

FEA DATA REQUEST
FEA-SDG&E-DR-04
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: APRIL 26, 2018
DATE RESPONDED: MAY 11, 2018

FEA-04-1. Capital addition escalation. Refer to the response to FEA-01-04. Provide the actual amounts for 2011, 2012 and 2017.

SDG&E Response 4.1:

Actual capital additions for 2011 and 2012 were provided in response to FEA DR-02 in April, 2018. Please see below for 2017 actual capital additions. The response is in 2019\$, and all dollars are in thousands.

Year	Capital Additions
2017	\$ 792,040

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- FEA-04-2. Yuma 500 KV Liability Insurance. Refer to Attachment FEA-01-37 page 10.
- a) Please explain the reason for the increase in this premium expense in the 2019 TY over the 2016 recorded year.
 - b) Explain the variance between the 2017 forecasted and the 2017 actual expense.
 - c) Provide a copy of the most recent invoice from APS.
 - d) Explain why the amount is negative in 2016.
 - e) Explain the increase in this expense in 2015 over the other years shown.

SDG&E Response 4.2:

- a. At the end of 2015, the 2016 expected insurance amount was recorded. The credit in 2016 was the difference between the actual invoice and recorded amount. The amount listed for the 2019 TY is the expected liability premium.
- b. As noted in the testimony, the Yuma 500 KV Liability insurance is procured by APS, and those premiums are then allocated to SDG&E. SDG&E pays these invoices as we receive them. The reason for the variance in cost is not known to SDG&E.
- c. Attached is a copy of the most recent invoice from APS. See “FEA DR-04.2 APS Liability Ins Inv Feb 2018.pdf”.
- d. See response to question 2a.
- e. See response to question 2a.

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FEA-04-3. Fiduciary. Refer to Attachment FEA-01-37 page 5. Please explain the reason for the increase in this expense in the 2019 TY over the 2015-2017 recorded years.

SDG&E Response 4.3:

The forecasted escalation in expense was based on an insurance broker forecast. Please refer to Appendix B of Exhibit SDG&E-27 for the insurance broker forecast.

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FEA-04-4. Workers compensation. Refer to the Confidential Attachment to ORA Master Data Request, Chapter 37, Q.2.

BEGIN CONFIDENTIAL

- a) Provide an explanation of the 2016 payout for workers compensation.
- b) Did this claim have any effect on the increase to actual excess workers compensation expense in 2017?

END CONFIDENTIAL

SDG&E Response 4.4:

a. This data was provided by our insurance carrier. The amount represents the total paid under our 2016 excess workers' compensation policy for SDG&E-related claims

b. In general, workers compensation premiums are calculated by multiplying annual payroll times insurer rates. The 2017 premium increase was driven by an increase in payroll from the prior year and an insurer rate increase. The insurance carrier uses proprietary models to calculate rates for each specific insured. Generally, factors such as insured loss history, overall portfolio performance, and employee location/classification are factors that contribute to the insurer's rate calculation. SDG&E and SoCalGas believe that the increase in rate for 2017 is driven in part by the factors identified above, although we are not able to attribute the increase to any one of these specific factors because we do not have access to insurance companies' proprietary models.

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FEA-04-5. Liability Corporate Center Insurance. Refer to the Confidential Attachment to Master Data Request, Chapter 37, Q.1. Identify any changes to coverage limits and the deductibles for each type of liability insurance in 2017 and 2018 and expected for 2019.

SDG&E Response 4.5:

For 2017, there were no meaningful changes as compared with 2016. We don't yet have the 2018 numbers, but we continuously evaluate the adequacy of our insurance coverage based on contemporaneous information.

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FEA-04-6. GHG credits. Refer to the response to FEA-02-01. When will these credits be amortized into the balancing accounts?

SDG&E Response 4.6:

SDG&E plans to include greenhouse gas costs in rates beginning July 1, 2018 per Decision 18-03-017.

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FEA-04-7 Customer Deposits. Refer to the response to FEA-02-02 (b). Please separate the amounts shown between SDG&E's electric and gas operations.

SDG&E Response 4.7:

Customer deposits are recorded in total. SDG&E is not able to separate the amounts between electric and gas.

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- FEA-04-8. Liability Insurance. Refer to the response to FEA 02-30, Exhibit SCG-29/SDG&E-27- WP page 33 and the response to FEA-01-37, Attachment 1.
- a) Is the \$13 million included in the 2016 amount of \$69.714 million?
 - b) Is any part of the \$13 million included in the 2016 amount of \$69.714 million?
If so, identify the amount.
 - c) Is any part of the \$13 million included in the 2017 amount of \$55.232 million?
If so, identify the amount.

