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August 12, 2021

The Hon. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: San Diego Gas & Electric Company, Docket No. ER20-1742
Amendment to Filing and Response to June 28, 2021 Deficiency Letter**

Dear Secretary Bose:

San Diego Gas & Electric Company (“SDG&E”) respectfully submits proposed revisions to its Fifth Transmission Owner Formula Rate, Appendix VIII of SDG&E’s Transmission Owner Tariff (“TO5 Formula Rate”) in response to the Commission’s request for additional information (“Supplemental Deficiency Letter”)¹ regarding SDG&E’s proposed revisions to its Order No. 864 Compliance Filing.² SDG&E submits these revisions to its TO5 Formula Rate Tariff, consistent with the Commission’s July 14, 2021 notice providing SDG&E until August 12, 2021 to submit additional information as requested by the Deficiency Letter.³

I. BACKGROUND

On November 21, 2019, the Commission issued Order No. 864, requiring public utilities to make certain changes to their rates to reflect the impacts of the 2017 Tax Cuts and Jobs Act.⁴ On May 1, 2020, SDG&E submitted revisions to its TO5 Formula Rate to meet Order No. 864’s mandates to the extent that SDG&E’s TO5 Formula Rate did not already contain those requirements.⁵ These revisions included four Order No. 864 worksheets that were added to SDG&E’s TO5 Formula Rate—worksheets Order 864-1 through Order 864-4.

¹ ER20-1742, Letter informing SDG&E that the 12/11/2020 filing is deficient and requesting additional information within 15 days under ER20-1742 (Jun. 28, 2021).

² *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, RM19-5, Order No. 864, 169 FERC ¶ 61,139 (Nov. 21, 2019).

³ ER20-1742, Notice of Extension of Time (Jul. 14, 2021).

⁴ Order No. 864, 169 FERC ¶ 61,139, PP 1, 3-5.

⁵ ER20-1742, SDG&E submits tariff filing per Order No. 864 (May 1, 2020).

On October 28, 2020, the Commission issued its initial deficiency letter (“Deficiency Letter”) requiring SDG&E to address concerns regarding SDG&E’s Order No. 864 proposals. On December 11, 2020, SDG&E submitted proposed revisions to its Formula Rate Spreadsheet (“FRS”)—as well as responses to Commission questions that did not require spreadsheet amendments—to respond to the Deficiency Letter’s concerns and satisfy Order No. 864’s requirements.⁶

On June 28, 2021, the Commission issued its Supplemental Deficiency Letter requiring SDG&E to address additional questions about SDG&E’s Order No. 864 proposals. On July 8, 2021, SDG&E requested an additional thirty days to submit the information requested by the Supplemental Deficiency Letter, which the Commission granted, providing SDG&E until August 12, 2021 to respond. SDG&E submits these further proposed revisions to its FRS—as well as responses to Commission questions that do not require spreadsheet amendments—to respond to the Supplemental Deficiency Letter’s concerns and satisfy Order No. 864’s requirements.⁷

II. RESPONSES TO COMMISSION QUESTIONS

SDG&E addresses each question raised in the Deficiency Letter below.

- 1. Please provide an explanation and demonstration of the methodology SDG&E used to remeasure ADIT and determine the resulting excess and deficient ADIT at the time of the Tax Cuts and Jobs Act. In addition, please provide each individual temporary difference and the associated ADIT balance prior to the Tax Cuts and Jobs Act, following the Tax Cuts and Jobs Act, and the resulting excess or deficient ADIT. Also, please include the ADIT account number, whether the resulting excess or deficient ADIT is protected or unprotected, and whether the resulting excess or deficient ADIT is plant-related or not. Please provide a full itemization within common sources (e.g., provide each individual plant-related temporary difference, ADIT, and excess or deficient ADIT amount, rather than only providing total plant amounts).**

To calculate the excess and deficient ADIT, SDG&E starts with the inventory of gross temporary differences as of December 31, 2017, tax-effected at the prior 35% federal income tax rate. SDG&E then re-computed at the new 21% federal income tax rate. The differences between the tax-effected amounts at 35% and 21% were used to arrive at the resulting excess and deficient ADIT. The normalized remeasured amounts were split between protected and unprotected, as shown in the Order 864 worksheets. Specifically, please refer to Columns (“Col.”) 3-6 of Order 864-2 to see the methodology that SDG&E used to remeasure the ADIT and determine the resulting excess and deficient ADIT at the time of the Tax Cuts and Jobs Act.

