

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2019 General Rate Case
Application: A.17-10-007
Exhibit: SDG&E-43-2R

SECOND REVISED
SDG&E
DIRECT TESTIMONY OF KENNETH J. DEREMER
(POST-TEST YEAR RATEMAKING)

April 6, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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TAX REFORM UPDATE

Pursuant to the Assigned Commissioner’s Scoping Memorandum and Ruling issued on January 29, 2018 (Scoping Memo), this exhibit has been revised to reflect the impact of the Tax Cuts and Jobs Act (TCJA) on the SoCalGas/SDG&E TY 2019 General Rate Case. The TCJA was signed into federal law on December 22, 2017 and is discussed in the testimony of the Taxes witness Ragan Reeves (Exhibit SCG-37-2R/SDG&E-35-2R), served concurrently with this exhibit. A roadmap of this TCJA-related submission and impacts on other witnesses’ areas is provided in the Case Management Exhibit SCG-49/SDG&E-49.

SUMMARY

My testimony for San Diego Gas & Electric Company’s (SDG&E’s) post-test year (PTY) ratemaking framework proposes:

- A four-year term (2019-2022) for this general rate case (GRC) cycle, with SDG&E’s next test year in 2023.
- A PTY ratemaking mechanism to adjust authorized revenue requirements for:
 - Labor and non-labor costs based on IHS Markit Global Insight’s forecast,
 - Medical costs based on Willis Towers Watson’s forecast, and
 - Capital investments based on an escalated 5-year average of capital additions.
- Continuation of the currently authorized Z-factor mechanism.
- An attrition year revenue requirement increases of:

(\$ in millions)	2020		2021		2022	
Revenue Requirements Increase	6.89%	\$151.5	5.10%	\$120.0	4.95%	\$122.2

1 **SDG&E SECOND REVISED DIRECT TESTIMONY OF KENNETH J. DEREMER**
2 **(POST-TEST YEAR RATEMAKING)**

3 **I. INTRODUCTION**

4 **A. Summary of Request**

5 The purpose of my prepared direct testimony is to request that the California Public
6 Utilities Commission (Commission) approve SDG&E's PTY ratemaking framework proposal to
7 provide an appropriate level of authorized revenues for years 2020, 2021 and 2022. The
8 mechanism would provide sufficient revenues to implement the policies and initiatives described
9 in the prepared direct testimony of SDG&E policy witness Ms. Caroline Winn (Exhibit SDG&E-
10 01) and the direct testimonies of several other functional witnesses in this application, while
11 providing shareholders a reasonable opportunity to earn the rate of return (ROR) previously
12 authorized by this Commission. SDG&E proposes:

- 13 (1) a four-year term (2019-2022) for this GRC cycle;
14 (2) a PTY ratemaking mechanism to adjust authorized revenue requirements for
15 operating and capital related expenditures:
- 16 • using IHS Markit Global Insight's utility cost escalation factors to
17 determine PTY Operations and Maintenance (O&M) escalation
18 (excluding medical expenses).
 - 19 • adopting Willis Towers Watson's actuarial forecasts to determine
20 PTY medical expenses.
 - 21 • calculating PTY capital-related revenue requirements using an
22 escalated 5-year average of capital additions.
- 23 (3) continuation of the currently authorized Z-factor mechanism.

24 This proposal is designed to align PTY revenue requirements: (a) to account for unique
25 cost escalation issues, such as the expected higher growth medical costs,¹ and (b) to account for
26 SDG&E's capital investments that mitigate risk and improve safety and reliability of the utility
27 infrastructure. This proposal does not cover all anticipated expenses and capital-related
28 investments, but provides a reasonable level of funding necessary to maintain operational and
29 financial stability while holding SDG&E accountable for productivity improvements.

¹ Escalation is proposed to be applied to net medical expenses (i.e., after reassignments to capital).

1 SDG&E’s proposal would yield attrition-year revenue increases of \$151.5 million (6.89
2 percent) in 2020, \$120.0 million (5.10 percent) in 2021 and \$122.2 million (4.95 percent) in
3 2022.

