Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2019 General Rate Case
Application: A.17-10-007/008 (cons.)
Exhibit: SDG&E-235

SDG&E

REBUTTAL TESTIMONY OF RAGAN G. REEVES

(TAXES)

JUNE 18, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

SDGE
A Sempra Energy utility®

TABLE OF CONTENTS

I. INTRODUCTION 1

A. ORA 1

B. TURN 2

C. FEA 4

II. REBUTTAL TO PARTIES' PROPOSALS 5

A. ORA 5

1. Issues Not in Dispute 5

2. Disputed Issues 5

a. SDG&E's Forecasts for Computing its Composite Payroll Tax Rate are Reasonable 5

i. SDG&E's OASDI Wage Base Limitation Methodology is Consistent with the Methodology that is Reflected in the 2012 and 2016 Final GRC Decisions for SDG&E 6

ii. ORA's Proposed OASDI Wage Base Limitation for 2018 Would Not Impact the Composite Payroll Tax Rate for TY 2019 6

iii. ORA's Proposed OASDI Wage Base Methodology for 2019 Does Not Provide a More Reasonable Forecast than SDG&E's Methodology 6

b. TMA Proposals 7

i. SDG&E's Proposal to Continue the TMA to SDG&E's 2019 GRC Cycle Should be Adopted 7

ii. SDG&E's TMA Proposal is Consistent with both Long-Standing and Recent Commission Policy and Precedent ... 9

iii. The TMA's Purpose and Scope Should be Consistent with Commission Policy and Precedent 11

c. ORA's Proposal for an Annual Disposition of Significant TMA Balances Is Premature 12

B. TURN 13

1. SDG&E's Treatment of New Cost of Removal Book Accruals in the ARAM Calculation Should be Adopted 13

2. SDG&E's Amortization Method for Unprotected Excess ADIT Should be Adopted 15

a. SDG&E's Methodology is Reasonable, Consistent, and Fair to Ratepayers 16

b. TURN's Proposed Methodology Is Inconsistent 17

c. Calculation Errors in TURN's Proposed Adjustments 19
3. ARAM Forecasts for the Post-Test Year Period..... 20
4. Proposed Prospective Change to Tax Lives for Streetlights..... 21
5. Proposed Changes to SDG&E's Property Tax Forecasts 21
a. SDG&E Will Correct a Formula Error in its Property Tax Calculation in the Update Testimony Phase of this GRC..... 21
b. TURN's Second Proposed Change to Property Taxes Should Be Rejected 22
C. FEA 24
1. Amortization of Excess ADIT 24
2. Continuation of SDG&E's TMA for the 2019 GRC Cycle..... 25
III. CONCLUSION..... 25

APPENDIX A – DATA REQUEST SEU-ORA-DR-003
APPENDIX B – DATA REQUEST TURN-SEU-DR-060
APPENDIX C – GLOSSARY OF TERMS

SDG&E REBUTTAL TESTIMONY OF RAGAN G. REEVES (TAXES)

I. INTRODUCTION

This rebuttal testimony regarding San Diego Gas & Electric Company's (SDG&E) request for Taxes addresses the following testimony from other parties:

- The Office of Ratepayer Advocates (ORA) as submitted by Mr. K. Jerry Oh (Ex. ORA-02), dated April 13, 2018.[1]
- The Utility Reform Network (TURN) as submitted by Mr. William P. Marcus (Ex. TURN-03), dated May 14, 2018.[2]
- The Federal Executive Agencies (FEA) as submitted by Ralph C. Smith (Ex. FEA-1), dated May 14, 2018.[3]

Please note that the fact that I may not have responded to every issue raised by others in this rebuttal testimony, does not mean or imply that SDG&E agrees with the proposal or contention made by these or other parties. The forecasts contained in SDG&E's direct testimony are based on sound estimates of its revenue requirements at the time of testimony preparation.

A. ORA

ORA issued its report on Taxes on April 13, 2018.[4] The following is a summary of ORA's positions:

- ORA does not oppose SDG&E's methodology for calculating income taxes, ad valorem taxes, or franchise fees.[5]
- ORA proposes two changes to the calculation of SDG&E's composite payroll tax rate. First, ORA proposes that SDG&E use an Old-Age, Survivors, and Disability

[1] April 13, 2018, Direct Testimony of K. Jerry Oh, Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2019 General Rate Case, Summary of Earnings and Taxes, Ex. ORA-02 (Ex. ORA-02 (Oh)).

[2] May 14, 2018, Prepared Testimony of William Perea Marcus, Report on the Various Results of Operations Issues in Southern California Gas Company's and San Diego Gas and Electric Company's 2016 Test Year General Rate Cases, Ex. TURN-03 (Ex. TURN-03 (Marcus)).

[3] May 14, 2018, Direct Testimony of Ralph C. Smith, CPA, on behalf of The Federal Executive Agencies, Ex. FEA-1 (Ex. FEA-1 (Smith)).

[4] See Ex. ORA-2 (Oh).

[5] *Id*. at 4.

Insurance (OASDI) wage base limitation of $128,400 for calculating the forecasted 2018 composite payroll tax rates.[6] Second, ORA proposes that SDG&E use an OASDI wage base limitation of $132,300 for calculating the forecasted 2019 composite payroll tax rates.[7] With the exception of these two proposed changes, ORA does not object to SDG&E's methodology and calculation for payroll taxes.[8]

- ORA proposes that the California Public Utilities Commission (Commission) continue SDG&E's Tax Memorandum Account (TMA) for the 2019 General Rate Case (GRC) cycle,[9] and that "the TMA should also incorporate changes to deferred income taxes and other functional accounts that are impacted by the tax law."[10] ORA also proposes that SDG&E "should file an annual advice letter to make appropriate adjustments to revenue requirement" if "tax changes result in significant balances" in the TMA.[11]

B. TURN

TURN submitted testimony on May 14, 2018.[12] The following is a summary of TURN's positions:

- In TURN's view, SDG&E has not provided an appropriate method for identifying and returning excess Accumulated Deferred Income Taxes (ADIT) because SDG&E has applied the Average Rate Assumption Method (ARAM) to both protected and unprotected excess ADIT. This results in returning more money in the distant future than at present.[13]

---

[6] *Id*. at 3.

[7] *Id*.

[8] *Id*. at 4.

[9] *Id*.

[10] *Id*. at 17-18.

[11] *Id*. at 18.

[12] *See* Ex. TURN-03 (Marcus).

[13] *Id.* at 79-80.

- TURN believes that the Commission not only has discretion for non-protected assets, but should use it in a manner that maximizes the near-term benefit to SDG&E's customers.[14]
- TURN recommends a two-step process. First, the Commission should order SDG&E to seek a private letter ruling on the ARAM issue for "unprotected" excess ADIT. This is consistent with TURN's recommendations for Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E). Second, the Commission should direct SDG&E to track the difference between the use of ARAM as set forth in their supplemental tax testimony and ARAM as defined using the entirety of deprecation including net salvage—or, alternatively, preserve that issue by requiring that it be tracked as part of the tax memorandum account.[15]
- TURN recommends that the unprotected excess ADIT, excluding the cost of removal portion, should be returned to customers over six years. According to TURN's calculations, the effect would be to reduce SDG&E's rates by $5.536 million.[16]
- Rather than assuming the ARAM amounts that will be returned to ratepayers are the same for the two attrition years as in the test year, TURN recommends that ARAM costs should be increased in the post-test years by $2.9 million more than SDG&E has assumed.[17]
- TURN recommends that the Commission require SDG&E to make a prospective change in the calculation of the tax lives of streetlights starting with its 2018 tax return to be filed in 2019, otherwise with its 2019 tax return.[18]

[14] *Id*. at 80.

[15] *Id*. at 82-83.

[16] *Id*. at 83, 85.

[17] *Id*. at 85.

[18] *Id*. at 85-86.

- TURN proposes reducing SDG&E's property taxes charged as current operating expenses by $9.389 million to correct an error in the calculation of deferred taxes, and to modify SDG&E's calculation assumptions to exclude the relatively high increase in property tax rates from 2013 to 2014.[19]

C. FEA

FEA submitted testimony on May 14, 2018.[20] The following is a summary of FEA's positions:

- FEA agrees with SDG&E that ARAM should be utilized for the amortization of the "protected" excess ADIT, because it is required to maintain compliance with the IRS normalization requirements.[21]
- FEA disagrees with SDG&E that ARAM should also be applied to the "unprotected" excess ADIT because it is unnecessarily complicated and could result in significantly different amounts of amortization in each year. Instead, FEA recommends that SDG&E's unprotected excess ADIT be amortized on a straight-line basis, using an amortization period such as 10 years or less that will return those excess funds to customers more rapidly than what SDG&E has proposed.[22]
- FEA recommends that the TMA remain open through the 2019 GRC cycle to capture all the effects of the Tax Cuts and Jobs Act (TCJA), including amortization of excess ADIT, which, under ARAM, could fluctuate from year-to-year. Since SDG&E will not file its 2018 tax return until 2019, closing the account in 2018 will not capture all of the effects of the TCJA occurring during the 2019 GRC cycle.[23]

[19] *Id*. at 90.

[20] *See* Ex. FEA-1 (Smith).

[21] *Id*. at 15.

[22] *Id*. at 16-17.

[23] *Id*. at 50.

II. REBUTTAL TO PARTIES' PROPOSALS

A. ORA

1. Issues Not in Dispute

ORA does not object to SDG&E's calculation of income taxes, ad valorem taxes, or franchise fees. Accordingly, any differences between SDG&E's and ORA's estimates of income tax expense, ad valorem taxes, franchise fees, and deferred taxes are attributable to differences in forecasted capital additions, rate base, and other non-tax-related adjustments resulting from ORA's proposed changes to SDG&E's GRC application. In addition, except for ORA's two recommendations regarding OASDI wage base limitations for 2018 and 2019 (discussed below), ORA does not object to SDG&E's methodology and calculation for payroll taxes.

2. Disputed Issues

a. SDG&E's Forecasts for Computing its Composite Payroll Tax Rate are Reasonable

For its computation of the composite payroll tax rate, SDG&E uses the projected OASDI wage base limitations for 2018 and 2019, published in the Social Security Administration's (SSA) 2017 Annual Report (2017 Annual Report). Those amounts are $130,500 and $135,600 for 2018 and 2019, respectively.

ORA proposes two changes to SDG&E's forecasts of the OASDI wage base limitations. First, for 2018, ORA recommends using the Office of Retirement and Disability Policy's 2018 OASDI wage base limitation of $128,400.[24] Second, for 2019, ORA recommends using its calculated forecast of a 2019 OASDI wage base limitation of $132,300.[25] Based on its proposals, ORA recommends a composite payroll tax rate of 7.40% for Test Year (TY) 2019, instead of SDG&E's proposed composite payroll tax rate of 7.44%. For the reasons discussed below, SDG&E's forecasts of the OASDI wage base limitation for 2018 and 2019 are reasonable, and ORA's proposed changes to those forecasts should not be adopted.

[24] Ex. ORA-02 (Oh) at 7. ORA's proposed change for 2018 does not impact the forecasted composite payroll tax rate for TY 2019.

[25] *Id*.

i. SDG&E's OASDI Wage Base Limitation Methodology is Consistent with the Methodology that is Reflected in the 2012 and 2016 Final GRC Decisions for SDG&E

SDG&E's methodology for forecasting the OASDI wage base for 2018 and 2019 is to use the projected wage base limitation amounts from the most recently published SSA Annual Report available at the time the GRC Application is filed. SDG&E does not attempt to derive or predict what the OASDI wage base limitations will be in future years. Instead, SDG&E uses the amounts forecasted by the SSA, the agency responsible for setting these amounts.

SDG&E's methodology is reasonable. It is consistent with the methodology that SDG&E used in developing its 2012 and 2016 GRC forecasts, which were adopted by the Commission. Notably, in the final decision for SDG&E's 2012 GRC, the Commission held that SDG&E's "forecasts of the payroll taxes are reasonable and should be used instead of adopting the adjustments that DRA, TURN and UCAN have proposed."[26]

ii. ORA's Proposed OASDI Wage Base Limitation for 2018 Would Not Impact the Composite Payroll Tax Rate for TY 2019

ORA's proposed change to the 2018 OASDI wage base limitation is unnecessary for purposes of calculating the TY 2019 revenue requirement. Even if ORA's recommendation for 2018 were adopted, the recommendation would only impact the 2018 forecasted year. It would have no impact on the composite payroll tax rate for TY 2019.

iii. ORA's Proposed OASDI Wage Base Methodology for 2019 Does Not Provide a More Reasonable Forecast than SDG&E's Methodology

ORA has not demonstrated in its testimony that its proposed approach to forecasting the OASDI wage base for 2019 is a more accurate or reliable indicator of the wage base than SDG&E's approach. ORA derived its forecast of the OASDI wage base for 2019 "by using a five year trend to derive the 2017 average wage index, which in turn was used in the formula for determining the OASDI contribution and benefit base set by law."[27] To forecast the national average wage index for 2017, "ORA used the latest five years of SSA Raw Data wage (2012 to

[26] Decision (D.) 13-05-010 at 939. Payroll taxes was not a litigated issue in SDG&E's 2016 GRC and was not specifically addressed by the Commission in the final 2016 GRC decision.

[27] Ex. ORA-02 (Oh) at 7.

2016) and applied a least-squares trend."[28] The SSA's website includes a detailed description of the computational rules and formulas for determining the OASDI wage base. But the SSA's description does not mention raw data average wages, five-year averaging, or a "least-squares trend."[29] ORA fails to provide authority or otherwise describe in either its testimony or its data request response what a "least-squares trend" is, or why it is appropriate to use raw data average wages, five-year averaging, or a least-squares trend to forecast the OASDI wage base limitation for 2019.

In short, ORA offers no explanation to justify why its forecast is more reasonable than SDG&E's forecast. In contrast, SDG&E's forecast relies on the most recently published Annual Report by the SSA, the agency that determines the OASDI wage base limitation. This is the same methodology SDG&E has used in prior GRC proceedings; one that has been approved by the Commission.[30]

For these reasons, SDG&E's forecasts of the 2018 and 2019 OASDI wage base limitations are reasonable, and the Commission should reject ORA's recommended changes to the OASDI wage base limitations.

b. TMA Proposals

i. SDG&E's Proposal to Continue the TMA to SDG&E's 2019 GRC Cycle Should be Adopted

SDG&E proposed in its direct testimony that the Commission eliminate the TMA for the 2019 GRC cycle, because SDG&E believed the TMA was no longer necessary.[31] SDG&E also made the following alternative proposal regarding the TMA:[32]

> If the Commission disagrees with SDG&E and believes that a TMA is necessary for the 2019 GRC cycle, SDG&E proposes that the Commission reaffirm that the TMA is not intended to be a true-up mechanism for taxes (and thus is not

[28] ORA response to Sempra Data Request 3 (April 27, 2018), attached as Appendix A.

[29] *See* https://www.ssa.gov/oact/cola/cbbdet.html.

[30] If the projected OASDI wage bases change in the 2018 Annual Report when that report is issued, and if such changes would cause a material change to the forecasted payroll taxes for 2019, SDG&E will update its 2019 payroll tax forecast in its Update Testimony filing (consistent with SDG&E's approach in prior GRCs). *See* April 6, 2018, Second Revised Direct Testimony of Ragan G. Reeves, Ex. SDG&E-35-2R (Ex. SDG&E-35-2R (Reeves)) at 5, n. 10.

[31] *Id*. at 37.

[32] *Id*.

> intended to track the differences between forecasted and actual tax deductions that are caused by factors outside of tax and are unrelated to changes in tax law, tax accounting methods, tax procedures, or tax policy), but is intended to track the revenue impact of changes in tax law, tax accounting methods, tax procedures, and tax policy. Such a reaffirmation would be consistent with the Commission's long-standing policy of not truing-up differences between forecasted and actual tax deductions, as articulated by the Commission in Order Instituting Investigation (OII) 24 and in D.17-05-013. Accordingly, the differences, positive or negative, between forecasted and actual tax expenses caused by derivative factors outside of tax and unrelated to changes in tax law, tax accounting methods, tax procedures, or tax policy would continue to flow to SDG&E's bottom line for each taxable year, consistent with the Commission's long-standing policy.[33]

ORA opposes SDG&E's proposal to eliminate the TMA and supports the extension of the TMA to the 2019 GRC cycle.[34] ORA believes that the uncertainties and complexities of certain provisions in the recently enacted TCJA "and the likelihood of the issuance of the IRS regulations interpreting the new tax law" support the extension of the TMA.[35]

SDG&E agrees with ORA that areas of uncertainty remain under the TCJA, and that the IRS is likely to issue regulations or other guidance interpreting the new law. SDG&E also believes it is unlikely that all of the uncertainties regarding the TCJA's provisions that impact SDG&E will be resolved before SDG&E's 2018 income tax returns are filed. Therefore, SDG&E is no longer requesting that the Commission eliminate the TMA for the 2019 GRC cycle. Rather, SDG&E recommends that the Commission adopt SDG&E's alternative proposal described above for continuing the TMA for the 2019 GRC cycle. This would accomplish the Commission's goals in establishing the TMA, while ensuring that the scope of the TMA is consistent with long-standing Commission policy and precedent, as discussed in more detail below.

[33] *See* 1984 Cal. PUC LEXIS 1325 at *33-34, where the Commission rejected an actual taxes standard.

[34] Ex. ORA-02 (Oh) at 17.

[35] *Id.*

ii. SDG&E's TMA Proposal is Consistent with both Long-Standing and Recent Commission Policy and Precedent

The Commission held in OII 24 that the impact of tax adjustments in excess of or below what was forecasted in the GRC generally should not be trued up.[36] In its decision, the Commission explained the view expressed by both Commission staff and Industry representatives that seeking a change from this general ratemaking policy for a particular, isolated tax item would not be appropriate:

> Staff and Industry agree . . . that differences in income taxes between estimated and actual cannot be isolated from other factors in determining whether an adjustment should be made to the test-year estimate. Any review of differences would have to include the effects of differences of all estimates for revenues, operating expenses, income taxes and return on investment. Any prospective adjustment based on past over-or underestimates would have to take into consideration the overall effect of the differences for all components of the test-year. Under these circumstances parties recommend no change in the present ratemaking procedure.[37]

The Commission agreed with the recommendation of the parties that it generally was not appropriate or good policy to true up forecasted income taxes to actual amounts:

> Since income taxes are derived residually, we agree that individual factors should not be isolated for purposes of comparing estimated and recorded results. Obviously, if the utility earnings are substantially less than authorized, then a comparison of estimated and actual income taxes is misleading. Moreover, an across-the-board comparison of estimated and recorded results is not useful for any purpose other than informational, because it is consistent with test-year ratemaking.[38]

More recently, in its final decision in PG&E's 2017 GRC, the Commission instructed PG&E to establish a TMA "consistent with our identical orders in the SDG&E and SoCalGas Test Year 2016 proceeding."[39] The stated purpose, terms, and requirements of PG&E's TMA

---

[36] *See* 1984 Cal. PUC LEXIS 1325 at *33-34 ("such differences are inherent in the use of future test periods for ratemaking . . . Since income taxes are derived residually, we agree that individual factors should not be isolated for purposes of comparing estimated and recorded results.").

