

**ORA DATA REQUEST
 ORA-SDGE-147-LMW
 SDG&E 2019 GRC – A.17-10-007
 SDG&E RESPONSE
 DATE RECEIVED: MARCH 1, 2018
 DATE RESPONDED: MARCH 16, 2018**

Exhibit Reference: SDG&E-21 - Expense

SCG Witness: Herrera

Subject: Fleet

Please provide the following:

1. For the years 2009 – 2016, please provide the actual number of new vehicles acquired/replaced broken out by **Fleet Replacements:** For example, New Fleet Units for Replacements, Alternative Fuel Vehicles (AFV) Vehicles, Airborne Toxic Control Measures (ATCM) Vehicles, etc. The line items presented are examples based on SDG&E’s current work papers and may change as fleet replacement classifications may be different from year to year.

SDG&E Response 01:

ACQUIRED UNITS BY TYPE AND YEAR									
VEHICLE TYPES	2009	2010	2011	2012	2013	2014	2015	2016	2017
Incremental Fleet for Business Needs Total	55	20	47	52	81	32	4	20	30
AFV subtotal	2		6	5	7		1	8	10
Non-AFV subtotal	53	20	41	47	74	32	3	12	20

Replacement	2009	2010	2011	2012	2013	2014	2015	2016	2017
Replacements (excluding ATCM)	136	42	180	144	240	111	25	75	53
AFV subtotal	6	1	9	11	14	7	1	22	34
Non-AFV subtotal	130	41	171	133	226	104	24	53	19
ATCM Replacements (non-AFV)								4	70

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3. For 2017, please provide the actual number of new vehicles acquired/replaced broken out by **Fleet Replacements** in a similar manner as shown in the work papers for SDG&E-21 (page 12). For example, New Fleet Units for Replacements, Alternative Fuel Vehicles (AFV) Vehicles, Airborne Toxic Control Measures (ATCM) Vehicles.

SDG&E Response 03:

Please see table in response 1.

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4. For 2017, please provide the actual number of new vehicles acquired/replaced broken out by **Incremental Fleet for Business Needs** in a similar manner as shown in the work papers for SDG&E-21 (page 12). For example, Gas Distribution, Gas Transmission, Electric Distribution O&M, Customer Service Field, Customer Service Office Operations, Customer Service Office Operations Fueling Our Future.

SDG&E Response 04:

Please see table in response 2.

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5. For the years, 2012-2016, please provide the amounts requested, the amounts authorized, and the amounts spent for ownership costs broken out by year, by amortization expense, interest, salvage, license fees, and sales tax related to SDG&E's respective prior GRC applications covering those five years.

SDG&E Response 05:

Please see the tables below for TY2012 and TY2016 information. 2013, 2014 & 2015 were attrition years (or post-test years) in the TY2012 GRC and were not explicitly forecasted or authorized. In the TY2012 decision, the Commission authorized an overall post-test year revenue requirement for each of the attrition years.

Spent dollars are presented in constant (\$,000).

Amortization					
Description	2012	2013	2014	2015	2016
Requested	\$ 13,533				\$ 14,823
Authorized	\$ 13,533				\$ 14,000
Spent	\$ 10,218	\$ 9,383	\$ 9,938	\$ 9,694	\$ 8,337
Interest					
Description	2012	2013	2014	2015	2016
Requested	\$ 2,292				\$ 2,598
Authorized	\$ 2,292				\$ 2,300
Spent	\$ 951	\$ 820	\$ 956	\$ 850	\$ 838
Salvage					
Description	2012	2013	2014	2015	2016
Requested	\$ (655)				\$ (700)
Authorized	\$ (655)				\$ (1,000)
Spent	\$ (645)	\$ (966)	\$ (1,823)	\$ (634)	\$ (284)
License					
Description	2012	2013	2014	2015	2016
Requested	\$ 1,313				\$ 1,528
Authorized	\$ 1,313				\$ 1,400
Spent	\$ 972	\$ 1,054	\$ 1,220	\$ 1,150	\$ 1,189
Sales Tax					
Description	2012	2013	2014	2015	2016
Requested	N/A	N/A	N/A	N/A	N/A
Authorized	N/A				N/A
Spent	-	-	-	-	\$ 36

