Revenue Requirement derived under this Appendix III, Citizens Sycamore-Penasquitos Transmission shall, except with respect to the SDG&E costs and expenditures as provided in Appendix XII to the SDG&E Transmission Owner Tariff, bear the burden of demonstrating that such costs and expenditures included for recovery were prudently incurred, accurate and consistent with the Formula. Any revisions to the Transmission Revenue Requirement resulting from a FERC Order will be provided to the CAISO for its use in the calculation of the refunds due under the Transmission Access Charge methodology in accordance with the CAISO Tariff.
9. All of Citizens Sycamore-Penasquitos Transmission's Entitlements placed under the CAISO's Operational Control are related to High Voltage Facilities as defined in the CAISO Tariff.
10. Formula Rate Protocols applicable to this Appendix III are set forth in Attachment 1.