SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO ESTABLISH A GAS RULES AND REGULATIONS MEMORANDUM ACCOUNT (A.22-05-005)

DATA REQUEST SCGC-02

RECEIVED: JULY 26, 2022
SUBMITTED: AUGUST 9, 2022

<u>Question 1.1:</u>

1.1. In the workpapers of SoCalGas/SDG&E's witness Travis Sera at page 1, the workpaper provides a derivation of a preliminary SoCalGas Capital Cost Forecast of $6,935,462.19 for 2022 direct capital expenditures and $34,601,342.49 for 2023 direct capital expenditures. Please confirm that these figures tie to the projected spend amounts of $6,935,462.19 for 2022 direct capital expenditures and $34,601,342.49 for 2023 direct capital expenditures shown in SoCalGas' TY 2024 GRC workpapers for SGC-09-CWP at page 112 of 116.

<u>Response to Question 1.1</u>

SoCalGas and SDG&E confirm that the above stated costs tie to the forecasted direct capital expenditures in SoCalGas' TY 2024 GRC workpaper SCG-09-CWP.

Question 1.2:

1.2. Please explain why the workpaper (page 1) for this application contains for each year, in addition to the direct capital expenditure, the amount called "loaded projected spend" and AFUDC amounts while the TY2024 GRC workpaper (page 112 of 116) does not include those amounts for either year.

Response to Question 1.2

The loaded projected spend for the capital cost forecast, as referenced above in the Workpapers Supporting Supplemental Testimony of Travis T. Sera, reflects the sum of the forecasted direct project spend and other indirect costs such as overheads, property tax, and return on rate base. As further denoted in the workpaper, when added together with the allowance for funds used during construction (AFUDC), they equate to the total projected spend. These costs together reflect the direct and indirect capital costs forecasted to implement Gas Transmission Safety (GTS) Rule Part 1. Capital costs are forecasted in a similar manner for GTS Rule Part 2 and the Valve Rule.

Forecasts in SoCalGas and SDG&E's TY 2024 application, including the capital expenditures forecasted in workpaper SCG-09-CWP, are presented on a direct cost basis (for a specific base year), which excludes indirect costs such as overheads, property taxes, and AFUDC. For GRC purposes, these direct, base year dollar forecasts are converted into a test year revenue requirement using a ratemaking model, i.e., the Results of Operation (RO) model. Among other things, the process by which the RO model converts the direct, base year dollars into a test year revenue requirement separately includes applying overheads to capital projects and converting the capital forecasts into capital-related costs (e.g., depreciation, taxes, and return).

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Question 1.3:

1.3. If the Commission were to deny SoCalGas/SDG&E's request for the GRRMA, would this invalidate SoCalGas' request for $6,935,462.19 for 2022 direct capital expenditures and $34,601,342.49 for 2023 direct capital expenditures?

Response to Question 1.3

No. SoCalGas and SDG&E's forecasts would remain valid and unavoidable because they apply to mandatory, compliance-based work. SoCalGas and SDG&E are seeking recovery of the revenue requirement as of January 1, 2024 associated with these forecasted capital expenditures in the TY 2024 GRC.

If the Commission were to deny SoCalGas and SDG&E's request for the GRRMA, SoCalGas and SDG&E would not be able to recover the incremental revenue requirement incurred from 2022 to 2023.

<u>Question 1.4:</u>

1.4. If the answer to Q.1.3 is "yes," please explain why the absence of the GRRMA would invalidate SoCalGas' request for $6,935,462.19 for 2022 direct capital expenditures and $34,601,342.49 for 2023 direct capital expenditures in the TY2024 GRC application.

<u>Response to Question 1.4</u>

Not Applicable.

<u>Question 1.5:</u>

1.5. If the answer to Q.1.3 is “no,” please explain how the presence of the GRRMA would change the ratemaking for the capital expenditures relative to SoCalGas’ request for $6,935,462.19 for 2022 direct capital expenditures and $34,601,342.49 for 2023 direct capital expenditures in the TY2024 GRC application.

<u>Response to Question 1.5</u>

The GRRMA does not impact the request for the capital expenditures in the TY 2024 GRC. The GRRMA will allow SoCalGas and SDG&E to track the 2022-2023 incremental revenue requirement associated with projects that may be completed prior to January 1, 2024. If these forecasts are authorized in the TY 2024 GRC, the revenue requirement associated with projects previously tracked in the GRRMA will be discontinued as of December 31, 2023. Conversely, if these forecasts are denied in the TY 2024 GRC, the revenue requirement associated with these forecasts would continue to be recorded in the GRRMA until the Commission issues a decision on cost recovery and assets are incorporated in a future GRC.