

FEA DATA REQUEST
FEA-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 19, 2019
DATE RESPONDED: AUGUST 2, 2019

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence, or where the burden, expense, or intrusiveness of the request clearly outweighs the likelihood that the information sought will lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody or control of SDG&E.

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9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create documents that do not currently exist.
10. SDG&E objects to the production of information that has not been disclosed publicly and that contains highly market-sensitive confidential, proprietary, or trade secret information by reference to statutory protection, such that disclosure of, or reliance upon, this information would create a risk of competitive and financial harm to SDG&E, and where that information is not essential to the determination of this proceeding.
11. SDG&E objects to any request that states that it is ongoing or that requires subsequent, supplemental information.

II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

Subject to the foregoing general objections and express reservations, SDG&E responds as follows:

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FEA SDG&E 01-1 Please provide the assumed market return on equity in the Company's pension plan.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 5. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 01-1:

Per the page F-93 of the SDG&E 2018 SEC Form 10-K filing the expected long-term rate of return on the assets in the pension plan is 7%.

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FEA SDG&E 01-2 Please provide the test year pension expense included in rates.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 5. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 01-2:

The test year for this cost of capital proceeding is 2020. Currently, pension expense for 2020 are not included in rates.

Pension revenue requirements and their treatment are generally addressed in SDG&E’s General Rate Case (GRC). SDG&E has two-way balancing accounts – a gas and electric Pension Balancing Account (PBA) – that were approved in D.16-06-054, effective January 1, 2016. Annual amortizations of the PBAs are included in rates effective January 1 of the following year. The preliminary statements for each PBA are available below:

Electric Tariff: http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_PBA.pdf

Gas Tariff: http://regarchive.sdge.com/tm2/pdf/GAS_GAS-PRELIM_PBA.pdf

The following table provides the pension revenue requirements and amortizations currently in rates as of January 1, 2019 per SDG&E’s consolidated rate change submitted in Advice Letters 3326-E and 2730-G, which were approved by Energy Division on May 3, 2019 and January 24, 2019 respectively.

	Electric	Gas
Revenue Requirement	\$ (2,229,000)	\$ (893,000)
Amortization	\$ 14,805,000	\$6,694,000
Total	\$ 12,576,000	\$5,801,000

The revenue requirement amounts noted above are based on D.16-06-054 approving SDG&E’s the Test Year (TY) 2016 GRC.

SDG&E has requested to continue the PBAs for the TY 2019 GRC cycle in the direct testimony of Regulatory Accounts GRC witness Norma Jasso in Application 17-10-007 (*see* Exhibit SDG&E-41 at 6-7, available at <https://www.sdge.com/sites/default/files/SDG%2526E-41%2520Direct%2520Testimony%2520of%2520Norma%2520Jasso%2520-%2520Regulatory%2520Accounts.pdf>). This request for the 2019 GRC cycle remains pending before the CPUC. Once approved by the CPUC, the amounts in the table above will be trued-up once SDG&E receives approval of its TY 2019 GRC.

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SDG&E Response 01-3:-CONTINUED

Utility Sector Link:

[https://www.spratings.com/en_US/u.s.-public-finance?p_p_id=122_INSTANCE_GA3DTNLq5ZQX&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-1&p_p_col_count=2&p_r_p_564233524_resetCur=true&p_r_p_564233524_categoryId=88380,](https://www.spratings.com/en_US/u.s.-public-finance?p_p_id=122_INSTANCE_GA3DTNLq5ZQX&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-1&p_p_col_count=2&p_r_p_564233524_resetCur=true&p_r_p_564233524_categoryId=88380)
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FEA SDG&E 01-4 Please provide all stock analyst reports regarding the parent holding company Sempra Energy over the past 2 years.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 5, 7, and 8. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 01-4:

As referenced in the forgoing objections, it is overbroad, an undue burden, and not reasonably calculated to lead to the discovery of admissible evidence to request SDG&E produce any and all “stock analyst reports,” when there is no common definition of what constitutes a “stock analyst report,” and when SDG&E does not create or have authority over such reports, and when analyst reports are proprietary. Nor are “stock analyst reports” related to Sempra Energy that are unrelated to SDG&E relevant to this proceeding, as Sempra Energy is not a party and its cost of capital is not at issue here.

SDG&E is providing analyst materials cited in SDG&E’s application and supporting testimony, subject to a non-disclosure agreement. See separately attached files. Proprietary, subscription-based materials are provided pursuant to an NDA.

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FEA SDG&E 01-5 Please provide all analyst meeting minutes for the parent holding company over the past 2 years.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 5, and 8. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 01-5:

Consistent with the above objections, Sempra Energy is not a party to this proceeding and is not a party to SDG&E's cost of capital request. SDG&E regularly provides information to credit and equity analysts through public SEC filings (10-K, 10-Q, etc.), quarterly and annual earnings calls, business update calls, and events including analyst conferences and investor days. See separately attached presentations for the portions relevant to SDG&E for 2018 and 2019.

