**ORA DATA REQUEST**
**ORA-SDG&E-DR-058-MRK**
**SDG&E 2016 GRC – A.14-11-003**
**SDG&E RESPONSE**
**DATE RECEIVED: FEBRUARY 4, 2015**
**DATE RESPONDED: FEBRUARY 17, 2015**

**Subject:** Miscellaneous Revenues

**Please provide the following:**

1. Referring to the electric summary page of SDG&E's work papers for Exhibit SDG&E-34, please explain the reasons, factors, and relations that have caused the following activities to have a negative net growth in estimated miscellaneous service revenues between the years 2013 to 2016, as opposed to the estimated positive net growth in the other activities.
    a. Collection Charges.
    b. Late Payment Charges.
    c. Revenue Cycle Credits.
    d. Shared assets.
    e. Federal Energy Retrofit Program.

**SDG&E Response 01:**

a. Collection Charges – As described in Exh. SDG&E-34, Testimony page 4 and WP page 7 of 39, the reduction in Miscellaneous Revenue attributable to Collections Notices is primarily due to an operational change implemented on 6/1/2014. When permissible under SDG&E Tariff Rule 11[1] disconnection notices transitioned from field delivery to mail delivery, resulting in no charge to customers. Additionally, the Disconnection OIR (D.14-06-036) exempts Vulnerable[2] customers from Field Collections charges from its effective date of 6/26/2014. These two changes have the effect of reducing chargeable Collection Notice orders completed from 254,000 in 2013 to an estimated 16,000 in 2016 with the corresponding reduction in revenue.

b. Late Payment Charges – As described in Exh. SDG&E-34, Testimony page 5, the forecast was developed using a 5-year average that was adjusted to capture estimated annual commercial customer growth factors. The trend shows late fees decreasing slightly due to the downturn in the economy.

c. Revenue Cycle Credits – These credits are given to Direct Assess (DA) customers who own and/or read their own meter, since SDG&E no longer incurs the cost of reading these meters. The increase in the volume of DA customers taking advantage of this program has increased these credits; therefore, decreasing revenues.

d. Shared Assets - The rationale is explained in the testimony of Mr. Mark Diancin (Ex. SDG&E-26). For each asset category, an annual weighted-average rate base is calculated. A return on rate base, state and federal income taxes, estimated depreciation expense, and property taxes are derived from

[1] SDG&E Rule 11, Discontinuance of Service, specifies that elderly, handicapped and vulnerable customers (Section A.3) and customers served by a master meter (Section A.8) will receive a notice posted at the service address.

[2] As defined in SDG&E Rule 11 and the Disconnection OIR (R.10-02-005, D.14-06-036), Vulnerable customers include elderly (age 62 and over), handicapped, and special needs profiled residential customers, including Medical Baseline, Life Support, and customers who self-certify that they have a serious illness. Please see the attachment "SDGE_ERULE11.pdf"

**SDG&E Response 01:-Continued**

that information, resulting in a total revenue requirement. The various revenue requirement components are determined and sponsored by other GRC witnesses.[3]

Once the billable charges (i.e., revenue requirements) for the asset categories are determined, they are apportioned or billed to the appropriate Sempra Energy affiliates using the allocation percentages. The decrease in shared asset revenue from 2013 recorded to TY 2016 is primarily attributable to fewer shared asset additions for the 5-years computer software assets and quicker asset depreciation because of shorter depreciable lives. In total, plant additions are increasing but higher accumulated depreciation (due to shorter depreciable lives) is creating a lower weighted average rate base, thus lowering the total billable charges to affiliates and the estimated shared asset revenue.

e. Federal Energy Retrofit Program - Government contracting activity has been decreasing year after year due to changes in construction project priorities by the U.S. Government (namely, Department of Navy). Actual executed contract dollars levels were $9.7 million in 2013 and $6.5 million in 2014 (67% of prior year). The FERP miscellaneous revenue model is based upon volume. Lowered contracting volume along with fixed operating costs directly impacted profits. There is no expectation that 2015 or 2016 will improve. This is validated by current projects under development in FERP's pipeline. These projects have two year development cycles with an eighteen month construction period.

[3] The total company weighted-average rate base is sponsored by SDG&E's Rate Base witness, Jesse Aragon in Ex. SDG&E-27. The calculation of return on rate base percentage is performed in the Results of Operations model and is sponsored by the SDG&E's Summary of Earnings witness, Khai Nguyen in Ex. SDG&E-36. The tax expenses are sponsored by the SDG&E's Taxes witness, Ragan Reeves in Ex. SDG&E-29. Depreciation rates are sponsored by the SDG&E's Depreciation witness, Bob Wieczorek in Ex. SDG&E-28.

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2. Referring to the gas summary page of SDG&E's work papers for Exhibit SDG&E-34, please explain the reasons, factors, and relations that have caused the following activities to have a negative net growth in estimated miscellaneous service revenues between the years 2013 to 2016, as opposed to the estimated positive net growth in the other activities.
    a. Collection Charges.
    b. Customer Advances for Construction.
    c. Shared assets.
    d. Federal Energy Retrofit Revenue.

**SDG&E Response 02:**

a. See response to question 1a.

b. <u>Customer Advances for Construction</u> - CAC revenue, also called "ownership cost deductions", is a function of customer deposit and a fixed ownership cost rate. The 2014 to 2016 CAC revenue forecast is driven by two factors: the proceeding five-year historical average and the change in ownership rate as approved by CPUC. The historical average CAC gas revenue from 2009 to 2013 is $96,000 per year. This average is then decreased by 10% to $86,000 per year in order to adjust for the effect of the gas ownership cost rate reduction from 0.4% to 0.36% (effective August 31, 2013 via CPUC advice letter 2507-E/2216-G). The 2014 to 2016 CAC gas revenue forecast is thus $2,000 lower when compared to the 2013 recorded level.

c. See response to question 1d.

d. See response to question 1e.

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3. Please explain the reasons, factors, and relations that have caused estimated electric Late Payment Charges to have a negative net growth in estimated miscellaneous service revenues between the years 2013 to 2016, as opposed to the estimated gas Late Payment Charges.

**SDG&E Response 03:**

Both the Electric and Gas Late Payment Charge forecasts have been developed using the same methodology (a 5 year average adjusted by the estimated annual commercial customer growth), as stated in question 1.b. The trend indicates that the economic downturn affected the electric revenues more than the gas revenues and therefore, the electric revenues are still estimated to be slightly lower and the gas slightly higher in 2016 as compared to 2013 actuals.