

**ORA DATA REQUEST**  
**ORA-SDGE-120-SJL**  
**SDG&E 2019 GRC – A.17-10-007**  
**SDG&E RESPONSE**  
**DATE RECEIVED: FEBRUARY 5, 2018**  
**DATE RESPONDED: FEBRUARY 26, 2018**

**Exhibit Reference:** SDG&E-16

**SDG&E Witness:** Daniel S. Baerman

**Subject:** Electric Generation – Otay Mesa Energy Center (OMEC)

**Please provide the following:**

1. Referring to Ex. SDG&E-16 testimony, page DSB-7, lines 2-3:

a. Provide all supporting documentation for the ground lease and property insurance costs.

b. Did SDG&E independently verify the costs which are cited in the testimony?

**SDG&E Response 01:**

1. a. The forecasted amounts for the ground lease and property insurance costs are based on the 2016 financial statements of Otay Mesa Energy Center, LLC. Please see the attached file “ORA-SDGE-120-SJL Q1.a. CONFIDENTIAL OMEC 2016 financial statements.pdf” that includes the relevant portions of the OMEC 2016 financial statements and a schedule “ORA-SDGE-120-SJL Q1.a. CONFIDENTIAL Total OMEC Ground Lease and Prop. Ins. Costs.xlsx” that identifies and lists the ground lease and property insurance costs from the OMEC 2016 financial statements. *These files are considered to be Confidential Pursuant to PU Code Section 583, General Order 66-D and D.17-09-023.*

b. The forecasted property insurance cost was reviewed for consistency and reasonableness in comparison to SDG&E’s property insurance cost allocation for Palomar Energy Center, which is an asset similar to OMEC. No independent verification of the property insurance costs was performed.

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2. Provide SDG&E's estimate of the ground lease costs based on the Ground Lease and Easement Agreement provided in response to ORA-SDG&E-065 Q.4B. Provide all workpapers, assumptions, spreadsheets, etc. If SDG&E cannot make such an estimate, why not?

**SDG&E Response 02:**

2. As explained in SDG&E's testimony and workpapers, SDG&E's 2019 forecasted ground lease costs are based on the CONFIDENTIAL 2016 financial statements of Otay Mesa Energy Center, LLC. See Exhibit SDG&E-16 (p. 7, lines 2-3) and CONFIDENTIAL Exhibit SDG&E-16-WP (p. 34 of 65). See also SDG&E's CONFIDENTIAL response to Question 1 above. SDG&E's 2019 forecasted ground lease costs also are generally consistent with Calpine's CONFIDENTIAL actual and expected 2016-2018 ground lease payments: [REDACTED]

[REDACTED] Beyond 2018, ground lease payments will be adjusted pursuant to the terms of Section 4.2 of Exhibit B of the Ground Sublease and Easement Agreement, including 3% - 6% annual increases based on the Consumer Price Index. Rent in Exhibit B – Ground Lease, of the Ground Sublease and Easement Agreement. *The grey highlighted cost amounts above are considered to be Confidential Pursuant to PU Code Section 583, General Order 66-D and D.17-09-023.*

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3. Are the property insurance costs described in Ex. SDG&E-16 testimony and workpapers separate and distinct from SDG&E's general liability and property insurance costs? What is the basis for having property insurance costs specifically for OMEC?

**SDG&E Response 03:**

Yes. SDG&E's 2019 forecasted property insurance costs for the Otay Mesa Energy Center were not included in the insurance cost forecast of SDG&E witness Neil K. Cayabyab (Exhibit SDG&E-27) because SDG&E does not yet own the Otay Mesa Energy Center. However, SDG&E expects to include the property insurance for the Otay Mesa Energy Center in its overall insurance forecast in future GRCs.

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4. Referring to Ex. SDG&E-16-WP O&M Workpaper page 34:

- a. Why are OMEC expenses forecasted only as non-labor?
- b. Why is the base forecast not adjusted as was done to the Palomar base forecast?.

**SDG&E Response 04:**

- a. Please see testimony in Exhibit SDG&E-16 (p. 21, lines 19-21) where witness Dan Baerman states “Labor costs for OMEC Plant operation and maintenance are shown as non-labor costs because it is currently unknown if the Calpine employees operating and maintaining OMEC will be hired as SDG&E employees.”
- b. The OMEC Base Forecast was not adjusted as was done to the Palomar Base Forecast because the Palomar Plant adjustments are specific to the Palomar Generation Plant and the OMEC Generation Plant is not owned by SDG&E.

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5. Since SDG&E forecasts the acquisition of OMEC to occur in mid or late 2019, why didn't SDG&E propose balancing account treatment for the O&M expenses as is proposed for the Capital acquisition?

**SDG&E Response 05:**

5. The balancing account is proposed to keep ratepayers neutral as to the timing of the OMEC acquisition. Because the OMEC PPTA costs while the plant is owned by OMEC will continue to be collected and balanced through ERRRA, our testimony is proposing a new balancing account such that SDG&E will not earn on Ratebase or retain any money collected to cover capital-related costs or O&M at the same time ratepayers are paying for the PPTA in ERRRA rates. As stated in the direct testimony of Norma Jasso (Ex. SDG&E-41 page NGJ-13), "The purpose of the [Otay Mesa Acquisition Balancing Account] OMABA is to record the revenues collected from customers through January 1, 2019 until SDG&E takes ownership of the Otay Mesa Energy Center." Balancing account treatment for revenues collected for O&M expenses of OMEC Generation Plant for the time period beginning January 1, 2019 until SDG&E takes ownership, was not specifically addressed in Electric Generation Testimony, but SDG&E will take the steps during the GRC implementation process when creating the OMABA to include the authorized revenues collected from customers to cover both the capital-related and the O&M costs from January 1, 2019 until SDG&E takes ownership of the OMEC Generation Plant.