[37] *Id.* at *33.

[38] *Id.* at *34.

[39] D.17-05-013 at 116.

were identical to what the Commission had ordered in SDG&E's 2016 GRC Decision.[40] In its decision, the Commission clarified that the intent of the TMA is not to adopt a true-up mechanism for taxes, and that the Commission has not changed its longstanding policy on this issue:

> PG&E's arguments rely on an incomplete reading of D.84-05-036 to oppose an outcome that is not, in fact, part of the APD. The Commission begins D.84-05-036 with an explanation that "[i]n the order that instituted this investigation we stated "the determination of reasonable allowable ratemaking expenses for federal and state income taxes is a matter of continuing concern to this Commission in its effort to establish reasonable utility rates." The Commission then addresses a number of specific questions with respect to taxes and appropriate ratemaking policies. PG&E cites D.84-05-036 and asserts that "[t]he Commission acknowledged that differences between estimated and recorded tax deductions and correspondingly estimated and recorded tax expense will occur in the ratemaking process and concluded that a true-up mechanism for taxes is not good policy." While the Commission does decline to "require utilities to submit adjustments reflecting reductions in taxes," it qualifies this result by stating "[w]e agree that changes in tax laws may be taken into account in ratemaking." **The APD does not adopt any sort of "true-up mechanism" – rather, it adopts a mechanism that will provide the Commission with the information that it needs so that "changes in tax laws may be taken into account in ratemaking." PG&E appears concerned that the APD adopts what PG&E terms an "actual taxes" standard**, stating "[i]n light of the widely recognized problems inherent in an actual taxes standard, it would be expected that a change in policy be preceded by a well-articulated explanation; however, the APD makes no reference to OII 24, let alone an attempt to rationalize the APD's outcome against the instruction in OII 24." **Again, the APD makes no such change in policy**.[41]

Accordingly, the Commission clearly articulated in its decision in the PG&E 2017 GRC that the purpose and intent of the TMA is not to true up forecasted taxes to actual taxes. Instead, it is to gain a better understanding of, and visibility into, "the revenue impacts caused by the utilities' implementation of various tax laws, tax policies, tax accounting changes, or tax procedure changes."[42]

---

[40] *Id.* at 116-117.

[41] D.17-05-013 at 226-227 (citations omitted; emphasis added).

[42] D.16-06-054 at 196; *see also* D.17-05-013 at 116-117.

iii. The TMA's Purpose and Scope Should be Consistent with Commission Policy and Precedent

ORA recommends that the TMA "should track any revenue differences resulting from the differences in the income tax expense forecast in SDG&E and SoCalGas' GRC, and the tax expenses incurred during the GRC period, including any revenue differences resulting from changes in tax deduction, deferred tax assets and liabilities, and other items **impacted by tax changes**."[43] If ORA intends "impacted by tax changes" to mean the revenue impact of changes in tax law, tax accounting methods, tax procedures, or tax policy, SDG&E's current TMA for the 2016 GRC cycle already tracks such changes, and SDG&E proposes that the TMA for the 2019 GRC cycle should continue to track the revenue impact of such tax changes.

ORA also recommends that "[g]iven the extensive changes in the current tax law, the TMA should also incorporate changes to deferred income taxes and other functional accounts that are impacted by the tax law."[44] Again, SDG&E's current TMA for the 2016 GRC cycle already tracks the revenue impact of both mandatory and elective changes in tax law. SDG&E proposes that the TMA for the 2019 GRC cycle should continue to track the revenue impact of mandatory and elective changes in tax law.

But if, and to the extent that, ORA is proposing that revenue differences resulting from differences between forecasted and incurred income tax expenses that are caused by events unrelated to tax changes should be trued-up to actual amounts, with the adjustment (presumably positive or negative) ultimately flowing to ratepayers, then SDG&E disagrees with this proposed change to the Commission's true-up policy. As discussed above, income taxes are derived residually and are dependent on several factors unrelated to tax. The Commission emphasized this point when it explained why, except for changes caused by changes in tax laws, it was rejecting a policy of truing up income taxes for differences between forecasted and incurred amounts:

> Any review of differences would have to include the effects of differences of all estimates for revenues, operating expenses, income taxes and return on investment. Any prospective adjustment based on past over-or underestimates

[43] Ex. ORA-02 (Oh) at 17 (emphasis added).

[44] *Id*.

would have to take into consideration the overall effect of the differences for all components of the test-year.[45]

Accordingly, the Commission has long recognized that an actual taxes standard would essentially require a re-running of the entire GRC. In rejecting this approach, the Commission concluded that an across-the-board comparison of estimated and recorded results is not useful.[46]

As the Commission stated in SDG&E's 2016 GRC Decision, the purpose of the TMA "is to increase the transparency of the utilities' incurred and forecasted income tax expenses to the Commission, so that the Commission can more closely examine the revenue impacts caused by the utilities' implementation of various tax laws, tax policies, tax accounting changes, or tax procedure changes."[47] The TMA proposed by SDG&E for the 2019 GRC cycle would accomplish the Commission's goal.

c. ORA's Proposal for an Annual Disposition of Significant TMA Balances Is Premature

ORA also recommends that "if tax changes result in significant balances, SDG&E and SDG&E should file an annual advice letter to make appropriate adjustments to revenue requirement."[48] SDG&E agrees to file annual advice letters to provide the updated balances in the TMA, should the Commission desire. However, SDG&E believes that it is premature to decide on the disposition of future TMA balances. As discussed above, SDG&E and ORA agree that areas of uncertainty remain under the TCJA, and that the IRS is likely to issue regulations or other guidance in the future interpreting the new law. SDG&E also believes that it is unlikely that all of the uncertainties regarding the TCJA's provisions that impact SDG&E will be resolved before SDG&E's 2018 income tax returns are filed in October 2019, and these uncertainties under the TCJA may continue to be unresolved into 2020 and beyond.

In addition, as discussed above, SDG&E is requesting that the Commission reaffirm its long-standing precedent and policy and clarify that the TMA is not intended to be a true-up

[45] OII 24, 1984 Cal. PUC LEXIS 1325 at *33.

[46] *Id.* at *34.

[47] D.16-06-054 at 196.

[48] Ex. ORA-02 (Oh) at 18.

mechanism for taxes. SDG&E believes it would be premature to decide upon the disposition of future TMA balances before the issues regarding the scope of the TMA are resolved.

B. TURN

1. SDG&E's Treatment of New Cost of Removal Book Accruals in the ARAM Calculation Should be Adopted

As explained in my second revised testimony, submitted on April 6, 2018, SDG&E has recomputed its ADIT balances as of January 1, 2018 to reflect the reduction in the federal corporate income tax rate from 35% to 21% under the TCJA. The difference in the ADIT balance under the old tax rate versus under the new tax rate represents the excess ADIT created by the TCJA. This excess ADIT belongs to SDG&E's customers, and SDG&E will return the excess ADIT to its customers in full. But in doing so, SDG&E must adhere to the timing rules and other requirements under the TCJA. Failure to follow these rules and procedures will result in a normalization violation.[49]

The requirement to use ARAM applies only to excess ADIT on plant-based assets that are subject to the IRS normalization rules (also known as "protected" assets). The ARAM rules under the TCJA do not discuss the individual components of plant-based deferred taxes. There is thus uncertainty within the utility industry regarding how to interpret the TCJA to treat removal costs for purposes of the ARAM computation. As explained in my direct testimony, SDG&E has discussed the issue with its outside advisors and participated in industry group discussions regarding the proper treatment of removal costs in the ARAM calculation.[50] After its analysis and its discussions with outside experts and other utilities, SDG&E has concluded that the best interpretation of the ARAM rules under the TCJA is to exclude new removal costs accrued for book purposes after December 31, 2017 from its ARAM calculation.[51] Since ARAM addresses historical excess tax reserves *(i.e.*, pre-2018), SDG&E's position is that only the depreciation that relates to the recovery of the original cost of such capital expenditures should be included.

---

[49] TCJA Section 13001(d)(4).

[50] Ex. SDG&E-35-2R (Reeves) at 21.

[51] SDG&E's position is consistent with the positions taken on this issue by both SCE and PG&E in their recent submissions to the Commission to address the impact of the TCJA. *See* A.16-09-001, Exhibit SCE-60: Tax Update Testimony; A.13-12-012/Investigation (I.) 14-06-016, Petition for Modification of D.16-06-056 of PG&E to Reflect Tax Changes; A.15-09-001, Petition for Modification of D.16-06-056 of PG&E to Reflect Tax Changes; A.17-11-009, Update Testimony (March 30, 2018).

Deferred taxes associated with cost of removal do not reverse until the removal costs are incurred; therefore, the recovery of these deferred taxes is dependent upon future events. The depreciation related to recovering new cost of removal is a new timing difference arising after 2017. Thus, by definition, it is not a recovery of the original cost basis that gave rise to the historical excess tax reserves from tax accelerated depreciation.

TURN agrees that it is important to implement the ARAM rules under the TCJA "in a manner that will not be found to be a normalization violation by the Internal Revenue Service (IRS), given the severe consequences a normalization violation would have on the utilities' ratepayers."[52] TURN's proposal is as follows:[53]

> The Commission can and should adopt on an interim basis the revenue requirement changes as set forth in the utilities' testimony (as modified based on TURN's other arguments), so long as it preserves the opportunity to implement a further revenue requirement reduction should the IRS indicate that ARAM may be defined based on the entirety of book depreciation. To this end, TURN recommends a two-step process:
>
> 1) The Commission should order the Sempra Utilities to develop a request for a private letter ruling from the IRS as to whether the use of the entirety of book depreciation is appropriate for computing ARAM or only the portion excluding net salvage. TURN recommends a process similar to that taken in SCE's test year 2015 GRC when the question was the appropriate treatment of issues related to the repair allowance vis-à-vis normalization rules.
>
> 2) The Commission should direct the Sempra Utilities to track the difference between the use of ARAM as set forth their supplemental tax testimony and ARAM as defined using the entirety of depreciation including net salvage, or alternatively preserve that issue by requiring that it be tracked as part of the tax memorandum account established pursuant to D.16-06-054.

TURN's proposal is very similar to what SDG&E set forth in its direct testimony regarding the ARAM computation methodology:[54]

> SDG&E is aware of at least one other utility that is seeking a private letter ruling from the IRS on the issue of whether future removal costs should be excluded from the ARAM calculation. If the IRS issues a private letter ruling on this issue, or if the IRS or Treasury release other guidance on this issue, and such ruling or guidance differs from SDG&E's position, SDG&E will recalculate the ARAM

---

[52] Ex. TURN-03 (Marcus) at 82.

[53] *Id.* at 82-83 (citations omitted).

[54] Ex. SDG&E-35-2R (Reeves) at 24.

adjustment to conform to such guidance. Alternatively, if the Commission believes it is necessary, SDG&E could request its own private letter ruling from the IRS on this issue. SDG&E proposes to reflect any such revised calculation of the ARAM adjustment in its Update Testimony, or, alternatively, to track the impact of the revised calculation in its TMA, depending on the timing of when such IRS or Treasury guidance is issued.

Given that SDG&E is aware of at least one other California utility already seeking a private letter ruling from the IRS on this issue, SDG&E does not believe it is necessary to implement step one of TURN's proposal for SDG&E to obtain its own ruling from the IRS, because this issue is likely to be resolved by the IRS before SDG&E would receive its own ruling. SDG&E can apply the results of that ruling without seeking one of its own. Nonetheless, SDG&E will request its own private letter ruling from the IRS on this issue if the Commission believes it is necessary.

Step two of TURN's proposal is unnecessary, because the revenue impact of the differences between tax expenses forecasted and tax expenses incurred resulting from mandatory tax law changes (such as the TCJA) is already being tracked as part of SDG&E's TMA established pursuant to D.16-06-054.[55] In addition, as discussed in the Supplemental Testimony of Norma Jasso,[56] SDG&E is requesting a sub-account in the TMA to specifically track the impacts of the TCJA and provide a discrete disposition for the balance related to the TCJA through 2018.

2. SDG&E's Amortization Method for Unprotected Excess ADIT Should be Adopted

SDG&E and TURN agree that the ARAM methodology for returning excess ADIT to customers is required for excess ADIT on protected assets (*i.e.*, plant-based assets that qualify for accelerated tax depreciation and thus are subject to the IRS normalization rules). SDG&E and TURN also agree that the ARAM methodology, while available as an option, is not required by the TCJA or other tax law to be used to amortize the excess ADIT on "unprotected" assets. Therefore, the Commission has discretion to decide the amortization period and methodology to apply to the unprotected excess ADIT.

[55] *See* Advice Letter (AL) No. 2928-E-A/2496-G-A (Sept. 16, 2016).

[56] April 6, 2018, Supplemental Direct Testimony of Norma G. Jasso, Ex. SDG&E-41-S (Ex. SDG&E-41-S (Jasso)), *Regulatory Accounts*.

Yet an important point that TURN does not discuss in its testimony is that the total balance of SDG&E's excess ADIT is a deferred tax asset (DTA), not a deferred tax liability (DTL). A DTA arises when the book expense for an item is accrued before that item is deductible for tax purposes (*e.g.*, cost of removal), while a DTL arises when an item is deductible for tax purposes before the expense is accrued for book purposes (*e.g.*, accelerated tax depreciation). Thus, a DTA represents a future cost to ratepayers because it will cause rates to increase in the future as the timing differences associated with the DTA reverse. A DTL represents a future benefit to ratepayers. SDG&E's total excess ADIT balance that will be returned to its customers is a net DTL of ($315,016,000).[57] This total is comprised of a ($429,646,000) net DTL for protected excess ADIT, and an offsetting net DTA of $114,630,000 for unprotected excess ADIT.[58]

a. SDG&E's Methodology is Reasonable, Consistent, and Fair to Ratepayers

SDG&E's proposed treatment for the excess ADIT on unprotected assets is as follows:[59]

> The requirement to use ARAM applies only to excess deferred taxes on plant-based assets that are subject to the IRS normalization rules (also known as "protected" assets). In SDG&E's prior rate case proceedings, certain other timing differences related to plant-based assets have been and continue to be treated as normalized differences, even though they fall outside of the IRS definition of normalization. Since these "unprotected" plant-based timing differences have been afforded normalization treatment in prior rate case decisions, SDG&E proposes that an ARAM methodology should also be used to return these benefits to its customers.

SDG&E believes that its proposal for amortizing the unprotected excess ADIT is reasonable and fair to ratepayers, and thus should be adopted by the Commission for four reasons. First, SDG&E's proposal is consistent with the normalized treatment afforded to unprotected plant-based assets in prior GRCs. Second, SDG&E's proposal treats all plant-based unprotected assets consistently. Third, applying an ARAM methodology to the unprotected excess ADIT balance reduces the potential for intertemporal unfairness among SDG&E's

[57] Ex. SDG&E-35-WP-2R (Reeves) at 33.

[58] *See* Attachment A to TURN-SEU-060_Q01-Q02, A1_ED, A2_Gas, A3_Gen tabs. SDG&E's response to TURN-SEU-060 is attached as Appendix B.

[59] Ex. SDG&E-35-2R (Reeves) at 23.

ratepayers, because the amortization period corresponds to the book life of the plant assets to which the deferred taxes relate. Many of these plant-based assets have a book life of 30-40 years. Accelerating the amortization over a faster period than the period that the assets are included in rate base potentially creates a disparate treatment between current and future ratepayers. Fourth, SDG&E's proposal would minimize the annual cost to ratepayers of amortizing the net DTA and result in a slower payback period than if the Commission adopted a more rapid amortization period for the unprotected excess net DTA balance.

b. TURN's Proposed Methodology Is Inconsistent

In contrast, TURN's proposal for amortizing the unprotected excess ADIT calls for an inconsistent treatment of unprotected assets and would result in disparate treatment between current and future ratepayers. TURN "believes that the Commission not only has discretion for non-protected assets but should use it in a manner that maximizes the near-term benefit to the utilities' customers."[60] However, TURN appears to recognize that the net balance of SDG&E's unprotected excess ADIT is a DTA that represents a cost to ratepayers. Thus, accelerating the amortization of this DTA would have the opposite result from what TURN proposes. TURN's solution is to propose inconsistent treatment among the categories of SDG&E's unprotected plant-based assets.

The largest balance among the categories of unprotected excess ADIT for SDG&E's plant-based assets is for cost of removal, which has a DTA of $142,234,000.[61] The combined amount of the other categories of plant-based unprotected excess ADIT is a DTL of ($27,604,000), for a total net DTA for plant-based unprotected excess ADIT of $114,630,000.[62] For cost of removal only, TURN agrees with SDG&E's proposal "to apply the same ARAM-based treatment . . . as for the protected assets."[63] TURN provides the following reasoning for its proposal on cost of removal:[64]

---

[60] Ex. TURN-03 (Marcus) at 80.

[61] *See* Attachment A to TURN-SEU-060_Q01-Q02, A1_ED, A2_Gas, A3_Gen tabs.

[62] *Id.*

[63] Ex. TURN-03 (Marcus) at 83.

[64] *Id*.

> Since the reduction in current revenue requirement for excess ADIT must be refunded over an extremely long period of time on a back-loaded basis for protected assets, then the increase in customer rates for tax deferrals for cost of removal should be charged to customers over a similarly long period of time, partially offsetting the return of excess ADIT from protected assets, rather than being accelerated.

In contrast to cost of removal, TURN proposes an accelerated amortizing period of six years for the remaining balance of unprotected excess ADIT – rather than an ARAM-based amortization period over the book lives of the plant assets to which the deferred taxes relate.[65] There are several flaws with TURN's proposal. TURN's proposal singles out the largest category of unprotected plant-based excess ADIT, cost of removal, which is a DTA, and proposes the longer amortization period for only that category. By doing so, TURN creates a sub-category within the excess plant-based ADIT balance comprised of all other unprotected plant-based asset categories, which results in a net DTL for that new sub-category, and proposes a much shorter amortization period of six years for that sub-group. TURN offers no explanation as to why one category of unprotected, plant-based, excess ADIT should be reversed over a 30 to 40-year period under the ARAM methodology, while other categories of unprotected, plant-based, excess ADIT should be reversed over a much shorter period of six years. TURN's proposal makes selective distinctions among plant-based, unprotected excess ADIT categories to achieve a predetermined outcome.

