**A.14-11-003 and A.14-11-004 Sempra Utilities’ 2016 TY GRC**

**TURN Data Request**

**Data Request Number:** TURN-SEU-3 (Corproate Center)

**Date Sent:** March 20, 2015

**Response Due:** April 3, 2015

Please provide an electronic response to the following questions. A hard copy response is unnecessary. The response should be provided on a CD sent by mail or as attachments sent by e-mail to the following:

|  |  |
| --- | --- |
| Bob Finkelstein  The Utility Reform Network (TURN)  785 Market Street, Suite 1400  San Francisco, CA 94103  [bfinkelstein@turn.org](mailto:bfinkelstein@turn.org) | Garrick Jones  JBS Energy  311 D Street, Suite A  West Sacramento, CA 95605  [garrick@jbsenergy.com](mailto:garrick@jbsenergy.com) |

For each question, please provide the name of each person who materially contributed to the preparation of the response. If different, please also identify the Sempra Utilities witness who would be prepared to respond to cross-examination questions regarding the response.

For any questions requesting numerical recorded data, please provide all responses in working Excel spreadsheet format if so available, with cells and formulae functioning.

For any question requesting documents, please interpret the term broadly to include any and all hard copy or electronic documents or records in the possession of either of the Sempra Utilities.

1. Exhibit SCG-19, page PRW-6 lines 26-28 states “The four factors are compiled each year, using prior years’ data as the basis for the following year’s actual allocations.”
   1. When in the normal course of business are these factors compiled?
   2. Are accounting memoranda or documentation prepared internally by Sempra Energy at the corporate level and/or by either of the Sempra Energy Utilities in the normal course of business showing the multi-factor allocations for each year? If so, please provide all such internal documentation from 2005-2014 (and 2015 if available), including any calculations made as part of those materials.
2. Please provide recorded numerical data for SDG&E, SoCal Gas, and other operations (referred to as “unregulated” on SCG-19, Workpaper 419) for each of the four factors (Revenue, Gross Plant Assets & Investments, Operating Expenses and Full-Time Employees or Equivalents) used in the multi-factor allocation for the years 2005-2012 and 2014 (SCG-19, page PRW-6), recognizing that 2013 recorded data are provided on SCG-19, Workpaper 419. Please reference specific pages of Sempra Energy’s 10-K or other public documents where the information is found or provide other source data if these references cannot be made.
3. Regarding the definition of “assets” used in the four-factor calculation (and further referencing SCG-19, Workpaper 419) and the Consolidated Income Statements and Balance Sheets of Sempra Energy, SDG&E, and SoCal Gas in Sempra Energy’s 2013 10-K report filed in February 2014):
   1. Please explain in detail why goodwill is excluded from the definition of unregulated assets. (SCG-19, Workpaper 419)
   2. Is the regulatory asset for recovery of SONGS closure costs included in SDG&E’s assets used to develop the four-factor calculation? If so,
      1. Please explain why it should be included.
      2. Please provide an estimate of the value of the regulatory asset for recovery of SONGS closure costs as of the end of 2014.
   3. Is SDG&E’s nuclear decommissioning trust included in the definition of assets used to develop the four-factor calculation? If so, please explain in detail the basis for SDG&E believing it is reasonable to include it.
   4. Is SDG&E’s regulatory asset for legacy meters included in the definition of assets used to develop the four-factor calculation? If so, please explain in detail the basis for SDG&E believing it is reasonable to include it.
   5. Given that the Otay Mesa Power Plant is included on Sempra’s and SDG&E’s books as a Variable Interest Entity, are the assets, revenues, expenses, and employees of the Otay Mesa Power Plant included in the four-factor calculation made to assign costs to SDG&E? If so, please explain why it should be included given that SDG&E does not own it and identify the assets, revenues, expenses and employees of Otay Mesa (as included in the four-factor calculation) in each year for 2009-2014.
   6. Are regulatory assets related to pensions and post-retirement benefits other than pensions (PBOPs) included in SDG&E’s and SoCal’s four-factor calculation?
   7. If so, explain why the utilities believe it is reasonable to include regulatory assets related to pensions and PBOPs for SoCal and SDG&E when those assets are balanced with liabilities on the balance sheet. Please be sure the explanation addresses whether this calculation serves to overweight the utilities in the four-factor calculation, given that entities owned by Sempra Energy other than U.S. utilities cannot have regulatory assets for pensions and PBOPs.
   8. Are regulatory assets for deferred taxes included when making the four-factor calculation, even if regulatory liabilities for deferred taxes are larger than deferred tax regulatory assets?
      1. If so, please explain why the utilities believe such treatment is reasonable.
      2. Identify the amounts of assets for deferred taxes for SDG&E, SoCal, and other Sempra subsidiaries included in the four factor calculation for each year from 2009-2013.
   9. Is the regulatory asset for SDG&E’s wildfire litigation costs included in the four-factor method? If so, please explain why it is included, given that it is offset by expected future claims. (See Sempra Energy 2013 10-K, page 50).
   10. Please explain why the Sempra Utilities use gross plant rather than net plant in the definition of assets in the four-factor method.
