ORA DATA REQUEST
ORA-SDGE-071-CL8
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 27, 2017
DATE RESPONDED: JANUARY 10, 2018

Exhibit Reference: SDG&E-34 and SDG&E-34-WP
SDG&E Witness: Matthew C. Vanderbilt
Subject: Depreciation

Please provide the following:

1. Follow-up question to ORA-SDGE-052-CL8, Question 1 (a). ORA requested the following: "Please provide 5 years of historical data (2012-2016) of actual net salvage dollars collected in rates."

   SDG&E responded, "The actual net salvage dollars collected in rates for 2012-2016 are the amounts authorized per the Commission's decision on SDG&E's TY 2012 GRC (D.13-05010) and TY 2016 GRC (D.16-06-054). As stated in the Master Data Request response, Chapter 27, Question 2: "The annual negative net salvage authorized in rates for 2012 through 2015 was approximately $319,604,000 and $118,607,000 for 2016.

   SDG&E's response is incomplete, as follows: SDG&E did not provide the requested data. SDG&E's response refers to the authorized amounts for test years 2012 and 2016, but it does not include the amounts for years 2013, 2014, and 2015. Under Standard Practice (SP) U-4, the depreciation expense is carried forward through the application of authorized depreciation rates to new gross plant balances. Because actual net salvage dollars are provided for within the depreciation rate calculation, posttest year actual net salvage amounts will not be equal to the test year amounts unless the gross amount of recorded plant in an account does not change. When additions, retirements, or adjustments are charged to an account, the actual net salvage dollars collected will change.

   a. SDG&E's response to ORA-SDGE-052-CL8 indicates that the amount of actual net salvage dollars collected in rates for each post-test year of a GRC cycle is nominally equal to the test year amount that was calculated at authorized rates. Please confirm whether or not this is correct.

   b. If (a) is correct:

      i. Please explain why the amount of actual net salvage dollars collected did not change even though the recorded amount of gross plant in most accounts varied year to year.

      ii. Please explain how ORA's understanding of the treatment of net salvage under SP U-4, as detailed in the paragraph prior to (a), is incorrect, or else justify SDG&E's departure from the recommendations of SP U-4.

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Question 1 Continued:

   iii. Please explain whether or not the entire depreciation accruals for years 2013, 2014, and 2015 were nominally equal to the test year 2012 accrual at authorized rates, were calculated by applying authorized rates to new gross plant balances, or were calculated with another methodology (please specify).

   iv. If the 2013, 2014, and 2015 accruals were calculated by applying authorized rates to new gross plant balances, please explain why SDG&E did not collect nominally different amounts of actual net salvage dollars. Please include a reconciliation of actual depreciation accruals to account for the difference of the changing depreciation accrual and the unchanging provision for future net salvage.

c. If (a) is incorrect, please provide the originally requested 5 years (2012-2016) of historical data of actual net salvage dollars collected in rates.

SDG&E Response 1:

Per this follow-up data request to ORA-SDGE-052-CL8 Question 1(a), ORA clarifies that the request is not dollars authorized but rather actual dollars accrued for net salvage (a component of the depreciation expense).

Please see below for actual net salvage dollars collected in rates as the statement posed in Question 1(a) above is incorrect.

SDG&E did not receive a decision in its TY 2016 GRC (Application 10-12-005) until May 2013. As a result, the impact of depreciation parameter changes was reflected in 2013. Shown below is 4 years of historical data (2013-2016) of actual net salvage dollars collected in rates.

   2013 = $ (67,250,499)

   2014 = $ (79,682,434)

   2015 = $ (83,199,343)

   2016 = $ (108,881,775)