In addition, TURN's proposal is inconsistent with TURN's stated intertemporal fairness goal for ratepayers. TURN states:[66]

> For other plant-based unprotected assets [*i.e.*, excluding cost of removal], a reasonable principal would be to return Unprotected Plant-based ADIT to ratepayers over a relatively long period of time, though less than the useful life of the plant, rather than using the back-loaded ARAM where its use is not required. This would balance intertemporal issues by not refunding the money extremely quickly while providing more near-term rate relief to ratepayers than the utilities propose.

SDG&E disagrees that TURN's proposed six-year amortization period is a "relatively long period of time," especially considering the 30 to 40-year book life of many of the assets to which the unprotected ADIT relates. TURN's proposal would flow the unprotected excess

[65] *Id*. at 84.

[66] *Id*.

ADIT benefits only to current and near-term ratepayers, while providing no reduction in rates for customers beyond six years. Accordingly, TURN's proposal creates a disparate treatment between current and future ratepayers.

c. Calculation Errors in TURN's Proposed Adjustments

SDG&E has identified errors in TURN's calculation of the impact of its proposal for amortizing unprotected excess ADIT. Those errors are described below.

- TURN's calculation for gas property only includes gas distribution property; for completeness, it should include gas transmission property as well.
- The balance of SDG&E's unprotected excess ADIT (excluding cost of removal) that TURN uses as the starting point for its calculation is incorrect. TURN is using an amount as of January 1, 2019 in its calculation. As defined by the TCJA, the "excess tax reserve" is determined as of the effective date of the change in the federal corporate income tax rate, which is January 1, 2018.[67] Since TURN is proposing a change in SDG&E's amortization methodology for excess ADIT, the proposed change should reflect the full amount of the excess ADIT to be amortized, which would be the balance as of January 1, 2018.
- TURN does not use the correct worksheet from Attachment A to TURN-SEU-060_Q01-Q02 to identify the unprotected excess ADIT in the GRC. The total excess ADIT in the GRC is a net DTL of ($315,016,000).[68] Pursuant to a TURN data request, SDG&E identified the protected and unprotected categories of excess ADIT. As shown in the response to the data request, the net DTA for unprotected excess ADIT is $114,630,000.[69] When cost of removal is excluded from this amount under TURN's proposal, the net amount of unprotected excess ADIT is a DTL of ($27,604,000),[70] instead of the ($25,088,000) used by TURN. By function, the net amount of unprotected excess ADIT, excluding cost of

[67] TCJA Section 13001(d)(3).

[68] Ex. SDG&E-35-WP-2R (Reeves) at 33.

[69] *See* Attachment A to TURN-SEU-060_Q01-Q02, A1_ED, A2_Gas, A3_Gen tabs.

[70] *Id*.

removal, should be a net DTL of ($23,030,000) for electric distribution, ($3,820,000) for gas, and ($754,000) for electric generation.[71]

- When the corrected balance of ($27,604,000) is amortized over six years as proposed by TURN, the annual amortization amounts would be ($3,838,000) for electric distribution, ($637,000) for gas, and ($126,000) for electric generation.
- In TURN's Table 58, the column labeled "ARAM for unprotected ADIT in SDG&E rates" shows incorrect 2019 ARAM amounts for all three functional areas. The correct amounts are ($1,448,000) for electric distribution, ($88,000) for gas, and $282,000 for electric distribution.[72]
- Once these corrections are made to TURN's calculation, the impact of TURN's proposal (before gross-up) would be as follows:
  - Electric Distribution: ($2,390,000)
  - Gas: ($549,000)
  - Electric Generation: ($408,000)
- In addition, TURN's proposal fails to consider that if SDG&E's ARAM calculation is changed, the offsetting adjustment to rate base to reflect the amortization of the excess ADIT balance would need to be updated as well, which would reduce the revenue impact of TURN's proposal.

Accordingly, even if the Commission were to accept TURN's proposal, the overall revenue impact would be less than what TURN has calculated, once the calculation errors are corrected.

3. ARAM Forecasts for the Post-Test Year Period

TURN's proposals regarding SDG&E's ARAM forecasts for the post-test year period are addressed in the rebuttal testimony of SDG&E's Post-Test Year Ratemaking witness Kenneth Deremer.[73]

---

[71] *Id*.

[72] *Id*., Report 257_2018 and Report 257_2019 tabs.

[73] June 18, 2018, Rebuttal Testimony of Kenneth J. Deremer, Ex. SDG&E-243, *Post-Test Year Ratemaking*.

4. Proposed Prospective Change to Tax Lives for Streetlights

TURN "recommends that the Commission require SDG&E to make a prospective change in the calculation of the tax lives of streetlights starting, if possible, with its 2018 tax return to be filed in 2019, otherwise with its 2019 tax return."[74] Specifically, TURN proposes that SDG&E use a tax life of seven years to calculate tax depreciation for streetlights.[75]

SDG&E has reviewed the tax law and IRS guidance regarding the tax lives of streetlights, and SDG&E accepts TURN's recommendation. Accordingly, SDG&E will make the prospective change recommended by TURN to use a tax life of seven years to calculate the tax depreciation for streetlights, beginning with SDG&E's 2018 tax return to be filed in 2019.

5. Proposed Changes to SDG&E's Property Tax Forecasts

TURN proposes two changes to SDG&E's forecasts of ad valorem taxes (*i.e.*, property taxes). Although the impact of the change will be different from TURN's calculation, SDG&E agrees with the first change to property taxes proposed by TURN. SDG&E disagrees with TURN's second proposed change to SDG&E's property tax forecast. TURN's proposals are discussed, below.

a. SDG&E Will Correct a Formula Error in its Property Tax Calculation in the Update Testimony Phase of this GRC

In response to a TURN data request, SDG&E identified a formula error in its property tax calculation that resulted in SDG&E's property tax forecast for 2019 being higher than it should have been. As SDG&E explained in its response to the data request:[76]

> The decline in deferred income taxes from 2018 to 2019 shown on Exhibit SDG&E-35-WP-2R, page 18, and corresponding declines in deferred income taxes for property tax purposes for electric generation and gas shown on corresponding workpapers, was largely the result of formula errors. The "100% Deferred Tax Reserve" amounts for 2019 should have also included the offsetting rate base adjustments (decreases), as of the end of 2018, to reflect the impact of the change in the federal income tax rate under the Tax Cuts and Jobs Act. The rate base adjustment for electric property is shown in the workpapers of SDG&E's rate base witness R. Craig Gentes (*see* Exhibit SDG&E-33-WP-2R, page 5, line 10 (entitled "Accumulated Deferred Taxes – 2017 Tax Cuts & Jobs Act Adj")). Accordingly, the formula for "Deferred Income Taxes" for 2019 on

[74] Ex. TURN-03 (Marcus) at 85.

[75] *Id*. at 86.

[76] SDG&E Response to TURN-SEU-060_Q10.c.i.

Exhibit SDG&E-35-WP-2R, page 18, should have added the rate base adjustment amount for electric distribution property of $229,229,000, so that the corrected "100% Deferred Tax Reserve" amount for 2019 for electric distribution should be $566,790,000 ($337,561,000 + $229,229,000). The same formula error occurred in the corresponding property tax workpapers for electric generation and gas.

SDG&E will reflect these correction in its Update Testimony, which is anticipated to be submitted on August 24, 2018 in accordance with the proceeding schedule set forth in the January 10, 2018 Scoping Memo.

The impact of these corrections, however, will be different from the impact calculated by TURN. TURN calculates the impact of correcting this error to be a decrease in 2019 property taxes of $5,095,000, as shown in Tables 61, 62, and 63 of TURN's testimony.[77] TURN's Tables 61, 62, and 63 generally replicate the format of SDG&E's workpapers that show the calculation of property taxes.[78] TURN's Tables, however, show only the calculation of fiscal year ad valorem tax expense. They do not include the calculation of calendar year ad valorem tax expense as shown in SDG&E's workpapers. SDG&E uses the calendar year amount of property taxes in its GRC forecasts.[79] As discussed above, SDG&E will reflect the correction of this error and the associated reduction in TY 2019 property taxes in its Update Testimony to be submitted on August 24, 2018, in accordance with the Assigned Commissioner's Scoping Memorandum and Ruling issued on January 29, 2018.

b. TURN's Second Proposed Change to Property Taxes Should Be Rejected

SDG&E disagrees with TURN's second proposed change to SDG&E's property tax forecast for TY 2019. TURN proposes to revise "SDG&E's assumptions as to future property tax rates to reflect that the rate of increase in property tax rates was very high from 2013 to 2014 but has since slowed down."[80] Instead of the 5-year trend based on historical property tax rates through 2016/2017 that SDG&E utilizes to forecast its TY 2019 property tax rate, TURN proposes to use a shorter, 4-year trend through 2017/2018 to forecast SDG&E's property tax

[77] Ex. TURN-03 (Marcus) at 93-95.

[78] Ex. SDG&E-35-WP-2R (Reeves) at 18-21.

[79] *See* Ex. SDG&E-35-2R (Reeves) at 9.

[80] Ex. TURN-03 (Marcus) at 90.

rate.[81] TURN states that its calculation would lower SDG&E's TY 2019 property tax rate by 0.064%, which TURN estimates would result in a reduction of $4,294,000 in forecasted TY 2019 property taxes based on the current assumptions in the RO Model.[82]

As discussed above, SDG&E uses a 5-year trend of historic property tax rates for forecasting the property tax rate for TY 2019. This 5-year trend period includes the base year of the GRC (2016 for this GRC) and the prior four years. By using a 5-year historic average, SDG&E reduces the impact of anomalous results in any one year. SDG&E has consistently used this same methodology across multiple GRCs; a methodology for forecasting its property tax rate that has been accepted by the Commission and reflected in SDG&E's authorized rates.

As in prior GRCs, SDG&E's methodology for forecasting its property tax rate for TY 2019 is reasonable and should be adopted. TURN's proposal to use a shorter historical trend than SDG&E inherently introduces more volatility into the forecast by considering fewer years of data. By using a 5-year trend, SDG&E's methodology already reduces the impact of an unusual result in any single year during the trend period. TURN offers no justification why a 4-year historical trend period is more reasonable or appropriate. Nor does TURN explain why the method affirmed in prior GRC's should be altered.

TURN's proposal seeks to carve out and exclude the increase in property tax rates between the 2013/2014 and 2014/2015 fiscal years. To accomplish this goal, TURN must shorten the historical trend period so that it does not include the increase between these two fiscal years. TURN offers no justification for this results-based approach, other than the end result of lowering the rate.

As a result, TURN's proposal should be rejected by the Commission. SDG&E's long-standing methodology for forecasting property tax rates in the GRC is proven, consistent, and fair. SDG&E has never attempted to "carve out" one year (or any years) within its 5-year trend period where the historic property tax rates decreased, no matter how significant the decrease was. TURN's attempt to do so here where property tax rates increased is not a more reasonable

[81] *Id*. at 91.

[82] *Id*. at 90, 92.

methodology than SDG&E's methodology. Accordingly, SDG&E's forecast of the property tax rate for TY 2019 is reasonable and should be adopted by the Commission.[83]

C. FEA

1. Amortization of Excess ADIT

FEA agrees with SDG&E that ARAM should be utilized for the amortization of the protected excess ADIT, because the ARAM methodology is required to maintain compliance with the IRS normalization requirements.[84] FEA disagrees with SDG&E that ARAM should also be applied to the unprotected excess ADIT. FEA believes that applying ARAM to unprotected excess ADIT is unnecessarily complicated and could result in significantly different amounts of amortization in each year.[85] FEA notes that the amortization methodology for the unprotected excess ADIT is up to the discretion of the regulator.[86] FEA recommends a straight-line amortization period of 10 years or less for SDG&E's unprotected excess ADIT, instead of the ARAM methodology proposed by SDG&E.[87]

SDG&E agrees with FEA that the Commission has the discretion to adopt an amortization methodology and period for unprotected excess ADIT that is different from the ARAM methodology recommended by SDG&E. SDG&E believes, however, that its proposal for amortizing the unprotected excess ADIT is reasonable and fair to ratepayers, and thus should be adopted by the Commission for the reasons outlined in SDG&E's response to TURN.[88] SDG&E also notes that if its ARAM calculation is changed to reflect a faster amortization period for unprotected excess ADIT, the offsetting adjustment to rate base to reflect the amortization of the excess ADIT balance would need to be updated as well.

---

[83] TURN also incorrectly calculates the impact of its recommendation. As discussed in SDG&E's response to TURN's first proposal on property taxes, TURN's Tables 61, 62, and 63 show only the calculation of fiscal year ad valorem tax expense. They do not include the calculation of calendar year ad valorem tax expense.

[84] Ex. FEA-1 (Smith) at 15,18.

[85] *Id*. at 16.

[86] *Id*.

[87] *Id.* at 17-18.

[88] *See Supra* at 16-19.

2. Continuation of SDG&E's TMA for the 2019 GRC Cycle

FEA also recommends that SDG&E's TMA remain open through the 2019 GRC cycle to capture all the effects of the TCJA, including amortization of excess ADIT, which under the ARAM could fluctuate from year-to-year. Since SDG&E will not file its 2018 tax return until 2019, FEA believes that closing the account in 2018 will not capture all the effects of the TCJA occurring during the 2019 GRC cycle.[89]

SDG&E agrees with FEA that SDG&E's TMA should be extended to the 2019 GRC cycle to ensure that all the impacts of the TCJA are captured. However, SDG&E requests that the Commission clarify the scope of the TMA to ensure consistency with long-standing Commission precedent that rejects an "actual taxes" standard as unsound policy.[90]

III. CONCLUSION

To summarize, SDG&E uses the same methodology for forecasting payroll taxes that has been adopted in prior GRCs. This methodology is based on the SSA's most recent Annual Report. In contrast, ORA provides no authority to support its calculation methodology. ORA has not demonstrated in its testimony that its proposed approach to forecasting payroll taxes is more accurate or reliable than SDG&E's approach. Accordingly, ORA's proposals regarding SDG&E's payroll taxes should be rejected, and SDG&E's forecasts should be adopted in full.

SDG&E no longer recommends eliminating the TMA for its 2019 GRC cycle. Instead, SDG&E recommends that its alternative proposal for continuing the TMA in the 2019 GRC cycle be adopted. SDG&E's proposal is consistent with Commission precedent and policy, and with the Commission's stated purpose of the TMA. To the extent ORA's TMA proposals could result in truing up differences between forecasted and incurred tax expense that are caused by factors unrelated to changes in tax law, tax accounting methods, tax procedures, or tax policy, ORA's proposals are inconsistent with Commission precedent and should be rejected. SDG&E also believes that it is premature to decide upon the timing and mechanism for the disposition of future TMA balances.

---

[89] Ex. FEA-1 (Smith) at 50.

[90] SDG&E's TMA proposal for the 2019 GRC cycle is discussed in more detail in SDG&E's rebuttal response to ORA in Section II.A. above.

Regarding the treatment of new cost of removal book accruals in the ARAM calculation, TURN's proposal is very similar to SDG&E's proposal. For the amortization methodology of unprotected excess ADIT, SDG&E's proposal treats all unprotected plant-based assets consistently and reduces the potential for intertemporal unfairness among SDG&E's ratepayers. In contrast, TURN's proposal for amortizing the unprotected excess ADIT calls for an inconsistent treatment of unprotected plant-based assets and would result in disparate treatment between current and future ratepayers. In addition, even if the Commission were to accept TURN's proposal, the revenue impact would be less than what TURN has calculated once the errors in TURN's calculation are corrected. Accordingly, SDG&E's proposals for the amortization of unprotected excess ADIT are more reasonable and should be accepted.

To forecast the property tax rate for TY 2019, SDG&E uses a 5-year trend of historic property tax rates. By using a 5-year historic average, SDG&E reduces the impact of anomalous results in any one year. SDG&E has consistently used this methodology for several GRCs. This methodology for forecasting its property tax rate has been adopted and reflected in authorized rates in those GRC proceedings, without exception.

TURN's proposal seeks to carve out and exclude the increase in property tax rates between the 2013/2014 and 2014/2015 fiscal years by shortening the historical trend period so that it does not include the increase between these two fiscal years. TURN offers no justification for this approach, other than the end result of lowering the rate. In contrast, SDG&E's long-standing methodology for forecasting property tax rates in the GRC is proven, consistent, and fair. SDG&E has never attempted to "carve out" one year (or any years) within its 5-year trend period where the historic property tax rates decreased, no matter how significant the decrease was. TURN's attempt to do so here where property tax rates increased is clearly not a more reasonable methodology than SDG&E's methodology. SDG&E's forecast of the property tax rate for TY 2019 is reasonable and should be adopted by the Commission.

Regarding FEA's proposed amortization methodology for unprotected excess ADIT, for the reasons discussed in response to TURN's proposals, SDG&E believes that its proposal for amortizing the unprotected excess ADIT is reasonable, consistent, and fair to ratepayers, and thus should be adopted by the Commission.

This concludes my prepared rebuttal testimony.

APPENDIX A
Data Request SEU-ORA-DR-003

ORA Response to Sempra Energy Utilities' Data Request
San Diego Gas & Electric Co. Test Year 2019 General Rate Case, A.17-10-007
Southern California Gas Co. Test Year 2019 General Rate Case, A.17-10-008

Origination Date: April 24, 2018
Due Date: May 8, 2018
Response Date: April 27, 2018

To: Chuck Manzuk
cmanzuk@semprautilities.com
1-858-654-1782

From: Clayton Tang and Truman Burns, Project Coordinators
Office of Ratepayer Advocates
505 Van Ness Avenue, Room 4205
San Francisco, CA 94102

Response by: Jerry Oh
Phone: 415-703-2806
Email: joh@cpuc.ca.gov

Data Request No: SEU-ORA-DR-003
Exhibit Reference: ORA-02 - Oh
Subject: Taxes

The following is ORA's response to Sempra's data request. If you have any questions, please contact the responder at the phone number and/or email address shown above.

Q.1: On Exhibit No. ORA-02, page 8, Table A-1, ORA proposes a "2016 average wage index" amount for 2019 of $50,041.86. Please provide a schedule that shows how the forecasted 2019 amount of $50,041.86 was calculated.

A.1: To forecast the national average wage index of $50,041.86, ORA multiplied the 2016 national average wage index of $48,642.15 by the percentage change in SSA Raw Data average wages from 2016 to 2017.

2016 SSA Raw Data average wage was $46,640.94.

To determine the 2017 SSA Raw Data average wage, ORA used the latest five years of SSA Raw Data wage (2012 to 2016) and applied a least-squares trend to derive $47,983.06.

Resulting in

$50,041.86 = $48,642.15 * (1 + (($47,983.06 – $46,640.94) / $46,640.94))

ORA only derived the 2017 SSA Raw Data average wage of $47,983.06.