4 **II. SDG&E’S PROPOSED GRC TERM**

5 SDG&E proposes a four-year GRC term of 2019-2022, with its next GRC cycle
6 beginning with Test Year (TY) 2023. SDG&E was granted a four-year GRC term in its 2004,
7 2008 and 2012 proceedings.² In A.14-11-003/-004 (cons.), Office of Ratepayer Advocates
8 (ORA) recommended that SDG&E be granted a four-year GRC term to allow for “better utility
9 financial and operational management of spending and investment.”³ In September 2015, the
10 ORA, SDG&E and SoCalGas entered into a separate settlement agreement in A.14-11-003/-004
11 (cons.)⁴ and jointly filed a related petition for modification of D.14-12-025, to change the current
12 three-year GRC cycle in the rate case plan to a four-year GRC cycle. The Commission did not
13 adopt the separate settlement agreement,⁵ and denied the petition,⁶ but directed Energy Division
14 to hold a workshop to explore “whether a longer GRC cycle is worth pursuing.”⁷

15 As presented at the GRC cycle workshop held on January 11, 2017, SDG&E supports the
16 adoption of the 4-year GRC term because it would free up resources needed to litigate a GRC
17 every three years and allow the utility to maintain focus on clean, safe, and reliable operations
18 and customer service. Over the last several years, the GRC process has become more complex
19 and subject to extended delays, which is now compounded by new processes, reviews, and
20 reporting required by the Risk OIR decisions incorporating Safety Model Assessment
21 Proceeding (S-MAP) and Risk Assessment and Mitigation Phase (RAMP).

22 Moving to a four-year GRC cycle would give both the Commission and the utilities more
23 flexibility to manage the integrated S-MAP, RAMP and GRC proceedings. The four-year GRC
24 term would reduce the administrative burden on all parties, and allow the utility to more

² In decisions D.04-12-015, D.08-07-046, and D.13-05-010, respectively.

³ D.16-06-054 at 225 (citing ORA Hearing Exhibit 398, ORA/Tang at 13).

⁴ See D.16-06-054 at 32-35.

⁵ See D.16-06-054 at 4.

⁶ See D.16-06-005.

⁷ *Id.* at 6.

1 effectively operate its business while implementing new risk mitigation and accountability
2 structures, processes and reporting requirements.

3 **III. POST-TEST YEAR RATEMAKING MECHANISM**

4 **A. Background**

5 The traditional GRC framework provides for an annual attrition mechanism for interim
6 adjustments to the test-year revenue requirements in the post-test years. Attrition mechanisms
7 should provide reasonable and consistent funding for operating expenses and capital investments.
8 These base margin adjustments are needed to recover increases in costs during the post-test years
9 due to inflation and capital investments. Without a revenue adjustment to offset these PTY cost
10 increases, SDG&E would not have a reasonable opportunity to earn its authorized ROR after TY
11 2019.

12 In the TY 2016 GRC application, SDG&E proposed a PTY ratemaking mechanism that
13 would adjust its gas and electric authorized revenue requirements by applying separate attrition
14 rates to O&M and capital-related revenue requirements, consistent with the current proposal.
15 Ultimately, the Commission approved a comprehensive settlement between SDG&E, ORA and
16 other parties that included a fixed 3.5% attrition year escalation for 2017 and 2018 post-test
17 years. Although the adopted settlement contained a specific attrition rate, ORA did not oppose a
18 post-test year ratemaking mechanism consistent with SDG&E's initial proposal to include a
19 separate escalation factor for O&M and capital-related costs.⁸

20 In Pacific Gas and Electric Company's (PG&E) 2014 and 2017 GRC proceedings, the
21 Commission adopted a two-part post-test year mechanism that escalates O&M and capital
22 expenditures by separate attrition factors.⁹ PG&E's 2017 application stated that "a critical
23 element of a fundamentally sound attrition mechanism is the recognition that expense escalation
24 and growth in rate base are separate and distinct drivers for Post-Test Year cost growth and
25 should be reflected in the attrition mechanism accordingly."¹⁰ The Commission ultimately
26 approved a settled fixed dollar amount for PG&E's post-test year period; however the underlying

⁸ A.14-11-003/004, Hearing Exhibit 398, ORA/Tang at 4.

⁹ D.14-08-032 at 653; *see also* D.17-05-013 at 246; *see also Report on the Results of Operations for Pacific Gas & Electric Company, Test Year 2017, General Rate Case, Post-Test Year Ratemaking*, ORA-21, A.15-09-001 at 22-24.

