SAN DIEGO GAS & ELECTRIC COMPANY

TO5 FORMULA DEPRECIATION RATE CHANGE FOR COMMON PLANT and ELECTRIC GENERAL PLANT

November 20, 2020

Docket No. ER21-___-____

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November 20, 2020

The Hon. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: San Diego Gas & Electric Company's TO5 Formula Depreciation Rate Change for Common Plant and Electric General Plant, Docket No. ER21-___

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"),[1] Section 35.13 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,[2] and San Diego Gas & Electric Company's (SDG&E) Fifth Transmission Owner ("TO") Formula rate mechanism ("TO5" or "TO5 Formula"), SDG&E submits this "single-issue" depreciation rate filing ("Filing"). This Filing updates SDG&E's depreciation rates for Common Plant and Electric General Plant that will be utilized for the 2019 Base Period and True Up Period in the third annual informational filing ("Cycle" 3") under TO5. SDG&E submits this filing to update its non-transmission depreciation rates to be consistent with SDG&E's 2019 General Rate Case ("GRC") Decision 19-09-051.

The impact of the revised depreciation rates for Common Plant and Electric General Plant on SDG&E's Base Transmission Revenue Requirement ("BTRR") will be contained in SDG&E's TO5 Cycle 3 filing—which will be filed by December 1, 2020 for a January 1, 2021 effective date.

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1 16 U.S.C. § 824d

2 18 C.F.R. § 35.13.

I. NATURE AND PURPOSE OF FILING

SDG&E submits this single-issue filing under Section D.5 of its TO5 Formula Rate Protocols.[3] Section D.5 provides that SDG&E may make a single-issue filing under FPA Section 205 to reflect the depreciation rates for Common Plant and Electric General Plant for 2019. Those rates will be used for the Base Period and True Up Period in the TO5 Cycle 3 informational filing.

II. LIST OF DOCUMENTS SUBMITTED

This Filing consists of the following items:

1. Transmittal Letter; and

2. Exhibit No. SDG-1 - Affidavit of Heather Perry on behalf of San Diego Gas & Electric Company, with the following appendices:

    a. Appendix A – TO5 Cycle 3 Depreciation Rates for Common Plant and Electric General Plant (2019 Common and Electric General Plant Depreciation Rates including impact of using 2018 Common Plant and Electric General Plant Depreciation Rates in 2019) (TO5 Cycle 3 Base Period – Statement AJ work papers); and

    b. Appendix B – 2019 California Public Utilities Commission ("CPUC") Decision ("D.") 19-09-051 ("2019 GRC Decision") (Relevant Excerpts).

III. PROPOSED DEPRECIATION RATE REVISIONS

SDG&E requests Commission approval of its revised 2019 Common Plant and Electric General Plant depreciation rates--and the resulting 2019 depreciation expense reflected in the TO5 Cycle 3 informational filing. Those rates are consistent with SDG&E's 2019 GRC Decision. SDG&E is only proposing to revise the aspects of the depreciation inputs that are necessary to reflect the CPUC decision.

Ms. Perry's Affidavit explains the basis for and recalculation of the 2019 depreciation rates for Common Plant and Electric General Plant. Ms. Perry compares the 2018 and 2019 depreciation rates for those two areas by applying the depreciation rates to a consistent depreciable base to illustrate the impact of the rate change on the BTRR. Appendix A shows the overall change in depreciation expense totaling approximately ($0.05) million, a 0.1% decrease over SDG&E's current depreciation rates. From this total, approximately $0.1 million is allocated to the transmission function which includes a decrease of $0.2 million from Common Plant offset by an increase of $0.3 million in Electric General Plant.

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[3] SDG&E TO Tariff, Appendix VIII, Attachment 1, D.5

IV. EFFECTIVE DATE

Consistent with its TO5 Formula, SDG&E respectfully requests that the Commission permit this Filing to be reflected in SDG&E's TO5 Cycle 3 informational filing for the Rate Effective Period commencing January 1, 2021. Permitting the revised depreciation rates to be reflected as proposed: (1) ensures consistency in the application of the CPUC-adopted depreciation rates for FERC-jurisdictional and CPUC-jurisdictional rates; and (2) avoids any timing gap in effectuating consistent depreciation rates across SDG&E's federal and state jurisdictional assets.