The math, the 2016 national average wage index of $48,642.15, and the SSA Raw Data average wage of $42,498.21, $43,043.39, $44,569.20, $46,119.78, and $46,640.94 for 2011 to 2016, respectively, were obtained at www.ssa.gov/oact/cola/awidevelop.html

END OF RESPONSE

APPENDIX B
Data Request TURN-SEU-DR-060

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

Exhibit Reference: SDG&E -35
Witnesses: Reeves
Subject: Taxes

1. Regarding detail on individual components of accumulated deferred income taxes, please provide a list of all individual components of accumulated deferred tax assets and liabilities. For each individual component, please answer parts (a) through (f) below. Include and separately identify any components where a deferred tax asset or liability is netted within the cash working capital exhibit. If a deferred tax asset or liability can be functionalized between electric and gas, or among the electric functions (generation, transmission or distribution), please provide the functionalization used. If assignment to function is done by an allocation, identify each allocation factor used for different types of deferred taxes.

a. What is the amount included in rate base in each of 2016 recorded, 2017, 2018, and 2019 forecast? If the answer is zero, please explain why. Include and separately identify any components where a deferred tax asset or liability is netted against a corresponding liability or asset within the cash working capital exhibit rather than included in rate base in the rate base exhibit.

b. Identify the FERC Account (190, 282, and 283) associated with each of the components.

c. Identify whether the component is protected and subject to mandatory ARAM (lives and methods of depreciation) or unprotected (basis adjustments to plant or non-plant ADIT).

d. Please provide ADIT calculated as of December 31, 2017 at a 35% federal tax rate and the Excess ADIT on January 1 (caused by the reduction in the federal tax rate from 35% to 21%).

e. Provide the amount of Excess ADIT forecast to be returned to ratepayers in each of 2018, 2019, 2020, and 2021.

f. Provide the method by which SoCalGas proposes to return Excess ADIT to ratepayers for each individual component (e.g., ARAM, spread over a fixed number of years, etc.)

Utility Response 1:

Please refer to Attachment A to this data request for a list of individual components of accumulated deferred tax assets and liabilities.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

Utility Response 1:-Continued

a. The 2016 recorded and 2017 – 2019 forecasted accumulated deferred income taxes (ADIT) included in rate base for electric distribution, electric generation, and gas is shown in Exhibit SDG&E-35-WP-2R, page 29. As discussed in Exhibit SDG&E-35-2R at page RGR-3, the reduction to ADIT related to the change in the federal income tax rate under the Tax Cuts and Jobs Act (TCJA) is offset in the Results of Operations (RO) Model by a corresponding regulatory liability that reduces rate base, so there is no net impact to rate base from the re-measurement of deferred taxes on January 1, 2018. This rate base offset is shown in the workpapers of SDG&E's rate base witness R. Craig Gentes (*see* Exhibit SDG&E-33-WP-2R, page 5, line 10 for electric property and page 6, line 10 for gas property (entitled "Accumulated Deferred Taxes – 2017 Tax Cuts & Jobs Act Adj")).

   There are no components of accumulated deferred income taxes where a deferred tax asset or liability is netted against a corresponding liability or asset within the cash working capital exhibit rather than included in rate base in the rate base exhibit.

b. The ADIT asset and liability balances are all included in FERC account 282 – Accumulated Deferred Income Taxes – Other Property.

c. Please refer to detail provided in Attachment A to this data request.

d. Please refer to detail provided in Attachment A to this data request.

e. SDG&E objects to this request on the grounds that it is unduly burdensome and calls for speculation. Subject to and without waiving these objections, SDG&E responds as follows. Due to the thousands of SDG&E's plant-related assets, and the TCJA's requirement to compute the average rate assumption method (ARAM) on an asset-by-asset basis, the ARAM computation is too complex and detailed to incorporate within SDG&E's RO Model or within an Excel file (*see* Exhibit SDG&E-35-2R at RGR-23 lines 17-20). Further, SDG&E is not required to create new data or present existing data in a different form beyond that which might be readily available. SDG&E instead relies on its tax accounting and depreciation software to compute the forecasted ARAM amount for each year.

   The forecasted ARAM amounts for 2018 and 2019 are shown in Exhibit SDG&E-35-WP-2R, page 3. Please note that 2020 and 2021 are attrition years to the 2019 GRC. Consistent with SDG&E's approach in this GRC and in previous GRCs, SDG&E does not forecast tax adjustments beyond the GRC test year. Accordingly, SDG&E has not attempted to forecast the ARAM amounts for years after 2019, but has instead applied the 2019 ARAM amount to the attrition years. The amortization for these attrition years is presented in Exhibits SDG&E-43-2R and SDG&E-43-WP-2R (the testimony and workpapers of SDG&E's post-test year witness Kenneth J. Deremer).

Utility Response 1:-Continued

f. SDG&E proposes to use the ARAM method to return Excess ADIT to ratepayers. The amortization of excess ADIT (also known as ARAM) for each year is required under the TCJA to be computed on an asset-by-asset basis.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

2. There are line items for ARAM of $5,795.000 for electric and $1,508,000 for gas in 2019 and 4,981.000 for electric and $1,343,000 for gas in 2018 on the workpapers SDG&E-35-WP-2R, pages 4 through 7 respectively. Please provide documentation as to how these ARAM numbers were calculated, and specifically indicate the extent to which these ARAM figures include costs for (a) unprotected plant-based ADIT and (b) non-plant ADIT. Reconcile these figures to those in Question 1.

Utility Response 2:

Please refer to the detail set forth in Attachment A to this data request, which was provided in response to Questions 1(c) and 1(d) above.

San Diego Gas & Electric
Summary of Excess Deferred Taxes - Electric Distribution
Based on Forecasted 12/31/2017 Deferred Taxes

Amounts are in Thousands **Tax Asset/(Tax Liability)**	**FERC Account**	**X** **TAX @ Historical Rates**	**Y** **DEFERRED TAX @ 21%**	**Z = X - Y** **EXCESS DEFERRED TAXES**
		CPUC	**CPUC**	**CPUC**
Protected				
Depreciable Plant - Method/Life	**282**	(877,886)	(526,677)	(351,209)
CIAC	**282**	46,561	27,937	18,624
Capitalized Interest	**282**	29,296	17,578	11,719
		(802,029)	(481,163)	(320,866)
Unprotected				
AFUDC Debt	**282**	(18,612)	(11,167)	(7,445)
Other Historical Basis Differences	**282**	(39,099)	(23,514)	(15,585)
Cost of Removal - Book Accrual	**282**	275,649	165,390	110,260
		217,939	130,709	87,230
Total Deferred Tax Asset/(Tax Liability)		**(584,090)**	**(350,454)**	**(233,636)**

San Diego Gas & Electric
Summary of Excess Deferred Taxes - GAS
Based on Forecasted 12/31/2017 Deferred Taxes

Amounts are in Thousands

Tax Asset/(Tax Liability)	**FERC Account**	**X** TAX @ Historical Rates	**Y** DEFERRED TAX @ 21%	**Z = X - Y** EXCESS DEFERRED TAXES
		CPUC	**CPUC**	**CPUC**
Protected				
Depreciable Plant - Method/Life	**282**	(213,081)	(127,848)	(85,233)
CIAC	**282**	9,706	5,824	3,883
Capitalized Interest	**282**	8,875	5,325	3,550
		(194,500)	(116,699)	(77,800)
Unprotected				
AFUDC Debt	**282**	(5,127)	(3,076)	(2,051)
Other Historical Basis Differences	**282**	(4,422)	(2,652)	(1,769)
Cost of Removal - Book Accrual	**282**	76,647	45,988	30,659
		67,099	40,260	26,839
Total Deferred Tax Asset/(Tax Liability)		**(127,401)**	**(76,439)**	**(50,961)**

San Diego Gas & Electric
Summary of Excess Deferred Taxes - GENERATION
Based on Forecasted 12/31/2017 Deferred Taxes

Amounts are in Thousands		**X**	**Y**	**Z = X - Y**
Tax Asset/(Tax Liability)	**FERC Account**	**TAX @ Historical Rates**	**DEFERRED TAX @ 21%**	**EXCESS DEFERRED TAXES**
		CPUC	**CPUC**	**CPUC**
Protected				
Depreciable Plant - Method/Life	**282**	(81,602)	(48,961)	(32,641)
CIAC	**282**	2	1	1
Capitalized Interest	**282**	4,149	2,490	1,660
		(77,451)	(46,471)	(30,981)
Unprotected				
AFUDC Debt	**282**	(2,182)	(1,309)	(873)
Other Historical Basis Differences	**282**	297	178	119
Cost of Removal - Book Accrual	**282**	3,288	1,973	1,315
		1,403	842	561
Total Deferred Tax Asset/(Tax Liability)		**(76,048)**	**(45,629)**	**(30,419)**

San Diego Gas & Electric
2018 Federal Powertax Deferred Amounts
Using Detail Book Depr Excl ET as Input for Allocation

Electric (Electric Distribution and Electric Production)

	A APB 11	B FAS 109 (Based on New Rates)	C=A-B Diff Excess Deferred Tax	D Reg Asset+Reg Liab		E=C+D Net
1/1/18 Balance - Rpt 259	983,994,182	589,803,555	394,190,627	☑	(394,190,627)	-
12/31/18 Balance - Rpt 257	983,672,457	594,462,428	389,210,029	☑	(389,210,029)	-
Electric Amortization-2018					(4,980,598) K	Column Should Net To Zero

Gas (Gas Distribution and Gas Transmission)

	F APB 11	G FAS 109 (Based on New Rates)	H=F-G Diff Excess Deferred Tax	I Reg Asset+Reg Liab		J=H+I Net
1/1/18 Balance - Rpt 259	270,108,027	162,041,365	108,066,662	☑	(108,066,662)	-
12/31/18 Balance - Rpt 257	270,837,838	164,114,250	106,723,588	☑	(106,723,588)	-
Gas Amortization-2018					(1,343,074) L	Column Should Net To Zero
Total Amortization-2018				☑	**(6,323,672)** M=K+L	

Note: The ARAM amortization calculations in PowerTax were computed based on total company actual amounts, while forecasted amounts for GRC-only assets were used to calculate the accumulated deferred income taxes (ADIT) in the RO Model.

DTL- Deferred Tax Liability / (DTA-Deferred Tax Asset)

Jurisdiction: Federal Tax Year: 2018	Protected v. Unprotected	Beginning Difference	Current Difference	Ending Difference	Beginning APB11 DFIT Balance	REF	Current DFIT	Ending APB11 DFIT Balance	Beg FAS109 Liability @ Stat Rate	REF	Regulatory Asset Before Gross-Up	Regulatory Liab Before Gross-Up	REF	Regulatory Asset After Gross-Up	Regulatory Liab After Gross-Up
Federal Fleet Method/Life	Protected	3,616,116	(2,006,337)	1,609,779	1,265,641	A	(702,218)	563,423	759,384	H	0	(506,256)		0	(702,974)
Federal Method/Life	Protected	2,606,969,687	1,851,577	2,608,821,264	913,518,584	A	(6,384,430)	907,134,154	547,463,634	H	0	(366,054,949)		0	(508,293,874)
Depreciation Difference		**2,610,585,803**	**(154,760)**	**2,610,431,043**	**914,784,225**		**(7,086,648)**	**907,697,577**	**548,223,018**		**0**	**(366,561,205)**		**0**	**(508,996,848)**
Fed AFUDC Debt	Unprotected	53,175,991	(1,514,219)	51,661,772	18,611,597	D	(529,977)	18,081,620	11,166,958	K	0	(7,444,639)		0	(10,337,422)
Fed Misc. Differences	Unprotected	27,892,467	(1,063,909)	26,828,558	9,669,474	G	(364,175)	9,305,297	5,857,418	N	0	(3,812,056)	Z	0	(5,293,316)
Fed Transformers	Unprotected	10,977,643	(335,650)	10,641,993	3,842,175	G	(117,478)	3,724,697	2,305,305	N	0	(1,536,870)	Z	0	(2,134,056)
Book Overhead		**92,046,101**	**(2,913,778)**	**89,132,323**	**32,123,246**		**(1,011,630)**	**31,111,614**	**19,329,681**		**0**	**(12,793,565)**		**0**	**(17,764,794)**
Fed Adjust to Book Value	Unprotected	(7,701,256)	5,059,837	(2,641,418)	(2,695,440)	G	1,770,943	(924,496)	(1,617,264)	N	0	1,078,176	Z	0	1,497,125
Fed Capitalized Depreciation	Unprotected	990,104	(84,062)	906,042	346,536	G	(29,422)	317,115	207,922	N	0	(138,615)	Z	0	(192,476)
Fed Capitalized Interest	Protected	(83,703,944)	7,169,432	(76,534,512)	(29,296,380)	F	2,509,301	(26,787,079)	(17,577,828)	M	0	11,718,552		0	16,272,060
Fed CIAC	Protected	(133,031,210)	15,499,091	(117,532,120)	(46,560,924)	E	5,424,682	(41,136,242)	(27,936,554)	L	0	18,624,369		0	25,861,289
Fed Misc. Differences	Unprotected	79,810,823	(9,665,537)	70,145,287	27,936,178	G	(3,383,598)	24,552,581	16,760,274	N	0	(11,175,906)	Z	0	(15,518,556)
Tax Overhead		**(143,635,483)**	**17,978,761**	**(125,656,721)**	**(50,270,030)**		**6,291,906**	**(43,978,121)**	**(30,163,450)**		**0**	**20,106,576**		**0**	**27,919,442**
Electric Distribution (ED)		**2,558,996,421**	**14,910,223**	**2,573,906,645**	**896,637,441**	**Q**	**(1,806,372)**	**894,831,070**	**537,389,249**	**R**	**0**	**(359,248,194)**	**S**	**0**	**(498,842,200)**
Federal Fleet Method/Life	Protected	0	0	0	0		0	0	0		0	0		0	0
Federal Method/Life	Protected	256,065,595	5,156,360	261,221,956	89,622,805	A	743,166	90,365,971	53,773,775	H	0	(35,849,030)		0	(49,778,981)
Depreciation Difference		**256,065,595**	**5,156,360**	**261,221,956**	**89,622,805**		**743,166**	**90,365,971**	**53,773,775**		**0**	**(35,849,030)**		**0**	**(49,778,981)**

Jurisdiction: Federal Tax Year: 2018		Beginning Difference	Current Difference	Ending Difference	Beginning APB11 DFIT Balance		Current DFIT	Ending APB11 DFIT Balance	Beg FAS109 Liability @ Stat Rate		Regulatory Asset Before Gross-Up	Regulatory Liab Before Gross-Up		Regulatory Asset After Gross-Up	Regulatory Liab After Gross-Up
Fed AFUDC Debt	Unprotected	6,234,777	(46,630)	6,188,148	2,182,172	D	(16,320)	2,165,852	1,309,303	K	0	(872,869)		0	(1,212,042)
Fed Transformers	Unprotected	(805)	0	(805)	(282)	G	0	(282)	(169)	N	0	113	Z	0	156
Fed Misc. Differences	Unprotected	23,395,043	6,584	23,401,627	8,187,956	G	2,309	8,190,266	4,912,959	N	0	(3,274,997)	Z	0	(4,547,571)
Book Overhead		**29,629,015**	**(40,046)**	**29,588,970**	**10,369,846**		**(14,011)**	**10,355,836**	**6,222,093**		**0**	**(4,147,753)**		**0**	**(5,759,457)**
Fed Capitalized Depreciation	Unprotected	3,776	(441)	3,335	1,322	G	(154)	1,167	793	N	0	(529)	Z	0	(734)
Fed Capitalized Interest	Protected	(11,854,874)	72,419	(11,782,455)	(4,149,206)	F	25,347	(4,123,859)	(2,489,523)	M	0	1,659,682		0	2,304,589
Fed CIAC	Protected	(4,440)	519	(3,920)	(1,554)	E	182	(1,372)	(932)	L	0	622		0	863
Fed Misc. Differences	Unprotected	(24,247,136)	2,086,065	(22,161,071)	(8,486,473)	G	730,116	(7,756,357)	(5,091,899)	N	0	3,394,575	Z	0	4,713,611
Tax Overhead		**(36,102,674)**	**2,158,564**	**(33,944,111)**	**(12,635,910)**		**755,490**	**(11,880,421)**	**(7,581,562)**		**0**	**5,054,349**		**0**	**7,018,330**
Electric Protection (EP)		**249,591,936**	**7,274,878**	**256,866,815**	**87,356,741**	**Q**	**1,484,645**	**88,841,386**	**52,414,306**	**R**	**0**	**(34,942,434)**		**0**	**(48,520,108)**
Federal Method/Life	Protected	673,926,249	6,549,526	680,475,774	235,917,284	A	(134,213)	235,783,071	141,524,512	H	0	(94,392,772)		0	(131,071,217)
Depreciation Difference		**673,926,249**	**6,549,526**	**680,475,774**	**235,917,284**		**(134,213)**	**235,783,071**	**141,524,512**		**0**	**(94,392,772)**		**0**	**(131,071,217)**
Fed AFUDC Debt	Unprotected	11,287,633	(247,500)	11,040,133	3,950,672	D	(86,625)	3,864,047	2,370,403	K	0	(1,580,269)		0	(2,194,318)
Fed Misc. Differences	Unprotected	6,659,758	(210,689)	6,449,069	2,331,272	G	(73,741)	2,257,531	1,398,549	N	0	(932,723)	Z	0	(1,295,155)
Fed Transformers	Unprotected	116	(21)	95	41	G	(7)	33	24	N	0	(16)	Z	0	(23)
Book Overhead		**17,947,507**	**(458,210)**	**17,489,297**	**6,281,985**		**(160,373)**	**6,121,611**	**3,768,976**		**0**	**(2,513,008)**		**0**	**(3,489,496)**
Fed Adjust to Book Value	Unprotected	(334,058)	13,666	(320,392)	(116,920)	G	4,783	(112,137)	(70,152)	N	0	46,768	Z	0	64,941
Fed Capitalized Depreciation	Unprotected	494	(41)	454	173	G	(14)	159	104	N	0	(69)	Z	0	(96)
Fed Capitalized Interest	Protected	(20,061,545)	1,547,931	(18,513,614)	(7,021,541)	F	541,776	(6,479,765)	(4,212,924)	M	0	2,808,616		0	3,899,968
Fed CIAC	Protected	(20,671,112)	2,216,507	(18,454,605)	(7,234,889)	E	775,777	(6,459,112)	(4,340,934)	L	0	2,893,956		0	4,018,467
Fed Misc Differences	Unprotected	(2,658,662)	306,891	(2,351,771)	(930,366)	G	107,354	(823,012)	(558,319)	N	0	372,046	Z	0	516,614
Jurisdiction: Federal Tax Year: 2018		**Beginning Difference**	**Current Difference**	**Ending Difference**	**Beginning APB11 DFIT Balance**		**Current DFIT**	**Ending APB11 DFIT Balance**	**Beg FAS109 Liability @ Stat Rate**		**Regulatory Asset Before Gross-Up**	**Regulatory Liab Before Gross-Up**		**Regulatory Asset After Gross-Up**	**Regulatory Liab After Gross-Up**
Tax Overhead		**(43,724,883)**	**4,084,954**	**(39,639,928)**	**(15,303,543)**		**1,429,676**	**(13,873,867)**	**(9,182,225)**		**0**	**6,121,317**		**0**	**8,499,894**
Gas Distribution (GD)		**648,148,873**	**10,176,270**	**658,325,143**	**226,895,726**	**Q**	**1,135,090**	**228,030,815**	**136,111,263**	**R**	**0**	**(90,784,463)**	**S**	**0**	**(126,060,819)**
Federal Method/Life	Protected	123,511,414	(1,188,128)	122,323,286	43,223,859	A	(714,045)	42,509,814	25,937,397	H	0	(17,286,462)		0	(24,003,507)
Depreciation Difference		**123,511,414**	**(1,188,128)**	**122,323,286**	**43,223,859**		**(714,045)**	**42,509,814**	**25,937,397**		**0**	**(17,286,462)**		**0**	**(24,003,507)**
Fed AFUDC Debt	Unprotected	3,359,677	(88,441)	3,271,236	1,175,887	D	(30,954)	1,144,933	705,532	K	0	(470,355)		0	(653,122)
Fed Misc. Differences	Unprotected	9,975,606	(568,730)	9,406,876	3,491,522	G	(199,055)	3,292,468	2,094,876	N	0	(1,396,646)		0	(1,939,344)
Book Overhead		**13,335,283**	**(657,171)**	**12,678,112**	**4,667,409**		**(230,009)**	**4,437,401**	**2,800,408**		**0**	**(1,867,001)**		**0**	**(2,592,466)**
Fed Adjust to Book Value	Unprotected	(858,193)	167,722	(690,471)	(300,367)	G	58,703	(241,665)	(180,220)	N	0	120,147	Z	0	166,833
Fed Capitalized Depreciation	Unprotected	85	(7)	78	30		(2)	27	18	N	0	(12)	Z	0	(17)
Fed Capitalized Interest	Protected	(5,295,535)	517,685	(4,777,851)	(1,853,437)	F	181,190	(1,672,248)	(1,112,062)	M	0	741,375		0	1,029,453
Fed CIAC	Protected	(7,061,110)	829,630	(6,231,479)	(2,471,388)	E	290,371	(2,181,018)	(1,482,833)	L	0	988,555		0	1,372,681
Fed Misc	Unprotected	(155,267)	24,880	(130,386)	(53,805)	G	8,517	(45,288)	(32,606)	N	0	21,199	Z	0	29,437
Tax Overhead		**(13,370,020)**	**1,539,910**	**(11,830,109)**	**(4,678,967)**		**538,779**	**(4,140,192)**	**(2,807,703)**		**0**	**1,871,264**		**0**	**2,598,387**
Gas Transmission (GT)		**123,476,677**	**(305,389)**	**123,171,289**	**43,212,301**		**(405,275)**	**42,807,023**	**25,930,102**		**0**	**(17,282,199)**		**0**	**(23,997,586)**
Jurisdiction Totals:		**3,580,213,907**	**32,055,982**	**3,612,269,892**	**1,254,102,209**		**408,088**	**1,254,510,294**	**751,844,920**		**0**	**(502,257,290)**		**0**	**(697,420,711)**

