TURN DATA REQUEST-058
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 23, 2018
DATE RESPONDED: MAY 7, 2018

Exhibit Reference: SCG -37
Witnesses: Reeves
Subject: ADIT, ARAM, AMI meters, Property Taxes, Franchise Fees, etc.

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.

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.

a. The amount of 2016 recorded accumulated deferred income taxes (ADIT) included in rate base is $1,220,931. The amount of 2017, 2018, and 2019 forecasted accumulated deferred income taxes included in rate base is $1,341,194 for 2017, $755,986 for 2018, and $728,864 for 2019. As discussed in Exhibit SCG-37-2R 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 SoCalGas' rate base witness Patrick D. Moersen (*see* Exhibit SCG-35-WP-2R, page 5, line 11 (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. All of the components of the SoCalGas accumulated deferred income taxes are associated with FERC account 282 – Accumulated Deferred Income Taxes Non-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. SoCalGas objects to this request on the grounds that it is unduly burdensome and calls for speculation. Subject to and without waiving these objections, SoCalGas responds as follows. Due to the thousands of SoCalGas' 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 SoCalGas' RO Model or within an Excel file (*see* Exhibit. SCG-37-2R at RGR-21 lines 26-29). Further, SoCalGas is not required to create new data or present existing data in a different form beyond that which might be readily available. SoCalGas instead relies on its tax accounting and depreciation software to compute the forecasted ARAM amount for each year. The forecasted ARAM amounts and the corresponding GRC workpaper references are shown in the table, below. Please note that 2020 and 2021 are attrition years to the 2019 GRC. Consistent with SoCalGas' approach in this GRC and in previous GRCs, SoCalGas does not forecast tax adjustments beyond the GRC test year. Accordingly, SoCalGas 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

Utility Response 1 Continued:

these attrition years is presented in Exhibits SCG-44-2R and SCG-44-WP-2R (the testimony and workpapers of SoCalGas' post-test year witness Jawaad Malik).

Year	Forecasted ARAM (in $000)	GRC Workpaper Reference
2018	$12,599	SCG-37-WP-2R, page 5
2019	$14,060	SCG-37-WP-2R, page 4
2020	$14,060	SCG-44-WP-2R, page 4, Table-5
2021	$14,060	SCG-44-WP-2R, page 4, Table-5

f. SoCalGas 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.

2. There are line items for ARAM of $14,060,000 in 2019 and $12,599,000 in 2018 on the workpapers SCG-37-WP-2R, pages 4 and 5 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 the response to 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.

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3. 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 3:

SoCalGas 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, SoCalGas responds as follows. Consistent with its prior GRC proceedings, SoCalGas 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 SoCalGas' proposal to revise pension spending is adopted.

4. 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.

Utility Response 4:

Please refer to the detail provided in Attachment B to this data request.

5. 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 5:

The table below shows the historical data (actuals) for deductible repairs for 2012-2016. Please note that the actual repairs deduction for 2017 will not be known until SoCalGas completes and files its 2017 income tax returns, which is expected to occur in October 2018.

Tax Year	Actual Federal Repairs (in $000)	Actual State Repairs (in $000)
2012	$122,980	$122,854
2013	$108,448	$108,100
2014	$112,917	$112,381
2015	$98,353	$97,659
2016	$138,360	$137,522

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

6. Please provide the tax lives used by SoCalGas for federal and state purposes for AMI meters.

Utility Response 6:

The federal tax life used by SoCalGas for AMI meters is 20 years. The state tax life used by SoCalGas for AMI meters is 35 years.

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

Utility Response 7:

SoCalGas objects to this request on the grounds that it calls for speculation. Subject to and without waiving this objection, SoCalGas responds as follows. SoCalGas does not currently have a material forecasted amount of AMI meters expected to come into service for purposes of tax depreciation in 2018 and 2019.

8. 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 SCG-37-WP-2R, page 17)

b. Please provide the ad valorem tax rates for SoCalGas in each year from 2007/08 to 2016/17.

c. Please provide the assessed value of Aliso Canyon in 2016 recorded through 2019 using the methodology used to determine the values for the "gas plant in service", "accumulated depreciation", and "accumulated deferred income taxes" in SCG-37-WP-2R, page 17.

d. Regarding the estimated decline in deferred income taxes from $1,341,194,000 in Tax Year 2018 to $755,986,000 in Tax Year 2019 (SCG-37-WP-2R, page 17):

i. Is that largely the result of SoCalGas'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 SoCalGas or Sempra Energy and the Board of Equalization regarding this point.

e. When does SoCalGas expect to obtain its assessment for the 2018/2019 tax year?