¹⁰ D.17-05-013 at 49.

1 mechanism used to determine the attrition amounts recognized the unique drivers for O&M and
2 capital-related costs.

3 SDG&E expects to make significant annual capital investments in the TY 2019 GRC. As
4 described in the testimony of SDG&E witness Ms. Diana Day (Exhibit SDG&E-02), SDG&E's
5 capital program will continue to focus on investments necessary to build and maintain safe and
6 reliable infrastructure and to mitigate safety risks identified in the RAMP proceeding. This
7 theme and content is emphasized throughout the testimony of SDG&E witnesses sponsoring
8 TY 2019 cost forecasts, and aligns with SDG&E's mission to maintain and enhance its safety-
9 focused culture. Consequently, the level of estimated capital expenditures leading up to and
10 including TY 2019, should not be considered a one-time investment program, but rather a part of
11 an ongoing effort, which will continue beyond the test-year period. Therefore, the post-test year
12 attrition mechanism should reflect the anticipated growth in capital additions in excess of
13 depreciation in the PTY period.

14 **B. Proposed PTY Ratemaking Mechanism**

15 SDG&E's PTY ratemaking mechanism comprises two adjustment components:

- 16 • O&M escalation (Labor and Non-Labor and Medical)
- 17 • Capital additions

18 SDG&E proposes to absorb increased operating costs from customer growth through
19 productivity improvements. SDG&E does not seek escalation of miscellaneous revenues and
20 franchise fees & uncollectibles. Miscellaneous revenues are treated as fixed amounts without
21 escalation for the post-test year periods. Franchise fees and uncollectible expense items are not
22 subject to escalation (as they are proposed to be applied as fixed rates for the post-test year
23 period). Appendix A provides a calculation of the 2020 through 2022 SDG&E revenue
24 requirements using the current IHS Markit Global Insight's forecasts of O&M and capital cost
25 escalation factors.

26 **1. O&M Escalation**

27 **a. Labor and Non-Labor**

28 SDG&E is proposing a post-test year ratemaking mechanism that escalates labor costs
29 using IHS Markit Global Insight's Power Planner (Global Insight) forecast as described in the
30 testimony of Scott Wilder (Exhibit SDG&E-39). Mr. Wilder explains how the Global Insight

1 data is weighted to incorporate “Utility Service Workers,” “Managers and Administrators,” and
2 “Professional and Technical Workers” to arrive at the appropriate escalation rate for SDG&E.

3 Consistent with labor, non-labor (O&M and administrative) adjustments are calculated
4 using escalation rates described in Mr. Wilder’s testimony, where he explains how the various
5 Global Insight cost series are combined and weighted to develop escalation indexes for non-labor
6 costs.

7 As discussed in Mr. Wilder’s testimony, for simplicity in calculating PTY escalation, the
8 labor and non-labor rates have been weighted proportionately to the total costs and combined
9 into a single factor. The weighted results of labor and non-labor and the associated revenue
10 requirement are:

(\$ in millions)	2020		2021		2022	
Labor and Non-Labor Adjustment	2.66%	\$21.9	2.59%	\$22.0	2.55%	\$22.2

11 The Commission’s Rate Case Plan, D.07-07-004, requires SDG&E to update its cost
12 escalation forecasts (as part of the GRC Update Testimony) within 280 days of its Application
13 filing. SDG&E therefore proposes that the latest IHS Markit Global Insight forecast available in
14 June 2018 be used to determine the TY 2019 labor and non-labor O&M escalation indexes and
15 will continue into the Post Test Year period.
16

17 **b. Medical Cost Adjustment**

18 The second component of the O&M PTY ratemaking mechanism is an adjustment to
19 medical costs. Medical costs have grown at a higher rate than the broad-based inflation in the
20 general economy. Because SDG&E’s medical costs are expected to increase above general
21 utility cost inflation, medical costs are escalated separately based on actuarial forecasts, as
22 described in the direct testimony of SDG&E witness Ms. Debbie Robinson (Exhibit SDG&E-
23 28). The actuarial forecast by Willis Towers Watson, which is based on preliminary 2017
24 renewal rates, is more reflective of the cost trends in Southern California. SDG&E notes that
25 this forecasted rate is similar to the post-test year medical expense escalation rate (7.0%) that
26 Southern California Edison (SCE) proposed in its TY 2018.¹¹ The proposed medical cost

¹¹ *SCE Workpapers: RO- Post-Test Year Ratemaking, SCE-09 Volume 01, Chapter X* at 8, A.16-09-001 (Sept. 2016).