Jurisdiction: Federal
Tax Year: 2018
PowerTax Deferred Tax Summary Report
2018-2019 SDGE_GRC_Detail_w/o COR
San Diego Gas & Electric

Grouped By: SDG&E Business Segment	Protected v. Unprotected	" Beginning Difference"	" Current Difference"	" Ending Difference"	"Beginning APB11 DFIT Balance"	" Current DFIT"	"Ending APB11 DFIT Balance"	"End FAS109 Liability @ Stat Rate"	"Regulatory Asset Before Gross-Up"	"Regulatory Liab Before Gross-Up"	"Regulatory Asset After Gross-Up"	"Regulatory Liab After Gross-Up"
Federal Fleet Method/Life	Protected	$3,616,116	($2,006,337)	$1,609,779	$1,265,641	($702,218)	$563,423	$338,054	$0	($225,369)	$0	($312,941)
Federal Method/Life	Protected	$2,606,969,687	$1,851,577	$2,608,821,264	$913,518,584	($6,384,430)	$907,134,154	$547,852,466	$0	($359,281,688)	$0	($498,888,709)
Depreciation Difference		$2,610,585,803	($154,760)	$2,610,431,043	$914,784,225	($7,086,648)	$907,697,577	$548,190,520	$0	($359,507,057)	$0	($499,201,650)
Fed AFUDC Debt	Unprotected	$53,175,991	($1,514,219)	$51,661,772	$18,611,597	($529,977)	$18,081,620	$10,848,972	$0	($7,232,648)	$0	($10,043,057)
Fed Transformers	Unprotected	$10,977,643	($335,650)	$10,641,993	$3,842,175	($117,478)	$3,724,697	$2,234,818	$0	($1,489,879)	$0	($2,068,805)
Fed Misc. Differences	Unprotected	$27,892,467	($1,063,908)	$26,828,558	$9,669,473	($364,176)	$9,305,298	$5,633,997	$0	($3,671,300)	$0	($5,097,867)
Book Overhead		$92,046,101	($2,913,777)	$89,132,323	$32,123,245	($1,011,631)	$31,111,615	$18,717,787	$0	($12,393,827)	$0	($17,209,729)
Fed Adjust to Book Value	Unprotected	($7,701,256)	$5,059,837	($2,641,418)	($2,695,440)	$1,770,943	($924,496)	($554,698)	$0	$369,799	$0	$513,492
Fed Capitalized Depreciation	Unprotected	$990,104	($84,062)	$906,042	$346,536	($29,422)	$317,115	$190,269	$0	($126,846)	$0	($176,135)
Fed Capitalized Interest	Protected	($83,703,944)	$7,169,432	($76,534,512)	($29,296,380)	$2,509,301	($26,787,079)	($16,072,247)	$0	$10,714,832	$0	$14,878,322
Fed CIAC	Protected	($133,031,210)	$15,499,091	($117,532,120)	($46,560,924)	$5,424,682	($41,136,242)	($24,681,745)	$0	$16,454,497	$0	$22,848,263
Fed Misc. Differences	Unprotected	$79,810,823	($9,665,537)	$70,145,287	$27,936,178	($3,383,598)	$24,552,581	$14,730,510	$0	($9,822,072)	$0	($13,638,657)
Tax Overhead		($143,635,483)	$17,978,761	($125,656,721)	($50,270,030)	$6,291,906	($43,978,121)	($26,387,911)	$0	$17,590,210	$0	$24,425,285
Electric Distribution (ED)		**$2,558,996,421**	**$14,910,224**	**$2,573,906,645**	**$896,637,440**	**($1,806,373)**	**$894,831,071**	**$540,520,396**	**$0**	**($354,310,674)**	**$0**	**($491,986,094)**
Federal Fleet Method/Life	Protected	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Federal Method/Life	Protected	$256,065,595	$5,156,360	$261,221,956	$89,622,805	$743,166	$90,365,971	$54,856,611	$0	($35,509,360)	$0	($49,307,325)
Depreciation Difference		$256,065,595	$5,156,360	$261,221,956	$89,622,805	$743,166	$90,365,971	$54,856,611	$0	($35,509,360)	$0	($49,307,325)
Fed AFUDC Debt	Unprotected	$6,234,777	($46,630)	$6,188,148	$2,182,172	($16,320)	$2,165,852	$1,299,511	$0	($866,341)	$0	($1,202,977)
Fed Transformers	Unprotected	($805)	$0	($805)	($282)	$0	($282)	($169)	$0	$113	$0	$156
Fed Misc. Differences	Unprotected	$23,395,043	$6,584	$23,401,627	$8,187,956	$2,309	$8,190,266	$4,914,342	$0	($3,275,924)	$0	($4,548,858)
Book Overhead		$29,629,015	($40,046)	$29,588,970	$10,369,846	($14,011)	$10,355,836	$6,213,684	$0	($4,142,152)	$0	($5,751,679)
Fed Adjust to Book Value	Unprotected	($18,914,856)	$2,195,857	($16,718,999)	($6,620,200)	$768,550	($5,851,649)	($3,510,990)	$0	$2,340,660	$0	$3,250,176
Fed Capitalized Depreciation	Unprotected	$3,776	($441)	$3,335	$1,322	($154)	$1,167	$700	$0	($467)	$0	($648)
Fed Capitalized Interest	Protected	($11,854,874)	$72,419	($11,782,455)	($4,149,206)	$25,347	($4,123,859)	($2,474,315)	$0	$1,649,544	$0	$2,290,511
Fed CIAC	Protected	($4,440)	$519	($3,920)	($1,554)	$182	($1,372)	($823)	$0	$549	$0	$762
Fed Misc. Differences	Unprotected	($5,332,280)	($109,792)	($5,442,072)	($1,866,273)	($38,434)	($1,904,708)	($1,142,835)	$0	$761,873	$0	$1,057,914
Tax Overhead		($36,102,674)	$2,158,562	($33,944,111)	($12,635,911)	$755,491	($11,880,421)	($7,128,263)	$0	$4,752,159	$0	$6,598,715
Electric Production (EP)		**$249,591,936**	**$7,274,876**	**$256,866,815**	**$87,356,740**	**$1,484,646**	**$88,841,386**	**$53,942,032**	**$0**	**($34,899,353)**	**$0**	**($48,460,289)**
Federal Fleet Method/Life	Protected	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Federal Method/Life	Protected	$673,926,249	$6,549,526	$680,475,774	$235,917,284	($134,213)	$235,783,071	$142,899,913	$0	($92,883,159)	$0	($128,975,009)
Depreciation Difference		$673,926,249	$6,549,526	$680,475,774	$235,917,284	($134,213)	$235,783,071	$142,899,913	$0	($92,883,159)	$0	($128,975,009)
Fed AFUDC Debt	Unprotected	$11,287,633	($247,500)	$11,040,133	$3,950,672	($86,625)	$3,864,047	$2,318,428	$0	($1,545,619)	$0	($2,146,204)
Fed Transformers	Unprotected	$116	($21)	$95	$41	($7)	$33	$20	$0	($13)	$0	($19)
Fed Misc. Differences	Unprotected	$6,659,758	($210,689)	$6,449,069	$2,331,272	($73,741)	$2,257,531	$1,354,305	$0	($903,227)	$0	($1,254,196)
Book Overhead		$17,947,507	($458,210)	$17,489,297	$6,281,985	($160,373)	$6,121,611	$3,672,753	$0	($2,448,859)	$0	($3,400,419)
Fed Adjust to Book Value	Unprotected	($334,058)	$13,666	($320,392)	($116,920)	$4,783	($112,137)	($67,282)	$0	$44,855	$0	$62,284
Fed Capitalized Depreciation	Unprotected	$494	($41)	$454	$173	($14)	$159	$95	$0	($64)	$0	($88)
Fed Capitalized Interest	Protected	($20,061,545)	$1,547,931	($18,513,614)	($7,021,541)	$541,776	($6,479,765)	($3,887,859)	$0	$2,591,906	$0	$3,599,050
Fed CIAC	Protected	($20,671,112)	$2,216,507	($18,454,605)	($7,234,889)	$775,777	($6,459,112)	($3,875,467)	$0	$2,583,645	$0	$3,587,578
Fed Misc. Differences	Unprotected	($2,658,512)	$306,853	($2,351,659)	($930,314)	$107,341	($822,973)	($493,849)	$0	$329,124	$0	$457,014
Tax Overhead		($43,724,733)	$4,084,916	($39,639,816)	($15,303,491)	$1,429,663	($13,873,828)	($8,324,362)	$0	$5,549,466	$0	$7,705,838
Gas Distribution (GD)		**$648,149,023**	**$10,176,232**	**$658,325,255**	**$226,895,778**	**$1,135,077**	**$228,030,854**	**$138,248,304**	**$0**	**($89,782,552)**	**$0**	**($124,669,590)**
Federal Fleet Method/Life	Protected	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Federal Method/Life	Protected	$123,511,414	($1,188,128)	$122,323,286	$43,223,859	($714,045)	$42,509,814	$25,687,890	$0	($16,821,924)	$0	($23,358,463)
Depreciation Difference		$123,511,414	($1,188,128)	$122,323,286	$43,223,859	($714,045)	$42,509,814	$25,687,890	$0	($16,821,924)	$0	($23,358,463)
Fed AFUDC Debt	Unprotected	$3,359,677	($88,441)	$3,271,236	$1,175,887	($30,954)	$1,144,933	$686,960	$0	($457,973)	$0	($635,929)
Fed Misc. Differences	Unprotected	$9,975,456	($568,692)	$9,406,764	$3,491,470	($199,042)	$3,292,429	$1,975,420	$0	($1,317,009)	$0	($1,828,762)
Book Overhead		$13,335,133	($657,133)	$12,678,000	$4,667,357	($229,996)	$4,437,362	$2,662,380	$0	($1,774,982)	$0	($2,464,691)
Fed Adjust to Book Value	Unprotected	($858,193)	$167,722	($690,471)	($300,367)	$58,703	($241,665)	($144,999)	$0	$96,666	$0	$134,228
Fed Capitalized Depreciation	Unprotected	$85	($7)	$78	$30	($2)	$27	$16	$0	($11)	$0	($15)
Fed Capitalized Interest	Protected	($5,295,535)	$517,685	($4,777,851)	($1,853,437)	$181,190	($1,672,248)	($1,003,349)	$0	$668,899	$0	$928,815
Fed CIAC	Protected	($7,061,110)	$829,630	($6,231,479)	($2,471,388)	$290,371	($2,181,018)	($1,308,611)	$0	$872,407	$0	$1,211,401
Fed Misc. Differences	Unprotected	($155,267)	$24,880	($130,386)	($53,805)	$8,516	($45,288)	($27,381)	$0	$17,908	$0	$24,867
Tax Overhead		($13,370,020)	$1,539,910	($11,830,109)	($4,678,967)	$538,778	($4,140,192)	($2,484,324)	$0	$1,655,869	$0	$2,299,296
Gas Transmission (GT)		**$123,476,527**	**($305,351)**	**$123,171,177**	**$43,212,249**	**($405,263)**	**$42,806,984**	**$25,865,946**	**$0**	**($16,941,037)**	**$0**	**($23,523,858)**
Jurisdiction Totals:		**$3,580,213,907**	**$32,055,981**	**$3,612,269,892**	**$1,254,102,207**	**$408,087**	**$1,254,510,295**	**$758,576,678**	**$0**	**($495,933,616)**	**$0**	**($688,639,831)**

San Diego Gas & Electric
2019 Federal Powertax Deferred Amounts
Using Detail Book Depr Excl ET as Input for Allocation

Electric (Electric Distribution and Electric Production)

	A APB 11	B FAS 109 (Based on New Rates)	C=A-B Diff Excess Deferred Tax	D Reg Asset+Reg Liab		E=C+D Net
12/31/18 Balance - Rpt 257	983,672,457	594,462,428	389,210,029	☑ (389,210,029)		-
12/31/19 Balance - Rpt 257	979,041,411	595,625,987	383,415,424	☑ (383,415,424)		-
Electric Amortization-2019				(5,794,605)	K	Column Should Net To Zero

Gas (Gas Distribution and Gas Transmission)

	F APB 11	G FAS 109 (Based on New Rates)	H=F-G Diff Excess Deferred Tax	I Reg Asset+Reg Liab		J=H+I Net
12/31/18 Balance - Rpt 257	270,837,838	164,114,250	106,723,588	☑ (106,723,588)		-
12/31/19 Balance - Rpt 257	270,372,784	165,156,799	105,215,985	☑ (105,215,985)		-
Gas Amortization-2019				(1,507,603)	L	Column Should Net To Zero
Total Amortization-2019				☑ **(7,302,208)**	M=K+L	

Note: The ARAM amortization calculations in PowerTax were computed based on total company actual amounts, while forecasted amounts for GRC-only assets were used to calculate the accumulated deferred income taxes (ADIT) in the RO Model.

