

Company: San Diego Gas & Electric Company (U 902 M)  
Proceeding: 2019 General Rate Case  
Application: A.17-10-007  
Exhibit: SDG&E-48

**SDG&E**

**DIRECT TESTIMONY OF RYAN HOM**

**(UPDATED RESULTS OF OPERATIONS REPORT)**

**January 2018**

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



1 **SDG&E DIRECT TESTIMONY OF RYAN HOM**  
2 **UPDATED RESULTS OF OPERATIONS REPORT**

3 In compliance with the California Public Utilities Commission’s (Commission) Energy  
4 Rate Case Plan, adopted in Decision (D.) 07-07-004 and subsequently modified in D.14-12-025  
5 the purpose of this testimony is to “update the results of operations exhibit by January 15 to  
6 incorporate any and all tariff changes which become effective on January 1 following the filing  
7 of the application.”<sup>1</sup> For San Diego Gas & Electric Company’s (SDG&E) Test Year (TY) 2019  
8 General Rate Case (GRC), this testimony updates the SDG&E 2019 Results of Operations (RO)  
9 report for revised Present Rate Revenues (PRR) effective January 1, 2018. Tariff changes were  
10 implemented for rates effective January 1, 2018 via Advice Letters (AL) 3167-E and 2638-G.  
11 This testimony shows that, relative to revenues at present rates calculated for TY 2019 using  
12 rates effective as of January 1, 2018, the combined base margin revenue<sup>2</sup> increase requested in  
13 the TY 2019 GRC is \$216 million.<sup>3</sup> Generally, updates to base margin put forth in this PRR  
14 testimony reflect recorded values related to Commission directives, regulatory filings (e.g.,  
15 advice letters), or the timing of when projects become operational. The result may be an increase  
16 or decrease when compared to forecasted values. The revised PRR RO calculations in this  
17 testimony reflect authorized base margin revenues for the 2018 annual post-test year rate  
18 adjustment adopted by the Commission in D.16-06-054 (SDG&E’s TY 2016 GRC Decision),  
19 Cost of Capital true up approved in D.17-07-005, rate recovery of Otay Mesa Energy Center  
20 (OMEC) approved in D.06-09-021, and cost allocation of the Smart Pricing Program (SPP)  
21 adopted in D.12-12-004.

22 Relative to revenues at present rates calculated for TY 2019 using rates effective as of  
23 January 1, 2018, the electric department base margin revenue increase, which includes Electric  
24 Distribution, the San Onofre Nuclear Generating Station (SONGS) and Generation components,  
25 is \$111 million (including \$151 million for Electric Distribution, and -\$40 million for  
26 Generation). For the gas department, the increase is \$105 million. Appendix A of this testimony  
27 includes the updated Summary of Earnings tables to show the comparison between the revised

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<sup>1</sup> D.07-07-004, Appendix A at A-30, paragraph 3.

<sup>2</sup> Revenue requirement is made up of two revenue components: base margin revenues, collected in customer rates, and miscellaneous revenues, collected in fees.

<sup>3</sup> The base margin increase does not reflect the reverse impact of corrections as explained in the Revised Summary of Earnings Testimony of Khai Nguyen (SDG&E-42-R), page KN-1.

1 PRR using the 2018 effective rates (2019 Present Rates) and the TY 2019 revenue requirement  
 2 (2019 Proposed Rates). The Summary of Earnings testimony of Khai Nguyen (Exhibit SCG-42-  
 3 R) submitted in December 2017 presents the total revenue requirement, which remains  
 4 unchanged from this PRR update:<sup>4</sup>

REVISED (December)	UPDATED (January)
Exhibit (SDG&E-42-R), Appendix A, Table KN – 1 Combined Summary of Earnings	Exhibit (SDG&E-48), Appendix A, Table RH – 1U Combined Summary of Earnings
Exhibit (SDG&E-42-R), Appendix A, Table KN – 2, Electric Summary of Earnings	Exhibit (SDG&E-48), Appendix A, Table RH – 2U, Electric Summary of Earnings
Exhibit (SDG&E-42-R), Appendix A, Table KN – 5, Gas Summary of Earnings	Exhibit (SDG&E-48), Appendix A, Table RH – 5U, Gas Summary of Earnings