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6. Please confirm that in the test year 2016 rate case (Ex. ORA 14 – Chia pg.14) the ORA witness noted SDG&E forecasted 270 units for fleet replacement and 41 units for incremental fleet for business needs. However, the actual units for 2014 were 205 for fleet replacements, and 0 units for incremental fleet for business needs. If this is accurate, please provide an explanation why fewer units were acquired/replaced.

SDG&E Response 06:

SDG&E objects to this request to the extent it is unfairly burdensome as the information from the TY2016 rate case is equally available to ORA. Subject to and without waiving these objections, SDG&E responds as follows:

SDG&E can affirm that fewer units were acquired and replaced in 2014 than the amounts forecasted in the TY 2016 rate case and this is because as a general matter, SDG&E's GRC Application includes forecasts for activities to be complete in the GRC cycle. These forecasts represent SDG&E's projection of the expenditures over the GRC forecast period. As emergent and unanticipated work or circumstances arise subsequent to the preparation and submittal of the GRC Application, SDG&E may reprioritize or re-allocate funding within and across areas in a manner consistent with providing safe and reliable services.

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7. For the years 2015 – 2016, please provide the number of vehicles forecasted pursuant to the previous rate case compared to the number of vehicles actually acquired/replaced. Break out the request by year, by fleet replacements and by incremental fleet for business needs.

SDG&E Response 07:

2016 GRC Request		Year	
		2015	2016
<u>Fleet Replacements</u>			
New Fleet Units for Replacements		200	200
Diesel Particulate Filter Retrofits/Replacements		0	0
Incremental Fleet for Business Needs		Year	
SDG&E Organization		2015	2016
Gas Distribution		4	2
Gas Transmission		1	1
Elect Distribution O&M		4	2
Customer Service Field		6	8
Customer Services- Office Operations		0	2
Environmental		0	1
TOTAL =		15	16

Please see response 1 and 2 for number of vehicles replaced and added for incremental fleet for business needs.

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8. Based on review of the prior ORA witness (Ex. ORA 14 – Chia pg.12) report for the test year 2016 rate case, ORA noted SDG&E's request for 2016 ownership costs was approximately \$18 million; however actual expenses per SDG&E's work papers (SDG&E 21 page 3) approximated \$10 million. Please provide/answer the following:

- a. A definitive explanation (with support) why SDG&E's forecast was considerably different (80%) than actual (e.g. not as many vehicles replaced, vehicles prices were lower than forecasted, etc.)
- b. Whether SDG&E is using the same methodology in this rate case as in the previous rate case.
- c. Has SCG made any adjustment to their methodology that would work to provide a more accurate forecast in this rate case?

SDG&E Response 08:

- a. Please see response 6.
- b. SDG&E is utilizing the same methodology as the 2016 General Rate Case.
- c. SDG&E forecasting methodology has not been modified or adjusted as the methodology accurately forecasts the number of vehicles needed to be replaced.

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9. Based on review of the number of vehicles acquired in response to data request ORASDG&E-047 Q.1c., ORA noted the vehicles acquired from 2012 (196), 2013 (321), 2014 (143), 2015 (29), and 2016 (99) however, amortization expense was relatively flat and in a decreasing from 2012 (\$10.2 million) to 2016 (\$8.3 million). Based on this please provide/answer following:

- a. An explanation why amortization expense can remain relatively flat in a decreasing trend pattern over successive years despite variation in the number of vehicles acquired.
- b. An explanation as to why SDG&E's forecast from 2017 to 2019 increases by almost 52% in light of amortization historically not experiencing such substantial increases despite variation in vehicle acquisition.
- c. An explanation why the amount in 2014 of units (143), per SDG&E's response does not match the number of units in the previous rate case testimony as noted in Q.6 above.

