

Company: Southern California Gas Company (U 904 G)/ San Diego Gas & Electric
Company (U 902 M)
Proceeding: 2019 General Rate Case
Application: A.17-10-008/A.17-10-007
Exhibit: SCG-49/SDG&E-49

SOCALGAS/SDG&E

CASE MANAGEMENT EXHIBIT

OF CHARLES MANZUK

**(OVERALL SUMMARY OF APRIL 6, 2018 TESTIMONY
ON TAX ISSUES)**

April 6, 2018

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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1 **CASE MANAGEMENT EXHIBIT**

2
3 **(OVERALL SUMMARY OF APRIL 6, 2018 TESTIMONY**
4 **ON TAX ISSUES)**

5
6 **I. INTRODUCTION**

7 Pursuant to the Assigned Commissioner’s Scoping Memorandum and Ruling issued on
8 January 29, 2018 (Scoping Memo), Southern California Gas Company’s (SoCalGas’) and San
9 Diego Gas & Electric Company’s (SDG&E’s) testimony has been revised to reflect the impact of
10 the Tax Cuts and Jobs Act (TCJA) on the SoCalGas and SDG&E Test-Year (TY) 2019 General
11 Rate Case (GRC) Applications. The TCJA was signed into federal law on December 22, 2017
12 and is discussed in the testimony of the Taxes witness Ragan Reeves (Exhibit SCG-37-2R and
13 SDG&E-35-2R), served concurrently with this exhibit. This Case Management exhibit provides
14 an overall summary of the TY 2019 revenue requirement impacts due to TCJA and provides a
15 roadmap to the various witness TCJA-related submissions. Generally, the April 6, 2018 set of
16 second revised testimonies and workpapers reflecting the TCJA impacts are denoted with “-2R”
17 at the end of their exhibit numbers. A testimony revision log is included at the end of each
18 witness exhibit that has been revised for the TCJA.

19 **II. TY 2019 REVENUE REQUIREMENT**

20 **SoCalGas**

21 SoCalGas’ GRC Application requested that the California Public Utilities Commission
22 (CPUC or Commission) authorize a \$2.990 billion revenue requirement, to be effective January
23 1, 2019. The inclusion of the TCJA reduces SoCalGas’ overall revenue requirement request by
24 \$59 million, resulting in a request of \$2.931 billion. A summary of GRC revenue requirement
25 changes is discussed in the testimony of the Summary of Earnings witness Ryan Hom (Exhibit
26 SCG-43-2R).

27 **SDG&E**

28 SDG&E’s GRC Application requested that the Commission authorize a combined \$2.199
29 billion revenue requirement, to be effective January 1, 2019. The inclusion of the TCJA reduces
30 SDG&E’s overall revenue requirement request by approximately \$58 million. A summary of
31 GRC revenue requirement changes is discussed in Mr. Hom’s SDG&E Summary of Earnings
32 exhibit (Exhibit SDG&E-42-2R). However, SDG&E is not proposing to reduce its total

1 requested revenue requirement amount at this time because it is currently examining options for
2 securing the use of a high-capacity, quick strike firefighting helicopter on a year-round basis.
3 SDG&E anticipates requesting leave from the CPUC to submit supplemental testimony detailing
4 its proposal for updating its request to reflect the need for additional use of a firefighting
5 helicopter.

6 Also, SDG&E's general excess/wildfire liability insurance premium renews on June 26,
7 2018. At this point, SDG&E has just started the renewal discussions/negotiations with retail and
8 reinsurance insurers. These discussions will continue over the next several months. In general,
9 the preliminary feedback to date with insurers is that they are re-evaluating their positions due to
10 the overall financial landscape in California and in particular loss concerns on the 2017
11 California wildfires and they are finding that the losses paid in California are substantially higher
12 compared to other states. Based on this initial feedback, SDG&E is expecting insurance costs to
13 exceed the forecasted amounts currently included in SDG&E's TY 2019 GRC Application (*see*
14 Exhibit SDG&E-27).

15 SDG&E has not yet determined the potential revenue requirement impacts of the
16 insurance renewals and the quick strike firefighting helicopter and requests that the CPUC not
17 revise the overall revenue requirement until this information is known and brought into the
18 record of this proceeding.

19 SDG&E proposes to maintain the revenue requirement at the initial Application level by
20 including an offsetting adjustment to the TCJA's impacts to revenue requirement in the Results
21 of Operations Model. Detail of the offsetting adjustment can be found in Mr. Hom's testimony,
22 Exhibit SDG&E-42-2R. The offset to revenue requirement will accommodate the potential
23 impacts of the anticipated proposals to be submitted at a later date. SDG&E will update its
24 Summary of Earnings tables in this exhibit (and in any other affected testimonies) after the
25 proposals are finalized.

