

ORA DATA REQUEST
ORA-SDGE-039-CL8
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE – PARTIAL #1
DATE RECEIVED: NOVEMBER 30, 2017
DATE RESPONDED: DECEMBER 14, 2017

Exhibit Reference: SDG&E-36 and SDG&E-36-WP-C

SDG&E Witness: Steven P. Dais

Subject: Working Cash

Please provide the following:

1. Referring to Working Cash Schedule O-3, please provide a reconciliation of the amortization of insurance premiums. Please include the following:
 - a. A detailed narrative description of the amortization of insurance premiums;
 - b. Identification of all insurance premiums that are represented by the figure in Schedule O-3. Include references to applicable working cash items/schedules;
 - c. Identification of the policy periods of all insurance premiums identified in (b);
 - d. Identification of the cash value and amortization amounts of the insurance premiums identified in (b);
 - e. A narrative justification of the working cash need that SDG&E associates with the amortization of insurance premiums, including a description of any timing differences with the payment of insurance premiums.
 - f. A cross-reference of Schedule O-3 against the insurance testimonial exhibit (Exh. SCG-29/SDGE-27 and associated workpapers). Please identify the allocation of insurance premiums to SDG&E versus SoCalGas, as necessary.

SDG&E Response 1:

- a. Please refer to Schedule 0-3.1 Support which outlines each of SDG&E's insurance policies captured as part of the insurance premium amortization totaling \$97.1 million on page 45 of exhibit SDG&E-36-WP-C. The attached "Schedule O-3.1 Support.xlsx" outlines the payment frequency, coverage description, and applicable coverage period.
- b. See response to question 1A.
- c. See response to question 1A.
- d. There is no cash surrender value associated with the insurance premiums. Amortization is shown as part of Schedule 0-3.1 Support.
- e. Standard Practice U-16 states that "The working cash allowance is a component of ratebase...*its purpose is to compensate investors for funds provided by them which are permanently committed to the business for purposes of paying operating expenses in advance of receipt of offsetting revenues from its customers*" (page 1-2, italics added).

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SDG&E Response 1 Continues:

Insurance premiums are generally paid in advance of the coverage period to which they relate and are amortized over the coverage period rather than expensed when payments are made. Because the timing of expense of insurance premiums aligns with the amortization period, this creates a delay between when payments are made and when offsetting revenues are received. Therefore, including the amortization of insurance premiums as part of SDG&E's working cash request is consistent with guidance provided in Standard Practice U-16, as previously referenced.

- f. Please refer to the attached "Schedule O-3.2 Support.xlsx" for comparison of working cash Schedule 0-3 to insurance schedule SDGE-27.

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2. Regarding the balance sheet account details provided on pages 53 and 54 of the workpapers:
 - a. Please define all abbreviations within the column “Account Description” and provide a summary description of each account.
 - b. Please explain SDG&E’s policy and schedule for employee withholding under Schedule P-4.

SDG&E Response 2:

- a. Please refer to attachment “Schedule P Detail Support (P-2.1 – P-6.1).xlsx”.
- b. In accordance with the Next-Day Deposit Rule in section 11 of IRS Pub. 15, SDG&E deposits FICA, Medicare, and federal withholding taxes the business day following each payroll pay date.

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SDG&E RESPONSE – PARTIAL #2
DATE RECEIVED: NOVEMBER 30, 2017
DATE RESPONDED: DECEMBER 18, 2017

Exhibit Reference: SDG&E-36 and SDG&E-36-WP-C

SDG&E Witness: Steven P. Dais

Subject: Working Cash

Please provide the following:

3. Referring to Schedule N-1 on page 42 of the workpapers, please provide five years of historical data (2012-2016) that provide the actual refund received during each year.

SDG&E Response 3:

Please refer to “Schedule N-1 Historical (2012-2016).xlsx” for details.

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Follow-up questions regarding Data Request ORA-SDGE-007-CL8, referred to as “that data request” below:

4. In its response to Question 4 of that data request, SDG&E revised Schedule F for FUTA and SUI payments. In this revision, please confirm that the stated payment schedule in Line 4 of “one month after the end of each year” is intended to state “one month after the end of each *quarter*.”

SDG&E Response 4:

Yes, line 4 of revised Schedule F should read “one month after the end of each quarter.”

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5. In its response to Question 7 of that data request, SDG&E responded that the lag day figure for Schedule H-6 “represents the estimated time period between notification of amount due to when payments are disbursed.”
- a. Please explain whether or not this estimation is based upon a study of the total population of relevant invoices.
 - b. If the answer to (a) is no, please provide a detailed explanation of the basis for this estimation of 9 lag days.

SDG&E Response 5:

- a. The 9-day lag estimate is based on a study that was performed for SDG&E’s 2012 GRC. Because of the effort required to perform this study in relation to the immateriality of the impact worker’s compensation payments has on the overall working cash study, this same estimate was used for SDG&E’s 2016 GRC, and similarly rolled forward for the 2019 GRC as well.
- b. We recreated the 9-day estimate study based on the total population of relevant 2016 worker’s compensation payments. In doing so, we derived a payment lag of 18.6 days for these payments. This change would not have a material impact on the overall working cash request (less than \$100k).

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6. In its response to Question 9 of that data request, SDG&E responded that “The December amount includes a true-up payment for 2017 PBOP (Post-Retirement Benefits Other Than Pension) contributions, based on an annual actuarial study.”

Please explain:

- a. If the true-up payment applies to contributions associated with an annual basis, why is the true-up payment entered into Schedule H-8 with a service period that represents only the fourth quarter?
- b. What amounts in the December payment represent the true-up that was based on the annual actuarial study, versus the amount that represents the regular December payment associated with the fourth quarter?

SDG&E Response 6:

- a. The true-up portion of the December payment should apply to the full-year, rather than just the fourth quarter, but was not separated out from the December payment.
- b. The standard December PBOP payment was \$12,175 and the true-up amount was \$2,067,407.

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7. In its response to Question 12 of that data request, SDG&E indicates that payment is made in July. Please explain:

- a. Do the monthly amounts presented in Schedule P-3b represent the amortization of the July payment?
- b. If the answer to (a) is yes, please provide a justification for the selection of the declining monthly amortization schedule that was chosen.
- c. If the answer to (a) is no, please provide a narrative description of the monthly amounts presented in Schedule P-3b and the relation of these amounts to the July payment.
- d. Please identify the relationship of these amounts to the amortization of insurance premiums in Schedule O-3, cross-referencing the reconciliation requested under Question 1 of this data request.

SDG&E Response 7:

- a. No, the monthly amounts represent the *unamortized* portion of the July payment for fire insurance and quarterly payments for re-insurance. Please refer to attachment “Schedule 0-3.1 Support.xlsx” for further detail.
- b. As stated in response for 7A, Schedule P-3B reflects the unamortized balances for fire insurance and re-insurance.
- c. There are annual and quarterly payments associated with fire insurance payments. The amounts shown represent the unamortized balances of these payments.
- d. Please refer to attachment “Schedule O-3.1 Support.xlsx” submitted as part of question 1.