ORA DATA REQUEST
ORA-SDGE-061-GAW
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 19, 2017
DATE RESPONDED: JANUARY 8, 2017

Exhibit Reference: SDG&E-14, Chapter IV
SDG&E Witness: Alan F. Colton and Ryan Hom
Subject: How the Results of Operations (RO) Computer Model Handles Costs for Refundable Capital Projects

Please provide the following:

1. On page AFC-39 of Exhibit SDG&E-14 (lines 15 through 17), SDG&E states that all capital expenses associated with the City of San Diego Surcharge Program will be reimbursed by the City, and that no net capital expenditures are anticipated. This project appears to be located in the "rbSDGEDataInput" workbook of the RO model, on line 139 of the "Input" tab. That line shows that for each of the years 2017, 2018, and 2019, SDG&E anticipates capital costs of $18+ million, which presumably will be refunded by the City of San Diego. ORA has the following questions regarding that project.

   a. Is there an "offsetting" line in the "Input" tab of the RO model where the costs for the Surcharge Program are removed (i.e., a line containing negative amounts that offsets the forecasts in line 139)? If so, please specify which line it is.
   b. Column J of the "Input" tab does not include an "In-Service" date for line 139. Please explain how the RO computer model handles the absence of an "In-Service" date.
   c. In Column F of the "Input" tab, the "Phased-In Percentage" for line 139 shows 0.0000. Does this indicate that the model will exclude all of the capital expenditures shown on this line?
   d. If SDG&E's answer to Question 1.c is "No," please explain how the RO computer model handles capital expenditures that show 0% in Column F.

SDG&E Response 1:

a. There is no offsetting line for the City of San Diego Surcharge Program. In the RO model, this capital project is identified as a collectible project. The collectible project designation excludes the project costs in the calculation of plant in-service and ratebase.
b. This project is categorized as a routine project and does not have a specific in-service date. As such, the costs are spread evenly over 12 months.
c. The phased-in percent value of zero means that no capital expenditures for this project will flow into plant in-service.
d. N/A.

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2. In Exhibit SDG&E-14, Chapter IV.E (Franchise), ORA has noticed that most of the proposed capital projects in this section are split into two (or more) separate lines in the "Input" tab of the RO computer model. For example, the "Overhead New Business" project is split into lines 160 and 161 in the model.

   a. Please explain why these capital projects have been split into two separate lines.
   b. Using line 160 as an example, the "Phased-In Percentage" in Column F is shown as 0.3900. Does that indicate that ratepayers are only responsible for 39% of the capital expenditures for that project?
   c. If SDG&E's answer to Question 2.b is "No," please explain how the RO computer model handles capital expenditures that show non-zero percentages in Column F.
   d. If SDG&E's answer to Question 2.b is "Yes," please explain how the RO computer model handles the remaining 61% (i.e., 1.0000 – 0.3900 = 0.6100) of the expenditures shown on line 160.
   e. If ORA was to recommend an adjustment to one of these "split" capital projects, how would SDG&E recommend that the adjustment be allocated between the two (or more) lines in the model?

SDG&E Response 2:

a. These projects are split into two lines to show which project costs are funded by ratepayers and which costs are not. The "- COLLECTIBLE" description at the end of the project name indicates that the forecasted costs associated with the project will not be included in ratebase.
b. No. The phased-in percent represents the amount of construction work in progress (CWIP) that closes to plant each month.
c. Line 160 represents the portion of the project that is funded by SDG&E ratepayers. There is an offline analysis that takes the average work order life (the number of months that a project on average stays in CWIP) and translates that to a percentage of CWIP that closes to plant each month.
d. N/A. As this is a monthly percentage that closes each month, the remaining 61% would close ratably each month based on the CWIP balance at the end of the previous month.
e. SDG&E recommends any adjustments made to capital projects that are split owing to the 'collectible' and 'noncollectible' portions be made proportionately between the two.

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3. Please explain how the RO computer model treats (and calculates) depreciation expenses, ad valorem taxes, etc. for those capital projects that are reimbursed by an outside entity (for example, the City of San Diego Surcharge program discussed in Question 1). Stated another way, ORA is simply trying to understand to what extent (if any) SDG&E's ratepayers are being held responsible for costs associated with capital projects that are funded by others.

SDG&E Response 3:

Depreciation expense, ad valorem taxes, etc. are calculated from adds to plant in-service. Since capital projects that are reimbursed by an outside entity are excluded from plant in-service, as explained in response to Questions 1.a and 1.c, the capital-related costs associated with these projects are not funded by ratepayers.