SDG&E Response 4.8:

- a. The \$13 million was included in the 2016 amount of \$69.714 million.
- b. See response to question a.
- c. No. As explained in response to FEA-02-030, the \$13 million represented a one-time reinstatement insurance premium charge in 2016 that was removed from this GRC. In addition, as explained in response to FEA 02-31, our 2018 and 2019 forecasts were based on 2017 actuals (and the 2017 actuals did not include the \$13 million amount).

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- FEA-04-09 Customer Deposits. Refer to the response to ORA-SDGE-093-CL8 Q.2. a) Is the interest paid included in the 2019 revenue requirement? If so, identify the workpaper where it is included and the amount. If not, provide the 2016 recorded year interest paid and the TY 2019 interest to be paid.
- b) Identify the prime non-financial 3-month commercial paper rates for each quarter of 2016 and the most recent rate available for 2018.

SDG&E Response 4.9:

- a) Interest on customer deposits is not included in the 2019 revenue requirement. Interest expense relating to customer deposits in 2016 was \$136,127. We cannot “provide the...TY 2019 interest to be paid,” as that will depend on the balances of customer deposits in a future period. However, escalating the 2016 interest expense by 1.0706, consistent with our working cash study, would produce an estimated 2019 expense of \$145,737.
- b) The quarterly average non-financial 3-month commercial paper rates for 2016 were 0.47% (Q1), 0.48% (Q2), 0.50% (Q3), and 0.65% (Q4). 2018 financial information is not yet available.

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FEA-04-11. Public Safety Campaign. Refer to the response to ORA-SDGE-075-TLG Q.1-n).

- a) Please describe the current status of the Public Safety Campaign. Provide supporting documentation (e.g., memos, emails, campaign materials, etc.)
- b) Identify the costs incurred in 2017.
- c) Identify the costs incurred in 2018 year-to-date.

SDG&E Response 4.11:

Please see SDG&E's response to FEA-02-27, describing the program and developed cost estimates. The Public Safety Campaign would begin in 2019 and therefore no costs for this specific campaign have been incurred.

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FEA-04-12. Tax memorandum account. Refer to pages RGR-36 and 37 of Exhibit SDG&E-35-2R which states: "Accordingly, SDG&E believes a TMA is no longer necessary and requests that the Commission eliminate the TMA for SDG&E's 2019 GRC cycle." Page RGR-4 of Exhibit SDG&E-352R states "SDG&E is requesting a sub-account in the TMA to specifically track the impacts of the TCJA and to provide a discrete disposition for the balance that is being tracked in the TMA related to the TCJA through 2018."

- a) Is the Company proposing to close the TCJA subaccount of the TMA in 2018? If not, when does the Company expect to close the subaccount?
- b) Does the Company anticipate that all effects of the TCJA will be determined and captured in the TMA in 2018?

SDG&E Response 4.12:

- a. SDG&E objects to this request on the grounds that calls for speculation. Subject to and without waiving this objection, SDG&E responds as follows. Please refer to Exhibit SDG&E-41-S (Supplemental Testimony of Norma G. Jasso), which sets forth SDG&E's proposal to create a new sub-account in its electric and gas Tax Memorandum Accounts (TMA) to separately track any impacts through 2018 related to the Tax Cuts and Jobs Act of 2017 (TCJA). As of the date of this response, SDG&E's proposal for the sub-account has not been approved and as such, does not exist. Further, SDG&E cannot speculate as to when the not-yet existing sub-account would be closed.
- b. SDG&E objects to this request on the grounds that it is overbroad and vague in asking about "all effects of the TCJA," calls for speculation, and is not reasonably calculated to lead to the discovery of relevant evidence. Subject to and without waiving these objections, SDG&E responds as follows. The TMA was established by D.16-06-054, a prior GRC decision, and therefore is limited to tax-related items in the GRC. The proposed sub-account would also be limited to the TCJA impacts related to the GRC. Please refer to Exhibit SDG&E-41-S at NGJ-2, lines 16 to 24 (footnotes omitted), which states:

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SDG&E Response 4.12 Continued:

“SDG&E anticipates that the final recorded amounts (i.e., tax expense incurred)⁶ related to the 2018 TCJA Impacts will be available following the filing of the 2018 tax return for SDG&E (anticipated to be October 2019).⁷ However, based on the ED Letter, SDG&E understands the Commission may want to address the 2018 TCJA Impacts before the final recorded amounts are available. Accordingly, SDG&E proposes to create a new, interest-bearing sub-account in the electric and gas TMAs for the 2018 TCJA Impacts, which will not be recorded on SDG&E’s financial statements (2018 TCJA Sub-Account). The purpose of this sub-account would be to separately track the difference between actual 2018 tax benefits realized as a result of the TCJA and any estimated benefits the Commission may approve.”

Pursuant to the Assigned Commissioner’s Scoping Memorandum and Ruling issued on January 29, 2018, SDG&E’s testimony has been revised to reflect the impact of TCJA on the SDG&E Test Year (TY) 2019 General Rate Case (GRC) Application. Please refer to SDG&E’s testimony served on April 6, 2018.

