

ORA DATA REQUEST
ORA -SDG&E-DR-028-GSD
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 18, 2014
DATE RESPONDED: JANUARY 13, 2015

Subject: Regulatory Affairs, Controller, Finance, Legal and External Relations

Please provide the following:

1. Provide SDG&E's 2009-2013 recorded expenses (in 2013 dollars) for Meals and Entertainment, broken down by functional area and, if possible, by account within each functional area.

SDG&E Response 01:

Please see Attachment, ORA-DR-028-GSD Question 1.xlsx, for information.

ORA DATA REQUEST
ORA -SDG&E-DR-028-GSD
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 18, 2014
DATE RESPONDED: JANUARY 13, 2015

2. Please explain how SDG&E's 2016 Meals and Entertainment expenses are forecast in this GRC, and in which exhibits the forecasts appear.

SDG&E Response 02:

Meals and Entertainment (M&E) expenses are non-labor costs incurred by SDG&E, subject to a 50% tax deduction, and, in past GRCs, shown as a tax Schedule M line item (and therefore addressed by DRA/ORA in its Report on Income Taxes). In the 2012 GRC decision, the Commission stated that “[s]hould DRA decide to address the meals and entertainment issue in future GRC applications, it should raise the meals and entertainment issue in connection with the A&G expenses.” D.13-05-010, p. 943. SDG&E forecasts these expenses in the non-labor section of various witness areas; there is no sponsoring direct witness given the M&E expenses are not centralized in the A&G cost centers. Instead, M&E expenses reside throughout the organization. While they are included in non-labor in various cost centers and witness areas, they are not specifically separated on distinct line items for the forecast years. However, as provided in response to question 1, the M&E expenses are visible in historical general ledger line items. Thus, each witness area has not forecasted M&E expenses specifically in their forecasting of non-labor expense.

By law, the tax deduction is limited to 50% of the full amount, even though M&E expenses may serve a legitimate business purpose. In prior GRCs, the M&E expenses appear as a tax deduction add-back (please see A.10-12-005 Direct Testimony of tax witness Randall Rose, Exhibit SDG&E-34, at page RGR-13 and Table RGR 4-4 on page RGR-25). This GRC (A.14-11-003), the Direct Testimony of tax witness Ragan Reeves (Exhibit SDG&E-29) at page RGR-13 does not include a forecast for the deduction add-back:

“Consistent with the final decision in its 2012 General Rate Case (“GRC”), the tax adjustment limiting the deduction for meals and entertainment costs to 50% is a function of administrative and general (“A&G”) costs.¹ The company has not specified an amount for recovery of meals and entertainment in the A&G revenue requirement request; accordingly, there is no tax adjustment to add back 50% of meals and entertainment expenses for TY 2016.”

The cost category for “Employee Travel - M&E” records M&E expenses incurred by employees on business travel, or meals at local meetings. The 3 other cost categories that are used for the M&E tax deduction are “Spouse Travel” (self-explanatory) and “Event & Tickets” and chargeback for Event & Tickets (which can be used either for business development or employee recognition purposes to acknowledge employees’ work contributions).

¹ D.13-05-010 at 942.