1 escalation based on Willis Towers Watson’s actuarial forecast and the associated revenue
2 requirement is:

(\$ in millions)	2020		2021		2022	
Medical Cost Adjustment	6.50%	\$1.8	6.00%	\$1.8	5.50%	\$1.8

3
4 **2. Capital Additions**

5 The final component of the proposed PTY ratemaking mechanism is the adjustment to
6 capital-related revenue requirements to reflect the cost of plant additions. The capital-related
7 portion of the revenue requirement consists of authorized return on rate base, depreciation
8 expense, and taxes. SDG&E proposes that during the post-test years its rate base and associated
9 revenue requirements be adjusted to reflect the impact of forecasted capital additions. SDG&E
10 is not proposing to adjust the rate base elements of materials and supplies, customer advances, or
11 working cash. Rate base adjustments are made for the phase down of Internal Revenue Code
12 (IRC) section 168(k) bonus depreciation and the repairs deduction as ordered in D.16-06-054.¹²

13 SDG&E bases its PTY computation on a five-year (2015-2019) recorded and forecasted
14 average of capital additions. This methodology is similar to the PTY mechanism approved in the
15 2014 & 2017 PG&E GRC proceedings, which relied on a seven-year average of capital additions
16 to derive attrition adjustments for its capital revenue requirement.¹³ SDG&E also requested a
17 seven-year average PTY methodology in its TY 2016 GRC application, and although it was not
18

¹² The repairs deduction rate base adjustment represents the reduction to rate base as ordered in D.16-06-054 at 192. The rate base component reduction is identified in D.16-06-054, Appendix B at 3.

¹³ D.14-08-032 at 656, 659-660; see also D.17-05-013 at 50; see also *Report of the Results of Operations for Pacific Gas and Electric Company, Test Year 2017 General Rate Case*, ORA-21 at 3, A.15-09-001 (“To estimate post-test year capital additions, ORA recommends that the Commission adopt the same methodology from PG&E’s 2014 GRC. Thus, for this GRC, post-test year capital additions would be based on using an escalated 7-year (2011-2017) average level of capital additions as a proxy for the post-test year (2018, 2019, and 2020) levels of capital additions.”).

1 ultimately settled on, the methodology was not opposed by ORA.¹⁴ In this application, SDG&E
2 is requesting to use a five-year average of capital additions in place of a seven-year average,
3 because doing so better captures the current utility business environment. SDG&E’s capital
4 program is continuing to evolve, with a primary focus on increasing investment in utility safety
5 and reliability, while supporting California’s clean energy and environmental initiatives. The
6 five-year average includes recorded and forecasted capital additions, which incorporate the
7 company’s recent historical capital trend but is also forward looking – focusing on the critical
8 improvements within our service territory that are aimed at mitigating safety risk and providing
9 clean and reliable energy. A five-year average is long enough to normalize year-to-year
10 variability in utility spending and eliminates the administrative burden of conducting line-by-line
11 reviews of forecasted capital expenditures.

12 Capital additions by major plant category for each year are escalated to PTY dollars
13 based on Global Insight indices, as described in the testimony of Mr. Wilder. For example, the
14 recorded (2015 through 2016) and forecasted (2017 through 2019) additions from this
15 application would be escalated to 2019 dollars and then averaged. To determine the capital
16 additions for 2020-2022, the five-year average capital addition is escalated using the above-
17 mentioned Global Insight Indices. This established method accounts for inflation specific to the
18 type of plant additions SDG&E will be making during the PTY periods.¹⁵

19 As more fully described in my workpapers, a weighting factor is applied to the plant
20 additions to determine the weighted average plant additions included in the rate base for the post-
21 test years. Incremental net depreciation, amortization, and deferred taxes are also calculated
22 using TY ratios in order to determine the weighted average rate base for each PTY. The

¹⁴ *Joint Motion of San Diego Gas and Electric Company, Southern California Gas Company, and Office of Ratepayer Advocates for Adoption of Settlement Agreement Re the Post-Test Year Period* at 3, fn 6, A.14-11-003/004 (“ORA did not oppose Applicants’ proposal to use an escalated 7-year average of capital additions as a proxy for the 2016 and 2017 post-test years, but recommended using recorded 2014 and authorized 2015 and 2016 capital additions to calculate the 7-year average.”) (*citing* Hearing Exhibit 398, ORA/Tang at 21:17-20).