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FEA-04-13. Third party claims. Refer to Table SKH-14 on page SKH-20 of Exhibit SDG&E-31.

- a) Provide an itemization by subaccount/category of the costs included in Claims Payments & Recovery Costs for each year: 2013, 2014, 2015, 2016 and 2017.
- b) Are injuries and damages reserve accruals included in Claims Payments & Recovery Costs? If so, provide the amount of injuries and damages expense in each year: 2013, 2014, 2015, 2016 and 2017. If not, identify which SDG&E Exhibit where these are included.

SDG&E Response 4.13:

- a) See attached file FEA-DR-04 Question 13 CONFIDENTIAL.xlsx. **This file contains Confidential and Protected materials pursuant to PU Code 583, GO-66D, and D.17-09-023.**

Please note that the amounts shown as Claims expense in this response have been corrected and differ from the testimony and workpapers filed in October 6, 2017. The difference by year is:

2012	55,080.58
2013	(17,104.61)
2014	16,210.08
2015	(1,527.48)
2016	36,931.57
Total	89,590.14

The amounts shown in Claims Recovery Expenses in the Legal Division were understated for years 2012-2016, which drove the 5-year average used to estimate 2019. By not reflecting the corrected 2012-2016 Claims Recovery Expenses, the amount shown in the Legal Division for Estimated 2019 was understated by approximately \$17,918.03 (the 5-year average of \$89,590.14) and therefore, SDG&E's overall Test Year 2019 revenue requirement is understated. At this time, SDG&E is not updating for this correction in testimony or in workpapers (Ex. SDG&E-31-WP, Workpaper 1AG008.000). This correction will be addressed at a later time.

- b) No, reserve accruals were not used to forecast the claims and recovery costs included in this GRC request. Only settled claims, net of insurance payments, are included in our forecast.

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FEA-04-14. Injuries and damages reserve. Provide the following for the injuries and damages reserve for each year: 2013, 2014, 2015, 2016 and 2017:

- a) beginning balance
- b) additions to the reserve
- c) subtractions to the reserve and
- d) ending balance.

SDG&E Response 4.14:

As mentioned above in FEA-04-13, reserve accruals were not used to forecast the claims and recovery costs included in this GRC request. Only settled claims, net of insurance payments, are included in our forecast. To be responsive to the question, however, below is a table with the beginning balance, additions and subtractions to reserve account, and ending balance for years requested.

Injuries and Damges reserve					
G/L Account: 2500072					
	2013	2014	2015	2016	2017
Beginning Balance	(108,739.86)	(1,047,960.34)	(2,294,234.96)	(3,141,845.70)	(442,999.57)
Additions(credit)/Substraction(debit)	(939,220.48)	(1,246,274.62)	(847,610.74)	2,698,846.13	(29,500.79)
Ending Balance	(1,047,960.34)	(2,294,234.96)	(3,141,845.70)	(442,999.57)	(472,500.36)

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FEA-04-15. TPCBA. Refer to Exhibit SDG&E-31, page SKH-20.

- a) Provide the Company's definition of third-party claims.
- b) Identify all items that would be included in the TPCBA account (e.g., reserve accruals, claims paid, defense and settlement of claims, outside experts, etc.)

SDG&E Response 4.15:

- a) SDG&E uses the FERC Account 925 definition of injuries. See CPUC Decision (D.) 00-02-046, which stated that Account 925 “includes amounts charged for uninsured losses, the costs of liability insurance premiums, the costs of claims and suits for injuries and property damages.” See also the direct testimony of Sandra Hrna (Ex. SDG&E-31-R), page SKH-26, lines 1-17.
- b) Items to be included in the TPCBA would be FERC Account 925 costs. Please refer to the direct testimony of Sandra Hrna (Ex. SDG&E-31-R), pages SKH-25 – SKH-27.

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FEA-04-16. OMEC. Refer to Exhibit SDG&E-16, page DSB-5 line 24 and page DSB-6 lines 1-2. Provide any new developments or updates regarding the OMEC since the filing of this testimony. Include supporting documentation (memos, emails, presentations, reports, notes, etc.)

SDG&E Response 4.16:

There have been no new developments regarding OMEC since the testimony was filed.

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FEA-04-17. Details of Electric ADIT balances at December 31, 2017. Refer to Exhibit SDG&E-33-2R, page RCG-7.