SDG&E believes that the information contained in this Filing provides a sufficient basis for acceptance. SDG&E requests, however, that, to the extent deemed necessary, the Commission waive any other filing requirements contained in Part 35 of its regulations to permit SDG&E to reflect the proposed Common Plant and Electric General Plant depreciation rates and impact on BTRRs in its TO5 Cycle 3 informational filing, effective January 1, 2021.

V. SERVICE

Electronic copies are being served on the Docket No. ER19-221 service list. Electronic copies are also being served on the California Public Utilities Commission and the CAISO.

VI. CORRESPONDENCE

Correspondence and other communications concerning this filing should be addressed to the following individuals:

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VII. CONCLUSION

SDG&E respectfully requests that the Commission review and approve the revised Common Plant and Electric General Plant depreciation rates reflected in this filing, consistent with SDG&E's TO5 Formula. SDG&E will include these 2019 depreciation rates in its TO5 Cycle 3 informational filing to become effective January 1, 2021.

Respectfully submitted,

/s/ Ross R. Fulton
Ross R. Fulton
Attorney for
San Diego Gas & Electric Company

November 20, 2020

San Diego Gas & Electric Company
TO5 Formula Depreciation Rate Change for Common Plant and Electric General Plant
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EXHIBIT NO. SDG-1

Affidavit of Heather Perry

Exhibit No. SDG-1
Perry Affidavit

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

San Diego Gas & Electric Company) Docket No. ER21-____-000

AFFIDAVIT OF HEATHER PERRY
FOR SAN DIEGO GAS & ELECTRIC COMPANY

I, Heather Perry, depose and state as follows:

I. INTRODUCTION

1. My name is Heather Perry. I am a principal accountant in the Asset and Project Accounting Department at San Diego Gas & Electric Company ("SDG&E"). My business address is 8335 Century Park Court, San Diego, California 92123.

2. I am submitting this affidavit on behalf of SDG&E. The statements made herein are true and correct to the best of my knowledge and belief, and I adopt them as my sworn testimony in this proceeding.

3. I have worked for the Sempra Companies for more than 11 years and specifically at SDG&E for more than 8 years. My responsibilities primarily include the preparation of depreciation and amortization rates, analyses, estimation, studies, monitoring of depreciation and amortization practices utilized at SDG&E, and special projects. Additionally, I have held other accounting positions in Financial Accounting and Accounting Operations where my responsibilities dealt with the analysis of earnings, the balance sheet and cash flow for SDG&E and Southern California Gas (SCG) and construction accounting for SDG&E.

4. I hold a Master of Science degree in Accounting and Financial Management and Bachelor of Accountancy degree from the University of San Diego. I am a Certified Public Accountant in the state of California and a member of the Society of Depreciation Professionals.

5. I have previously submitted testimony before the Federal Energy Regulatory Commission ("FERC") in Docket No. ER20-118.

6. The purpose of my affidavit is to describe SDG&E's proposed revisions to the non-transmission depreciation rates reflected in SDG&E's TO5 Cycle 3 informational filing. The proposed revisions are necessary to implement the California Public Utilities Commission ("CPUC") Decision D.19-09-051 ("Decision") issued September 26, 2019 on Application A.17-10-007 ("Application"), also known as the 2019 General Rate Case for SDG&E ("2019 GRC").

7. My affidavit is organized as follows:

- Section I: Introduction and Qualifications;
- Section II: Background on SDG&E's Formula Rate and the calculation of non-transmission depreciation expense under the Formula Rate;
- Section III: Depreciation Parameters Adopted from SDG&E's 2019 GRC, the method of determination of non-transmission depreciation rates in the CPUC Decision, and the proposed revised non-transmission depreciation rates as adopted in the CPUC Decision;
- Section IV: Revisions to the depreciation component of the Formula Rate necessary to conform to the CPUC Decision on non-transmission depreciation rates;
- Section V: Quantification of the changes in Electric General Rates and Common Rates; and

- Section VI: Conclusion.