Utility Response 8:

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

Taxable Percentage	2012	2013	2014	2015	2017
Plant	94.34%	92.74%	93.30%	91.83%	92.30%
Depreciation	96.90%	95.89%	95.07%	94.13%	91.89%
Deferred Income Tax	97.22%	96.34%	95.21%	95.86%	96.72%

b. SoCalGas 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 SoCalGas in developing its forecasts. Subject to and without waiving the foregoing objection, SoCalGas responds as follows:

The ad valorem rates for the years 2011/12 through 2016/17 are provided in the following table:

Year	Rate
2011/12	1.2429%
2012/13	1.2350%
2013/14	1.2441%
2014/15	1.2516%
2015/16	1.2653%
2016/17	1.2877%

Utility Response 8 Continued:

c. SoCalGas 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, SoCalGas responds as follows. SoCalGas calculates assessed value for property tax purposes based on the total value of the Company's property that is subject to property tax. The calculation is not done on an asset-by-asset or project-by-project basis. This is true both for GRC forecasting purposes and for the actual assessment of property taxes and the filings of property tax returns. Accordingly, the data that would be needed to compute the assessed value of Aliso Canyon for 2016 – 2019 as a stand-alone asset is not currently available and SoCalGas is not required to create new data or present existing data in a different form beyond that which might be readily available. Moreover, such an approach would be inconsistent with how property taxes are assessed.

d.

i. No. The decline in deferred income taxes from 2018 to 2019 shown on Exhibit SCG-37-WP-2R, page 17, was largely the result of a formula error. The "Deferred Income Taxes" amount for 2019 should have also included the offsetting rate base adjustment (decrease), 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 is shown in the workpapers of SoCalGas' rate base witness Patrick D. Moersen (*see* Exhibit SCG-35-WP-2R, page 5, line 11 (entitled "Accumulated Deferred Taxes – 2017 Tax Cuts & Jobs Act Adj")). Accordingly, the formula for "Deferred Income Taxes" for 2019 on Exhibit SCG-37-WP-2R, page 17, should have added the rate base adjustment amount of $523,878,000, so that the corrected "Deferred Income Taxes" amount for 2019 should be $1,279,864,000 ($755,956,000 + $523,878,000).

   SoCalGas will reflect this 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.

ii. Not applicable.

iii. Not applicable.

e. SoCalGas objects to this request on the grounds that it calls for speculation. Subject to and without waiving this objection, SoCalGas 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. SoCalGas estimates that the assessments will be available shortly thereafter.

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9. Regarding Franchise Fees:

a. Please provide the 2017 Franchise Fee Percentage calculated in the same way as the percentages calculated for 2012-2016 on SCG-37-WP-2R, page 22).

b. Do the franchise fees shown on SoCalGas'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 9:

a. The franchise fee percentage for 2017, calculated in the same way as the percentages calculated for 2012-2016 on Exhibit SCG-37-WP-2R, page 22, is 1.2689%. The calculation is shown in the table below:

Total Franchise Payments – 2017	$ 42,594,466.42
Divided by: Gross Receipts – 2017	$ 3,356,694,034
Franchise Fee Percentage – 2017	1.2689%

b. The total franchise fees shown on Exhibit SCG-37-WP-2R do not include franchise fees that are surcharged to individual municipalities.

10. What is the source of the 2016 book income before taxes on SCG-37-WP-2R page 28? Please provide per-books 2016 net operating losses on a recorded basis.

Utility Response 10:

The source of the amount shown for 2016 book income before taxes on Exhibit SCG-37-WP-2R, page 28, is the "sum" file of the RO Model, on row 27 of the "Rev Requirement" worksheet. The SoCalGas cumulative net operating losses on a recorded basis as of 12/31/2016 are $48,493,973.

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11. 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 (SCG-43-2R). 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 earned at that level of revenues, expenses, and rate base.

Utility Response 11:

SoCalGas 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, SoCalGas 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.

SoCalGas 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. SoCalGas is not required to create new data or present existing data in a different form beyond that which might be readily available.

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12. Please provide the actual Net Operating Loss position for each of SoCalGas and SDG&E in 2016 and 2017 recorded.

Utility Response 12:

SoCalGas had cumulative net operating losses of $48,493,973 as of 12/31/2016. SoCalGas does not have actual 2017 recorded net operating losses at this time. These amounts will not be final until the SoCalGas completes and files its 2017 income tax returns, which is expected to occur in October 2018.

SDG&E was not in a net operating loss position as of 12/31/2016. SDG&E does not have actual 2017 recorded net operating losses at this time. These amounts will not be final until the SDG&E completes and files its 2017 income tax returns, which is expected to occur in October 2018.