

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence, or where the burden, expense, or intrusiveness of the request clearly outweighs the likelihood that the information sought will lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody or control of SDG&E.
9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create documents that do not currently exist.

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

10. SDG&E objects to the production of information that has not been disclosed publicly and that contains highly market-sensitive confidential, proprietary, or trade secret information by reference to statutory protection, such that disclosure of, or reliance upon, this information would create a risk of competitive and financial harm to SDG&E, and where that information is not essential to the determination of this proceeding.

11. SDG&E objects to any request that states that it is ongoing or that requires subsequent, supplemental information.

II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

I. OBJECTIONS TO INSTRUCTIONS

1. SDG&E objects to the Instructure to the extent it purports to require the individual(s) responsible for providing the response. The responses reflect SDG&E's response as a Company to the requests and not the work of any one individual.
2. SDG&E objects to the Instructions to the extent it purports to require SDG&E to go beyond what is required by the CPUC's Rules and Practice and Procedure. This instruction is unduly burdensome.
3. SDG&E objects to the Instructions to the extent it seeks to make this data request continuing in nature.
4. SDG&E objects to the Instructions the extent it purports to require SDG&E, with respect to privileged or confidential documents, to go beyond what is necessary to identify the document and its contents for purposes of determining whether a privilege exists.

Subject to the foregoing general objections and express reservations, SDG&E responds as follows:

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

1. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-1.

SDG&E Response 1:

Please see separately attached files labeled as follows:

- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Embedded Cost of Debt Workpapers.xlsx
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Historical Capital Structure Calculations.xlsx
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Proxy Group Capital Structure.xlsx
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Business Risk_Appendix.xlsx
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_Morin Exhibits RAM-2 - RAM-8.xls
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_Morin Appendix A CAPM and Empirical CAPM.doc
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_Morin Appendix B Flot Cost.doc
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_Risk Premium Analyses_Confidential.xlsx
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E CCM Trigger Chart.xlsx
- UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Debt Roster.xlsx

Note that the highlighted information in attachment *UCAN DR-01-Q1 EPUC-SDG&E-DR01 Q1-1_Risk Premium Analyses_Confidential.xlsx* is confidential and protected pursuant to applicable provisions of PUC Section 583, GO 66-D, and D.17-09-023. Those protected materials are subject to a duly-executed Non-Disclosure Agreement between SDG&E and UCAN.

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

2. Please provide the following document cited in Footnote 24 of the Direct Testimony of Don Widjaja.

SDG&E Response 2:

The credit agency report referenced above is fee-based (subscription-only), with their circulation controlled by the ratings agencies. Those materials cannot be produced publicly. SDG&E will produce responsive documents under a duly-executed Non-Disclosure Agreement between SDG&E and UCAN. Please see separately attached file labeled as follows:

- UCAN DR01-Q2 S&P_SDG&EDowngradedToA-OnUnaddressedLongerTermWildfireRisksOutlookNegative_9.5.18(PROTECTED).pdf

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

3. Please provide the following document cited in Footnote 28 of the Direct Testimony of Don Widjaja.

SDG&E Response 3:

The credit agency report referenced above is fee-based (subscription-only), with their circulation controlled by the ratings agencies. Those materials cannot be produced publicly. SDG&E will produce responsive documents under a duly-executed Non-Disclosure Agreement between SDG&E and UCAN. Please see separately attached file labeled as follows:

- UCAN DR01-Q3
S&P_SDG&EDowngradedToBBB+OutlookRemainsNegative_1.21.19(PROTECTED)
.pdf

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

4. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-6.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, and 3. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 4:

Please see separately attached files labeled as follows:

- UCAN DR01-Q4 EPUC-SDG&E-DR01 Q1-6
2018_Sempra_Energy_Analyst_Conference_SEU Only.pdf
- UCAN DR01-Q4 EPUC-SDG&E-DR01 Q1-6 Q1-18_Presentation_FINAL_SDGE
Extract.pdf
- UCAN DR01-Q4 EPUC-SDG&E-DR01 Q1-6 Q2-18 Presentation FINAL_SDGE
Extract.pdf
- UCAN DR01-Q4 EPUC-SDG&E-DR01 Q1-6 Q3-18_Presentation_FINAL_SDGE
Extract.pdf
- UCAN DR01-Q4 EPUC-SDG&E-DR01 Q1-6 Q4-18 Presentation FINAL_SDGE
Extract.pdf
- UCAN DR01-Q4 EPUC-SDG&E-DR01 Q1-6 Sempra Energy 2019 Investor Day_SDGE
Only.pdf
- UCAN DR01-Q4 EPUC-SDG&E-DR01 Q1-6 SRE Q1-19 Presentation FINAL_SDGE
Extract.pdf

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

5. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-7.

SDG&E Response 5:

Please see separately attached file labeled as follows:

- UCAN DR01-Q5 EPUC-SDGE-DR01_Question 1-7.xlsx

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

6. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-8.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 5, and 10. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 6:

Please see separately attached file labeled as follows:

- UCAN DR01-Q6 EPUC-SDGE-DR01 Responses.xlsx

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

7. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-9.

Objection: SDG&E objects to this request on the grounds set forth in General Objection No. 7. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 7:

SDG&E objects to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.

Subject to the foregoing objection, SDG&E responds as follows.

Please see separately attached file labeled as follows:

- UCAN DR01-Q7 D1212034 DECISION ON TEST YEAR 2013 COST OF CAPITAL FOR THE MAJOR ENERGY UTILITIES
- UCAN DR01-Q7 D1707005 July 13, 2017

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

8. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-10.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 5, and 6. SDG&E further objects to the extent the question seeks information regarding a third party, Sempra Energy, that is not a party to this proceeding and is not relevant to SDG&E's cost of capital request. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 8:

As referenced in the forgoing objections, it is overbroad, an undue burden, and not reasonably calculated to lead to the discovery of admissible evidence to request SDG&E produce and all credit reports discussing SDG&E or Sempra Energy, when SDG&E does not create or have authority over such reports and when many are unrelated to this proceeding. Consistent with the foregoing answers, SDG&E is providing credit rating materials cited in SDG&E's application and supporting testimony, subject to a non-disclosure agreement. Please see separately attached files labeled as follows:

- UCAN DR01-Q8 Moody's_Limiting utility liabilities looms large after release of SB901 Commission draft report_6.4.19(PROTECTED).pdf
- UCAN DR01-Q8 S&P_CreditFAQTheLoomingCaliforniaWildfireSeasonPromptsAnExaminationOfInvestorOwnedUtilitiesRisks_6.7.19 (Pub).pdf

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

9. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-13.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 3, 6, and 8. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 9:

Moody's does not provide a calculation of SDG&E's credit metric.

For S&P, the credit metrics are published and are proprietary (subscription based). SDG&E is providing the 2018 actual information in "UCAN DR01-Q9 EPUC-SDG&E-DR01 Q1-13 Credit Stats Direct Financials 2018(PROTECTED).xlsx" subject to a duly-executed Non-Disclosure Agreement. SDG&E does not possess any 2020 projected credit metric calculations.

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

10. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-16.

SDG&E Response 10:

Please see separately attached file labeled as follows:

- UCAN DR01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Debt Roster.xlsx

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

11. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-17.

Objection: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 5. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 11:

Please see separately attached files labeled as follows:

- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 2014 SDGE Bond Redemption Analysis 3-27-2014.xlsx
- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 Copy of EMBOCT2014SDGE (2).xlsx
- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 2015 SDGE Bond Redemption Analysis 4-10-2015.xlsx
- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 List of potential targets 2015 rev 3-26-15.xlsx
- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 List of potential targets 2015.xlsx
- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 numbers-c.xlsx
- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 Redemption Price Accrued Interest Calculation.xlsx
- UCAN DR01-Q11 EPUC-SDG&E-DR01 Q1-17 Redemption Timeline.xlsx

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

12. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-22.