- a) Identify the December 31, 2017 recorded per-book balance of Accumulated Deferred Income Taxes (ADIT) in each of the following accounts (account 190, 282, 283 etc.).
- b) Show by each book-tax difference, the components which comprise the ADIT in each ADIT account.
- c) For each component of the ADIT listed in response to the above requests, please also provide the following information:
 - i. The state income tax rate used to compute the ADIT.
 - ii. The federal income tax rate used to compute the ADIT.
 - iii. The combined state and federal income tax rate used to compute the ADIT.
 - iv. The balance (book-tax difference at 12/31/2017) to which the state and federal income tax rates were applied to compute the ADIT.
- d) For each component in the ADIT accounts, identify the amount representing "excess" ADIT (i.e., calculated using the new 21% flat federal corporate income tax rate versus the previous FIT rate [e.g., 35%] that the Company used).
- e) For each amount of excess property-related ADIT in account 282, please indicate whether it is "protected" (i.e., related to the use of accelerated tax depreciation including MACRS and bonus tax depreciation) or "non-protected" (i.e., related to other book-tax differences such as repairs deductions, etc.)

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SDG&E Response 4.17:

- a. Please see Attachment A to this data request.
- b. Please see Attachment A to this data request.
- c.
 - i. The state income tax rate is 8.84%; however, SDG&E notes that since state tax depreciation is flowed through to ratepayers, state deferred taxes are not a component of ADIT in rate base. *See Exhibit SDG&E-35-2R at RGR-13 lines 6-11.*
 - ii. The federal income tax rate used to compute the ADIT is 35% for years prior to 2018 and 21% for years beginning with 2018. *See Exhibit SDG&E-35-2R at RGR-13 lines 6-11.*
 - iii. Please see the response to subpart c.i. of this question.
 - iv. Please see Attachment A to this data request.
- d. Please see Attachment A to this data request.
- e. Please see Attachment A to this data request.

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- FEA-04-18. Details of Gas ADIT balances at December 31, 2017. Refer to Exhibit SDG&E-33-2R, page RCG-14.
- a) Identify the December 31, 2017 recorded per-book balance of Accumulated Deferred Income Taxes (ADIT) in each of the following accounts (account 190, 282, 283 etc.).
 - b) Show by each book-tax difference, the components which comprise the ADIT in each ADIT account.
 - c) For each component of the ADIT listed in response to the above requests, please also provide the following information:
 - i. The state income tax rate used to compute the ADIT.
 - ii. The federal income tax rate used to compute the ADIT.
 - iii. The combined state and federal income tax rate used to compute the ADIT.
 - iv. The balance (book-tax difference at 12/31/2017) to which the state and federal income tax rates were applied to compute the ADIT.
 - d) For each component in the ADIT accounts, identify the amount representing "excess" ADIT (i.e., calculated using the new 21% flat federal corporate income tax rate versus the previous FIT rate [e.g., 35%] that the Company used).
 - e) For each amount of excess property-related ADIT in account 282, please indicate whether it is "protected" (i.e., related to the use of accelerated tax depreciation including MACRS and bonus tax depreciation) or "non-protected" (i.e., related to other book-tax differences such as repairs deductions, etc).

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SDG&E Response 4.18:

- a. Please see Attachment A to this data request.
- b. Please see Attachment A to this data request.
- c.
 - i. The state income tax rate is 8.84%; however, SDG&E notes that since state tax depreciation is flowed through to ratepayers, state deferred taxes are not a component of ADIT in rate base. *See Exhibit SDG&E-35-2R at RGR-13 lines 6-11.*
 - ii. The federal income tax rate used to compute the ADIT is 35% for years prior to 2018 and 21% for years beginning with 2018. *See Exhibit SDG&E-35-2R at RGR-13 lines 6-11.*
 - iii. Please see the response to subpart c.i. of this question.
 - iv. Please see Attachment A to this data request.
- d. Please see Attachment A to this data request.
- e. Please see Attachment A to this data request.

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FEA-04-19. Software. What software does the Company use to track the tax basis and tax depreciation of its utility plant assets?

- a) Explain the capabilities of that software for tracking tax basis and tax depreciation by plant account by vintage (year in which the plant was placed into service).
- b) Explain the capabilities of that software for calculating amortization of excess accumulated deferred income taxes (EADIT) using an average rate assumption method (ARAM).

SDG&E Response 4.19:

- a. SDG&E uses the PowerTax software system, which is part of the PowerPlan suite of software products, for tracking tax basis and tax depreciation. PowerTax is used by several regulated utilities across the United States for this purpose and has the capability to track tax basis and tax depreciation by plant account and by vintage. For more specifics about the capability of the software, please see the PowerPlan website at: <https://powerplan.com/>
- b. SDG&E also uses the PowerTax software system for its ARAM calculation. PowerTax is used by several regulated utilities across the United States for this purpose and has the capability to calculate EADIT balances and the amortization of those balances using the ARAM methodology. For more specifics about the capability of the software, please see the PowerPlan website at: <https://powerplan.com/>

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FEA-04-20. Software. What software does the Company use to track the book basis and book depreciation of its utility plant assets?