SDG&E Response 09:

- a. Amortization is based on the total lease balance that fluctuates month to month, and year to year. As new vehicles are placed into service and added to the lease, the lease balance increases and so does amortization. This increase is counter-balanced with aging-vehicles that have small balances or are paid off and reduce the lease balance and subsequently reduce amortization.
- b. As SDG&E's fleet continues to age, some vehicles being replaced due to age, mileage, condition, or compliance requirements are no longer on any lease and thus have \$0 amortization; as an example, when a passenger sedan on a 5-year term lease replaces a \$0 amortization vehicle the amortization could jump from \$0 to \$5,600 per year. Based on the 2012-2017 data, SDG&E has seen increases of 13% from 2016 to 2017. SDG&E forecasts replacement of a large volume of ATCM required compliance vehicles, of which 97% do not currently have a lease balance, and thus \$0 amortization.
- c. The Fleet management database is dynamic and evergreen. As an example, as vehicles are placed into service or vehicles retire, the data is updated to reflect the most accurate information available, and as such the data does not remain static as data is updated and changes over time. Further, the database querying methodology for the 2016 General Rate Case data responses are not available; as such the methodologies from this data request response might vary from previous data request responses.

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10. Per review of Ex. SDG&E-21 Fleet work papers, pg. 14, ORA noted a cash flow example. As this represents only an example, please provide the full set of work papers that supports SDG&E's calculation for amortization and interest inclusive of assumptions made to determine the forecast.

SDG&E Response 10:

SDG&E objects to this request pursuant to Rule 10.4. SDG&E is not required to provide its proprietary model. Subject to and without waiving this objection, SDG&E responds as follows: The proprietary model used to forecast fleet vehicle costs does not function outside of the SDG&E Fleet management network system and cannot easily be extracted to workpapers. SDG&E can demonstrate the functionality of the system and the assumptions input into the cash flow model via in-person meeting or teleconference.

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11. In response to data request ORA-SDG&E-047 Q.3f, SDG&E responded “The first ATCM compliance deadline was January 1, 2012 for engine model year 2006 and older. ATCM regulations have continued adding additional engine model years subject to compliance where all diesel engines must comply with ATCM regulations in January 1, 2023.” Based on this please answer/provide the following:

- a. Prior to this rate case how many ATCM compliance vehicles were replaced considering the first deadline was January, 2012. If no, ATCM vehicles were replaced then why considering the start of the deadline?
- b. How many ATCM compliant vehicles were replaced in 2017 as compared to SDG&E’s forecast?
- c. Did SDG&E only forecast replacement vehicles mandated by the ATCM regulations each forecasted year, or is SDG&E attempting to replace more vehicles than required by regulations before the January 1, 2023 compliance deadline?
- d. If SDG&E is replacing more vehicles than required by the regulations, then please show the number of vehicles required per the regulations as opposed to SDG&E’s forecast broken out by vehicle type and by year.

SDG&E Response 11:

- a. The compliance deadline provided by CARB begins with a January 1, 2012 deadline. An overview of the requirement can be found on the Air Resources Board website, <https://www.arb.ca.gov/msprog/onrdiesel/documents/FSRegSum.pdf> detailing the various model years subject to requirement and compliance deadlines beginning with 1996 – 1999 heavy duty diesel vehicles needing either particulate matter filters or replacement by January 1, 2012.
- b. 71 ATCM required replacement vehicles were placed into service in 2017.
- c. SDG&E is only considering replacing vehicles required under the ATCM regulations by the 2023 compliance deadline within this forecast grouping. Vehicles that were identified as ATCM required compliance replacements beyond the TY2019 were forecasted for replacement in this GRC cycle to avoid non-compliance due to anticipated manufacturer capacity constraints as SDG&E expects a large volume of state-wide required replacements and limited number of suppliers.
- d. See response 11c.