II. BACKGROUND ON SDG&E'S FORMULA RATE

8. SDG&E's TO Formula consists of Appendix VIII, including two attachments, the Formula Rate Protocols ("Protocols") and the Formula Rate Spreadsheet.

9. As with the TO4 Formula and pursuant to the Protocols, the TO5 Formula includes annual informational filings (Referred to as "Cycles"), with Cycle 1 being the initial TO5 filing. Pursuant to the formula protocols, SDG&E submits an informational filing to become effective January 1st of the given calendar year and remains in effect through December 31st of the applicable calendar year. The TO5 Cycle 3 Rate Effective Period is January 1, 2021 through December 31, 2021.

10. Pursuant to Section D.5 of the TO5 Formula Rate Protocols, SDG&E will make a single-issue Section 205 filing to change the depreciation rates and/or amortization periods for Common Plant, Electric General Plant, and Intangible Plant, upon approval by the CPUC of revised depreciation rates and/or amortization periods for these plant categories.

11. This is the second filing SDG&E has made under the TO5 Formula to change the depreciation rates for Common Plant and Electric General Plant.

III. DEPRECIATION PARAMETERS ADOPTED FROM SDG&E'S 2019 GRC

12. On September 26, 2019 the CPUC issued D.19-09-051 in SDG&E's 2019 GRC. This represented the final decision in SDG&E's 2019 GRC Phase 1 proceeding. The decision adopted a revenue requirement for SDG&E's CPUC-jurisdictional assets to be effective on January 1, 2019.

13. SDG&E's 2019 GRC Decision authorized a ten-year average service life for the Electric Vehicle Supply Equipment account (E398.20) and maintained the existing depreciation and amortization parameters and methodologies for all other Electric General and Common accounts. Calendar rates are updated annually by applying the authorized parameters for each appropriate account to the given year's plant balance and cost-weighted remaining service life. This includes the Common and Electric General depreciation rates that are used to calculate the Base Transmission Revenue Requirements ("BTRR") in the TO5 Cycle 3 informational filing.

14. SDG&E's 2019 GRC decision required no changes to the currently effective Intangible Plant amortization periods and subsequent rates. Accordingly, this Filing does not address amortization.

15. This Filing, which is applicable to TO5 Cycle 3, reflects the recalculation of the 2019 Common Plant and Electric General Plant depreciation rates and is the sole basis for this filing.

16. Statistical methodologies were applied in accordance with CPUC Standard Practice U-4, *Determination of Straight-Line Remaining Life Depreciation Accruals*, to determine depreciation parameters by asset depreciation group, as well as calculate expectancy and associated depreciation rates.

IV. REVISIONS TO THE TO5 CYCLE 3 INFORMATIONAL FILING TO CONFORM TO THE CPUC DECISION

17. The CPUC-authorized changes to the Common Plant and Electric General Plant depreciation rates require modifications to Appendix A included in this Filing that will change the depreciation rates effective January 1, 2019, the base year and true up year utilized for the TO5 Cycle 3 information filing.

18. Under SDG&E's Formula Rate Protocols, this Filing, to change the depreciation rates for Common Plant and Electric General Plant does not result in a redetermination of the BTRR and transmission rates. Any rate impact resulting from changes to the Common Plant and Electric General Plant depreciation rates will be reflected in the SDG&E TO5 Cycle 3 informational filing.

V. QUANTIFICATION OF DEPRECIATION RATE CHANGE

19. While this filing does not change the BTRR and transmission rates, I have provided in Appendix A, for illustration purposes, a comparison of recorded depreciation expense for Common Plant and Electric General Plant to what it would be based upon the TO5 Cycle 2 rates.

20. As shown, there is a decrease in depreciation expense for Common Plant of approximately ($1.5 million), a 2.8% decrease from depreciation rates at present, offset by an increase in depreciation expense for Electric General Plant of approximately $1.5 million, a 6.9% increase from depreciation rates at present. From this total, approximately $0.1 million is allocated to the transmission function which includes a decrease of $0.2 million from Common Plant offset by an increase of $0.3 million in Electric General Plant.