Jurisdiction: Federal
Tax Year: 2019
PowerTax Deferred Tax Summary Report
2018-2019 SDGE_GRC_Detail
San Diego Gas & Electric

Grouped By: SDG&E Business Segment	Protected v. Unprotected	" Beginning Difference"	" Current Difference"	" Ending Difference"	"Beginning APB11 DFIT Balance"	" Current DFIT"	"Ending APB11 DFIT Balance"	"End FAS109 Liability @ Stat Rate"	"Regulatory Asset Before Gross-Up"	"Regulatory Liab Before Gross-Up"	"Regulatory Asset After Gross-Up"	"Regulatory Liab After Gross-Up"
Federal Fleet Method/Life	Protected	$1,609,779	($870,916)	$738,863	$563,423	($304,820)	$258,602	$155,161	$0	($103,441)	$0	($143,635)
Federal Method/Life	Protected	$2,608,821,264	($11,406,581)	$2,597,414,683	$907,134,154	($9,579,853)	$897,554,300	$545,457,084	$0	($352,097,217)	$0	($488,912,549)
Depreciation Difference		$2,610,431,043	($12,277,497)	$2,598,153,546	$907,697,577	($9,884,673)	$897,812,902	$545,612,245	$0	($352,200,658)	$0	($489,056,184)
Fed AFUDC Debt	Unprotected	$51,661,772	($1,514,767)	$50,147,005	$18,081,620	($530,168)	$17,551,452	$10,530,871	$0	($7,020,581)	$0	($9,748,586)
Fed Transformers	Unprotected	$10,641,993	($335,721)	$10,306,272	$3,724,697	($117,502)	$3,607,195	$2,164,317	$0	($1,442,878)	$0	($2,003,541)
Fed Misc. Differences	Unprotected	$26,828,558	($1,055,976)	$25,772,583	$9,305,298	($361,485)	$8,943,813	$5,412,243	$0	($3,531,572)	$0	($4,903,843)
Book Overhead		$89,132,323	($2,906,464)	$86,225,860	$31,111,615	($1,009,155)	$30,102,460	$18,107,431	$0	($11,995,031)	$0	($16,655,970)
Fed Adjust to Book Value	Unprotected	($2,641,418)	$2,486,849	($154,570)	($924,496)	$870,397	($54,099)	($32,460)	$0	$21,640	$0	$30,048
Fed Capitalized Depreciation	Unprotected	$906,042	($82,820)	$823,222	$317,115	($28,987)	$288,128	$172,877	$0	($115,251)	$0	($160,034)
Fed Capitalized Interest	Protected	($76,534,512)	$6,843,489	($69,691,023)	($26,787,079)	$2,395,221	($24,391,858)	($14,635,115)	$0	$9,756,743	$0	$13,547,946
Fed CIAC	Protected	($117,532,120)	$14,932,744	($102,599,376)	($41,136,242)	$5,226,460	($35,909,781)	($21,545,869)	$0	$14,363,913	$0	$19,945,335
Fed Misc. Differences	Unprotected	$70,145,287	($9,894,628)	$60,250,660	$24,552,581	($3,463,785)	$21,088,796	$12,652,640	$0	($8,436,156)	$0	($11,714,216)
Tax Overhead		($125,656,721)	$14,285,634	($111,371,087)	($43,978,121)	$4,999,306	($38,978,814)	($23,387,927)	$0	$15,590,889	$0	$21,649,079
Electric Distribution (ED)		**$2,573,906,645**	**($898,327)**	**$2,573,008,319**	**$894,831,071**	**($5,894,522)**	**$888,936,548**	**$540,331,749**	**$0**	**($348,604,800)**	**$0**	**($484,063,075)**
Federal Fleet Method/Life	Protected	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Federal Method/Life	Protected	$261,221,956	$4,351,162	$265,573,118	$90,365,971	$532,668	$90,898,639	$55,770,355	$0	($35,128,284)	$0	($48,778,173)
Depreciation Difference		$261,221,956	$4,351,162	$265,573,118	$90,365,971	$532,668	$90,898,639	$55,770,355	$0	($35,128,284)	$0	($48,778,173)
Fed AFUDC Debt	Unprotected	$6,188,148	($46,643)	$6,141,505	$2,165,852	($16,325)	$2,149,527	$1,289,716	$0	($859,811)	$0	($1,193,910)
Fed Transformers	Unprotected	($805)	$0	($805)	($282)	$0	($282)	($169)	$0	$113	$0	$156
Fed Misc. Differences	Unprotected	$23,401,627	$2,383	$23,404,010	$8,190,266	$881	$8,191,147	$4,914,842	$0	($3,276,305)	$0	($4,549,386)
Book Overhead		$29,588,970	($44,260)	$29,544,710	$10,355,836	($15,444)	$10,340,392	$6,204,389	$0	($4,136,003)	$0	($5,743,140)
Fed Adjust to Book Value	Unprotected	($16,718,999)	$2,169,438	($14,549,561)	($5,851,649)	$759,303	($5,092,346)	($3,055,408)	$0	$2,036,938	$0	$2,828,437
Fed Capitalized Depreciation	Unprotected	$3,335	($441)	$2,893	$1,167	($154)	$1,013	$608	$0	($405)	$0	($562)
Fed Capitalized Interest	Protected	($11,782,455)	$72,427	($11,710,028)	($4,123,859)	$25,349	($4,098,510)	($2,459,106)	$0	$1,639,404	$0	$2,276,431
Fed CIAC	Protected	($3,920)	$519	($3,401)	($1,372)	$182	($1,190)	($714)	$0	$476	$0	$661
Fed Misc. Differences	Unprotected	($5,442,072)	($109,770)	($5,551,840)	($1,904,708)	($38,427)	($1,943,135)	($1,165,886)	$0	$777,246	$0	$1,079,264
Tax Overhead		($33,944,111)	$2,132,173	($31,811,937)	($11,880,421)	$746,253	($11,134,168)	($6,680,506)	$0	$4,453,659	$0	$6,184,231
Electric Production (EP)		**$256,866,815**	**$6,439,075**	**$263,305,891**	**$88,841,386**	**$1,263,477**	**$90,104,863**	**$55,294,238**	**$0**	**($34,810,628)**	**$0**	**($48,337,082)**
Federal Fleet Method/Life	Protected	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Federal Method/Life	Protected	$680,475,774	$2,612,213	$683,087,987	$235,783,071	($1,061,167)	$234,721,905	$143,448,477	$0	($91,273,427)	$0	($126,739,781)
Depreciation Difference		$680,475,774	$2,612,213	$683,087,987	$235,783,071	($1,061,167)	$234,721,905	$143,448,477	$0	($91,273,427)	$0	($126,739,781)
Fed AFUDC Debt	Unprotected	$11,040,133	($248,027)	$10,792,106	$3,864,047	($86,809)	$3,777,237	$2,266,342	$0	($1,510,895)	$0	($2,097,987)
Fed Transformers	Unprotected	$95	($22)	$74	$33	($8)	$26	$16	$0	($10)	$0	($14)
Fed Misc. Differences	Unprotected	$6,449,069	($211,453)	$6,237,617	$2,257,531	($74,008)	$2,183,523	$1,309,899	$0	($873,623)	$0	($1,213,090)
Book Overhead		$17,489,297	($459,502)	$17,029,797	$6,121,611	($160,825)	$5,960,786	$3,576,257	$0	($2,384,528)	$0	($3,311,091)
Fed Capitalized Depreciation	Unprotected	$454	($41)	$413	$159	($14)	$145	$87	$0	($58)	$0	($80)
Fed Capitalized Interest	Protected	($18,513,614)	$1,462,840	($17,050,773)	($6,479,765)	$511,994	($5,967,771)	($3,580,662)	$0	$2,387,108	$0	$3,314,673
Fed CIAC	Protected	($18,454,605)	$2,138,629	($16,315,976)	($6,459,112)	$748,520	($5,710,592)	($3,426,355)	$0	$2,284,237	$0	$3,171,828
Fed Misc. Differences	Unprotected	($2,672,051)	$309,609	($2,362,443)	($935,110)	$108,302	($826,809)	($496,113)	$0	$330,695	$0	$459,193
Tax Overhead		($39,639,816)	$3,911,037	($35,728,779)	($13,873,828)	$1,368,802	($12,505,027)	($7,503,043)	$0	$5,001,982	$0	$6,945,614
Gas Distribution (GD)		**$658,325,255**	**$6,063,748**	**$664,389,005**	**$228,030,854**	**$146,810**	**$228,177,664**	**$139,521,691**	**$0**	**($88,655,973)**	**$0**	**($123,105,258)**
Federal Fleet Method/Life	Protected	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Federal Method/Life	Protected	$122,323,286	($1,911,875)	$120,411,410	$42,509,814	($896,099)	$41,613,716	$25,286,396	$0	($16,327,320)	$0	($22,671,669)
Depreciation Difference		$122,323,286	($1,911,875)	$120,411,410	$42,509,814	($896,099)	$41,613,716	$25,286,396	$0	($16,327,320)	$0	($22,671,669)
Fed AFUDC Debt	Unprotected	$3,271,236	($89,061)	$3,182,175	$1,144,933	($31,171)	$1,113,761	$668,257	$0	($445,505)	$0	($618,615)
Fed Misc. Differences	Unprotected	$9,406,764	($572,956)	$8,833,809	$3,292,429	($200,534)	$3,091,894	$1,855,100	$0	($1,236,794)	$0	($1,717,379)
Book Overhead		$12,678,000	($662,017)	$12,015,984	$4,437,362	($231,705)	$4,205,655	$2,523,357	$0	($1,682,299)	$0	($2,335,994)
Fed Adjust to Book Value	Unprotected	($690,471)	$163,400	($527,071)	($241,665)	$57,190	($184,475)	($110,685)	$0	$73,790	$0	$102,463
Fed Capitalized Depreciation	Unprotected	$78	($7)	$71	$27	($2)	$25	$15	$0	($10)	$0	($14)
Fed Capitalized Interest	Protected	($4,777,851)	$480,448	($4,297,403)	($1,672,248)	$168,157	($1,504,091)	($902,455)	$0	$601,636	$0	$835,416
Fed CIAC	Protected	($6,231,479)	$806,192	($5,425,287)	($2,181,018)	$282,167	($1,898,850)	($1,139,310)	$0	$759,540	$0	$1,054,677
Fed Misc. Differences	Unprotected	($130,386)	$24,625	($105,761)	($45,288)	$8,428	($36,860)	($22,210)	$0	$14,650	$0	$20,341
Tax Overhead		($11,830,109)	$1,474,658	($10,355,451)	($4,140,192)	$515,940	($3,624,251)	($2,174,645)	$0	$1,449,606	$0	$2,012,883
Gas Transmission (GT)		**$123,171,177**	**($1,099,234)**	**$122,071,943**	**$42,806,984**	**($611,864)**	**$42,195,120**	**$25,635,108**	**$0**	**($16,560,013)**	**$0**	**($22,994,780)**
Jurisdiction Totals:		**$3,612,269,892**	**$10,505,262**	**$3,622,775,158**	**$1,254,510,295**	**($5,096,099)**	**$1,249,414,195**	**$760,782,786**	**$0**	**($488,631,414)**	**$0**	**($678,500,195)**

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

3. Please refer to the chart below that TURN has prepared with rough calculations as to the amount of deferred income taxes returned to ratepayers through ARAM as a percentage of the ADIT reduction shown in SDG&E's property tax assessment workpapers.

	Deferred Taxes Used for Property Tax Assessment			
	2018	2019	Difference	% reduction
Electric Distribution	629,766	363958	265,808	42.2%
Electric Generation	76,048	49351	26,697	35.1%
Gas	127,401	76827	50,574	39.7%
	ARAM Returned to Ratepayers			
Electric (Dist+Gen)	4,981	5795		
Gas	1343	1508		
ARAM % of deferred tax reduction				
Electric (Dist+Gen)	1.70%	1.98%		
Gas	2.66%	2.98%		

Please explain why the ARAM percentages are so low (1.7% to 2.98%), referencing the response to Question 1 including the amounts and SDG&E's proposed method of returning excess ADIT for protected and unprotected assets.

Utility Response 3:

SDG&E objects to this request on the grounds that it is vague, amibigous, calls for speculation, lacks foundation, and is beyond the scope of permissible discovery in that it requests that SDG&E review and validate TURN's analysis, which is not offered as part of SDG&E's materials tendered in testimony and workpapers. Subject to and without waiving these objections, SDG&E responds as follows.

SDG&E's excess ADIT balances as of December 31, 2017 are shown in Exhibit SDG&E-35-WP-2R, page 33. ARAM calculations are a function of the tax and book depreciation on the underlying assets. As explained in Exhibit SDG&E-35-2R, page 23, the TCJA requires ARAM to be computed on an asset-by-asset basis. SDG&E has thousands of plant-related assets that are subject to depreciation. Accordingly, SDG&E relies on its tax accounting and depreciation software (PowerTax) to compute the ARAM amount for each year. Because ARAM is computed on an asset-by-asset basis, the total ARAM amounts for SDG&E will fluctuate from year to year; however, SDG&E's expects that the ARAM amounts will be relatively low in the years immediately following the change in the federal income tax rate under the TCJA, with relatively higher ARAM amounts in future years.

Utility Response 3:-Continued
This expectation is a function of the mechanics of the ARAM calculation, because there is no ARAM amount generated for a specific asset until book depreciation for that asset exceeds tax depreciation for that asset, which will not occur until several years after the asset is placed in service. This concept is illustrated by the ARAM example that was included in the Joint Explanatory Statement of the Committee of Conference for the TCJA (TCJA Explanation), which shows that no ARAM is generated for the asset used in the example until 2021, which was five years after the property was placed in service in 2016. *See* TCJA Explanation at 344-346.

This general principle for ARAM is especially true in SDG&E's case, because SDG&E has made significant capital additions in recent years that are still receiving accelerated depreciation for tax purposes. Therefore, the book depreciation for these assets will not exceed the tax depreciation for several more years, and thus there will be no ARAM associated with these assets for several years.

Accordingly, the ARAM amounts computed by SDG&E's tax accounting and depreciation software for 2018 and 2019 are consistent with SDG&E's expectations and are consistent with the ARAM principals and mechanics as shown in the ARAM calculation example included in the TCJA.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

4. Why is unamortized ITC declining on SDG&E-35-WP-2R, page 3?

Utility Response 4:

The unamortized ITC balance is declining each year by the amount of ITC amortization for the year. The ITC amortization amounts for each year are shown as a separate line item on Exhibit SDG&E-35-WP-2R, page 3.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

5. Please specifically provide ADIT for pensions and post-retirement benefits other than pensions (PBOPs) at end-of-year 2012 to 2017 and as forecast for 2017 in this case, 2018 and 2019. Identify any changes to ADIT that would result if the Company's proposal to revise pension spending is adopted.

Utility Response 5:

SDG&E objects to this request on the grounds that it seeks the production of information that is neither relevant to any issue within the scope of this proceeding nor is likely reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving these objections, SDG&E responds as follows. Consistent with its prior GRC proceedings, SDG&E is not seeking recovery of the deferred tax assets associated with pensions and PBOPs in its 2019 GRC Application. Accordingly, there would be no changes to the ADIT reflected in the GRC if SDG&E's proposal to revise pension spending is adopted.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

6. Please provide six years of historical data (2012-2017) on cost of removal included in the state and federal tax adjustments and provide workpapers showing how the cost of removal was forecast for 2017-2019 from the 2016 data or from other data sources. Divide into electric and gas, as SDG&E has done with its estimates on SDG&E-35-WP-2R page 3.

Utility Response 6:

Please see Attachment B to this data request, which shows the historical data (actuals) for cost of removal for 2012-2016 and the 2017-2019 forecast and supporting workpapers. Please note that the actual cost of removal deduction for 2017 will not be known until SDG&E completes and files its 2017 income tax returns, which is expected to occur in October 2018.

San Diego Gas & Electric
Cost of Removal
Question 6 - Cost of Removal Historical Data 2012-2016
Cost of Removal Forecast 2017-2019

Tax Year	FED - Electric	FED - Gas	FED - Total	CA - Electric	CA - Gas	CA - Total
Historical Data:						
2012	9,830,840	1,222,030	11,052,869	46,063,102	4,015,341	50,078,443
2013	7,419,393	552,564	7,971,957	28,613,597	2,132,248	30,745,845
2014	9,287,394	435,836	9,723,230	37,321,716	1,750,992	39,072,708
2015	5,771,809	208,362	5,980,171	44,463,804	2,909,452	47,373,256
2016	6,071,770	294,667	6,366,437	44,318,427	2,150,805	46,469,232
Forecast:						
2017	5,278,811	278,600	5,557,411	40,629,967	2,144,327	42,774,294
2018	5,278,811	278,600	5,557,411	40,629,967	2,144,327	42,774,294
2019	5,278,811	278,600	5,557,411	40,629,967	2,144,327	42,774,294

San Diego Gas & Electric
Cost of Removal

Legend:	
	= Inputs
Purple Print	= Linked cell
Blue Print	= Formula cell

Purpose: To calculate Cost of Removal schedue M for estimated tax payments and Outlook.

	Year	ED, Gas & ET Total Incl ET		ET - Only (For Calc purposes)	
2016 Estimate		55,886,076	a	13,111,782	p
Pre-1981 Ratio		0.1299	b		

Note: Previously, due to IRS Audits settlements in prior two cycles, SDGE was taking a 20% reduction of the book removal costs. Beginning in 2015, SDGE will be taking 100% again based on new IRS guidance.

No exclusion beginning in 2015		1.00	c	1.00	q
Estimated Removal Costs- Total		55,886,076	d = a * c	13,111,782	r= p * q
		Fed = CA			
Less ET portion		(13,111,782)	e		
Total Removal ED & Gas		42,774,294	f		
Pre-1981 Ratio Removal ED & Gas		5,557,411	g= b * f		

San Diego Gas & Electric
Cost of Removal

Legend:	
	= Inputs
Purple Print	= Linked cell
Blue Print	= Formula cell

Breakout between Normalized & Flow Thru - Federal

Normalized Calculation:				
Total ET	e	13,111,782	h	All ET
ED & Gas		37,216,883	i = d - h - k	ED & Gas Post-'80
Total Normalized Portion		**50,328,666**	j	
Flow Thru Portion of Total ED & Gas	g	**5,557,411**	k	ED & Gas Pre-'81
Check Total - Removal Costs		**55,886,076**	l= j + k	

Breakout between Normalized & Flow Thru - California

Total Normalized Portion	r	13,111,782	m	Note: ET all years
Flow Thru Portion of Total ED & Gas		42,774,294	n= d - m	Note: ED & Gas all years
Check Total - CA (Removal Costs)		**55,886,076**	o= r + n	

Federal Breakout	Flow Through	Normalized	Total
Electric Transmission	0	13,111,782	13,111,782
Electric Distribution	5,278,811	35,351,156	40,629,967
Sub-Total Electric	5,278,811	48,462,939	53,741,750
Gas	278,600	1,865,727	2,144,327
Total	5,557,411	50,328,666	55,886,076
Check s/b = wkp C9.1	-	-	-

CA Breakout	Flow Through	Normalized	Total
Electric Transmission	0	13,111,782	13,111,782
Electric Distribution	40,629,967	0	40,629,967
Gas Distribution	2,144,327	0	2,144,327
Sub-Total Electric	42,774,294	13,111,782	55,886,076
Check s/b = wkp C9.1	-	-	-

San Diego Gas & Electric
Cost of Removal

Legend:	
Addback / (Deduct)	
	= Inputs
Purple Print	= Linked cell
Blue Print	= Formula cell

Purpose: To calculate Cost of Removal schedue M for estimated tax payments and Outlook.

Description		Electric		Gas		Common		Total
		= 1 / 4 x a		= 2 / 4 z b		= 3 / 4 x d		
Cost of Removal as Charged - 2016 Estimate	C9.2	53,704,036	C9.2	2,142,822 C9.2	b	39,219 C9.2	d	55,886,076
Common Allocation	= d x e	37,714	= d x f	1,505		(39,219)		-
		53,741,750	m C	2,144,327		-		55,886,076 w
								Federal/CA Deduction
				=100% Allowable Deduction				55,886,076

Allocation for Flow-Thru Purposes Federal			@ 100%	@ 100%
Electric		m	53,741,750	53,741,750
Less Electric Transmission		C9.2	(13,111,782)	(13,111,782)
Sub Total		A	40,629,967	40,629,967
Less Pre-1981 Percentage of Electri	12.99% B	A x E	5,278,811	5,278,811
Less Pre-1981 Percentage of Gas	12.99%	C x B	278,600	278,600
Total Flow-Thru (F425)			**5,557,411**	**5,557,411**
				C9
Post-1980 Percentage of Electric	87.01% D	A x D	35,351,156	35,351,156
Post-1980 Percentage of Gas	87.01%	C x D	1,865,727	1,865,727
Electric Transmission			13,111,782	13,111,782
Total Normalized (N080)			**50,328,666**	**50,328,666**
				C9
=100% Alloc				

Allocation for Flow-Thru Purposes California		
Electric & Gas	w	55,886,076
Less Electric Trans		(13,111,782)
Sub Total		42,774,294
=100% Allowable Deduction		**40,629,967**
=100% Allowable Deduction		**2,144,327**
=100% Allowable Deduction		**13,111,782**
Total of 100% Allowable Deduction		55,886,076
		C9

Common Allocation %		
Electric	e = a/c	96.163%
Gas	f = b/c	3.837%
		100.000%
Total Electric & Gas	c = a+b	55,846,857
Common Allocation	d	39,219
Grand Total		55,886,076

Schedule M F425: Cost of Removal

Revised by Tax Operations

Purpose: To calculate Cost of Removal schedue M for estimated tax payments and Outlook. Schedule provided by Plant Accounting.