⁶ ER20-1742, SDG&E submits tariff filing per Order No. 864 (December 11, 2020).

⁷ SDG&E TO Tariff, Appendix VIII, Attachment 2.

With regards to temporary differences, the original version of the Order 864 worksheets included a breakout for each transmission-related temporary difference in Col. 1. In this filing, SDG&E is updating the prior version to provide additional details as requested, as follows:

- Line No. 2 for Compensation-Related Items has been expanded to provide a breakout for each of the compensation-related temporary differences on Lines 3-5.
- Line No. 8 (previously Line No. 3) for Ad Valorem Taxes has been expanded to lines 9-10 to provide a breakout of the book and tax amounts that create the temporary difference.
- Line No. 16 (previously Line No. 10) for Accumulated Depreciation Timing Differences has been expanded to provide a breakout of the protected property-related temporary differences on lines 17-19.

The associated ADIT balances for each of the above-referenced temporary differences can be identified as follows:

- ADIT balances prior to the Tax Cuts and Jobs Act are reflected in Col. 4 of Order 864-2.
- ADIT balances following the Tax Cuts and Jobs Act are reflected in Col. 5 of Order 864-2. This column includes the following formula: Gross Accumulated Schedule M Adjustments (Col. 3) multiplied by New Rate of 21% (in cell I9).
- The excess or deficient ADIT resulting from the differences between Cols. 4 and 5 above has been reflected in Col. 6 of Order 864-2 (Col. 6 includes the following formula: Ending ADIT Balances at Prior Tax Rate (Col. 4) minus ADIT Balances at New Tax Rate (Col. 5)), Columns 12-13 of Order 864-1 (linked to Order 864-2), and Columns 3-4 of Order 864-3 (linked to Order 864-1).

In addition, please note the following regarding the remaining information the Commission requested in Question #1:

- The ADIT account numbers are referenced in the column headers on each of the Order 864 worksheets.
- The Protected vs. Unprotected designation for the excess or deficient ADIT is included in the category descriptions on each of the Order 864 worksheets. As an example, please refer to Col. 1, Line Nos. 1, 14, 22, and 28 of Order 864-3.
- The Property vs. Non-Property designation for the excess or deficient ADIT is included in the "Total" descriptions on each of the Order 864 worksheets. As an example, please refer to Col. 1, Line Nos. 12 and 31 of Order 864-3.

2. Please provide SDG&E’s entire list of temporary differences on a company-wide functional basis, not just those attributable to transmission.

The Commission’s jurisdiction is limited to the “transmission of electric energy in interstate commerce.”⁸ It is not apparent why SDG&E’s non-transmission, company-wide information that is not subject to the Commission’s jurisdiction is necessary to the Commission fulfilling its jurisdictional duties. Nor does it appear that Order No. 864 requires utilities to provide information regarding temporary differences on a company-wide basis regarding matters outside the Commission’s jurisdiction. That said, please refer to the attached file “Summary Remeasurement of Deferred Taxes” for a complete listing of SDG&E’s temporary differences on a company-wide basis.

Please note that, as part of SDG&E’s TO5 Settlement, SDG&E and intervening parties agreed to include three types of non-property related ADIT in SDG&E’s FRS. Specifically, the parties agreed to include Compensation-related items, Post Retirement Benefit related items, and Ad Valorem Taxes as reflected in Statement AF of Appendix VIII, Attachment 2 of SDG&E’s TO Tariff.⁹ By contrast, the non-property deferred tax amount on line 7 of the “Summary Remeasurement of Deferred Taxes” file submitted with this response for the prior year state tax deduction is not included in, or a part of, SDG&E’s FRS. Under Article 1 of SDG&E’s Commission-approved TO5 Settlement, “[t]he TO5 Formula constitutes the formula rate. The TO5 Formula Appendix VIII, including Attachments 1 and 2, is being filed with and is an integral part of this Settlement.”¹⁰ The non-property deferred tax amount is therefore not a non-property ADIT item in SDG&E’s TO5 Formula Rate Tariff.