5  
 6 Appendix B of my testimony presents details of the base margin changes.  
 7 The updated line items for Table RH – 1U, Combined Summary of Earnings are as  
 8 follows:

<u>Line #</u>	<u>Description</u>	<u>Present Rates (2019\$) Updated</u> <u>(thousands of dollars)</u>
11 1	Base Margin	\$1,961,947
12 19	Uncollectibles	\$3,414
13 20	Franchise Fees	\$63,192
14 23	Taxes on Income	\$60,927
15 26	Return	\$360,051

<sup>4</sup> The Summary of Earnings tables have not been updated to reflect the reverse impact of corrections totaling \$2,468,000 as explained in the Revised Summary of Earnings Testimony of Khai Nguyen (SDG&E-42-R), page KN-1. Thus, SDG&E’s total revenue requirement request at this time remains at \$2,198,718,000 until Exhibit SDG&E-42-R is updated to reflect a proposal to be submitted in supplemental testimony, as discussed on page KN-1.

1	27	Rate Base	\$6,310,165
2	28	Rate of Return	5.71%

3

4 The updated line items for Table RH – 2U, Electric Summary of Earnings are as follows:

5	<u>Line #</u>	<u>Description</u>	<u>Present Rates (2019\$) Updated</u>
6			<u>(thousands of dollars)</u>
7	1	Base Margin	\$1,637,656
8	19	Uncollectibles	\$2,850
9	20	Franchise Fees	\$56,447
10	23	Taxes on Income	\$73,363
11	26	Return	\$340,630
12	27	Rate Base	\$5,300,732
13	28	Rate of Return	6.43%

14

15 The updated line items for Table RH – 5U, Gas Summary of Earnings are as follows:

16	<u>Line #</u>	<u>Description</u>	<u>Present Rates (2019\$) Updated</u>
17			<u>(thousands of dollars)</u>
18	1	Base Margin	\$324,291
19	19	Uncollectibles	\$564
20	20	Franchise Fees	\$6,745
21	23	Taxes on Income	(\$12,436)
22	26	Return	\$19,422
23	27	Rate Base	\$1,009,433
24	28	Rate of Return	1.92%

25

26 I have updated the RO model to reflect the changes discussed in this testimony.

27

1 **WITNESS QUALIFICATIONS**

2 My name is Ryan Hom. My business address is 555 West Fifth Street, Los Angeles,  
3 California, 90013-1011. I am currently employed by SoCalGas as the GRC Financial Analysis  
4 Manager responsible for developing the revenue requirement forecasts for both SDG&E and  
5 SoCalGas.

6 I received a Bachelor of Science Degree in Economics and a minor in Management from  
7 University California, Irvine. I was first employed by SoCalGas in 2006 and have held various  
8 positions in the Customer Services, Regulatory Affairs and Accounting and Finance areas of the  
9 company.

10 I have not previously testified before the Commission.

## LIST OF ACRONYMS

<b>ACRONYM</b>	<b>DEFINITION</b>
AL	Advice Letter
Commission	California Public Utilities Commission
D.	Decision
GRC	General Rate Case
OMEC	Otay Mesa Energy Center
PRR	Present Rate Revenues
RO	Results of Operations
SDG&E	San Diego Gas & Electric Company
SONGS	San Onofre Nuclear Generation Station
SPP	Smart Pricing Program
TY	Test Year

**APPENDIX A – SUMMARY OF EARNINGS TABLES**

Table RH-1U  
SAN DIEGO GAS & ELECTRIC COMPANY  
TEST YEAR 2019  
COMBINED SUMMARY OF EARNINGS  
(Thousands of Dollars)