- a) Explain the capabilities of that software for tracking book basis and book depreciation by plant account by vintage (year in which the plant was placed into service).
- b) Explain the capabilities of that software for calculating amortization of excess accumulated deferred income taxes (EADIT) using an average rate assumption method (ARAM).

SDG&E Response 4.20:

- a. SDG&E uses the PowerPlan Fixed Assets software for tracking book basis and book depreciation. The following descriptions of the system’s capabilities are provided on PowerPlan’s website. The “continuing property ledger (CPR) supports all types of locations and property structures. Fixed Assets maintains a full audit trail for all property, plant, and equipment transactions. The CPR links directly into the book depreciation ledger, creates all necessary tax and ledger entries. Book depreciation is automatically calculated using different methodologies while maintaining balances for GAAP and regulatory jurisdictions.”¹
- b. Please refer to the response to Question19(b).

¹ PowerPlan: <https://powerplan.com/solutions/fixed-asset-suite>

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FEA-04-21. ADIT. Provide a listing of each regulatory asset and regulatory liability, by account, that was recorded on the Company's books as of December 31, 2017. Provide the following information separately for SDG&E's electric and gas operations. For each item, also provide the following information:

- a. The amount
- b. The amortization period (if any) being applied
- c. Whether the balance accrues carrying charges and, if so, the carrying charge rate and how it is determined
- d. The amount of ADIT related to the item and how that ADIT was determined (include details for the state and federal income tax rate applied to compute the ADIT and the balance to which the tax rates were applied)
- e. Whether the item was included in utility rate base in the Company's last rate case
- f. Whether the item represents cost deferrals (over- or under-recoveries) that are expected to be recovered via a rider or surcharge and an explanation of such recovery.

SDG&E Response 4.21:

- a. Please see separately attached "FEA DR-04-21 (a)_Reg Accounts" for regulatory accounts. Also, please see separately attached "FEA DR-04-21 (a)_Reg AssetsLiab."
- b. The amortization period for regulatory accounts are primarily one year. Please see "Detail" tab of document "FEA DR-04-21 (a)_Reg AssetsLiab" discussed in Question 04-21(a) above for amortization period of Unamortized loss of reacquired debt, Beyond the Meter, and Unamortized line of credit fees.
- c. Regulatory accounts accrue based on a rate equal to one-twelfth of the interest rate on three-month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.
- d. For the federal ADIT amount that is included in the GRC and thus is included in rate base, please see Attachment A to this data request. As explained in SDG&E's response to Question 17 and 18 of this data request, state tax depreciation is flowed through to ratepayers; therefore, state deferred taxes are not a component of ADIT in rate base.
- e. These items were not included in utility rate base in the last rate case.
- f. Over-under recoveries are primarily expected to be amortized in rates over a period of one year.

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FEA-04-22. ADIT, Referring to the 21% federal corporate income tax rate that became effective January 1, 2018 as part of the Tax Cuts and Jobs Act (TCJA) that was signed into law by President Trump on December 22, 2017 and the identification of excess federal ADIT as of December 31, 2017: (provide the following information separately for SDG&E's electric and gas operations)

- a. Explain how the Company will be applying the Average Rate Assumption Method (ARAM) to the "protected" portions of the excess federal ADIT balances that relate to the use of accelerated tax depreciation for federal income tax purposes, and show in detail how the Company is calculating the ARAM.
- b. Describe the Company's proposal for amortizing the "protected" portion of its excess ADIT. Show in detail how the Company is applying it.
- c. Please provide the Company's currently authorized depreciation rates, by plant account (and sub-account if applicable). For each depreciation rate, please provide a breakout of the rate between (1) the portion related to the recovery of original cost over the plant's estimated useful life and (2) the portion related to cost of removal/negative net salvage.
- d. How does the Company account for the cost of removal when actual removal costs are incurred, and how does the Company account for the component of depreciation rates (and depreciation expense) that relates to negative net salvage in recording Depreciation Expense and Accumulated Depreciation? Please explain fully, identify and provide accounting policies related to this, and provide illustrative journal entries made in 2017 showing the accounting.
- e. Does the cost of removal/negative net salvage component of the Company's depreciation rates have any impact on the derivation of the Average Rate Assumption Method that is specified in the Tax Cuts and Jobs Act for application to excess federal ADIT related to the use of accelerated tax depreciation? If "yes" explain fully, and provide an illustrative example showing how the cost of removal/negative net salvage component of the Company's depreciation rates impacts the ARAM.

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SDG&E Response 4.22:

- a. SDG&E’s ARAM methodology is described in Exhibit SDG&E-35-2R, pages RGR-22 to RGR-24. For details on how SDG&E calculated ARAM, please see Attachment A to this data request.
- b. SDG&E’s ARAM methodology is described in Exhibit SDG&E-35-2R, pages RGR-22 to RGR-24. For details on how SDG&E calculated ARAM, please see Attachment A to this data request.
- c. Please refer to the separately attached document: FEA-SDGE-04-Q22c_Attachment.xlsx.
- d. As actual removal costs are incurred, they are recorded to FERC 108.4 as a component of accumulated depreciation. Simplistically, the costs are recorded as follows:

Dr.	Accumulated Depreciation – Cost of Removal	\$XX
Cr.	Cash	(\$XX)

- e. No. Cost of removal has been excluded from the ARAM calculation that is required under the TCJA.