¹⁵ *Report of the Results of Operations for Pacific Gas and Electric Company, Test Year 2017 General Rate Case*, ORA-21 at 22, A.15-09-001 (As adopted as part of PG&E’s 2017 settlement “ORA also recommends using the capital escalation rates from IHS Markit Global Insight in developing the escalated post-test year capital additions consistent with the methodology adopted in D.14-08-032.”).

1 resulting 2020 through 2022 capital-related revenue requirements associated with the
2 methodology described above yield:

3

(\$ in millions)	2020	2021	2022
Capital-Related Revenue Requirement ¹⁶	\$126.9	\$95.4	\$97.5

4
5 **IV. Z-FACTOR MECHANISM**

6 SDG&E proposes to keep in place the current Z-factor process for the 2019-2022 GRC
7 term. The Z-factor mechanism uses a series of eight criteria¹⁷ outlined in D.94-06-011 to
8 identify exogenous cost changes that qualify for rate adjustments prior to the next GRC test year.
9 If all eight criteria are met, the Z-factor mechanism allows for rate adjustments for only the
10 portion of the Z-factor costs not already contained in SDG&E’s annual revenue requirement and
11 only for costs that exceed a \$5 million deductible per event. SDG&E proposes no changes to the
12 current identification of Z-factors.

13 SDG&E proposes to continue the “Z-factor memorandum account” procedure. In the
14 case of a potential Z-factor event, SDG&E will notify the Commission’s Executive Director of
15 the event by letter, providing all relevant and available information about the event, and will
16 activate the Z-factor Memorandum Account for potential entries. Following this notification,
17 SDG&E would have the option to file an application for a revenue requirement supplement if the
18 Z-factor event exceeds the \$5 million per event deductible.

19 **V. REGULATORY FILINGS**

20 Currently, SDG&E updates PTY revenue requirements through an annual advice letter
21 filing. SDG&E proposes to continue this process of implementing PTY revenue requirement
22 adjustments annually after the test year through an advice letter process. Consistent with current

¹⁶ Annual revenue requirement adjustments include the rate base impacts of the subject attrition year estimated capital additions plus the residual weighting of the prior year estimated capital additions.

¹⁷ *Decision on Southern California Gas Company and San Diego gas & Electric Company’s Phase 2 Post-Test Year 2004 Ratemaking, Earnings Sharing, Incentive Proposals, and 2004 Incentive Proposals* (“SDG&E/SoCalGas 2004 COS Phase II Decision”), D.05-03-023 at 78, OP 2 (authorizing SDG&E and SoCalGas to file for rate adjustments using the mechanism described in the Settlement Agreement); *see also id.*, Appendix C at 12. The eliminated criteria provided that the costs and events are not part of the rate update mechanism.

1 treatment, SDG&E will make an annual PTY advice letter filing on or before November 1
2 (beginning November 1, 2019) to update the authorized revenue requirements, per the adopted
3 PTY ratemaking mechanism. The resulting customer rate adjustments to recover the updated
4 revenue requirement would be effective the following January 1. The advice letter will contain
5 all calculations necessary to update the revenue requirement for the subsequent year.

6 **VI. CONCLUSION**

7 SDG&E's proposal is a fair and reasonable mechanism to provide the foundation for
8 operational and financial stability in the post-test years. This proposal accounts for the major
9 cost drivers impacting the Company, which allows SDG&E to provide safe and reliable service
10 to its customers, comply with regulations, and manage its operations as prudent financial
11 stewards.

