

**ORA DATA REQUEST
ORA-SDGE-046-JOH
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 5, 2017
DATE RESPONDED: DECEMBER 18, 2017**

Exhibit Reference: SDG&E-35-WP
SDG&E Witness: Ragan G. Reeves
Subject: Ad Valorem Tax

Please provide the following:

1. Exhibit SDG&E-35-WP, page 17 shows San Diego Gas & Electric Company 2019 GRC-App Tax Workpapers for Ad Valorem Tax for Tax Year 2016 to 2019 for Electric Distribution. In the same format, please provide the recorded 2012 to 2015 ad valorem taxes for Electric Distribution.

SDG&E Response 1:

Please see the table below, which is in the same format as Exhibit SDG&E-35-WP, page 17. The table includes the recorded average ad valorem tax rates for 2012 through 2015. Note, however, that recorded amounts for the other inputs in the table (besides the ad valorem tax rates) are not available in this format; therefore, the other input amounts have been taken from the final Results of Operations (RO) model for the applicable year.

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| ELECTRIC DISTRIBUTION AD VALOREM TAX | | | | |
|--|------------------|------------------|------------------|------------------|
| | Tax Year 2012 | Tax Year 2013 | Tax Year 2014 | Tax Year 2015 |
| Plant in Service | 5,569,491 | 5,688,666 | 5,989,243 | 6,468,222 |
| Materials & Supplies | 33,377 | 36,030 | 37,810 | 38,388 |
| Total Plant in Service per Books | 5,602,869 | 5,724,696 | 6,027,052 | 6,506,610 |
| Taxable Percentage (Note 1) | 110.10% | 111.21% | 112.02% | 112.02% |
| Taxable Plant in Service | 6,168,758 | 6,366,435 | 6,751,504 | 7,288,705 |
| Reserve for Depreciation per Books | 2,105,215 | 2,331,939 | 2,464,372 | 2,609,884 |
| Total Reserve for Depreciation | 2,105,215 | 2,331,939 | 2,464,372 | 2,609,884 |
| Taxable Percentage (Note 1) | 99.56% | 124.93% | 121.54% | 121.54% |
| Taxable Reserve for Depreciation | 2,095,952 | 2,913,291 | 2,995,198 | 3,172,053 |
| Historical Cost less Depreciation | 4,072,806 | 3,453,144 | 3,756,306 | 4,116,652 |
| 100% Deferred Tax Reserve | 420,776 | 423,326 | 376,569 | 416,104 |
| Taxable Percentage (Note 2) | 97.10% | 93.76% | 94.71% | 94.71% |
| Taxable Deferred Tax Reserve | 408,574 | 396,910 | 356,648 | 394,092 |
| HCLD Less 100% of DTR | 3,664,232 | 3,056,234 | 3,399,658 | 3,722,559 |
| Adjustment for Income Approach Valuation (Note 3) | 96.09% | 95.10% | 95.45% | 95.45% |
| Assessed Value - Unitary | 3,520,961 | 2,906,478 | 3,244,973 | 3,553,183 |
| Non-Unitary Percentage | 0.47% | 0.37% | 0.35% | 0.35% |
| Assessed Value - Non-Unitary | 16,549 | 10,754 | 11,357 | 12,436 |
| Total Assessed Value | 3,537,509 | 2,917,232 | 3,256,331 | 3,565,619 |
| Average Tax Rate (Note 4) | 1.3283% | 1.3412% | 1.4461% | 1.4656% |
| Total Fiscal Year Ad Valorem Tax Expense | 46,989 | 39,126 | 47,090 | 52,258 |
| Misc. Ad Valorem Taxes (Note 5) | 87 | 26 | 25 | 25 |
| Total Fiscal Year Ad Valorem Taxes | 47,076 | 39,152 | 47,115 | 52,283 |
| Less: | | | | |
| Non-Operating Taxes | 209 | 282 | 279 | 279 |
| Other Than Tax Expense | 61 | 33 | 32 | 32 |
| Fiscal Year Capitalized Tax on CWIP (Note 6) | 1,166 | 1,761 | 1,680 | 1,861 |
| Fiscal Year Ad Valorem Tax Expense - Operating | 45,640 | 37,076 | 45,124 | 50,112 |
| 2nd Installment of Prior Year Tax Billed (April) | 21,439 | 19,199 | 19,418 | 23,402 |
| 1st Installment of Current Year Tax Billed (December) | 23,403 | 19,418 | 23,402 | 25,986 |
| Less: Calendar Year Capitalized Tax on CWIP (Note 6) | 412 | 1,920 | 1,602 | 1,758 |
| Total Calendar Year Ad Valorem Tax Exp - Operating | 44,430 | 36,697 | 41,219 | 47,630 |
| Income Tax Adjustment | (1,210) | (379) | (3,905) | (2,481) |
| Note 1 - Includes adjustments for CWIP, Inventory, Possessory Interests, and Leased Equipment added to Historical Cost and Depreciation Reserve. | | | | |
| Note 2 - Eliminates deferred taxes on non-taxable items from book deferred taxes. | | | | |
| Note 3 - In 2013 & 2014, SBE used 75% Cost Approach / 25% Income Approach to arrive at SDG&E's assessed value. | | | | |
| Note 4 - Recorded ad valorem average tax rates. | | | | |
| Note 5 - Taxes paid directly to special districts. | | | | |
| Note 6 - Beginning with calendar year 2012, property tax on CWIP will be capitalized. This adjustment removes that tax from expense. | | | | |