VI. CONCLUSION

21. My Affidavit demonstrates that the revisions SDG&E is proposing to the Formula Rate are necessary to properly reflect the CPUC Decision in the 2019 GRC. Such revisions to depreciation rates for Common Plant and Electric General Plant are effective for the full 2019 calendar year, in accordance with SDG&E's Formula Rate Protocols.

APPENDIX - A
TO5 CYCLE 3 DEPRECIATION RATES FOR COMMON PLANT AND ELECTRIC GENERAL PLANT

SAN DIEGO GAS & ELECTRIC COMPANY
Common & Electric General Plant Depreciation Rates
for the 12-month period ended December 31, 2019

FERC Account / Depreciation Group	2019 Depreciable Base	2019 Depreciation Rates Life	Removal	Net	2019 Recorded Expense	2018 Net Depreciation Rates	Depreciation Expense at 2018 Rates	Impact of Rate Update
	(a)=(e)÷(d)	(b)	(c)	(d)=(b)+(c)	(e)	(f)	(g) = (a) * (f)	(h) = (e) - (g)
Common Plant								
C390.10-Struct & Imprv-Other	$ 447,132,974.27	2.95%	0.47%	3.42%	$15,291,947.72	3.29%	$14,732,137.24	$ 559,810.48
C391.10-Offc Furn & Eq-Other	40,370,972.18	5.68%	-	5.68%	$ 2,293,071.22	5.73%	2,312,005.21	(18,933.99)
C391.20-Offc Furn & Eq-Cmptr	66,947,192.44	23.40%	-	23.40%	$15,665,643.03	24.85%	16,634,569.75	(968,926.72)
C392.10 - Trans Eq - Autos	708,476.51	7.62%	-	7.62%	$ 53,985.91	19.21%	136,130.22	(82,144.31)
C392.20-Transprtn Eq-Trailer	107,977.65	5.37%	-	5.37%	$ 5,798.40	5.49%	5,923.44	(125.04)
C392.30-Transprtn Eq-Aviation	11,580,557.46	9.45%	-	9.45%	$ 1,094,362.68	19.21%	2,225,146.21	(1,130,783.53)
C393.10-Stores Equip-Other	333,836.81	5.27%	-	5.27%	$ 17,593.20	5.26%	17,548.80	44.40
C394.11-Portable Tools-Other	1,520,836.24	4.25%	-	4.25%	$ 64,635.54	4.29%	65,173.92	(538.38)
C394.21-Shop Equip - Other	142,761.50	1.87%	-	1.87%	$ 2,669.64	1.93%	2,750.01	(80.37)
C394.31-Garage Equip -Other	1,854,148.85	6.53%	-	6.53%	$ 121,075.92	6.88%	127,550.61	(6,474.69)
C395.10-Laboratory Eq -Other	1,731,116.22	4.44%	-	4.44%	$ 76,861.56	4.37%	75,623.81	1,237.75
C396.00 Power Oper Equip	-	-	-	-	$ -	-	-	-
C397.10-Commun Equip -Other	240,918,091.42	7.58%	-	7.58%	$18,261,591.33	7.53%	18,136,073.00	125,518.33
C398.10-Misc Equip - Other	5,140,827.18	7.10%	-	7.10%	$ 364,998.73	7.18%	369,075.41	(4,076.68)
	818,489,768.73				53,314,234.88		54,839,707.63	(1,525,472.75)
Electric General Plant								
E390.00-Struct. and Improv.	45,575,173.38	2.63%	-	2.63%	$ 1,198,627.06	2.61%	1,188,691.67	9,935.39
E392.10-Transprtn Eq-Autos	-	-	-	-	$ -	-	-	-
E392.20-Transprtn Eq-Trailer	58,146.94	4.41%	-	4.41%	$ 2,564.28	4.42%	2,571.26	(6.98)
E393.10-Stores Equip.-Other	46,521.70	4.01%	-	4.01%	$ 1,865.52	2.32%	1,080.37	785.15
E394.11-Portable Tools-Other	34,609,197.05	3.73%	-	3.73%	$ 1,290,923.05	3.73%	1,292,238.20	(1,315.15)
E394.20-Shop Equipment	278,147.77	3.14%	-	3.14%	$ 8,733.84	3.27%	9,087.92	(354.08)
E395.10-Laboratory Eq.-Other	5,333,953.25	4.62%	-	4.62%	$ 246,428.64	4.64%	247,228.73	(800.09)
E396.00 - Power Oper Eqp	-	-	-	-	$ -	-	-	-
E397.10-Commun. Equip.-Other	302,361,851.12	3.05%	1.86%	4.91%	$14,845,966.89	4.93%	14,898,880.21	(52,913.32)
E397.20-Commun. Equip.-SWPL	7,906,641.79	2.87%	1.70%	4.57%	$ 361,333.53	4.73%	373,707.42	(12,373.89)
E397.60-Commun. Equip.-SRPL	14,039,274.69	3.20%	-	3.20%	$ 449,256.79	3.22%	452,092.72	(2,835.93)
E397.70-Commun Dev - Telecom	579,007.02	3.40%	1.73%	5.13%	$ 29,703.06	5.11%	29,583.21	119.85
E398.10-Misc. Equip. - Other	8,516,732.21	6.24%	-	6.24%	$ 531,444.09	6.26%	532,832.32	(1,388.23)
E398.20-Misc. Equip. - EVSE[1]	38,413,353.74	10.42%	-	10.42%	$ 4,002,671.46	6.42%	2,465,676.35	1,536,995.11
	457,718,000.66				22,969,518.21		21,493,670.38	1,475,847.83
	$ 1,276,207,769.39				$76,283,753.09		$76,333,378.01	$ (49,624.92)