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SDG&E RESPONSE
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FEA-04-23. 2017 and 2018 plant additions and bonus tax depreciation.

- a. Please identify by account the Company's actual 2017 plant additions.
- b. Does the Company anticipate claiming bonus tax depreciation on any of its 2017 plant additions?
 1. If "yes" to part b, identify the 2017 plant additions which are eligible for bonus tax depreciation and show the amounts of bonus tax depreciation that the Company intends to claim.
- c. Please also address whether and how the Company distinguished costs for public utility property (1) through September 27, 2017 and (2) from September 28, 2017 through December 31, 2017, in determining its 2017 bonus tax depreciation amounts.
 1. If "no" to part c, explain fully why not, and provide a copy of the related financial and economic analysis.
- d. Does the Company plan on claiming for tax year 2017 any MACRS tax depreciation on any of its 2017 plant additions?
 1. If "yes" to part d, identify the 2017 plant additions for which the Company intends to claim MACRS tax depreciation and show the amounts of MACRS tax depreciation that the Company intends to claim for tax year 2017.
- e. Does the Company plan on claiming for tax year 2018 any bonus tax depreciation on any of its 2018 plant additions (such as property that was under construction at September 27, 2017 and placed into service in 2018)?
 1. If "yes" to part e, identify the 2018 plant additions for which the Company intends to claim bonus tax depreciation and show the amounts of bonus tax depreciation that the Company intends to claim for tax year 2018.

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DATE RECEIVED: APRIL 26, 2018
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SDG&E Response 4.23:

- a. Please refer to FEA-DR-04-Q23.a_Attachment.pdf for the 2017 plant additions by account for SDG&E.
- b. Yes. SDG&E's bonus depreciation for 2017 plant additions is shown in Exhibit SDG&E-35-2R-WP, pages 48-50.
- c. Yes, SDG&E distinguished the costs for public utility property between these two time periods, as required by the TCJA. SDG&E's methodology is discussed in Exhibit SDG&E-35-2R, at RGR-19 to RGR-21.
- d. Yes. SDG&E's MACRS depreciation for 2017 plant additions is shown in Exhibit SDG&E-35-2R-WP, pages 48-50.
- e. No.

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SDG&E RESPONSE
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FEA-04-24. Income Tax Expense. How much income tax expense was authorized for each year in the GRC term in the Company's last GRC case? Please identify the amounts separately for electric and gas, and provide a breakout showing the amounts for each of the following:

- a. Current federal income tax expense (also provide the amount of federal taxable income and the FIT rate used)
- b. Current state income tax expense (also provide the amount of state taxable income and the state income tax rate used)
- c. Deferred federal income tax expense (also provide each book-tax difference for which deferred federal income tax expense was computed and identify the FIT rate used)
- d. Deferred state income tax expense (also provide each book-tax difference for which deferred state income tax was computed the state income tax rate used)
- e. Investment tax credit amortization
- f. Any other components of income tax expense (identify, quantify and explain in detail).

SDG&E Response 4.24:

SDG&E objects to this request on the grounds that it calls for the production of information, which are publicly available or otherwise equally accessible to FEA. Subject to and without waiving this objection, SDG&E responds as follows. For the income tax expense authorized in SDG&E's 2016 GRC, please see the SDG&E's final GRC decision (Decision 16-06-054), Appendix A, at pages 2-7, which is available here: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M164/K606/164606603.pdf>. Additional details of the authorized income tax expense for 2016 are shown in the 2016 GRC Results of Operations (RO) Model used to support D.16-06-054. The RO Model, which contain confidential and protected materials pursuant to P.U. Code Section 583, GO 66-D, D.17-09-023, will be provided upon request. A 3.5% attrition rate was utilized for the post-test years for SDG&E's 2016 GRC (*i.e.*, for 2017 and 2018); accordingly, line-item detail is not available for the post-test years.

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FEA-04-25. CIAC. Did the Company receive any collection of CIAC during 2017?