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2. Exhibit SDG&E-35-WP, page 18 shows San Diego Gas & Electric Company 2019 GRC-App Tax Workpapers for Ad Valorem Tax for Tax Year 2016 to 2019 for Electric Generation. In the same format, please provide the recorded 2012 to 2015 ad valorem taxes for Electric Generation.

SDG&E Response 2:

Please see the table below, which is in the same format as Exhibit SDG&E-35-WP, page 18. The table includes the recorded average ad valorem tax rates for 2012 through 2015. Note, however, that recorded amounts for the other inputs in the table (besides the ad valorem tax rates) are not available in this format; therefore, the other input amounts have been taken from the final RO model for the applicable year.

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| ELECTRIC GENERATION AD VALOREM TAX | | | | |
|--|------------------|------------------|------------------|------------------|
| | Tax Year 2012 | Tax Year 2013 | Tax Year 2014 | Tax Year 2015 |
| Plant in Service | 622,726 | 943,206 | 969,069 | 987,579 |
| Materials & Supplies | 11,906 | 22,416 | 34,457 | 64,867 |
| Total Plant in Service per Books | 634,632 | 965,622 | 1,003,526 | 1,052,446 |
| Taxable Percentage (Note 1) | 110.10% | 111.21% | 112.02% | 112.02% |
| Taxable Plant in Service | 698,730 | 1,073,868 | 1,124,150 | 1,178,950 |
| Reserve for Depreciation per Books | 105,609 | 242,614 | 274,817 | 311,119 |
| Total Reserve for Depreciation | 105,609 | 242,614 | 274,817 | 311,119 |
| Taxable Percentage (Note 1) | 99.56% | 124.93% | 121.54% | 121.54% |
| Taxable Reserve for Depreciation | 105,144 | 303,098 | 334,013 | 378,134 |
| Historical Cost less Depreciation | 593,586 | 770,770 | 790,137 | 800,816 |
| 100% Deferred Tax Reserve | 41,017 | 43,999 | 47,437 | 56,688 |
| Taxable Percentage (Note 2) | 97.10% | 93.76% | 94.71% | 94.71% |
| Taxable Deferred Tax Reserve | 39,828 | 41,253 | 44,928 | 53,689 |
| HCLD Less 100% of DTR | 553,758 | 729,517 | 745,209 | 747,127 |
| Adjustment for Income Approach Valuation (Note 3) | 96.09% | 95.10% | 95.45% | 95.45% |
| Assessed Value - Unitary | 532,106 | 693,770 | 711,302 | 713,132 |
| Non-Unitary Percentage | 0.47% | 0.37% | 0.35% | 0.35% |
| Assessed Value - Non-Unitary | 2,501 | 2,567 | 2,490 | 2,496 |
| Total Assessed Value | 534,607 | 696,337 | 713,792 | 715,628 |
| Average Tax Rate (Note 4) | 1.3283% | 1.3412% | 1.4461% | 1.4656% |
| Fiscal Year Ad Valorem Tax Expense | 7,101 | 9,339 | 10,322 | 10,488 |
| Misc. Ad Valorem Taxes (Note 5) | 16 | 1,414 | 1,411 | 1,411 |
| Total Fiscal Year Ad Valorem Taxes | 7,117 | 10,753 | 11,733 | 11,899 |
| Less: | | | | |
| Non-Operating Taxes | 39 | 61 | 60 | 60 |
| Other Than Tax Expense | 12 | 7 | 7 | 7 |
| Fiscal Year Capitalized Tax on CWIP (Note 6) | 80 | 95 | 32 | 21 |
| Fiscal Year Ad Valorem Tax Expense - Operating | 6,987 | 10,590 | 11,635 | 11,811 |
| 2nd Installment of Prior Year Tax Billed (April) | 3,549 | 4,844 | 5,343 | 5,833 |
| 1st Installment of Current Year Tax Billed (December) | 3,533 | 5,343 | 5,833 | 5,916 |
| Less: Calendar Year Capitalized Tax on CWIP (Note 6) | 10 | 149 | 41 | 22 |
| Total Calendar Year Ad Valorem Tax Exp - Operating | 7,072 | 10,038 | 11,135 | 11,727 |
| Income Tax Adjustment | 85 | (553) | (500) | (84) |
| Note 1 - Includes adjustments for CWIP, Inventory, Possessory Interests, and Leased Equipment added to Historical Cost and Depreciation Reserve. | | | | |
| Note 2 - Eliminates deferred taxes on non-taxable items from book deferred taxes. | | | | |
| Note 3 - In 2013 & 2014, SBE used 75% Cost Approach / 25% Income Approach to arrive at SDG&E's assessed value. | | | | |
| Note 4 - Recorded ad valorem average tax rates. | | | | |
| Note 5 - Taxes paid directly to special districts, including Nevada taxes for Desert Star Energy Center. | | | | |
| Note 6 - Beginning with calendar year 2012, property tax on CWIP will be capitalized. This adjustment removes that tax from expense. | | | | |