	Labor Ratio	Impact of Rate Update	Allocation
Allocation of Common Plant Rate Update Impact to Electric	*72.22%*	*$ (1,525,472.75)*	*$ (1,101,696.42)*
Allocation of Electric Portion of Common Plant Rate Update Impact to Electric Transmission	19.46%	$ (1,101,696.42)	**$ (214,390.12)**
Allocation of Electric General Plant Rate Update Impact to Electric Transmission	19.46%	$ 1,475,847.83	**$ 287,199.99**
			$ 72,809.87

Notes:

[1] On July 30, 2020 the Division of Audits and Accounting within the Office of Enforcement of the Federal Energy Regulatory Commission completed an audit of SDG&E and issued a final audit report for the period January 1, 2016 through February 4, 2020. The audit report found that SDG&E needs to reclassify eletric vehicle chargers recorded in general plant account E398.2 to electric distribution plant. SDG&E is making the necessary accounting adjustments in 2020 and refunds of amounts charged to transmission ratepayers will be refunded, with interest, in a subsequent cycle to TO5 Cycle 3.

APPENDIX - B
CPUC D.19-09-051 (2019 GRC DECISION)
(Relevant Excerpt(s))

ALJ/RL8/jt2 **Date of Issuance 10/1/2019**

Decision 19-09-051 September 26, 2019

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2019.	Application 17-10-007
And Related Matter.	Application 17-10-008

DECISION ADDRESSING THE TEST YEAR 2019 GENERAL RATE CASES OF SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY

format as the TY2016 GRC but we find that SoCalGas is proposing substantive changes and not just following an approved format.

Based on the above, we find it reasonable to reject SoCalGas' request to change the current depreciation parameters and subsequently find that $598.207 million should be authorized for depreciation and amortization expense for TY2019 after deducting the $6.5 million impact resulting from the proposed changes to the current depreciation parameters. And as stated above, the resulting increase compared to 2016 recorded expenses is from plant growth.

37.2. SDG&E

SDG&E's request for depreciation and amortization expense in TY2019 is $559.662 million[446] and an accumulated reserve of $5.718 billion[447]. Similar to SoCalGas, these amounts were calculated pursuant to a proposed request to change the current depreciation parameters for determining ASL and related salvage rates. By comparison, the depreciation and amortization expense for TY2016 was $407.147 million based on the application of depreciation parameters authorized in D.16-06-054.