San Diego Gas & Electric Company
Asset Transactions
Cost of Removal for 2016

Asset Class	Description	Jan-16	Feb-16	Mar-16	Apr-16	May-16
Struct & Imprv	Struct & Imprv	(2,225.38)	4,923.70	2,808.99	2,167.41	1,828.56
C391.10	Offc Furn & Eq-Other	-	-	-	2,549.80	114.35
C391.20	Offc Furn & Eq-Cmptr	-	-	-	-	-
C395.10	Laboratory Eq-Other	-	-	-	-	-
C397.10	Commun. Equip.-Other	-	-	-	-	-
	Total COR - Common	(2,225.38)	4,923.70	2,808.99	4,717.21	1,942.91
E0831100	Struct & Imprv	-	-	-	-	-
E0831200	Boiler Plant Equip.	-	-	-	-	-
E0831400	Turbogenerator Units	-	-	-	-	-
E0831500	Accessory Electric Equip.	-	-	-	-	-
E316.00	Miscellaneous Power Plant Equip.-Palomar	-	-	-	-	-
E322.30	Reactor Plant Equipment-Post ICIP	-	-	-	-	-
E342.00	Fuel Holders P & A-Palomar	-	-	-	-	-
E346.00	Misc. Power Plant Equipment	-	-	-	-	-

Schedule M F425: Cost of Removal

Revised by Tax Operations

E352.10	Struct & Imprv-Other	(101,973.52)	23,196.54	30,469.59	62,994.25	48,510.04
E352.20	Struct & Imprv-SWPL	5.23	122.01	690.17	1,663.37	1,175.39
E352.60	Struct & Imprv-SRPL	79.63	1,036.40	2,538.77	829.94	2,787.76
E353.10	Station Equip.-Other	92,018.43	207,419.99	391,977.51	280,332.65	299,056.99
E353.20	Station Equip.-SWPL	14,643.77	23,039.95	16,961.16	55,528.60	36,650.01
E353.30	Station Equip.- SONGS - In error	669.54	(669.54)	-	19,988.02	(19,988.02)
E353.40	Station Equip.- Generation	19.32	1,736.29	-	-	(1.00)
E353.60	Station Equip.- SRPL	-	-	-	-	-
E354.10	Towers & Fxtrs-Other	40,342.28	65,889.65	103,552.85	23,067.16	20,142.23
E355.10	Poles & Fixtrs-Other	174,817.21	560,722.09	430,271.62	296,263.85	499,545.77
E355.60	Poles & Fixtrs-SRPL	-	-	-	-	-
E356.10	Ovrhd Cnd & Dv-Other	102,113.98	215,352.07	238,412.84	188,358.90	234,995.22
E356.60	Ovrhd Cnd & Dv-SRPL	2,520.40	7,031.99	109,185.71	6,180.43	9,660.60
E357.00	Underground Conduit	7,163.47	6,336.07	21,678.04	38,068.10	4,434.38
E358.00	Undergrnd Cond & Dev	16,509.94	43,376.85	76,832.28	71,046.75	59,895.69
E359.10	Roads & Trails-Other	2,770.67	(25,093.06)	(18,670.96)	47,237.33	1,486.65
E361.00	Struct. and Improv.	4,738.48	46,273.09	23,104.94	5,658.92	4,950.33
E362.10	Station Equip.-Other	11,550.70	44,674.05	102,468.74	11,707.50	73,059.80
E364.00	Poles, Towers & Fxtr	595,703.74	1,213,361.69	675,336.22	42,773.88	465,663.17
E365.00	Overhead Cond & Dev	177,931.94	299,259.23	281,539.36	79,038.54	155,706.13
E366.00	Underground Conduit	217,515.65	347,229.04	330,491.54	114,575.51	318,952.93

Schedule M F425: Cost of Removal

Revised by Tax Operations

E367.00	Undergrnd Cond & Dev	485,533.88	774,445.58	702,995.45	239,820.18	753,987.44
E368.10	Line Transformers	340,764.21	526,473.61	931,528.58	235,084.00	391,828.72
E368.20	Protective Dev & Cap	55,161.59	78,870.88	68,637.05	69,497.90	92,097.31
E369.10	Services Overhead	137,624.62	229,232.78	289,323.57	123,773.04	340,971.84
E369.20	Services Underground	226,250.89	291,799.21	385,830.24	(289,344.87)	257,773.68
E371.00	Installns -Cust Prem	74,696.39	60,823.26	45,242.17	15,943.66	39,771.32
E373.20	St. Lghtg & Sgnl Sys	112,466.02	139,648.73	89,404.28	49,762.42	224,974.28
E390.00	Struct. and Improv.	57.34	106.76	174.11	73.04	47.17
E397.10	Commun. Equip.-Other	(13,818.20)	22,872.18	20,255.88	7,162.35	6,783.36
E397.20	Commun. Equip.-SWPL	-	-	-	-	-
E398.10	Misc. Equipment-Other	-	-	-	-	-
	Total COR - Electric	2,777,877.60	5,204,567.39	5,350,231.71	1,797,085.42	4,324,919.19
G366.00	Struct & Land Imp	454.38	262.98	592.91	843.64	518.39
G367.00	Mains	464.38	268.75	605.92	862.17	529.78
G368.00	Compressor Statn Eq	3,613.74	2,091.45	4,715.25	6,709.23	4,122.63
G369.00	Meas & Reg Statn Eq	227.28	175.66	246.14	350.20	215.16
G376.00	Mains	23,262.83	127,803.72	80,953.46	145,031.40	106,655.29
G378.00	Measuring & Regulating Station Equipment	1,434.97	425.90	265.46	153.39	704.04
G380.00	Services	42,840.44	48,319.23	71,420.37	87,613.01	116,223.51
G381.00	Meters & Regulators	-	-	-	-	-
G381.01	Meters-Regs-Modules	-	-	-	-	-

Schedule M F425: Cost of Removal

Revised by Tax Operations

G382.00	Meter & Reg Instllns	(2,121.19)	(1,950.79)	(3,151.20)	(3,248.34)	(3,291.68)
G397.00	Communication Equipment	-	-	-	-	-
	Total COR - Gas	70,176.83	177,396.90	155,648.31	238,314.70	225,677.12
	San Diego Gas & Electric Total	2,845,829.05	5,386,887.99	5,508,689.01	2,040,117.33	4,552,539.22

Jun-16	Jul-16	Aug-16	Total			
14,744.97	(13,562.01)	11,989.56	22,675.80			
14,536.48	(13,730.59)	-	3,470.04			
-	-	-	-			
-	-	-	-			
-	-	-	-			
29,281.45	(27,292.60)	11,989.56	26,145.84	**Annualization x12/8**	**Common 39,218.76**	**C9.1**
				Including with electric since not material		
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	34,745.09	-	34,745.09			
-	-	-	-			
-	371,103.30	457,469.41	828,572.71			
-	-	-	-			

47,645.82	17,506.84	64,153.48	192,503.04	1
2,224.83	(96.38)	6,455.91	12,240.53	1
4,008.18	411.66	312.21	12,004.55	1
411,358.03	138,192.26	267,305.70	2,087,661.56	1
33,280.71	22,998.25	49,820.12	252,922.57	1
-	-	-	-	1
-	-	-	1,754.61	1
-	-	-	-	1
100,484.48	61,584.34	38,094.66	453,157.65	1
625,143.34	307,061.43	325,814.51	3,219,639.82	1
-	-	-	-	1
286,298.90	189,796.26	119,931.68	1,575,259.85	1
141,464.65	28,384.31	42,139.38	346,567.47	1
8,595.10	5,418.68	8,347.45	100,041.29	1
77,535.66	28,608.52	57,136.73	430,942.42	1
17,793.93	32,445.97	(1,477.59)	56,492.94	1
8,459.56	3,706.63	13,666.84	110,558.79	
70,603.76	37,368.22	83,416.44	434,849.21	
907,315.41	472,653.91	793,546.07	5,166,354.09	
269,996.42	116,100.35	299,640.00	1,679,211.97	
284,885.92	227,485.10	373,743.36	2,214,879.05	

	ET Only
Sum of 1's =	8,741,188.30
	x12/8
	13,111,782.45
	C9.1

975,387.47	526,039.20	1,356,431.55	5,814,640.75
899,958.40	489,337.76	771,480.24	4,586,455.52
63,735.51	50,835.32	109,866.43	588,701.99
354,298.20	230,178.69	335,198.43	2,040,601.17
354,897.36	184,686.76	387,092.39	1,798,985.66
41,081.39	48,600.64	69,428.29	395,587.12
232,073.19	64,569.02	265,253.47	1,178,151.41
88.34	39.03	466.13	1,051.92
35,783.30	56,065.53	53,051.27	188,155.67
-	-	-	-
-	-	-	-
6,254,397.86	3,745,826.69	6,347,784.56	35,802,690.42
418.87	293.64	211.13	3,595.94
428.08	300.09	215.77	3,674.94
3,331.29	2,335.15	1,679.09	28,597.83
173.92	121.89	87.66	1,597.91
114,579.15	87,049.52	122,189.92	807,525.29
614.41	159.61	1,573.56	5,331.34
80,819.08	65,696.77	77,061.69	589,994.10
-	-	-	-
-	-	-	-

Annualization	Electric	
x12/8	53,704,035.63	C9.1

(2,709.81)	2,536.00	2,167.55	(11,769.46)			
-	-	-	-			
197,654.99	158,492.67	205,186.37	1,428,547.89	**Annualization x12/8**	**Gas 2,142,821.84**	**C9.1**
6,481,334.30	3,877,026.76	6,564,960.49	37,257,384.15			

37,257,384.15		
x12/8		
55,886,076.23	**C9, C9.1**	
-		

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

7. Please provide six years of historical data (2012-2017) on deductible repairs included in the state and federal tax adjustments and provide workpapers showing how the forecast of deductible repairs was developed for 2017-2019 from the 2016 data or from other data sources.

Utility Response 7:

Please see the tables below for the historical data (actuals) for deductible repairs for 2012-2016. Please note that the 2017 actual amounts for deductible repairs will not be known until SDG&E completes and files its 2017 income tax returns, which is expected to occur in October 2018.

Please refer to Attachment C to this data request for workpapers showing how the forecast of deductible repairs was developed for 2017-2019.

Tax Year	Actual Federal Electric Repairs	Actual State Electric Repairs
2012	$ 65,616,002	$ 65,616,002
2013	$ 90,910,841	$ 90,910,841
2014	$ 93,499,189	$ 93,499,189
2015	$ 75,852,067	$ 75,852,067
2016	$ 97,813,602	$ 97,813,602

Tax Year	Actual Federal Gas Repairs	Actual State Gas Repairs
2012	$ 28,362,015	$ 14,265,765
2013	$ 16,750,958	$ 8,375,479
2014	$ 10,180,030	$ 10,180,030
2015	$ 14,103,613	$ 14,103,613
2016	$ 15,276,787	$ 15,276,787

	ELECTRIC	GAS	ELECTRIC	GAS	ELECTRIC	GAS	ELECTRIC	GAS
	2019 FEDERAL ADJS:		**2018 FEDERAL ADJS:**		**2017 FEDERAL ADJS:**		**2016 FEDERAL ADJS:**	
Deductible Repairs	(154,445)	(13,678)	(118,058)	(13,678)	(76,708)	(13,678)	(81,226)	(14,403)
Software Dev Costs	(28,335)	(11,684)	(42,699)	(17,608)	(37,301)	(15,382)	(60,759)	(9,797)
Cost of Removal	(5,279)	(279)	(5,279)	(279)	(5,279)	(279)	(6,072)	(295)
Section 199 Deduction	-	-	-	-	(3,484)	-	-	-
Preferred Dividend Deduction	-	-	-	-	-	-	-	-
Disallowed Transportation Fringe Benefits								
Other Deductions and Additions								
Federal Credits							(253)	(6)
Federal Credits Addback							35	6
PY CCFT							(40,300)	(8,016)
ITC Amortization	(795)	(209)	(1,509)	(513)	(2,319)	(513)	(2,086)	(513)
ARAM/Excess Deferred Tax Amortization	(10,118)	(1,240)	(10,118)	(1,240)	(155)	-	(124)	-
Unamortized ITC	10,118	60	10,912	269	12,421	782	14,741	1,294
	2019 STATE ADJS:		**2018 STATE ADJS:**		**2017 STATE ADJS:**		**2016 STATE ADJS:**	
Deductible Repairs	(154,445)	(13,678)	(118,058)	(13,678)	(76,708)	(13,678)	(81,226)	(14,403)
Software Dev Costs	(28,335)	(11,684)	(42,699)	(17,608)	(37,301)	(15,382)	(60,759)	(9,797)
Cost of Removal	(40,630)	(2,144)	(40,630)	(2,144)	(40,630)	(2,144)	(44,318)	(2,151)
Preferred Dividend Deduction	-	-	-	-	-	-	-	-
Other Deductions and Additions								
State Credits			(24)	(3)	(121)	(17)	(467)	(45)
State Credits Addback			24	3	121	17	278	45
Federal Statutory Rate		21.00%	21.00%		35.00%		35.00%	
State Statutory Rate		8.84%	8.84%		8.84%		8.84%	
State Rate - Net Of State Benefit		6.98%	6.98%		5.75%		5.75%	
AFUDC to Capitalized Interest and Taxes Ratio		66%						
Booked to Tax Depr Ratio_Fed_ED and Gas	73%	70%	73%	70%	73%	70%	73%	70%
Booked to Tax Depr Ratio_Fed_Gen	94%		94%		94%		94%	
Booked to Tax Depr Ratio_Fed_SONGS	0%		0%		0%		0%	
Deductible Repairs Ratio	28.01%	GD 66.04%	28.01%	GD 66.04%	28.01%	GD 66.04%		
Payroll Tax Ratio	6.66%	6.66%	6.65%	6.65%	6.77%	6.77%	6.68%	6.68%
Ad Valorem Tax Rate - Electric & Gas	1.6184586%		1.5785218%		1.5385850%		1.4986482%	

San Diego Gas & Electric Company
Capital Expenditures
For Period 2017 - 2019

CPS#	Asset ID	Project Title		GRC - 2017	GRC - 2018	GRC - 2019
001000.001	130	ELEC TRANS LINE RELIABILITY PROJECTS	Y	1,352	1,355	1,407
001020.001	130	ELEC TRANS LINE RELOCATION PROJECTS	Y	53	53	55
001050.001	130	ELECTRIC TRANS. STREET/HWY RELOCATIONS	Y	208	209	217
002020.001	130	ELECTRIC METERS & REGULATORS	Y	5,619	6,917	8,408
002030.001	130	DISTRIBUTION SUBSTATION RELIABILITY	Y	2,121	2,126	2,208
002050.001	130	ELECTRIC DIST. STREET/HWY RELOCATIONS	Y	7,086	7,100	7,376
002090.001	130	Field Shunt Capacitors	Y	794	795	826
002100.001	130	CONVERSION FROM OH TO UG RULE 20A	Y	14,775	14,806	15,381
002110.001	130	CONVERSION FROM OH-UG RULE 20B 20C	Y	1,887	2,100	2,401
002140.001	130	TRANSFORMERS	Y	28,005	28,733	30,568
002150.001	130	OH RESIDENTIAL NB	Y	710	867	957
002160.001	130	OH NON-RESIDENTIAL NB	Y	921	1,085	1,184
002170.001	130	UG RESIDENTIAL NB	Y	12,600	16,647	18,394
002180.001	130	UG NON-RESIDENTIAL NB	Y	6,293	7,574	8,264
002190.001	130	NEW BUSINESS INFRASTRUCTURE	Y	7,659	9,296	10,199
002240.001	130	NEW SERVICE INSTALLATIONS	Y	6,658	8,017	8,765
002250.001	130	CUSTOMER REQUESTED UPGRADES AND SERVICES	Y	6,935	7,603	8,713
002260.001	130	MANAGEMENT OF OH DIST. SERVICE	Y	8,569	8,586	8,920
002270.001	130	MANAGEMENT OF UG DIST. SERVICE	Y	4,722	4,732	4,916
002280.001	130	Reactive Small Capital Projects	Y	2,475	2,481	2,577
002290.001	130	CORRECTIVE MAINTENANCE PROGRAM (CMP) - RAMP	Y	14,605	14,635	15,204
002300.001	130	REPLACEMENT OF UNDERGROUND CABLES - RAMP	Y	15,953	21,347	21,764
002350.001	130	TRANSFORMER & METER INSTALLATIONS	Y	4,697	4,706	4,889
002360.001	130	CAPITAL RESTORATION OF SERVICE	Y	14,644	15,122	16,188
002890.001	130	CMP UG Switch Replacement & Manhole Repair - RAMP	Y	7,352	7,367	7,653
9132.001	130	TL6926 Rincon-Valley CTR SW Pole Replace	Y	103	103	1,497
10143.001	130	TL690E Wood to Steel Pole Replacement	Y	308	133	138
10145.001	130	TL692 Horno Pulgas Wood to Steel	Y	103	103	2,139
14137.001	130	TL6975 Escondido - S	Y	30	28	2,674
16261.001	130	San Mateo Substation Rebuild - **NEW BUDGET ADDED FOR ROUND 5**	Y	16	79	1,537
062470.001	130	Replacement Of Live Front Equipment - RAMP	Y	926	928	964
062540.001	130	EMERGENCY TRANSFORMER & SWITCHGEAR	Y	68	1,355	70
062600.001	130	REMOVE 4KV SUBS. FROM SERVICE - RAMP	Y	0	9,705	12,827
062600.002	130	REMOVE 4KV SUBS. FROM SERVICE - RAMP	Y	0	2,425	3,207
071440.001	130	FIBER OPTIC FOR RELAY PROTECT & TELECOM	Y	529	530	550
082530.001	130	Substation 12kV Capacitor Upgrades	Y	1,248	1,250	1,299
091370.001	130	TL649 Otay-San Ysidro-Border SW Pole Repl	Y	557	1,157	0
102650.001	130	Avian Protection - RAMP	Y	2,210	2,215	2,301
111330.001	130	TL664-WOOD TO STEEL	Y	412	0	0
112460.001	130	SMART TRANSFORMERS	Y	349	0	0
112470.001	130	ADVANCED ENERGY STORAGE	Y	0	6,982	14,074
112490.001	130	INSTALL SCADA ON LINE CAPACITORS - RAMP	Y	391	7,242	7,452
112530.001	130	WIRELESS FAULT INDICATORS	Y	460	5,942	6,115
112560.001	130	C1023 LI New 12kV Circuit & Reconductor C354	Y	3,324	0	0
112610.001	130	SEWAGE PUMP STATION REBUILDS	Y	2,090	448	1
112670.001	130	SCADA EXPANSION-DISTRIBUTION - RAMP	Y	0	5,954	6,185
112670.002	130	SCADA EXPANSION-DISTRIBUTION - RAMP	Y	0	3,497	3,632