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3. Exhibit SDG&E-35-WP, page 20 shows San Diego Gas & Electric Company 2019 GRC-App Tax Workpapers for Ad Valorem Tax for Tax Year 2016 to 2019 for Gas. In the same format, please provide the recorded 2012 to 2015 ad valorem taxes for Gas Distribution.

SDG&E Response 3:

Please see the table, below, which is in the same format as Exhibit SDG&E-35-WP, page 20. The table includes the recorded average ad valorem tax rates for 2012 through 2015. Note, however, that recorded amounts for those years for the other inputs (besides the ad valorem tax rates) are not available in this format; therefore, the other input amounts have been taken from the final RO model for the applicable year.

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| GAS AD VALOREM TAX | | | | |
|--|------------------|------------------|------------------|------------------|
| | Tax Year 2012 | Tax Year 2013 | Tax Year 2014 | Tax Year 2015 |
| Plant in Service | 1,510,099 | 1,521,803 | 1,596,118 | 1,697,298 |
| Materials & Supplies | 3,045 | 3,629 | 3,590 | 3,640 |
| Total Plant in Service per Books | 1,513,145 | 1,525,432 | 1,599,708 | 1,700,938 |
| Taxable Percentage (Note 1) | 110.10% | 111.21% | 112.02% | 112.02% |
| Taxable Plant in Service | 1,665,972 | 1,696,433 | 1,791,993 | 1,905,390 |
| Reserve for Depreciation per Books | 840,979 | 887,602 | 918,220 | 942,591 |
| Total Reserve for Depreciation | 840,979 | 887,602 | 918,220 | 942,591 |
| Taxable Percentage (Note 1) | 99.56% | 124.93% | 121.54% | 121.54% |
| Taxable Reserve for Depreciation | 837,279 | 1,108,881 | 1,116,005 | 1,145,626 |
| Historical Cost less Depreciation | 828,693 | 587,552 | 675,988 | 759,764 |
| 100% Deferred Tax Reserve | 109,988 | 102,625 | 58,162 | 70,197 |
| Taxable Percentage (Note 2) | 97.10% | 93.76% | 94.71% | 94.71% |
| Taxable Deferred Tax Reserve | 106,798 | 96,221 | 55,085 | 66,483 |
| HCLD Less 100% of DTR | 721,895 | 491,331 | 620,903 | 693,281 |
| Adjustment for Income Approach Valuation (Note 3) | 96.09% | 95.10% | 95.45% | 95.45% |
| Assessed Value - Unitary | 693,669 | 467,255 | 592,652 | 661,737 |
| Non-Unitary Percentage | 0.47% | 0.37% | 0.35% | 0.35% |
| Assessed Value - Non-Unitary | 3,260 | 1,729 | 2,074 | 2,316 |
| Total Assessed Value | 696,929 | 468,984 | 594,726 | 664,053 |
| Average Tax Rate (Note 4) | 1.3283% | 1.3412% | 1.4461% | 1.4656% |
| Total Fiscal Year Ad Valorem Tax Expense | 9,257 | 6,290 | 8,600 | 9,732 |
| Misc. Ad Valorem Taxes (Note 5) | 15 | 4 | 4 | 4 |
| Total Fiscal Year Ad Valorem Taxes | 9,272 | 6,294 | 8,604 | 9,736 |
| Less: | | | | |
| Non-Operating Taxes | 39 | 53 | 54 | 54 |
| Other Than Tax Expense | 11 | 6 | 6 | 6 |
| Fiscal Year Capitalized Tax on CWIP (Note 6) | 286 | 501 | 504 | 550 |
| Fiscal Year Ad Valorem Tax Expense - Operating | 8,936 | 5,734 | 8,040 | 9,126 |
| 2nd Installment of Prior Year Tax Billed (April) | 4,282 | 3,558 | 3,118 | 4,272 |
| 1st Installment of Current Year Tax Billed (December) | 4,611 | 3,118 | 4,272 | 4,838 |
| Less: Calendar Year Capitalized Tax on CWIP (Note 6) | 65 | 508 | 494 | 515 |
| Total Calendar Year Ad Valorem Tax Exp - Operating | 8,828 | 6,168 | 6,896 | 8,596 |
| Income Tax Adjustment | (108) | 433 | (1,144) | (531) |
| Note 1 - Includes adjustments for CWIP, Inventory, Possessory Interests, and Leased Equipment added to Historical Cost and Depreciation Reserve. | | | | |
| Note 2 - Eliminates deferred taxes on non-taxable items from book deferred taxes. | | | | |
| Note 3 - In 2013 & 2014, SBE used 75% Cost Approach / 25% Income Approach to arrive at SDG&E's assessed value. | | | | |
| Note 4 - Recorded ad valorem average tax rates. | | | | |
| Note 5 - Taxes paid directly to special districts. | | | | |
| Note 6 - Beginning with calendar year 2012, property tax on CWIP will be capitalized. This adjustment removes that tax from expense. | | | | |