In addition, given that SDG&E's credit ratings were repeatedly downgraded in 2017 and 2018 solely because of California's wildfire liability scheme, SDG&E had wildfire-related discussions with credit rating agencies from 2017 to present containing now-public information, see separately attached slides from presentations / discussions.

The following website houses all SEC filings for 2019 and 2018 for SDG&E:

http://investor.sempa.com/sec-filings?field_nir_sec_cik_value=92108

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FEA SDG&E 01-6 Please provide the embedded cost rates, the associated tax gross-up factors, and all workpapers supporting these calculations.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, and 6. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 01-6:

Please refer to the response and corresponding attachments to Question 1-9.

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FEA SDG&E 01-7 Please provide the capital structure and associated embedded cost rates for each quarter for the past 2 years.

SDG&E Response 01-7:

Please refer to the separately attached spreadsheet "FEA SDG&E-DR01 Q7.xlsx" for the actual capital structure and associated embedded cost of debt for each quarter for the past 2 years.

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FEA SDG&E 01-8 Please provide the parent company capital structure and associated embedded cost rates for each quarter for the past 2 years.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 5, and 8. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 01-8:

Consistent with the objections above, Sempra Energy is not a party to this proceeding, and Sempra Energy's capital structure and associated embedded cost rates are outside the scope of this proceeding.

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FEA SDG&E 01-9 Please provide all workpapers, supporting documents, and citations used in the development of testimony of Company Witnesses Morin, Mekitarian, Concentric employees, and MacNeil.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2 and 11. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 01-9:

Please see separately attached files labeled as follows:

- FEA-SDG&E-DR01 Q1-9_SDG&E Embedded Cost of Debt Workpapers.xlsx
- FEA-SDG&E-DR01 Q1-9_SDG&E Historical Capital Structure Calculations.xlsx
- FEA-SDG&E-DR01 Q1-9_SDG&E Proxy Group Capital Structure.xlsx
- FEA-SDG&E-DR01 Q1-9_Morin Exhibits RAM-2 - RAM-8.xls
- FEA-SDG&E-DR01 Q1-9_Morin Appendix A CAPM and Empirical CAPM.doc
- FEA-SDG&E-DR01 Q1-9_Morin Appendix B Flot Cost.doc
- FEA-SDG&E-DR01 Q1-9_Risk Premium Analyses_Confidential.xlsx
- FEA-SDG&E-DR01 Q1-9_SDG&E CCM Trigger Chart.xlsx
- FEA-SDG&E-DR01 Q1-9_SDG&E Debt Roster.xlsx

Note that the highlighted information in attachment *FEA-SDG&E-DR01 Q1-9_Risk Premium Analyses_Confidential.xlsx* is confidential and protected pursuant to applicable provisions of PUC Section 583, GO 66-D, and D.17-09-023. Those protected materials are subject to a duly-executed Non-Disclosure Agreement between SDG&E and FEA.

SDG&E's application and supporting testimony relied upon some publicly available credit rating agency reports and/or opinions. Consistent with its response to 01-3, SDG&E is providing these documents have designated them with "public" in the title. SDG&E is also providing the publicly available California Board of Equalization Report that it cited in testimony.

Other credit rating agency materials cited in SDG&E's application and supporting testimony are fee-based (subscription-only), with their circulation controlled by the ratings agencies. Those materials cannot be produced publicly. SDG&E is producing responsive documents under a duly-executed Non-Disclosure Agreement.

Additionally, Exhibit SDG&E-04 (Morin) makes reference to the book, *The New Regulatory Finance* (2006) by Roger A. Morin. Due to the cost of the book and to avoid copyright infringement, this book is not being provided. It is available for in-camera review at SDG&E's offices.

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FEA SDG&E 01-10 For the past 10 years, please list all wildfires attributable to the Company and provide accompanying information per situation. a) the date of the fire, b) the total liability expense incurred by the Company in the fire.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 7, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 01-10:

The table below provides CPUC reportable fire incidents involving SDG&E from 0.26 acres to greater than 9.99 acres sorted by year. This data is based on the annual ignition data required by D.14-02-015. Given that this ignition data requirement began on January 1, 2014, ignition data prior to 2014 is limited.

Year	Total CPUC reportable ignitions	Fire Size		
		0.26-9.99 acres	1+ acre	10+ acres
2018	26	4	Not captured	2
2017	23	7	Not captured	0
2016	30	2	Not captured	0
2015	32	6	Not captured	1
2014	30	8	Not captured	0
2013	34	9	6	0

SDG&E has not recorded any liability expense on its financial statements for Company initiated fires with ignition dates in the last 10 years.