Line No.	Description	2019	2019
		Present Rates (2019\$)	Proposed Rates (2019\$)
1	Base Margin	1,961,947	2,178,274
2	Miscellaneous Revenues	19,199	17,976
3	Revenue Requirement	1,982,005	2,196,250
<u>OPERATING &amp; MAINTENANCE EXPENSES</u>			
4	Distribution	194,263	194,263
5	Gas Transmission	6,668	6,668
6	PSEP	-	-
7	Generation	63,412	63,412
8	Engineering	11,000	11,000
9	Procurement	8,641	8,641
10	Customer Services	94,453	94,453
11	Information Technology	96,357	96,357
12	Support Services	100,354	100,354
13	Administrative and General	480,918	480,918
14	Subtotal (2016\$)	1,056,065	1,056,065
15	Shared Services Adjustments	(16,573)	(16,573)
16	Reassignments	(183,853)	(183,853)
17	FERC Transmission Costs	(74,320)	(74,320)
18	Escalation	32,901	32,901
19	Uncollectibles	3,414	3,790
20	Franchise Fees	63,192	69,213
21	Total O&M (2019\$)	880,825	887,222
22	Depreciation & Amortization	559,662	559,662
23	Taxes on Income	60,927	151,998
24	Taxes Other Than on Income	120,540	120,540
25	Total Operating Expenses	1,621,954	1,719,422
26	Return	360,051	476,828
27	Rate Base	6,310,165	6,315,601
28	Rate of Return	5.71%	7.55%



Table RH-2U  
SAN DIEGO GAS & ELECTRIC COMPANY  
TEST YEAR 2019  
ELECTRIC SUMMARY OF EARNINGS  
(Thousands of Dollars)

Line No.	Description	2019	2019
		Present Rates (2019\$)	Proposed Rates (2019\$)
1	Base Margin	\$ 1,637,656	\$ 1,748,981
2	Miscellaneous Revenues	14,993	14,993
3	Revenue Requirement	\$ 1,653,508	\$ 1,763,974
<u>OPERATING &amp; MAINTENANCE EXPENSES</u>			
4	Distribution	157,783	157,783
5	Gas Transmission	-	-
6	PSEP	-	-
7	Generation	63,131	63,131
8	Engineering	-	-
9	Procurement	8,641	8,641
10	Customer Services	59,422	59,422
11	Information Technology	71,478	71,478
12	Support Services	78,040	78,040
13	Administrative and General	385,312	385,312
14	Subtotal (2016\$)	823,808	823,808
15	Shared Services Adjustments	(23,280)	(23,280)
16	Reassignments	(142,668)	(142,668)
17	FERC Transmission Costs	(74,320)	(74,320)
18	Escalation	22,877	22,877
19	Uncollectibles (0.174%)	2,850	3,043
20	Franchise Fees (3.4468%)	56,447	60,284
21	Total O&M (2019\$)	665,712	669,743
22	Depreciation & Amortization	474,694	474,694
23	Taxes on Income	73,363	119,997
24	Taxes Other Than on Income	99,108	99,108
25	Total Operating Expenses	\$ 1,312,878	\$ 1,363,543
26	Return	340,630	400,431
27	Rate Base	5,300,732	5,303,716
28	Rate of Return	6.43%	7.55%

Table RH-5U  
SAN DIEGO GAS & ELECTRIC COMPANY  
TEST YEAR 2019  
GAS SUMMARY OF EARNINGS  
(Thousands of Dollars)

Line No.	Description	2019	2019
		Present Rates (2019\$)	Proposed Rates (2019\$)
1	Base Margin	\$ 324,291	\$ 429,293
2	Miscellaneous Revenues	4,206	2,983
3	Revenue Requirement	\$ 328,497	\$ 432,276
<u>OPERATING &amp; MAINTENANCE EXPENSES</u>			
4	Distribution	36,480	36,480
5	Gas Transmission	6,668	6,668
6	PSEP	-	-
7	Generation	280	280
8	Engineering	11,000	11,000
9	Procurement	-	-
10	Customer Services	35,031	35,031
11	Information Technology	24,879	24,879
12	Support Services	22,314	22,314
13	Administrative and General	95,606	95,606
14	Subtotal (2016\$)	232,258	232,258
15	Shared Services Adjustments	6,707	6,707
16	Reassignments	(41,185)	(41,185)
17	FERC Transmission Costs		
18	Escalation	10,024	10,024
19	Uncollectibles (0.174%)	564	747
20	Franchise Fees (2.0799%)	6,745	8,929
21	Total O&M (2019\$)	215,113	217,479
22	Depreciation & Amortization	84,968	84,968
23	Taxes on Income	(12,436)	32,001
24	Taxes Other Than on Income	21,431	21,431
25	Total Operating Expenses	\$ 309,075	\$ 355,879
26	Return	19,422	76,397
27	Rate Base	1,009,433	1,011,885
28	Rate of Return	1.92%	7.55%

