

Application of San Diego Gas & Electric
Company (U902M) for authority to update its gas
and electric revenue requirement and base rates
effective on January 1, 2016.

Application 14-11-003
Exhibit No.: (SDG&E-42)

**PREPARED DIRECT TESTIMONY OF
KHAI NGUYEN
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

JANUARY 2015



1

ORIGINAL (November)	UPDATED (January)
Exhibit (SDG&E-36), Appendix A, Table KN – 1 Combined Summary of Earnings	Exhibit (SDG&E-42), Appendix A, Table KN - 1U, Combined Summary of Earnings
Exhibit (SDG&E-36), Appendix A, Table KN – 2, Electric Summary of Earnings	Exhibit (SDG&E-42), Appendix A, Table KN - 2U, Electric Summary of Earnings
Exhibit (SDG&E-36), Appendix A, Table KN – 6 Gas Summary of Earnings	Exhibit (SDG&E-42), Appendix A, Table KN - 6U, Gas Summary of Earnings

2 The updated line items for Table KN – 1U, Combined Summary of Earnings are
3 as follows:

	<u>Line #</u>	<u>Description</u>	<u>Present Rates(2016\$) Updated</u>
4	1	Base Margin	\$1,770,616
5	20	Uncollectibles	\$3,081
6	21	Franchise Fees	\$56,533
7	24	Taxes on Income	\$124,123
8	27	Return	\$345,152
9	28	Ratebase	\$5,378,484
10	29	Rate of Return	6.42%
11			
12			

1 The updated line items for Table KN - 2U, Electric Summary of Earnings are as
2 follows:

3	<u>Line #</u>	<u>Description</u>	<u>Present Rates(2016\$) Updated</u>
4	1	Base Margin	\$1,464,172
5	20	Uncollectibles	\$2,548
6	21	Franchise Fees	\$50,182
7	24	Taxes on Income	\$110,616
8	27	Return	\$297,611
9	28	Ratebase	\$4,656,014
10	29	Rate of Return	6.39%

11
12 The updated line items for Table KN - 6U, Gas Summary of Earnings are as
13 follows:

14	<u>Line #</u>	<u>Description</u>	<u>Present Rates(2016\$) Updated</u>
15	1	Base Margin	\$306,444
16	20	Uncollectibles	\$533
17	21	Franchise Fees	\$6,352
18	24	Taxes on Income	\$13,507
19	27	Return	\$47,541
20	28	Ratebase	\$722,470
21	29	Rate of Return	6.58%

22 I have updated the Results of Operations (RO) model to reflect the changes
23 discussed in this testimony and a copy will be provided to ORA pursuant to Public
24 Utilities Code Section 583. A copy of the PRR Update RO model will also be provided
25 to other parties who have requested it and have signed a non-disclosure agreement.

1 **WITNESS QUALIFICATIONS**

2 My name is Khai Nguyen. My business address is 555 West Fifth Street, Los
3 Angeles, California, 90013-1011. I am currently employed by SoCalGas as the General
4 Rate Case Financial Analysis Manager responsible for developing the revenue
5 requirement forecasts for both SDG&E and SoCalGas.

6 I received a Bachelor of Science Degree in Accounting from California State
7 University, Northridge. I am a Certified Public Accountant (CPA) and a member of the
8 American Institute of Certified Public Accountants (AICPA) and the California Society
9 of Certified Public Accountants. I was first employed by SoCalGas in 1998 and have
10 held various positions in the Regulatory and Accounting and Finance areas of the
11 company; including Cost Accounting, Affiliate Billing & Costing, and Financial
12 Systems. I have previously testified before the Commission.

APPENDIX A

TABLE KN-1U
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2016
COMBINED SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	2016	2016
		Present Rates (2016\$)	Proposed Rates (2016\$)
1	Base Margin	1,770,616	1,891,751
2	Miscellaneous Revenues	19,207	19,207
3	Revenue Requirement	1,789,823	1,910,958
<u>OPERATING & MAINTENANCE EXPENSES</u>			
4	Distribution	163,291	163,291
5	Gas Transmission	4,663	4,663
6	PSEP	-	-
7	Generation	54,415	54,415
8	Nuclear Generation (SONGS)	1,293	1,293
9	Engineering	12,294	12,294
10	Procurement	8,757	8,757
11	Customer Services	89,719	89,719
12	Information Technology	109,748	109,748
13	Support Services	106,244	106,244
14	Administrative and General	433,251	433,251
15	Subtotal (2013\$)	983,675	983,675
16	Shared Services Adjustments	(91,124)	(91,124)
17	Reassignments	(128,211)	(128,211)
18	FERC Transmission Costs	(60,767)	(60,767)
19	Escalation	29,191	29,191
20	Uncollectibles	3,081	3,290
21	Franchise Fees	56,533	60,468
22	Total O&M (2016\$)	792,377	796,521
23	Depreciation & Amortization	438,531	438,531
24	Taxes on Income	124,123	167,103
25	Taxes Other Than on Income	89,641	89,641
26	Total Operating Expenses	1,444,672	1,491,796
27	Return	345,152	419,162
28	Rate Base	5,378,484	5,380,768
29	Rate of Return	6.42%	7.79%
30	Derivation of Base Margin		
31	O&M Expenses	(Line 21) \$ 792,377	\$ 796,521
32	Depreciation	(Line 22) 438,531	438,531
33	Taxes	(Line 23+24) 213,764	256,744
34	Return	(Line 26) 345,152	419,162
35	Revenue Requirement	1,789,823	1,910,958
36	Less: Misc. Revenues	(Line 2) 19,207	19,207
37	Base Margin	(Line 1) \$ 1,770,616	\$ 1,891,751