- a) If "yes" please identify the amounts of CIAC and explain to which plant accounts the CIAC amounts relate. Provide information separately for SDG&E electric and Gas operations.
- b) Does the Company have an opinion on whether any of the CIAC collected in 2017 will be required to be included as taxable income on its federal income tax return for tax year 2017? If not, explain fully why not. If "yes" please explain the opinion and the basis for it.
- c) Did the Company reflect any amounts of federal income tax for CIAC received in 2017? If so, please identify such amounts separately for SDG&E's electric and gas operations.
- d) Does the Company anticipate receiving any CIAC in 2018? If "yes" please identify the amounts of CIAC and explain to which plant accounts the CIAC amounts relate. Provide information separately for SDG&E electric and Gas operations.
- e) Does the Company have an opinion on whether any of the CIAC collected in 2018 will be required to be included as taxable income on its federal income tax return for tax year 2018? If not, explain fully why not. If "yes" please explain the opinion and the basis for it.
- f) Is the Company reflecting any amounts of federal income tax for CIAC received in 2018? If so, please identify, quantify and explain such amounts separately for SDG&E electric and Gas operations.

SDG&E Response 4.25:

Yes.

- a. SDG&E received approximately \$68.4 million of CIAC in 2017, of which approximately \$49.9 million is for electric and approximately \$18.5 million is for gas. In general, CIAC payments are collected before projects commence, whereas allocations of CIAC to FERC plant accounts occur when projects are completed. Accordingly, because CIAC projects often span multiple years, CIAC receipts and allocations to FERC plant accounts will not "match" for any confined time period. Further, SDG&E is unable to provide the FERC allocation of CIAC for projects that are still in progress. For example, a large project which began in 2017 and is 60% complete at the end of 2017 may have received a CIAC payment of \$1 million in

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SDG&E Response 4.25 Continued:

2017, but the allocation of CIAC to plant accounts to offset project costs is not yet performed. The corresponding offset will occur when the project is completed.

The accounting treatment of offsetting CIAC payments against actual project construction costs treats CIAC as an amount that does not increase or decrease rate base. CIAC payments are recorded as received, and are offset by accounts that record the actual construction costs determined for the CIAC project, therefore generating a net zero rate base impact as described by the SDG&E Rate Base witness Mr. R. Craig Gentes in Exhibit SDG&E-33-2R. There is a timing component whereby if one compares a utility's current CIAC balance against what is recorded for actual costs over a selected period of time, the CIAC payments balance could be greater or less than the related costs over the same period, depending on the timing of the individual project's construction activities and completion.

Customer Funds in Aid of Construction (CIAC)	2017		
	Total	Electric	Gas
6290030 - CIAC Taxable	(21,475,515)	(15,040,719)	(6,434,796)
6290040 - CIAC Non-Taxable	(42,056,189)	(30,464,817)	(11,591,371)
6290050 - CIAX TAX	(4,906,563)	(4,400,888)	(505,676)
Total CIAC Including Tax	\$ (68,438,267)	\$ (49,906,424)	\$ (18,531,843)

- b. Generally, CIAC is considered taxable income unless the project meets the public benefit exception or Internal Revenue Service (IRS) safe harbors for interconnection projects. As such, SDG&E expects that some CIAC collected in 2017 will be reported as taxable income on the 2017 federal income tax return.
- c. The taxable amount of CIAC for 2017 will not be known until SDG&E completes and files its income tax returns for 2017, which is expected to occur in October 2018. Note, however, that the income tax component of CIAC (ITCC) has no impact on SDG&E's rate base, as discussed in Exhibit SDG&E-35-2R, pages RGR-21 to RGR-22.
- d. SDG&E objects to this request on the grounds that it calls for speculation. Subject to and without waiving this objection, SDG&E responds as follows. SDG&E anticipates receiving CIAC in 2018, however, as of the date of this response, SDG&E cannot identify the amounts of CIAC or explain to which plant account such amounts would relate to because 2018 data is not yet available.

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SDG&E Response 4.25 Continued:

- e. Generally, CIAC is considered taxable income unless the project meets the public benefit exception or IRS safe harbors for interconnection projects. As such, SDG&E expects that some CIAC collected in 2018 will be reported as taxable income on the 2018 federal income tax return.
- f. The taxable amount of CIAC for 2018 will not be known until SDG&E completes and files its income tax returns for 2018, which is expected to occur in October 2019. Note, however, that the ITCC has no impact on SDG&E's rate base, as discussed in Exhibit SDG&E-35-2R, pages RGR-21 to RGR-22.

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SDG&E RESPONSE
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DATE RESPONDED: MAY 09, 2018

FEA-04-26. Excess ADIT. Does the Company have any journal entries and journal entry workpapers showing how it identified and recorded amounts of Excess ADIT as of December 31, 2017 as a net regulatory liability? If not, explain fully why not. If so, identify and provide the journal entries and journal entry workpapers and supporting calculations. Provide the information separately for SDG&E electric and Gas operations To the extent that the related workpapers are available in Excel (e.g., to support FAS 109 related entries) please include all of the related Excel files.

- a) As a continuing supplement, please provide adjusting journal entries (and the related workpapers) to adjust the 12/31/2017 recording of Excess ADIT as regulatory liability as the Company refines its estimates.