The table below shows the proposed depreciation and amortization expense for TY2019 and also 2016 recorded costs.

[446] Revised from $559.662 million to $562.538 million in the Update Testimony (Exhibit 514) at B-1.

[447] Revised from $5.718 billion to $5.714 billion in the Update Testimony (Exhibit 514).

Depreciation Expense	TY2019	2016 Recorded
Common Tangible Plant	$54,063,000	$30,516,000
Electric Tangible Plant	$369,453,000	$274,587,000
Gas Tangible Plant	$50,054,000	$37,499,000
Total Depreciation	$474,570,000	$342,602,000
Amortization Expense		
Land Rights	$2,303,000	$2,135,000
Software	$82,789,000	$62,410,000
Total Amortization	$86,092,000	$64,545,000
Total Depreciation and Amortization	$559,662,000	$407,147,000

The depreciation study described in the SoCalGas section was also applied to SDG&E and applies the same process of data collection, analysis, evaluation, and calculation. SDG&E then applies the depreciation study and provides a summary of account details and ASL and future net salvage percentage for asset groupings in Exhibit 388.[448]

SDG&E is also proposing an adjustment to the ASL of Desert Star after reviewing the lease contract for the site.

37.2.1. Positions of Intervenors

TURN provides the same recommendations and analysis as it did in the SoCalGas section for SDG&E's proposed depreciation and amortization expense. TURN also recommends an ASL of 10 years for the Electric Vehicle Supply Equipment Account (E398.20).[449] This account does not have an authorized ASL.

ORA proposes a service life adjustment to various accounts such as the Wind Energy Project, and Legacy Meters. ORA also proposes different salvage parameters for a number of accounts including Overhead Conductors and

[448] Exhibit 388 at MCV-11 to 34.

[449] Exhibit 503 at 11.

Devices, Underground Circuit, Underground Conductors and Devices, Capacitors, Installations on Customer Premises, and Street Lighting and Signal Systems. ORA also opposes SDG&E request to revise the ASL of Desert Star.

37.2.2. Discussion

The issues raised for resolution here are essentially the same as those discussed for SoCalGas in section 37.1 above. And we make the same findings, analysis, and conclusions as we did in the SoCalGas portion as discussed in section 37.1.2. Thus, we likewise find that SDG&E did not adequately demonstrate the reasonableness of its proposed changes to the current depreciation parameters and does not provide sufficient input and explanation regarding analysis of its selected methods and why the current depreciation parameters need to be changed. SDG&E's witness also provided inconsistent testimony regarding the depreciation study by adopting testimony that states that professional judgment was used to make certain adjustments in order to normalize net salvage activity.[450] SDG&E's rebuttal testimony also emphasized the role of judgment in the depreciation study.[451] However, the same witness emphasized during hearings the lack of judgment underlying SDG&E's recommended depreciation parameters for plant accounts.[452]

With respect to the ASL for the Electric Vehicle Supply Equipment Account (E398.20), we agree with TURN that the authorized ASL should be 10 years instead of five as recommended by SDG&E. SDG&E relied on an independent study performed by Sargent & Lundy but as TURN pointed out,

[450] Exhibit 388 at MCV-10.

[451] Exhibit 391 at DAW-15 to 16.

[452] Transcript (Volume 27 at 2646 to 2647)

although the study recommends a five-year ASL, the study noted a lack of information about the service life of electric vehicle charging stations and states that the life of such facilities can be extended by maintenance.[453] The study also identified another study that referenced a 10-year life for these facilities. Lastly, the Commission in D.16-01-045 considered a 20-year life for such facilities when it authorized the pilot program for such investments.

Based on the above, we therefore find it reasonable to reject SDG&E's request to change the current depreciation parameters and subsequently find that approximately $25.865 million, representing the impact of the proposed changes to the current depreciation parameters[454] should be deducted from SDG&E's proposed depreciation and amortization expense for TY2019. In addition, SDG&E should also make any necessary adjustments to reflect the authorized 10-year life for Electric Vehicle Supply Equipment Account (E398.20) instead of its proposed five-year life for the account.