12 This concludes my prepared direct testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Kenneth J. Deremer and my business address is 8330 Century Park Court,
3 San Diego, California 92123. I am currently employed by SDG&E as the Director of Asset
4 Management. My current responsibilities include the development, implementation and
5 oversight of SDG&E's asset management policies, procedures and plans. I assumed my current
6 position in June 2017. Prior to this, I served as the Director of Financial Planning and
7 Regulatory Accounts where I was responsible for the preparation, analysis and oversight of
8 SDG&E's multi-year financial planning process and regulatory account and cost recovery
9 mechanisms since May 2011. Previously, I served as Director of Financial Analysis since
10 January 2009, where my responsibilities included overseeing the financial evaluation of major
11 projects, the development and implementation of financing strategies and the oversight of
12 regulatory account and cost recovery mechanisms for SDG&E and SoCalGas. Previously, I was
13 the Director of Tariffs and Regulatory Accounts since May 2007, where my responsibilities
14 included the implementation and oversight of the utilities' tariffs and regulatory compliance
15 process. Prior to May 2007, I served as the Regulatory Accounts Manager since April 2002. In
16 that position, I managed the process for implementing and maintaining regulatory accounts.

17 Over the past years, I have served testimony in several regulatory proceedings, including
18 the General Rate Case, Cost of Capital and Electric Commodity Cost Recovery (i.e., ERRA).

19 I have been employed by SDG&E and Sempra Energy since 1991. In addition to my
20 work experience described above, I worked from 1999 through 2002 as a Regulatory Tariff
21 Administrator and held various positions in the Financial Reporting Department.

22 I received a Bachelor's of Science in Business Administration from the University of
23 California, Riverside in June 1987. I also received a Master's in Business Administration, with
24 an emphasis in Finance, from the University of California, Riverside in December 1989.

25 I have previously testified before this Commission.
26

APPENDIX A – POST TEST YEAR ESCALATION EXAMPLES

SAN DIEGO GAS & ELECTRIC

Exemplary Calculation of 2020, 2021, and 2022 Revenue Requirements Assuming No Z-Factor Adjustment

For Illustrative Purposes Only

Line No.	Description	(\$ in Millions)	
		Rev Req*	Escalation
1	2019 Total Revenue Requirement	\$ 2,198.7	
2	Less: 2019 Misc. Revenues	\$ 17.5	
3	Less: 2019 Capital Related Costs (Depreciation, Taxes, Return)	\$ 1,255.1	
4	Less: 2019 Medical Expense	\$ 28.2	
5	Less: 2019 Franchise & Uncollectible	\$ 73.1	
6	2019 Escalatable O&M Margin	\$ 824.9	
7	2020 O&M Escalation Rate %	2.66%	
8	2020 O&M Escalation \$ (L6 * L7)	\$ 21.9	\$ 21.9
9	2020 Medical Escalation Rate %	6.50%	
10	2020 Medical Escalation \$ (L4 * L9)	\$ 1.8	\$ 1.8
11	2020 Capital Related Costs (Depreciation, Taxes, Return)	\$ 126.9	\$ 126.9
12	2020 O&M Margin (L6 + L8)	\$ 846.8	
13	2020 Medical Expense (L4 + L10)	\$ 30.1	
14	2020 Capital Related Costs (as Proposed) (L3 + L11)	\$ 1,382.0	
15	2020 Misc. Revenue (L2)	\$ 17.5	
16	2020 FF&U	\$ 73.9	\$ 0.8
17	2020 Revenue Requirement (Sum of Lines 12 through 16)	\$ 2,350.2	\$ 151.5
18	Less: 2020 Misc. Revenues	\$ 17.5	
19	Less: 2020 Capital Related Costs (Depreciation, Taxes, Return)	\$ 1,382.0	
20	Less: 2020 Medical Expense	\$ 30.1	
21	Less: 2020 Franchise & Uncollectible	\$ 73.9	
22	2020 Escalatable O&M Margin	\$ 846.8	
23	2021 O&M Escalation Rate %	2.59%	
24	2021 O&M Escalation \$ (L22 * L23)	\$ 22.0	\$ 22.0
25	2021 Medical Escalation Rate %	6.00%	
26	2021 Medical Escalation \$ (L20 * L25)	\$ 1.8	\$ 1.8
27	2021 Capital Related Costs (Depreciation, Taxes, Return)	\$ 95.4	\$ 95.4
28	2021 O&M Margin (L22 + L24)	\$ 868.8	
29	2021 Medical Expense (L20 + L26)	\$ 31.9	
30	2021 Capital Related Costs (L19 + L27)	\$ 1,477.3	
31	2021 Misc. Revenue (L18)	\$ 17.5	
32	2021 FF&U	\$ 74.7	\$ 0.8
33	2021 Revenue Requirement (Sum of lines 28 through 32)	\$ 2,470.2	\$ 120.0

