**DATA REQUEST**

**Subject: Marginal Distribution Demand Costs (Real Economic Carrying Charges and Fixed O&M Overhead Cost)**

1. Please provide the source file for the real economic carrying charge (RECC) calculations. In an email on July 24, 2019, SDG&E witness Bill Saxe provided an excel file that listed 7.06 as the RECC value for Substations and 7.18 as the RECC value for Feeders and Local Distribution. These numbers were hardcoded values. Please provide the workbook that shows how these values were derived.

**SDG&E Response:**

The source file for the RECC factors used in the 2019 GRC Phase marginal distribution cost workpapers is the attached (“Financial Assumptions 2018”) file. This file presents the RECC factors and the input data used to calculate the RECC factors.



The RECC factors presented in the “Financial Assumption 2018” file are calculated in the following manner:



Where,

* *PVRR* is the present value of the revenue requirements associated with a particular capital asset.  The revenue requirements are the calculated annual stream of capital carrying costs spanning the life of the asset.  Capital carrying costs include:
	+ Book depreciation (return of capital)
	+ Salvage
	+ Authorized rate of return on equity and debt (return on capital)
	+ Income taxes
	+ Property taxes
* *ROR* is the discount rate, or authorized rate of return.
* *Inflation* is the expected rate of inflation over the life of the asset.
* *Book life* is the asset’s book life in years.

The attached Excel file shows the RECC derivation for one FERC account (FERC Account E-362). The Excel file contains a Rev Req summary and RECC derivation (tab labeled “Rev Req”).  The “Engine Data” tab is the results of the Rev Req calculation (from the Engine) for each specific FERC account.  The “Engine Interface” tab shows the specific tax and depreciation characteristics used in deriving the Rev Req and RECC for that specific FERC account.



2. In the same workbook referenced above (sent in an email on July 24th 2019), Cells I30 and I31 are hardcoded figures that represent plant additions. Please provide more context on those figures. Where do they come from and what do they represent? Are they simply plant additions in 2017 for FERC accounts 366 and 367 respectively?

**SDG&E Response:**

Yes, Cells I30 and I31 of this file represent FERC Account 366 and 367 plant additions in 2017. These plant additions are needed to calculate the weighted average RECC for service drops based on the plant additions associated with underground conduits (FERC Account 366) and underground conductors & devices (FERC Account 367) that make up service drop costs.

3. In Bill Saxe’s publicly available marginal distribution demand cost (MDDC) workpaper, there are hardcoded values that represent O&M Overhead Cost for Substations (3.83 $/kW/Yr) and O&M Overhead Cost for Feeders and Local Distribution. (12.51 $/kW/Yr). Please provide the source file for these figures which shows how they were derived.

**SDG&E Response:**

The attached file (“FERC-O&M Costs for Distribution Demand”) provides the source file for the $3.83/kW-year and $12.51/kW-year O&M cost calculations.



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