3. For each of the transmission-related items identified in response to question number one above, please provide the cumulative amortization of excess or deficient ADIT and the remaining excess or deficient balance through the end of the rate year used in the populated ADIT worksheets in SDG&E’s compliance filing. Please also provide any other adjustments made that altered the originally remeasured balance (e.g., return to provision adjustments or adjustments made as a result of IRS decisions) to reconcile any differences between excess and deficient ADIT balances provided in

⁸ *FERC v. Elec. Power Supply Ass’n*, 136 S.Ct. 760, 767 (2016) (quoting 16 U.S. C. § 824(b)(1)); *see Det. Edison Co. v. FERC*, 334 F.3d 48, 49 (D.C. Cir. 2003).

⁹ ER19-221, *Letter Order approving San Diego Gas & Electric Company’s 04/29/2020 filing of the uncontested settlement agreement for its Fifth Transmission Owner Formula Rate*; ER19-221, *San Diego Gas & Electric Company submits tariff filing per 35: TO5 Compliance Filing* (Apr. 29, 2020); ER19-221, *Letter to San Diego Gas & Electric Company approving its 10/18/2019 filing of an Offer of Settlement and Settlement Agreement concerning its TO5 Formula Rate* (Mar. 23, 2020).

¹⁰ ER19-221, *San Diego Gas & Electric Company submits tariff filing per 385.602: SDGE TO5 Formula Settlement Filing*, Article 1, p. 3 (Oct. 18, 2019).

SDG&E's populated ADIT Worksheets and the remeasurement information provided in question number one.

In response to this request, SDG&E has added a new column (Col. 9) to Order 864-1 and Order 864-3 to calculate the cumulative amortization of excess or deficient ADIT. Please note, however, that there was no amortization for year ending December 31, 2017. As such, the cumulative amortization in Col. 9 is currently equal to the ADIT Amortization for year ending December 31, 2018 (Col. 7 + Col. 8 of Order 864-3).

The *net* remaining (excess)/deficient balance through the end of the rate year, which SDG&E included in the populated ADIT worksheets in SDG&E's May 1, 2020 Order No. 864 compliance filing, is reflected in Col. 10 of Order 864-3. This net balance is broken out between Ending Deficient ADIT and Ending (Excess) ADIT in Columns 12 & 13.

The other adjustments that have altered the originally remeasured balance are reflected in Cols. 5 and 6 of Order 864-3. The columns have been renamed to make it clear that the amounts currently listed within the "Other Adjustments" columns represent return to provision adjustments ("RTPs"). RTPs generally represent differences between estimated tax amounts used for financial reporting purposes at year-end and final tax amounts submitted with federal and state corporate income tax returns.

For the 2017 tax return year, SDG&E had an RTP related to transmission repairs. SDG&E disclosed the RTPs within the "Other Adjustments" columns. Any post-2017 RTP adjustments are not expected to be included in future ADIT tracking worksheets unless another tax rate change occurs that requires a remeasurement. As a result, the "Other Adjustments" columns should have minimal activity on a go-forward basis but will continue to be included to ensure any future items affecting ADIT are captured within the worksheet without requiring a modification to the worksheet. SDG&E will explain these adjustments in the transmittal letter submitted with its annual cycle filings.

III. DOCUMENTS SUBMITTED

This filing consists of the following documents:

- A. Transmittal letter;
- B. Revised Formula Rate Spreadsheet (TO Tariff, Appendix VIII, Attachment 2) in both clean and redline format;
- C. A populated excel version of the formula rate spreadsheet, including new permanent ADIT worksheets, for TO5 Cycle 2 (reflecting the 2020 revenue requirement): and
- D. A supporting attachment labeled 'Summary Remeasurement of Deferred Taxes.'

IV. SERVICE

Electronic copies are being served on the ER20-1742 service list.

V. CORRESPONDENCE

SDG&E requests that all correspondence, pleadings and other communications concerning this filing be served upon the following individuals:

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VI. CONCLUSION

SDG&E respectfully requests that the Commission approve its proposed modifications to Appendix VIII of its Transmission Owner Tariff as in compliance with Commission Order No. 864, effective January 27, 2020.

Respectfully submitted,

/s/ Ross R. Fulton

Ross R. Fulton
Attorney For
SAN DIEGO GAS & ELECTRIC COMPANY