SDG&E Response 4.26:

SDG&E objects to this request on the grounds that it is overbroad, compound, unduly burdensome, and not reasonably calculated to lead to the discovery of relevant evidence. Subject to and without waiving these objections, SDG&E responds as follows. While SDG&E has journal entries and journal entry workpapers showing how it identified and recorded amounts of Excess ADIT as of December 31, 2017 as a net regulatory liability, these journal entries/journal entry workpapers reflect amounts for the total company, are not specific to the GRC, and are not consistent with how excess ADIT was forecasted in this proceeding. As such, they are irrelevant for GRC purposes.

- a. SDG&E objects to the continuing and indefinite nature of this request on the grounds that it is unduly burdensome. Continuing interrogatories are expressly prohibited by California Code of Civil Procedure Section 030.060(g). SDG&E will provide all responsive and relevant documents in existence at the time of its response. Should FEA seek to update its request, SDG&E will respond to such a request as a new data request in the future.

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FEA-04-27: Net operating loss carry-forwards. Provide the information separately for SDG&E's electric and gas operations.

- a) Does the Company have a net operating loss carry forward for federal income tax purposes as of 12/31/2016 and as of 12/31/2017? If so:
 - i. Identify the federal NOL carryforward amount as of each date.
 - ii. Show over what period the Company anticipates utilizing the 12/31/2017 NOL carryforward.
 - iii. Identify, quantify and explain how the Company has recorded an ADIT balance related to the NOL carryforward as of each date.
 - iv. Identify, quantify and explain how the Company has or will adjust its 12/31/2017 recorded ADIT balance related to the NOL carryforward for the reduction in the corporate FIT rate from 35% to 21%.
- b) Does the Company have a net operating loss carry forward for state income tax purposes as of 12/31/2016 and as of 12/31/2017? If so:
 - i. Identify the state NOL carryforward amount as of each date.
 - ii. Show over what period the Company anticipates utilizing the 12/31/2017 state NOL carryforward.
 - iii. Identify, quantify and explain how the Company has recorded an ADIT balance related to the state NOL carryforward as of each date.

SDG&E Response 4.27:

SDG&E does not have any federal or state NOL carryforwards as of 12/31/2016. SDG&E will not know its taxable income for the year ended 12/31/2017 until it files its 2017 federal and state income tax returns, which is expected to occur in October 2018.

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DATE RECEIVED: APRIL 26, 2018
DATE RESPONDED: MAY 8, 2018

FEA-04-28. Memo/balancing accounts. Identify each regulatory filing, including each filing for each memo or balancing account, that the Company plans to file in 2018. For each such filing, please indicate whether the filing includes (1) income tax expense, (2) accumulated deferred income taxes, and (3) any other features which are impacted by the TCJA, and explain how each such memo or balancing account rate is impacted by those items.

SDG&E Response 4.28:

SDG&E objects to this request under Rule 10.1 of the Commission’s Rules of Practice and Procedure on the grounds that it is overbroad, unduly burdensome, and calls for speculation with respect to filings not yet submitted in 2018. SDG&E further objects that the phrase “regulatory filing” is vague and ambiguous, which SDG&E interprets as calling for regulatory account-related year-end update filings. SDG&E also objects that the phrase “memo or balancing account rate” is vague, ambiguous, and unintelligible, and on that basis, SDG&E is unable to respond. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

SDG&E typically files the following regulatory account-related year-end update filings in the last quarter of the year:

- Public purpose programs rates (electric and gas)
- Regulatory account update (electric and gas)
- Non-fuel generation balancing account update (electric)
- Consolidated rate changes (electric and gas)

Each of these filings addresses several regulatory accounts, some of which might be impacted by the TCJA with income tax expenses recorded in the account. At this time, SDG&E is not able to identify with any degree of certainty the accounts which will be included in the 2018 filings.

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FEA-04-29. TCJA Savings. Please quantify and explain all savings in 2018 and 2019 that the Company expects to realize from the TCJA.

SDG&E Response 4.29:

SDG&E objects to this request on the grounds that it is overbroad, vague and ambiguous, unduly burdensome, calls for speculation, and not reasonably calculated to lead to the discovery of relevant evidence. Subject to and without waiving these objections, SDG&E responds as follows. Please refer to Exhibit SDG&E-35-2R at RGR-4, footnote 8, which explains that “SDG&E has not finalized its forecast of the TCJA’s impacts through 2018.” For 2019, please refer to Exhibit SDG&E-35-WP-2R dated April 2018 and compare with Attachment B to this data request, which is the superseded Exhibit SDG&E-35-WP-R dated December 2017. Consistent with SDG&E’s response to Question 12(b) in this data request, the TCJA impacts and proposals addressed in the 2019 GRC are limited to tax-related items in the GRC and does not include impacts beyond the GRC (e.g., those under the jurisdiction of the Federal Energy Regulatory Commission).