**APPENDIX B – BASE MARGIN AND REVENUE REQUIREMENT**

SAN DIEGO GAS & ELECTRIC COMPANY  
TEST YEAR 2019  
ELECTRIC PRESENT RATE REVENUE  
(Thousands of Dollars)

<u>1/1/2017 Estimated PRR</u>	<u>Elec Dist</u>	<u>SONGS</u>	<u>Generation</u>	<u>Total</u>
Base margin w/o FF&U	1,235,362	1,351	238,468	1,475,181
FF&U	46,093	51	8,454	54,598
Base margin	1,281,455	1,402	246,922	1,529,779

<u>1/1/2018 Estimated PRR</u>	<u>Elec Dist</u>	<u>SONGS</u>	<u>Generation</u>	<u>Total</u>
Base margin w/o FF&U	1,249,754	1,359	331,953	1,583,066
FF&U	46,578	51	8,660	55,289
Base margin	1,296,332	1,410	340,613	1,638,355

<u>2019 Application</u>	<u>Elec Dist</u>	<u>SONGS</u>	<u>Generation</u>	<u>Total</u>
Base margin w/o FF&U	1,410,757		275,758	1,686,515
FF&U	53,000		10,348	63,348
Base margin	1,463,757	-	286,106	1,749,863

<u>Variance (2019 Application vs 1/1/2018 Est PRR)</u>	<u>Elec Dist</u>	<u>SONGS</u>	<u>Generation</u>	<u>Total</u>
Base margin w/o FF&U	161,003	(1,359)	(56,195)	103,449
FF&U	6,422	(51)	1,688	8,059
Base margin	167,425	(1,410)	(54,507)	111,508

Notes

- Includes Smart Pricing Program (SPP) D.12-12-004
- Generation includes Otay Mesa Energy Center: \$11,654 for 2017 and \$87,700 for 2018
- 2018 includes Cost of Capital update D.17-07-005

SAN DIEGO GAS & ELECTRIC  
TEST YEAR 2019  
GAS PRESENT RATE REVENUE  
(Thousands of Dollars)

	2017 rates	2018 rates	2019 GRC	2018 to 2019 increase/(decrease)
Authorized Base Margin in 2016 GRC (1)	\$304,021	\$304,021	\$428,412	\$124,391
2017 attrition w/ffu	\$10,635	\$10,635		(\$10,635)
2018 attrition w/ffu		\$11,007		(\$11,007)
Cost of Capital True up Adjustment (2)		(\$2,070)		\$2,070
<b>Base Margin (net Misc. Revenue, Includes FF&amp;U)</b>	<b>\$314,656</b>	<b>\$323,593</b>	<b>\$428,412</b>	<b>\$104,819</b>
Net System Integration Adjustment	(\$36,770)	(\$36,770)	(\$36,770)	\$0
Other Adjustments to Base Margin:				
Adjusted Other Operating Costs and Revenues	\$16,419	\$19,254	\$21,272	\$2,018
AB32 Admin Fee from Base Margin	(\$573)	(\$573)	(\$529)	\$44
Regulatory Accounts	\$99,520	\$61,061	\$105,399	\$44,339
SW Adjustment (EG & NGV)	\$999	\$2,035	\$2,499	\$463
TLS Adjustments (NCCI/EG/WS/DGN)	\$1,264	(\$2,492)	\$1,256	\$3,748
<b>Rate Revenues (excluding PPPS, Gas)</b>	<b>\$395,515</b>	<b>\$366,108</b>	<b>\$521,539</b>	<b>\$155,431</b>

(1) Per 2016 GRC D.16-06-054

(2) Per D.17-07-005