Regarding TURN's argument concerning decommissioning of large-scale facilities, SDG&E's forecast is based on a study conducted by Sargent & Lundy utilizing the average scrap metal value forecast from July 2016 to September 2016 whereas TURN proposes utilizing a 12-month average from May 2017 to April 2018.[455] SDG&E also applies a 20 percent contingency for labor, materials, and indirect expenses whereas TURN recommends using a 15 percent contingency.[456]

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[453] TURN Opening Brief at 331.

[454] TURN Opening Brief at 313 to 314 based on SDG7E's calculated difference between total tangible plant from current and requested parameters in Exhibit 389 at 5 and 8.

[455] Exhibit 494 at 97 to 100.

[456] Ibid.

We reviewed both positions and find TURN's proposed method to be more reasonable. TURN's recommendation is based on more recent information covering a longer period of time that reflects relatively significant changes in the forecast for scrap metal value. The timeframe relied on by TURN also includes a five-month period prior to the filing of SDG&E's GRC application such that the information was available to SDG&E. We also find SDG&E's use of a 20 percent contingency is not supported by sufficient justification and by comparison find TURN's recommendation of a 15 percent contingency more reasonable. Based on the foregoing, we find it reasonable to reduce SDG&E's forecast for decommissioning costs for its large-scale electric production facilities by $3.011 million or from $19.515 million to $16.504 million.

The above reductions results in a $510.990 million that should be authorized for depreciation and amortization expense for TY2019 after deducting $25.865 million representing the impact of the proposed changes to the current depreciation parameters and $3.011 million for adopting TURN's proposed forecast for decommissioning of large-scale facilities. The resulting increase compared to 2016 recorded expenses is from plant growth.

Regarding ORA's recommendations, we find the proposed adjustments to existing service lives and net salvage rates for certain accounts to not be necessary in light of our decision to adopt TURN's recommendation of not making any changes to the current depreciation rates. In addition, we find that ORA's proposals are not adequately supported by testimony. ORA generally proposes using 10 and 15-year average net salvage rates but as SDG&E provides, common practice is to use short, medium, and long averages of three, five, and ten years respectively.

With regards to SDG&E's proposal to reduce the ASL of Desert Star by 3.17 years, we find the request to be reasonable since it is based on a correction of the lease and decommissioning schedule as stated in the lease contract for Desert Star. The correction is not based on the depreciation study conducted by SDG&E. ORA's recommendation is based on an assumption that SDG&E mismanaged and misread the contract, but we find that there is no evidence of mismanagement simply because there was an error regarding the terms of the lease contract. In addition, ORA does not actually refute or impugn the terms of the lease contract and we find the correction to be prospective and appropriate in this case.

38. Taxes

This section reviews the estimated tax expenses of SDG&E and SoCalGas for TY2019. Estimated tax expenses are calculated based on the proposed O&M and capital costs requested by both utilities in their respective GRCs and authorization of different amounts other than what Applicants had proposed would require a recalculation of their tax expenses for TY2019.

Tax expenses include payroll taxes, ad valorem or property taxes, income taxes, and franchise fees and these will be discussed for both SoCalGas and SDG&E.

The Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017 made comprehensive changes to federal tax law and the major impacts to Applicants are the following: (a) reduced federal corporate tax from 35 percent to 21 percent beginning in 2018; (b) elimination of bonus depreciation deduction; (c) elimination of the deduction for transportation fringe benefits provided to employees beginning in 2018; and (d) plant-related excess deferred taxes created by the reduction of the corporate income tax rate and the requirement to use the

VERIFICATION

State of California)
County of San Diego)

Heather Perry, being first duly sworn, on oath, says that she is the Heather Perry identified in the foregoing Affidavit of Heather Perry; that she prepared or caused to be prepared such Affidavit on behalf of San Diego Gas & Electric Company; that the statements appearing therein are true to the best of her knowledge and her belief; and that, if asked, her statements would, under oath, be the same.

Heather Perry