34	Less: 2021 Misc. Revenues	\$	17.5		
35	Less: 2021 Capital Related Costs (Depreciation, Taxes, Return)	\$	1,477.3		
36	Less: 2021 Medical Expense	\$	31.9		
37	Less: 2021 Franchise & Uncollectible	\$	74.7		
38	2021 Escalatable O&M Margin	\$	868.8		
39	2022 O&M Escalation Rate %		2.55%		
40	2022 O&M Escalation \$ (L49 * L50)	\$	22.2	\$	22.2
41	2022 Medical Escalation Rate %		5.50%		
42	2022 Medical Escalation \$ (L36 * L41)	\$	1.8	\$	1.8
43	2022 Capital Related Costs (Depreciation, Taxes, Return)	\$	97.5	\$	97.5
44	2022 O&M Margin (L38 + L40)	\$	890.9		
45	2022 Medical Expense (L36 + L42)	\$	33.6		
46	2022 Capital Related Costs (L35 + L43)	\$	1,574.8		
47	2022 Misc. Revenue (L34)	\$	17.5		
48	2022 FF&U	\$	75.5	\$	0.8
49	2022 Revenue Requirement (Sum of lines 44 through 48)	\$	2,592.4	\$	122.2

* Differences due to rounding.

APPENDIX B – GLOSSARY OF TERMS

Commission	California Public Utilities Commission
ERRA	Electric Commodity Cost Recovery
GRC	General Rate Case
IRC	Internal Revenue Code
O&M	Operations and Maintenance
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas and Electric Company
PTY	Post-Test Year
RAMP	Risk Assessment and Mitigation Phase
ROR	Rate of Return
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
S-MAP	Safety Model Assessment Proceeding
SoCalGas	Southern California Gas Company
TY	Test Year

SDG&E 2019 GRC Testimony Revision Log – April 2018

Exhibit	Witness	Page	Line	Revision Detail
SDGE-43	Ken J. Deremer	KJD-ii	4th Bullet	Changed table as follows: “7.22%” to “6.89%” and “\$158.5” to “\$151.5” in 2020, “5.16%” to “5.10%” and “\$121.4” to “\$120.0” in 2021, and “5.04%” to “4.95%” and “\$124.7” to “\$122.2” in 2022.
SDGE-43	Ken J. Deremer	KJD-2	1	Changed “\$158.5” to “\$151.5”
SDGE-43	Ken J. Deremer	KJD-2	1	Changed “7.22” to “6.89”
SDGE-43	Ken J. Deremer	KJD-2	2	Changed “\$121.4” to “\$120.0”
SDGE-43	Ken J. Deremer	KJD-2	2	Changed “5.16” to “5.10”
SDGE-43	Ken J. Deremer	KJD-2	2	Changed “\$124.7” to “\$122.2”
SDGE-43	Ken J. Deremer	KJD-2	2	Changed “5.04” to “4.95”
SDGE-43	Ken J. Deremer	KJD-5	10-11	Changed “\$20.4” to “\$21.9”
SDGE-43	Ken J. Deremer	KJD-5	10-11	Changed “\$20.5” to “\$22.0”
SDGE-43	Ken J. Deremer	KJD-5	10-11	Changed “\$20.6” to “\$22.2”
SDGE-43	Ken J. Deremer	KJD-8	3-4	Changed “\$135.5” to “\$126.9”
SDGE-43	Ken J. Deremer	KJD-8	3-4	Changed “\$98.4” to “\$95.4”
SDGE-43	Ken J. Deremer	KJD-8	3-4	Changed “\$101.5” to “\$97.5”
SDGE-43	Ken J. Deremer	KJD-A-1 KJD-A-2	N/A	Replaced exemplary calculation table