Objection: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 5. Subject to the foregoing objection, SDG&E responds as follows.

SDG&E Response 12:

SDG&E did not incur damage costs related to wildfires with ignition costs in 2017 and 2018. Nevertheless, as detailed in its application and supporting testimony, SDG&E's credit ratings were repeatedly downgraded in 2017 and 2018 solely because of California's wildfire liability scheme. Wildfire discussion slides from presentations / discussions with credit rating agencies from 2017 to present containing now-public information are provided in separately attached files labeled as follows:

- UCAN DR01-Q12 EPUC-SDG&E-DR01_1-22_May 2019 New York RA Meetings_Moody's.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_May 2019 New York RA Meetings_Fitch.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_May 2019 New York RA Meetings_S&P.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_RA Visit March 2018 (03.12.2018)_MASTER Fitch.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_2018 Wildfire Rating Agency 3.8.18.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_RA Visit March 2018 (03.12.2018)_Moody's.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_RA Visit March 2018 (03-12-2018)_S&P.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_S&P's Wildfire Deck_March 2019.pdf
- UCAN DR01-Q12 EPUC-SDG&E-DR01-1-22_Moody's Wildfire Deck Jan 2019.pdf

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

13. Please provide the materials included in the response to EPUC Data Request EPUC-SDG&E-DR-001, Question 1-25.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 3, 9, and 10. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 13:

Please note that SDG&E's general liability insurance program is comprised of two programs, excess liability and wildfire and is filed in the GRC as such. Wildfire is further split into three categories: excess fire, wildfire reinsurance, and ILS CAT bond.

Please see separately attached file labeled as follows:

- UCAN DR01-Q13 EPUC-SDGE-DR01_Question 1-25.xlsx

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

14. Please provide the materials included in the response to Environmental Defense Fund Data Request EDF-SDG&E-DR-001, Question 1-2.

Objections: SDG&E objects to this request on the grounds set forth in General Objection No. 11. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 14:

Please see separately attached files labeled as follows:

- UCAN DR01-Q14 EDF-SDG&E-DR01 Q2_Declaration SDG&E-05, Ch1.pdf
- UCAN DR01-Q14 EDF-SDG&E-DR01 Q2_Morin Appendix A CAPM and Empirical CAPM.doc
- UCAN DR01-Q14 EDF-SDG&E-DR01 Q2_Morin Appendix B Flot Cost.doc
- UCAN DR01-Q14 EDF-SDG&E-DR01 Q2_Morin Exhibits RAM-2 - RAM-8.xlsx
- UCAN DR01-Q14 EDF-SDG&E-DR01 Q2_Risk Premium Analyses_Confidential.xlsx

Note that the highlighted information in attachment UCAN DR01-Q14 EDF-SDG&E-DR01 Q2_Risk Premium Analyses_Confidential.xlsx is confidential and protected pursuant to applicable provisions of PUC Section 583, GO 66-D, and D.17-09-023. Those protected materials are subject to a duly-executed Non-Disclosure Agreement between SDG&E and UCAN.

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

15. Please provide the materials included in the response to Environmental Defense Fund Data Request EDF-SDG&E-DR-001, Question 1-7.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 10, and 11. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 15:

Please see separately attached file labeled as follows:

- UCAN DR01-Q15 EDF SDG&E-DR01 Q7(PROTECTED).xlsx

Please note that this information is **protected materials subject to a duly-executed Non-Disclosure Agreement between SDG&E and UCAN and are being produced consistent with that agreement.**

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

16. Please provide the materials included in the response to Public Advocates Office Data Request PubAdv-SDG&E-DR-001, Question 1-3.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2 and 3. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 16:

Recorded long-term debt is not the same long-term debt used for SDG&E's ratemaking capital structure. The 2018 actual debt to capitalization ratio for regulatory capital structure purposes was 44%, which is the ratio recommended by Ms. Mekitarian. Please see separately attached file labeled as follows below, for a reconciliation between the 52% debt to capitalization ratio shown in the 2018 Form 10-K and the 44% debt to capitalization ratio for regulatory capital structure purposes.