   11. Is construction work in progress (CWIP) included in the definition of assets in the four-factor method for (a) SDG&E and SoCal Gas; (b) other Sempra-owned regulated utilities in the U.S.; (c) other Sempra-owned regulated utilities outside the U.S.; (d) Sempra-owned non-regulated companies. If the treatment of CWIP in the asset component of the four-factor method is inconsistent among these four groups of companies, please explain why such treatment is reasonable.
4. Please confirm that 1) SDG&E and SoCal include franchise fees in the calculation of O&M expenses under the four-factor method; and 2) SDG&E and SoCal would not include those costs if they were a utility users’ excise tax calculated by each community on the basis of revenues. Please further explain why SDG&E and SoCalGas believe their proposed treatment of franchise fees is reasonable.
5. If not otherwise provided in response to other questions, please provide the source data for number of employees used in the calculations for the utilities and for Sempra for the four-factor allocations used in 2006-2015.
6. Exhibit SCG-19, page PRW-6, lines 29-30 states: “To arrive at the forecasted rates for 2016, historical factors from 2011-2013 were projected using a statistical trend forecasting method.”
   1. Please provide all trend analysis conducted by the Sempra Utilities, including equations, tests of statistical significance of coefficients, r-squared, adjusted r-squared values, F-test values, or any other statistical or algebraic analysis, used to calculate the 2015 and 2016 forecasts,.
   2. Please explain why the Sempra Utilities believe that it is possible to obtain a valid statistical trend using only three years of data. Reference all statistics textbooks, manuals, academic treatises, and other documents used to reach the conclusion that a trend can reasonably be forecast using three data points.
   3. Do the revenue calculations for 2013 for purposes of the four-factor allocation include the deferred revenues to be received due to the retroactive application in 2013 of the 2012 GRC decision for the year 2012 (2013 10-K, p. 19 (electric revenues), p. 21 (SDG&E gas revenues), and p. 22 (SoCal Gas gas revenues)). If so, please calculate how the assignment of those deferred revenues to 2012 instead of 2013 (i.e., the result had the rate case been completed before the end of 2012) would change the “statistical trend forecasting method” used in this case to calculate the 2016 result and provide workpapers supporting the calculations.
7. Regarding the graph on SCG-19, page PRW-7 and Workpaper 419.
   1. Please reproduce the graph and table, adding data points from 2009-2011 to the graph and table.
   2. Please provide a narrative explaining in detail why Global Multifactor costs declined from 2011 to 2012.
   3. Please provide a narrative explaining why Global Multifactor costs were approximately constant from 2012 to 2013.
   4. Please explain why the number of Unregulated FTEs declined by 1000 from 2011 to 2012, as indicated at page 419 of the workpapers. Do the Sempra Utilities contend that it is reasonable to expect such a decline to occur again in the 2014-2015 period? Please explain the response in detail.
8. Please provide calculations on how each of the four factors changed between 2011 and 2012 due to the sale of the El Dorado/Desert Star plant from an unregulated Sempra affiliate to SDG&E.
9. Please provide calculations on how each of the four factors changed in 2013 due to the sale of a 625 MW portion of the Mesquite Power plant from an unregulated Sempra affiliate to Salt River Project.
10. Please identify all power plants that Sempra Global is planning to sell to SDG&E in 2015-2016. Please also identify all power plants for which Sempra Global and SDG&E are in discussions regarding a purchase by SDG&E in 2015-16.
11. Please provide quantitative information as to how the closure and retirement of SONGS has affected SDG&E’s revenue, assets, operating expenses, and employees as experienced in 2012-2014.
12. Please explain in detail how assets that Sempra Energy does not control and, for purposes of its financial statements, reports using the equity method are treated in the four factor method.
13. Please explain why an investment 50% owned by Sempra entities designated as “unregulated” on SCG-19, Workpaper 419 and 50% owned by another party is treated using the equity method in Sempra’s 10-K filings.
14. Reference is made to the Sempra Energy press release “Cameron LNG Liquefaction Project Breaks Ground in Louisiana” (<http://sempra.mediaroom.com/index.php?s=19080&item=136982>). The release states that the project will cost $10 billion. Please identify the projected CWIP at the end of 2014 and 2015 for this project.
15. Please reconcile the 2013 actual FTEs shown on SCG-19, Workpaper 429 with the 2013 actual FTEs shown on SCG-19, Workpaper 419.
16. Please provide the data shown on SCG-19 Workpaper 430 (number of executive FTEs and VP and director FTEs) for SDG&E, SoCal Gas, Global, and Corporate at the end of each year from 2009-2012; as of June 30, 2014; and as of December 31, 2014.
17. Please provide the amount of total compensation for executive FTEs and VP and Director FTEs (excluding benefits), divided into base salaries, short-term incentive programs, long-term incentive programs, and one-time severance payments, for SDG&E, SoCal Gas, Global, and Corporate for the years 2009-2014. Provide the amounts stated both in nominal dollars and real 2012 dollars.
18. Are the Sempra Energy Utilities requesting in rates any stock-based compensation or pensions for members of the Sempra Energy Board of Directors? If so please provide the amounts of each of these types of compensation assigned to SoCal, SDG&E, and remaining Sempra activities.