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4. At the bottom of Exhibit SDG&E-35-WP, page 17, 18, and 20, there is a line item “Income Tax Adjustment.” Please explain what this line item is and how the number is derived. Also provide an active Excel spreadsheet showing how the number is calculated.

SDG&E Response 4:

The “Income Tax Adjustment” line item is the difference between the book and tax amounts of ad valorem taxes for each year. The amount is a temporary timing difference and is reflected as a Schedule M adjustment on SDG&E’s income tax returns. The adjustment is derived by subtracting the amount for “Fiscal Year Ad Valorem Tax Expense – Operating” (the tax amount) from the amount for “Total Calendar Year Ad Valorem Tax Exp – Operating” (the book amount).

Because the calculation is simply the difference between two line items (as explained above), SDG&E does not believe that an Excel spreadsheet showing the calculation is necessary. However, if ORA believes an Excel spreadsheet showing the calculation would still be helpful, please let us know and we will provide an Excel spreadsheet that shows the calculation.

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5. Please provide the actual ad valorem taxes paid out for years 2012 to 2016 for Electric Distribution.

SDG&E Response 5:

SDG&E does not break out actual ad valorem taxes paid between electric distribution and electric generation. Accordingly, the information below reflects the combined amounts paid for electric distribution and generation.

| <u>Fiscal Year</u> | <u>Ad Valorem Taxes Paid - Electric</u> |
|---------------------------|--|
| 2012/2013 | \$ 57,941,532 |
| 2013/2014 | \$ 59,396,928 |
| 2014/2015 | \$ 63,356,890 |
| 2015/2016 | \$ 74,025,623 |
| 2016/2017 | \$ 71,070,393 |

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6. Please provide the actual ad valorem taxes paid out for years 2012 to 2016 for Electric Generation.

SDG&E Response 6:

Please see the response to Question 5 above.

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7. Please provide the actual ad valorem taxes paid out for years 2012 to 2016 for Gas Distribution.

SDG&E Response 7:

| <u>Fiscal Year</u> | <u>Ad Valorem Taxes Paid - Gas</u> |
|---------------------------|---|
| 2012/2013 | \$ 11,470,423 |
| 2013/2014 | \$ 9,427,816 |
| 2014/2015 | \$ 11,738,576 |
| 2015/2016 | \$ 12,925,867 |
| 2016/2017 | \$ 13,496,831 |