- UCAN DR01-Q16 PubAdv SDGE-DR01 Responses.xlsx

**UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019**

17. Please provide the workpapers included in the response to Environmental Defense Fund Data Request EDF-SDG&E-DR-001, Question 1-9.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 5, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 17:

Consistent with the objections provided above, this question appears to request information that would unduly burdensome to attempt to prepare.

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

18. Please see the Direct Testimony of Meritzka Mekitarian. Please provide “live” Excel files (including but not limited to active values, formulae, and cell links) for the tables on pages A-1, A-2, A-3, and A-4 of Appendix A; and tables on pages B-3, B-4, and B-5 of Appendix B.

SDG&E Response 18:

Please see separately attached files labeled as follows:

- UCAN DR01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Embedded Cost of Debt Workpapers.xlsx
- UCAN DR01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Proxy Group Capital Structure.xlsx

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

19. Please see the Direct Testimony of Donald Widjaja. Please provide “live” Excel files (including but not limited to active values, formulae, and cell links) for the tables in Appendix A that involve the calculation of mean values for columns. Please explain how the means of columns with letter values were calculated. Please provide a conversion table for substituting numerical values for letter values.

SDG&E Response 19:

Please see separately attached file labeled as follows:

- UCAN DR01-Q1 EPUC-SDG&E-DR01 Q1-1_SDG&E Business Risk_Appendix.xlsx

Please find conversion tables for substituting numerical values for letter values in the attached Excel file (SDGE-UCAN-DR 01, Q19) for those Appendix A tables that involve calculation of mean values.

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

20. Please see the Direct Testimony of Dr. Roger A. Morin, page 32, line 14-page 33, line 7. Please provide any studies published in refereed journals in which the accuracy of sources of forecasted interest rates is included in the studies as a variable in determining the degree to which the forecasts affect the expectations of investors.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 7, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 20:

Please see separately attached file labeled as follows:

- UCAN DR01-Q20 Accuracy of Forecasts.doc
- UCAN DR01-Q20 Interest Rate Forecasts in Conventional and Unconventional Monetary Policy Periods.doc
- UCAN DR01-Q20 Interest Rate Forecasts Issues.pdf

Dr. Morin's prepared direct testimony speaks for itself. Financial models are forward-looking models based on expectations of the future. As a result, in order to produce a meaningful estimate of investors' required rate of return, financial models must be applied using data that reflects the expectations of actual investors in the market. While investors examine history as a guide to the future, it is the expectations of future events that influence security values and the cost of capital. Security prices are based on expectations, whether or not those expectations materialize.

UCAN DATA REQUEST
UCAN-SDG&E-DR-001
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 24, 2019
DATE RESPONDED: AUGUST 7, 2019

21. Please see the Direct Testimony of Dr. Roger A. Morin, page 32, lines 3-7. Please provide evidence regarding the accuracy of the forecasted yields for 30-year U.S. Treasury bonds made by the Congressional Budget Office, Bureau of Labor Statistics, U.S. Energy Information Administration, IHS (formerly Global Insight), Value Line, the White House budget, and the Economic Report of the President compared with actual yields realized one year later, and other intervals for which the yields are forecasted in the sources, from 2009-2018.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 7, and 9. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 21:

Consistent with the objections above the underlying information sought, to the extent it is available, would be in the public domain. Dr. Morin's testimony speaks for itself. Dr. Morin is not aware of any study analyzing the accuracy of any of the cited organizations. Nor did Dr. Morin rely on such studies in order to arrive at his return recommendation. Financial models are forward-looking models based on expectations of the future. As a result, in order to produce a meaningful estimate of investors' required rate of return, financial models must be applied using data that reflects the expectations of actual investors in the market. While investors examine history as a guide to the future, it is the expectations of future events that influence security values and the cost of capital. Security prices are based on expectations, whether or not those expectations materialize.