

SAN DIEGO GAS & ELECTRIC COMPANY
APPLICATION FOR APPROVAL TO EXTEND THE MOBILE HOME PARK UTILITY
UPGRADE PROGRAM
(A.17-05-008)
(ORA-SDGE-011-CL8)

QUESTION 1:

In reference to the workbook, "ORA-SDGE-004-CL8 (Workpapers)," please provide the following:

- a. Please confirm whether or not all figures are presented in nominal terms. If not, please identify those figures that are not presented in nominal terms, and explain why those figures are not presented in nominal terms.
- b. Please provide definitions for the following acronyms: FF&U, EBIT, NOI, O&M, FIT, SIT, EBT, and BLM.
- c. Please explain the amounts in each of lines 10 through 19 from Tab "Gas Rev Req Summary" and Lines 10 through 19 from Tab "Electric Rev Req Summary" are calculated.
- d. Line 13 from Tab "Gas Rev Req Summary" and Line 13 from Tab "Electric Rev Req Summary" indicate that non-zero depreciation accruals will continue each year through 2095 for gas plant and 2081 for electric plant.
 - i. Please provide a breakdown that includes the following supporting data, broken down by FERC account:
 1. Dollar amount of plant that will be installed in each year from 2018 to 2023;
 2. Average service life of this plant;
 3. Survivor curve (Iowa curve) of this plant
 4. Net salvage ratios of this plant.
 - ii. Please confirm whether or not the depreciation accruals provided in these workpapers recover the original cost and net salvage of only the first generation of plant installed in the course of the MHP upgrade program.
 - iii. Please confirm whether or not the depreciation accruals provided in these workpapers recover the original cost and net salvage of renewal generations of plant that will be installed subsequent to the retirement of the first generation of plant installed in the course of the MHP upgrade program.

SAN DIEGO GAS & ELECTRIC COMPANY
APPLICATION FOR APPROVAL TO EXTEND THE MOBILE HOME PARK UTILITY
UPGRADE PROGRAM
(A.17-05-008)
(ORA-SDGE-011-CL8)

- e. Lines 14 through 19 from Tab “Gas Rev Req Summary” and Lines 14 through 19 from Tab “Electric Rev Req Summary” record values that become negative in the later half of the century.
 - i. Please explain why these values become negative in the latter half of the century.
 - ii. Please explain whether or not the tax amounts in Lines 17 to 19 of each tab are based on the same depreciation of plant conveyed by the information in Line 13 of each tab. If a different depreciation methodology was used for tax purposes, please explain this methodology.
- f. Since plant installed during the proposed program period ending in 2023 will remain in service past 2023, please explain why there is no revenue requirement associated with O&M following the year 2023.
- g. Please explain how the FF&U factors are calculated. Discuss any assumptions that were made.

RESPONSE 1:

- a. Figures listed as “Direct Costs” are nominal figures. Other data is shown as real dollars in the year they are expected to be incurred, and escalation factors are used to translate between nominal and real dollars. Real dollars are used in order to calculate the representative revenue required from ratepayers in each future year (i.e., dollar amounts to be paid in those years).
- b. FF&U - Franchise Fees and Uncollectables.

EBIT – Earnings Before Interest and Taxes.

NOI – Net Operating Income.

O&M – Operations and Maintenance expenses.

FIT – Federal Income Tax.

SIT – State Income Tax.

EBT – Earnings Before Taxes.

BLM – Book Life Method (i.e., a depreciation method).

SAN DIEGO GAS & ELECTRIC COMPANY
APPLICATION FOR APPROVAL TO EXTEND THE MOBILE HOME PARK UTILITY
UPGRADE PROGRAM
(A.17-05-008)
(ORA-SDGE-011-CL8)

c. Calculations are shown in the following tabs:

FF&U – See “Gas-FF&U” and “Electric-FF&U” tabs

O&M – See Gas-O&M and Electric-O&M tabs. O&M values are described in witness Hector Moreno’s prepared testimony.

Working Capital – 0.0 value for this project. The working cash calculation is based on the standard CPUC-approved methodology as detailed in SDG&E’s most recent General Rate Case.