26

1 **III. LIST OF EXHIBITS IMPACTED BY TCJA**

2 The table below summarizes the testimony being served by SoCalGas and SDG&E in
3 this April 6, 2018 submission.

Exhibit No.	Witness Area
SCG-01-2R	Policy Overview
SCG-35-2R	Rate Base
SCG-37-2R	Taxes
SCG-38-2R	Working Cash
SCG-41-2R	Miscellaneous Revenues
SCG-42-S	Regulatory Accounts
SCG-43-2R	Summary of Earnings
SCG-44-2R	Post-Test Year Ratemaking
SCG-46-2R	Present and Proposed Gas Transportation Revenues & Rates
SDG&E-01-R	Policy Overview
SDG&E-33-2R	Rate Base
SDG&E-35-2R	Taxes
SDG&E-36-2R	Working Cash
SDG&E-40-2R	Miscellaneous Revenues
SDG&E-41-S	Regulatory Accounts
SDG&E-42-2R	Summary of Earnings
SDG&E-43-2R	Post-Test Year Ratemaking
SDG&E-45-2R	Present and Proposed Gas Transmission Revenues & Rates
SDG&E-46-2R	Present and Proposed Electric Revenues & Rates
SCG-34-2R/SDG&E-32-2R	Shared Services and Shared Assets Billing, Segmentation & Capital Reassignments
SCG-49/SDG&E-49	Case Management

4
5 The following sections highlight some of the significant testimony and proposals included in the
6 April 6, 2018 submission.

7 **IV. TAXES**

8 The testimony of the Taxes witness Ragan Reeves (Exhibit SCG-37-2R) and (SDG&E-
9 35-2R) presents SoCalGas' and SDG&E's estimated tax expense for TY 2019, and explains how
10 those estimates were derived. Mr. Reeves' testimony has been revised to explain in detail the
11 comprehensive changes to federal tax law that resulted from the TCJA and its effects on
12 SoCalGas and SDG&E. Mr. Reeves testimony also addresses the results of the Tax
13 Memorandum Account (TMA).

1 **SoCalGas**

- 2 • The TCJA-related changes affecting SoCalGas include: (1) a reduction of
3 the federal corporate tax rate from 35% to 21%, effective beginning in
4 2018; (2) the elimination of the bonus depreciation deduction for regulated
5 utilities; (3) the elimination of the deduction for transportation fringe
6 benefits provided to employees beginning in 2018; and (4) a requirement
7 to return plant-related excess deferred taxes created by the reduction in the
8 corporate tax rate to ratepayers ratably using the Adjusted Rate
9 Assumption Method (ARAM) as described in the TCJA.

10 **SDG&E**

- 11 • The TCJA-related changes affecting SDG&E include: (1) a reduction of
12 the federal corporate tax rate from 35% to 21%, effective beginning in
13 2018; (2) the elimination of the bonus depreciation deduction for regulated
14 utilities; (3) the elimination of the Internal Revenue Code (IRC) Section
15 199 deduction beginning in 2018; and (4) a requirement to return plant-
16 related excess deferred taxes created by the reduction in the corporate tax
17 rate to ratepayers ratably using the Adjusted Rate Assumption Method
18 (ARAM) as described in the TCJA.

19 **V. REGULATORY ACCOUNTS 2018 TCJA IMPACTS PROPOSALS**

20 **SDG&E and SoCalGas**

21 SoCalGas (Exhibit SCG-42-S) and SDG&E (Exhibit SDG&E-41-S) supplemental
22 Regulatory Accounts testimony addresses the impacts of the TCJA that are being tracked in their
23 respective TMAs through 2018 (2018 TCJA Impacts). SoCalGas and SDG&E each propose to
24 establish a sub-account in the TMA to specifically track the 2018 TCJA Impacts. SoCalGas and
25 SDG&E also put forth two proposals for the disposition of the sub-account for the Commission's
26 consideration:

- 27 • An estimated amount for the 2018 TCJA Impacts be authorized by the
28 Commission in a final decision in this proceeding to be implemented in
29 rates concurrently with the other approved items in the TY 2019 GRC.
30 Doing so would help offset any increases, if applicable, to customers'

1 rates as a result of the amortization of the GRC Memorandum Account
2 (GRCMA).¹

- 3 • An estimated amount for the 2018 TCJA Impacts be authorized by the
4 Commission through a separate, interim order prior to January 2019 and
5 included in their 2018 year-end consolidated advice letter filings for
6 incorporation in customers' rates effective January 1, 2019.

7 Any difference that results between actual 2018 TCJA Impacts and those authorized by the
8 Commission will be subject to true-up. SoCalGas and SDG&E will provide an estimate of the
9 2018 TCJA Impacts in the Update Testimony in this proceeding.

10 **VI. CONCLUSION**

11 In accordance with the Scoping Memo, SoCalGas and SDG&E are serving testimony to
12 address the impacts of the TCJA.

¹ On March 27, 2018, SoCalGas and SDG&E jointly filed a motion to request authority to establish a GRCMA to track the changes in revenue requirement adopted in this 2019 GRC between January 1, 2019 and the effective date of the 2019 GRC final decision.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Charles Manzuk. My business address is 8330 Century Park Ct. San Diego,
3 California 92123. I am currently employed by SDG&E and SoCalGas as the Director of General
4 Rate Cases & Revenue Requirements and am responsible for overseeing the General Rate Case
5 Applications and other regulatory proceedings for both SoCalGas and SDG&E.

6 I received a Bachelor of Science Degree in Applied Arts and Sciences Business
7 Administration (Management) from San Diego State University. I was first employed by
8 SDG&E in 2003 and have held various positions in Customer Programs, Operational Excellence,
9 Regulatory Affairs, and Rates & Revenue Requirements.

10 I have previously testified before the Commission.