TABLE KN-2U
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2016
ELECTRIC SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	2016	
		Present Rates (2016\$)	Proposed Rates (2016\$)
1	Base Margin	\$ 1,464,172	\$ 1,569,354
2	Miscellaneous Revenues	15,207	15,207
3	Revenue Requirement	\$ 1,479,379	\$ 1,584,561
<u>OPERATING & MAINTENANCE EXPENSES</u>			
4	Distribution	137,920	137,920
5	Gas Transmission	-	-
6	PSEP	-	-
7	Generation	53,864	53,864
8	Nuclear Generation (SONGS)	1,293	1,293
9	Engineering	584	584
10	Procurement	8,647	8,647
11	Customer Services	57,445	57,445
12	Information Technology	81,177	81,177
13	Support Services	82,851	82,851
14	Administrative and General	347,802	347,802
15	Subtotal (2013\$)	771,583	771,583
16	Shared Services Adjustments	(72,651)	(72,651)
17	Reassignments	(98,047)	(98,047)
18	FERC Transmission Costs	(60,767)	(60,767)
19	Escalation	21,648	21,648
20	Uncollectibles (0.174%)	2,548	2,730
21	Franchise Fees (3.4273%)	50,182	53,785
22	Total O&M (2016\$)	614,495	618,280
23	Depreciation & Amortization	381,325	381,325
24	Taxes on Income	110,616	146,762
25	Taxes Other Than on Income	75,333	75,333
26	Total Operating Expenses	\$ 1,181,768	\$ 1,221,700
27	Return	297,611	362,861
28	Rate Base	4,656,014	4,658,033
29	Rate of Return	6.39%	7.79%
30	Derivation of Base Margin		
31	O&M Expenses	(Line 21) \$ 614,495	\$ 618,280
32	Depreciation	(Line 22) 381,325	381,325
33	Taxes	(Line 23+24) 185,949	222,095
34	Return	(Line 26) 297,611	362,861
35	Revenue Requirement	1,479,379	1,584,561
36	Less: Misc. Revenues	(Line 2) 15,207	15,207
37	Base Margin	(Line 1) \$ 1,464,172	\$ 1,569,354

TABLE KN-6U
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2016
GAS SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	2016	
		Present Rates (2016\$)	Proposed Rates (2016\$)
1	Base Margin	\$ 306,444	\$ 322,397
2	Miscellaneous Revenues	4,000	4,000
3	Revenue Requirement	\$ 310,444	\$ 326,397
<u>OPERATING & MAINTENANCE EXPENSES</u>			
4	Distribution	25,371	25,371
5	Gas Transmission	4,663	4,663
6	PSEP	-	-
7	Generation	552	552
8	Nuclear Generation (SONGS)	-	-
9	Engineering	11,710	11,710
10	Procurement	110	110
11	Customer Services	32,274	32,274
12	Information Technology	28,571	28,571
13	Support Services	23,392	23,392
14	Administrative and General	85,449	85,449
15	Subtotal (2013\$)	212,092	212,092
16	Shared Services Adjustments	(18,473)	(18,473)
17	Reassignments	(30,165)	(30,165)
18	FERC Transmission Costs		
19	Escalation	7,544	7,544
20	Uncollectibles (0.174%)	533	561
21	Franchise Fees (2.0727%)	6,352	6,682
22	Total O&M (2016\$)	177,882	178,241
23	Depreciation & Amortization	57,207	57,207
24	Taxes on Income	13,507	20,341
25	Taxes Other Than on Income	14,308	14,308
26	Total Operating Expenses	\$ 262,904	\$ 270,096
27	Return	47,541	56,301
28	Rate Base	722,470	722,735
29	Rate of Return	6.58%	7.79%
30	Derivation of Base Margin		
31	O&M Expenses	(Line 21) \$ 177,882	\$ 178,241
32	Depreciation	(Line 22) 57,207	57,207
33	Taxes	(Line 23+24) 27,815	34,649
34	Return	(Line 26) 47,541	56,301
35	Revenue Requirement	310,444	326,397
36	Less: Misc. Revenues	(Line 2) 4,000	4,000
37	Base Margin	(Line 1) \$ 306,444	\$ 322,397