CPS#	Asset ID	Project Title		GRC - 2017	GRC - 2018	GRC - 2019
121370.001	130	TL6916-WOOD TO STEEL	Y	0	0	363
122430.001	130	PHASOR MEASUREMENT UNITS (DISTRIBUTION)	Y	2,726	2,731	2,837
122460.001	130	ADVANCED GROUND FAULT DETECTION - RAMP	Y	434	435	452
122470.001	130	SMART ISOLATION & RECLOSING	Y	1,833	1,837	1,908
122490.001	130	ADVANCED WEATHER STA. INTEGRATION & FORE - RAMP	Y	281	282	293
122490.002	130	ADVANCED WEATHER STA. INTEGRATION & FORE - RAMP	Y	0	0	1,098
122660.001	130	CONDITION BASED MAINTENANCE-SMART GRID - RAMP	Y	2,090	2,094	2,176
132420.001	130	Rebuild Kearny 69/12kV Substation	Y	6,084	9,483	0
132640.001	130	DISTRIBUTED GENERATION INTERCONNECT. PRO	Y	685	435	0
132640.002	130	DISTRIBUTED GENERATION INTERCONNECT. PRO	Y	0	210	0
141400.001	130	TL698 WOOD TO STEEL PROJECT	Y	0	1,032	1,072
142430.001	130	Microgrid Systems for Reliability	Y	2,392	698	0
142490.001	130	Replace all SF6 gas switched	Y	4,744	19,086	19,827
152430.001	130	SUBSTATION SCADA EXPANSION-DISTRIBUTION	Y	740	751	0
152460.001	130	RANCHO SANTA FE SUB FIRE HARDENING	Y	4,250	4,112	0
152570.002	130	GOOGLE FIBER PROJECT (ED)	Y	0	6,801	7,065
152590.001	130	FIRE THREAT ZONE ADV PROTECT & SCADA UPG	Y	1,808	1,811	1,882
162430.001	130	Microgrid for Energy Risilience	Y	0	7,985	11,141
162520.001	130	Electric Integrity Ramp – GRC RAMP	Y	0	11,786	45,961
162520.002	130	Electric Integrity Ramp – GRC RAMP	Y	492	1,479	5,120
162520.004	130	Electric Integrity Ramp – GRC RAMP	Y	0	3,151	9,819
162520.005	130	Electric Integrity Ramp – GRC RAMP	Y	0	1,987	6,882
162520.006	130	Electric Integrity Ramp – GRC RAMP	Y	573	1,725	5,973
162550.001	130	Addition of bollards to areas of known vehicular contact - RAMP	Y	1,467	5,690	5,207
162550.002	130	Addition of bollards to areas of known vehicular contact - RAMP	Y	6,603	6,472	0
162570.001	130	Vault Maintenance	Y	0	1,355	1,407
162590.001	130	NCW: New Bank 32	Y	0	0	5,407
162670.001	130	C1447 MTO: EXTENSION & OFFLOAD FROM C958	Y	527	0	0
162680.001	130	C1450, MTO:NEW 12 KV CIRCUIT	Y	0	1,651	0
162690.001	130	JAMACHA NEW BANK & NEW 12KV CIRCUIT	Y	0	602	7,287
162720.001	130	DOHENY DESALINATION 15MW PROJECT	Y	0	0	515
172450.001	130	ITF-INTEGRATED TEST FACILITY	Y	707	1,422	0
172460.001	130	BORREGO MICROGRID 3.0	Y	283	7,085	0
172490.001	130	12/4KV SUBSTATION SECURITY: ALARM SYSTEM	Y	1,284	5,175	8,064
172500.001	130	PACIFIC AVE 20B CONVERSION PHASE 2	Y	0	3,016	0
172510.001	130	ESPOLA RD 20B CONVERSION	Y	0	2,873	0
172520.001	130	SOUTH SANTA FE DR 20B CONVERSION PH2	Y	0	1,368	0
172530.001	130	GRID ANALYTICS	Y	0	4,471	4,644
872320.001	130	Pole Replacement And Reinforcement - RAMP	Y	854	856	889
872320.002	130	Pole Replacement And Reinforcement - RAMP	Y	17,996	18,033	18,734
932400.001	130	DISTRIBUTION CIRCUIT RELIABILITY CONSTRUCTION - RAMP	Y	3,785	4,051	4,405
932400.002	130	Switch Program - **NEW BUDGET ADDED FOR ROUND 5**	Y	0	0	2,560
972480.001	130	Distribution System Capacity Improvement	Y	2,343	2,348	2,439
992820.001	130	REPLACE OBSOLETE SUBSTATION EQUIPMENT - RAMP	Y	1,547	11,033	21,313
08260A.001	130	The project requires trenching and installing conduit as well as 1000 kcmil cable along with a PME3	Y	2,488	0	0
09271A.001	130	Project requires trenching and installing 1000 kcmil cable along with a 4-Way Trayer SCADA switch.	Y	976	0	0
10144A.001	130	TL691 Avo-Mon Wood to Steel - RAMP	Y	92	219	0
10146A.001	130	TL695 Talega Wood to Steel - RAMP	Y	166	1,544	0
10147A.001	130	TL697 San Luis Rey Wood to Steel - RAMP	Y	132	1,574	0
10147A.002	130	TL697 San Luis Rey Wood to Steel - RAMP	Y	132	1,574	0
10149A.001	130	TL6912 Wood to Steel Pole Replacement - RAMP	Y	89	332	0

CPS#	Asset ID	Project Title		GRC - 2017	GRC - 2018	GRC - 2019	
11126A.001	130	TL663 Mission To Kearny Reconducto	Y	0	234	0	
11144A.001	130	13270 C1162 BD: New 12kV Circuit	Y	0	1,702	0	
12149A.001	130	TL694 Wood To Steel	Y	0	0	1,072	
13130A.001	130	TL674 Loop-in	Y	24	24	3,471	
13266A.001	130	AERIAL MARKING FOR SAFETY	Y	161	161	167	
14143A.001	130	POWAY SUBSTATION REBUILD	Y	239	0	0	
14259A.001	130	Vandium Flow Battery	Y	729	0	0	
15258A.001	130	Mid-Coast Trolley Extension	Y	91	0	0	
15258A.002	130	Mid-Coast Trolley Extension	Y	407	0	0	
15258A.004	130	Mid-Coast Trolley Extension	Y	16	0	0	
15258A.005	130	Mid-Coast Trolley Extension	Y	841	0	0	
15258A.006	130	Mid-Coast Trolley Extension	Y	5,885	0	0	
15258A.007	130	Mid-Coast Trolley Extension	Y	30	0	0	
15258A.009	130	Mid-Coast Trolley Extension	Y	541	0	0	
15258A.011	130	Mid-Coast Trolley Extension	Y	32	0	0	
15258A.013	130	Mid-Coast Trolley Extension	Y	160	0	0	
15258A.014	130	Mid-Coast Trolley Extension	Y	319	0	0	
15258A.015	130	Mid-Coast Trolley Extension	Y	143	0	0	
15258A.017	130	Mid-Coast Trolley Extension	Y	57	28	0	
15258A.019	130	Mid-Coast Trolley Extension	Y	0	4	0	
16142A.001	130	GRID Modernization	Y	0	550	0	
16258A.001	130	OIR Worst Circuits	Y	3,383	3,390	3,521	
16260A.001	130	MORRO HILL SUBSTATION REBUILD	Y	16	1,515	5,279	
17244A.001	130	VOLT/VAR OPTIMIZATION TRANSFORMER	Y	0	677	141	
17254A.001	130	Accelerated Pole Loading	Y	365	6,207	56,900	
		Total		273,858	421,486	551,394	
		Repairs Percentage based on 2009-2015 Studies		0.2801	0.2801	0.2801	
		Total Repairs per RO Model	A	76,708	118,058	154,445	
			B	76,708	118,058	154,445	**<< From Income Tax Inputs**
			C = A - B	0	0	0	

San Diego Gas & Electric Company
2016 3rd Quarter Estimated Payments/September Outlook
F275 Facts & Circumstances: Summary

Purpose: To estimate Facts and Circumstances schedule M deduction for estimated tax payments and Outlook.

	2016 Estimate - 3 Year Average Federal Deduction	2015 Return Federal Deduction	2014 Return Federal Deduction	2013 Return Federal Deduction
Gas Transmission	4,644,915	3,781,502	1,796,740	8,356,502
Gas Distribution	9,033,286	10,322,111	8,383,290	8,394,456
Total Deduction	13,678,200	14,103,613	10,180,030	16,750,958
	F275	F275	F275	F275
***California Deduction**	13,678,200	14,103,613	10,180,030	8,375,479

This forecast will also be used for 2017-19 in the GRC.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

8. Please provide the tax lives used by SDG&E for federal and state purposes for AMI meters.

Utility Response 8:

The tax lives for AMI meters used by SDG&E for federal and state purposes are as follows:

Electric: Federal – 5 years; State – 6 years
Gas: Federal – 20 years; State – 35 years

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

9. Please provide the amount of AMI meters expected to come into service for purposes of tax depreciation in 2018 and 2019. Divide into electricity and gas.

Utility Response 9:

SDG&E objects to this request on the grounds that it calls for speculation. Subject to and without waiving this objection, SDG&E responds as follows.

For electric property, please see the testimony of SDG&E Electric Distribution – Capital witness Alan Colton, Exhibit SDG&E-14-R at AFC-17 to AFC-18, which details the requested amount per year for acquiring meters and regulators. Electric is currently not able to provide forecasted meter installations as AMI meters are purchased based on historical usage and demand, which is driven by jobs for new construction and change outs.

For gas property, please see the testimony of SDG&E Gas Distribution witness Gina Orozco-Mejia, Exhibit SDG&E-04-R, pages GOM-71 to GOM-72.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

10. Regarding Property Taxes:

a. Please provide the Taxable percentages for Plant, Reserve for Depreciation, and Deferred Income Taxes for 2012-2015 and 2017 recorded (consistent with the figures listed for 2016 on SDG&E-35-WP-2R, pages 18-21)

b. Please provide the ad valorem tax rates for SDG&E in each year from 2007/08 to 2017/18.

c. Regarding the estimated decline in deferred income taxes from $629,766,000 in Tax Year 2018 to $337,561,000 in Tax Year 2019 for electric distribution (SDG&E-35-WP-2R, page 18), and corresponding declines in deferred income taxes for property tax purposes for electric generation and gas on other workpapers:

i. Is that largely the result of SDG&E's position that the taxing authorities will reduce deferred income taxes from 35% to 21% in a single year, as a result of the TCJA?

ii. If the answer to part (i) is yes, please provide the amount that would have been recorded had deferred income taxes been included at the 35% level in Tax Year 2019.

iii. If the answer to part (i) is yes, please provide all communications between SDG&E or Sempra Energy and the Board of Equalization regarding this point.

d. When does SDG&E expect to obtain its assessment for the 2018/2019 tax year?

Utility Response 10:

a. The Taxable percentages for 2012-2015 and 2017 recorded are provided in the following table:

Taxable Percentage	2012	2013	2014	2015	2017
Plant	126.90%	111.95%	115.36%	111.59%	103.02%
Depreciation	121.91%	118.75%	119.20%	118.59%	93.34%
Deferred Income Tax	87.43%	91.96%	82.39%	82.52%	90.33%

Utility Response 10:-Continued

b. SDG&E objects to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that the timeframe encompassed in this request is not relevant to the subject matter involved in the pending proceeding and therefore, the burden, expense and intrusiveness of this request outweighs the likelihood that the information sought will lead to the discovery of relevant and admissible evidence. In particular, this request seeks information prior to 2012 and is thus, outside the scope of the relevant time period used by SDG&E in developing its forecasts. Subject to and without waiving the foregoing objection, SDG&E responds as follows:

The ad valorem rates for the years 2011/12 through 2017/18 are provided in the following table:

Year	Rate
2011/12	1.2977%
2012/13	1.3274%
2013/14	1.3318%
2014/15	1.4374%
2015/16	1.4562%
2016/17	1.4894%
2017/18	1.5088%

c.

i. No. The decline in deferred income taxes from 2018 to 2019 for electric distribution shown on Exhibit SDG&E-35-WP-2R, page 18, and corresponding declines in deferred income taxes for property tax purposes for electric generation and gas shown on corresponding workpapers, were largely the result of formula errors. The "100% Deferred Tax Reserve" amounts for 2019 should have also included the offsetting rate base adjustments (decreases), as of the end of 2018, to reflect the impact of the change in the federal income tax rate under the TCJA. The rate base adjustment for electric property is shown in the workpapers of SDG&E's rate base witness R. Craig Gentes (*see* Exhibit SDG&E-33-WP-2R, page 5, line 10 (entitled "Accumulated Deferred Taxes – 2017 Tax Cuts & Jobs Act Adj")). Accordingly, the formula for "100% Deferred Tax Reserve" for 2019 on Exhibit SDG&E-35-WP-2R, page 18, should have added the rate base adjustment amount for electric distribution property of $229,229,000, so that the corrected "100% Deferred Tax

Utility Response 10:-Continued

Reserve" amount for 2019 for electric distribution should be $566,790,000 ($337,561,000 + $229,229,000). The same formula error occurred in the corresponding property tax workpapers for electric generation and gas.

SDG&E will reflect these corrections in its Update Testimony, which is anticipated to be submitted on August 24, 2018 in accordance with the proceeding schedule set forth in the January 10, 2018 Scoping Memo.

ii. Not applicable.

iii. Not applicable.

d. SDG&E objects to this request on the grounds that it calls for speculation. Subject to and without waiving this objection, SDG&E responds as follows. The California State Board of Equalization is scheduled to meet on May 30, 2018 to vote on the valuation of state-assessed properties. SDG&E estimates that the assessments will be available shortly thereafter.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

11. Regarding Franchise Fees:

a. Please provide the 2017 Franchise Fee Percentage calculated in the same way as the percentages calculated for 2012-2016 on SD&GE-35-WP-2R, page 27).

b. Do the franchise fees shown on SDG&E's workpapers include franchise fees that are surcharged to individual municipalities? If they do include those surcharges, please identify surcharged amounts in 2015-2017 as recorded.

Utility Response 11:

a. The franchise fee percentages for 2017, calculated in the same way as the percentages calculated for 2012-2016 on Exhibit SDG&E-35-WP-2R, page 27, are 3.4597% for electric and 2.1305% for gas. The calculation is shown in the table below:

	Electric	Gas
Total Franchise Payments - 2017	$ 121,368,324	$ 10,153,265
Divided by: Gross Receipts - 2017	$ 3,508,064,575	$ 476,572,530
Franchise Fee Percentage - 2017	3.4597%	2.1305%

b. The total franchise fees shown on Exhibit SDG&E-35-WP-2R do include franchise fees that are surcharged to individual municipalities. The 2015-2017 recorded surcharge amounts are as follows:

	2015	2016	2017
Electric	86,930,312	78,705,614	84,090,343
Gas	1,936,520	2,110,187	2,253,879
Total	88,866,832	80,815,802	86,344,223

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

12. What is the source of the 2016 book income before taxes on SDG&E-35-WP-2R page 28? Please provide per-books 2016 net operating losses on a recorded basis.

Utility Response 12:

SDG&E objects to this request on the grounds that it is vague and ambiguous and calls for speculation. It appears that this Question 12 intended to refer to page 40 of Exhibit SDG&E-35-WP-2R, and not page 28. Subject to and without waiving these objections, SDG&E responds as follows.

The source of the amount shown for 2016 book income before taxes on Exhibit SDG&E-35-WP-2R, page 40, is the "sum" file of the RO Model, on row 22 of the "Combined Rev Requirement" worksheet.

SDG&E had no net operating loss on a recorded basis for 2016.

TURN DATA REQUEST-060
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 25, 2018
DATE RESPONDED: MAY 9, 2018

13. Please provide results of operations at base rates summary pages for 2016, 2017 and 2018 showing actual base rate revenues in each year from 2016 to 2018, actual adjusted expenses and taxes in 2016 and forecasted expenses and taxes in 2017 and 2018 , actual rate base in 2016 and forecasted rate base in 2017 and 2018, and the earned rate of return in each of the three years in the format of Appendix A of the testimony of Ryan Hom (SDG&E-42-2R). The income tax expenses and the actual return should be based not on the assumption that the utility earns its authorized rate of return in each year but on the actual revenues (for 2016-2018) and actual expenses and rate base (in 2016) and forecast expenses and rate base (for 2017-2018) and the return

Utility Response 13:

SDG&E objects to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that the burden, expense and intrusiveness of this request clearly outweigh the likelihood that the information sought will lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objection, SDG&E responds as follows.

Please refer to detail provided in Attachment D to this data request for 2016-2018 actual base GRC revenues, 2016 acutal expenses/taxes/ratebase/return, and 2017/2018 forecasted expenses/taxes/ratebase/return from the 2019 GRC RO model.

SDG&E is unable to provide the income tax expense and the actual return based on actual revenues (for 2016-2018) as requested. The current RO model does not have the functionality to perform the necessary calculations. Further, the RO model uses a complex goal seek function which cannot be replicated in an ad hoc report. SDG&E is not required to create new data or present existing data in a different form beyond that which might be readily available.

SAN DIEGO GAS & ELECTRIC COMPANY
2019 GRC A.17-10-007
TURN-060, Q13

Description	2016[1] Recorded (2016$)	2017 Forecast (2017$)	2018 Forecast (2018$)
Total O&M Expenses	$ 645,022	$ 754,785	$ 781,344
Depreciation & Amortization	462,893	441,427	479,952
Taxes on Income	155,015	156,341	63,041
Taxes Other Than on Income	113,714	99,094	107,480
Total Operating Expenses	$ 1,376,643	$ 1,451,648	$ 1,431,817
Return	$ 407,711	$ 391,645	$ 413,260
Rate Base	$ 4,724,826	$ 5,027,540	$ 5,473,648
Rate of Return	8.63%	7.79%	7.55%

APPENDIX C
GLOSSARY OF TERMS

2017 Annual Report	Social Security Administration's 2017 Annual Report
ADIT	Accumulated Deferred Income Taxes
ARAM	Average Rate Assumption Method
BY	Base Year
Commission	California Public Utilities Commission
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
FEA	Federal Executive Agencies
GRC	General Rate Case
IRS	Internal Revenue Service
OASDI	Old-Age, Survivors, and Disability Insurance
OII	Order Instituting Investigation
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas and Electric Company
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SSA	Social Security Administration
TCJA	Tax Cuts and Jobs Act
TMA	Tax Memorandum Account
TURN	The Utility Reform Network
TY	Test Year