Depreciation – Ratebase asset values net of Salvage divided by Book Lives

Return on Common – SDG&E is allowed to earn returns based on it’s authorized capital structure and Return on Equity %. Ratebase is allocated between common equity, preferred equity, and debt per SDG&E’s authorized capital structure. SDG&E’s authorized rate of return is then applied against each segment of ratebase to arrive at the authorized returns. To arrive at Return on Common, 10.30% authorized return is applied against 52.00% of project ratebase to arrive at a weighted Return on Common of 5.36% as authorized. Tabs “Electric-Return” and “Gas-Return” show the 5.36% Return on Common for this project.

Return on Preferred - To arrive at Return on Preferred, 6.22% authorized return is applied against 2.75% of project ratebase to arrive at a weighted Return on Preferred of 0.17% as authorized. Tabs “Electric-Return” and “Gas-Return” show the 0.17% Return on Preferred for this project.

Return on Debt - To arrive at Return on Debt, 5.00% authorized return is applied against 45.25% of project ratebase to arrive at a weighted Return on Debt of 2.26% as authorized. Tabs “Electric-Return” and “Gas-Return” show the 2.26% Return on Debt for this project.

Summing the returns on Common, Preferred, and Debt shows an authorized return of 7.79%.

Federal Taxes - See “Gas-Income Taxes” and “Electric-Income Taxes” tabs.

State Taxes - See “Gas-Income Taxes” and “Electric-Income Taxes” tabs.

Property Taxes - See “Gas-Property Taxes” and “Electric-Property Taxes” tabs.

d.i. 1. Please see workpaper’s related to ORA-SDGE-003-CL8-Q1, “Direct Costs by FERC Account” tab.

SAN DIEGO GAS & ELECTRIC COMPANY
APPLICATION FOR APPROVAL TO EXTEND THE MOBILE HOME PARK UTILITY
UPGRADE PROGRAM
(A.17-05-008)
(ORA-SDGE-011-CL8)

2. The average service life of this project is 52 years – See Average Service Lives (ASL) shown in Table 1 below.

3. With the exception of Beyond the Meter (BTM) costs, which are amortized over ten years consistent with D.14-03-021, the useful lives represent the probable lives of assets at the moment of installation based on the depreciation parameters approved in SDG&E’s 2016 General Rate Case. The relevant depreciation parameters, inclusive of the Average Service Life (ASL) and lowa-type mortality curve (Curve), are summarized by FERC account in Table 1 below.

4. See Salvage percentages in Table 1 below.

Table 1

FERC Account	Cost Classification	Curve/ASL	Salvage
376 - Dist Mains	Gas	R3-69	-55%
380 - Dist Services	Gas	R2.5-65	-70%
381 - Meters & Regulators	Gas	L1.5-41	0
182 - BTM Regulatory Asset -Gas	Gas	N/A	N/A
O&M -Gas	Gas	N/A	N/A
366 - Dist UG Conduit & Substruct	Electric	R3-57	-50%
367 - Dist UG Conductors & Devices	Electric	R3-45	-65%
368 - Line Transformers	Electric	L0.5-34	-70%
369 - Dist Services Underground	Electric	L4-53	-75%
370 - Electric Meters	Electric	R0.5-48	0
182 - BTM Regulatory Asset - Electric	Electric	N/A	N/A
O&M -Electric	Electric	N/A	N/A

- ii. Depreciation only captures the cost and net salvage of costs described in Witness Woodruff’s testimony.
- iii. Depreciation only captures the cost and net salvage of costs described in Witness Woodruff’s testimony.
- e.i. The negative values later in the project’s life are due to the project’s large negative salvage values.

SAN DIEGO GAS & ELECTRIC COMPANY
APPLICATION FOR APPROVAL TO EXTEND THE MOBILE HOME PARK UTILITY
UPGRADE PROGRAM
(A.17-05-008)
(ORA-SDGE-011-CL8)

- ii. Line 13 is based on standard CPUC-approved Book Depreciation calculations. Tax amounts in lines 17 to 19 are based on standard CPUC-approved Federal and State depreciation calculations. See “Gas-Income Taxes” and “Electric-Income Taxes” for more details on depreciation differences.
- f. O&M is discussed in witness Hector Moreno’s testimony.
- g. Franchise Fees & Uncollectibles (FF&U) factors are based on the standard methodology as approved in SDG&E’s most recent General Rate Case, A.14-11-003, wherein Ragan Reeves, Tax witness, explains Franchise Fees starting on p. 26, and Bradley Baugh, Customer Services witness, explains Uncollectibles starting on p. 118 (source: <https://www.sdge.com/regulatory-filing/12931/sdge-grc-testimony-exhibit-list>).