APPENDIX B

2016 GRC SDGE - Electric Present Rate Revenue
(Thousands of \$)

	Generation			Total
	Elec Dist	SONGS	(Includes SPP)(1)	
1/1/2014 Estimated PRR				
Base margin w/o FF&U	1,117,480	165,837	240,888	1,524,205
FF&U	49,271	2,023	2,936	54,230
Base margin	1,166,751	167,860	243,824	1,578,435

Notes - Generation:

- Includes \$1,838 for Desert Star plus \$22 FF&U increase
- Includes \$116 for Cuyamaca plus \$1 FF&U increase
- Includes \$35,736 for SPP plus \$435 FF&U increase

	Generation			Total
	Elec Dist	SONGS	(Includes SPP)(1)	
1/1/2015 Estimated PRR				
Base margin w/o FF&U	1,147,713	3,109	259,546	1,410,368
FF&U	50,602	38	3,164	53,804
Base margin	1,198,315	3,147	262,710	1,464,172

Notes - Generation:

- Includes \$1,889 for Desert Star plus \$23 FF&U increase
- Includes \$118 for Cuyamaca plus \$1 FF&U increase
- Includes \$13,064 for SPP plus \$159 FF&U increase

	Elec Dist	SONGS	Generation	Total
	(Includes SPP)(2)			
2016 Application				
Base margin w/o FF&U	1,306,810	3,222	202,806	1,512,838
FF&U	48,818	121	7,576	56,515
Base margin	1,355,628	3,343	210,382	1,569,353

	Elec Dist	SONGS	Generation	Total
Variance (2016 Application vs 1/1/2015 Estimated PRR)				
Base margin w/o FF&U	159,097	113	(56,740)	102,470
FF&U	(1,784)	83	4,412	2,711
Base margin	157,313	196	(52,328)	105,181

(1) Includes authorized base revenue increase per D.07-11-046, D.11-12-002, and D.12-12-004

(2) In compliance with D.12-12-004 (Smart Pricing Program), \$21 million of electric distribution and \$1 million of gas distribution costs were reclassified to the Generation segment for rate purposes. This reclassification is not reflected in the 2016 GRC Application information shown above. To see the reclassification of costs please refer to the SDG&E rates testimony of Cynthia Fang (SDG&E-39_CFang, Appendix A).

Base Margin and Revenue Requirement

SDG&E gas Present Rate Revenues (in thousands of dollars)

	2014 rates	2015 rates	2016 GRC (3)	2015 to 2016 increase (decrease)
Authorized Base Margin in 2012GRC (1)	\$286,919	\$286,919	\$321,454	\$34,535
2013 attrition w/ffu	\$7,603	\$7,603		(\$7,603)
2014 attrition w/ffu	\$7,982	\$7,982		(\$7,982)
2015 attrition w/ffu		\$8,201		(\$8,201)
Cost of Capital Adjustment (2)	(\$4,261)	(\$4,261)		\$4,261
Base Margin (net Misc. Revenue, Includes FFU)	\$298,243	\$306,444	\$321,454	\$15,010
Net System Integration Adjustment	(\$24,876)	(\$24,876)	(\$24,876)	\$0
Other Adjustments to Base Margin:				
Adjusted Other Operating Costs and Revenues	\$19,809	\$23,161	\$19,731	(\$3,430)
AB32 Admin Fee from Base Margin	(\$552)	(\$552)	(\$573)	(\$21)
Regulatory Accounts	\$18,836	\$64,602	(\$1,084)	(\$65,686)
SW Adjustment (EG & NGV)	\$2,324	\$2,036	\$3,384	\$1,348
TLS Adjustments (NCC/EG/WS/DGN)	\$2,498	\$4,118	\$2,805	(\$1,312)
Rate Revenues (excluding PPPS, Gas)	\$316,282	\$374,933	\$320,841	(\$54,092)

Notes

(1) Per 2012 GRC D.13-05-010

(2) Per D.12-12-034

(3) In compliance with D.12-12-004 (Smart Pricing Program), \$21 million of electric distribution and \$1 million of gas distribution costs were reclassified to the Generation segment for rate purposes. For further detail please refer to the SDG&E rates testimony of Cynthia Fang (SDG&E-39_CFang, Appendix A).