SAN DIEGO GAS & ELECTRIC COMPANY

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

October 22, 2021

Docket No. ER22-___-____

Ross R. Fulton
Senior Counsel
8330 Century Park Court, CP32D
San Diego, CA 92123
Tel: 858.654.1861
Fax: 619.699.5027
rfulton@sdge.com

October 22, 2021

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. ER22-___

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 2020 Base Period and True Up Period in the TO5 fourth annual informational filing ("Cycle" 4"). SDG&E submits this filing to update its non-transmission depreciation rates to be consistent with SDG&E's 2019 California Public Utilities Commission ("CPUC") Decision ("D.") 19-09-051 ("2019 GRC Decision") setting SDG&E's CPUC-jurisdictional depreciation rates.

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 4 filing—which will be filed by December 1, 2021 for a January 1, 2022 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 2020. Those rates will be used for the Base Period and True Up Period in the TO5 Cycle 4 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 4 Depreciation Rates for Common Plant and Electric General Plant (2020 Common and Electric General Plant Depreciation Rates including impact of using 2019 Common Plant and Electric General Plant Depreciation Rates in 2020) (TO5 Cycle 4 Base Period – Statement AJ work papers); and

    b. Appendix B –2019 GRC Decision (Relevant Excerpts).

III. PROPOSED DEPRECIATION RATE REVISIONS

SDG&E requests Commission approval of its revised 2020 Common Plant and Electric General Plant depreciation rates—and the resulting 2020 depreciation expense reflected in the TO5 Cycle 4 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 that CPUC decision.

Ms. Perry's Affidavit explains the basis for and recalculation of the 2020 depreciation rates for Common Plant and Electric General Plant. Ms. Perry compares the 2019 and 2020 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 ($477) thousand, a 0.6% decrease over SDG&E's current depreciation rates. From this total, approximately ($69) thousand is allocated to the transmission function, which includes a decrease of ($60) thousand from Common Plant and a decrease of ($9) thousand 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 4 informational filing for the Rate Effective Period, commencing January 1, 2022. 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 4 informational filing, effective January 1, 2022.

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:

Ross R. Fulton
Senior Counsel
San Diego Gas & Electric Company
8330 Century Park Court, CP32D
San Diego, CA 92123
Phone: (858) 654-1861
Fax: (619) 699-5027
E-mail: rfulton@sdge.com

Melanie Hancock
Transmission Revenue Manager
San Diego Gas & Electric Company
8330 Century Park Court, CP31E0
San Diego, CA 92123
Phone: (619) 696-2373
E-mail: mhancock@sdge.com

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 2020 depreciation rates in its TO5 Cycle 4 informational filing, to become effective January 1, 2022.

Respectfully submitted,

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

October 22, 2021

EXHIBIT NO. SDG-1

Affidavit of Heather Perry

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

San Diego Gas & Electric Company) Docket No. ER22-____-000

AFFIDAVIT OF HEATHER PERRY
FOR SAN DIEGO GAS & ELECTRIC COMPANY

I, Heather Perry, being duly sworn, 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 488 8th Ave, San Diego, California 92101.

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 12 years and specifically at SDG&E for more than 9 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 a 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 testified before the Federal Energy Regulatory Commission ("FERC") in Docket No. ER21-450.

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 Fifth Transmission Owner Formula Rate Tariff filing ("TO5" or "TO5 Formula"), Cycle 4, Annual 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 module of the Formula Rate necessary to conform to the CPUC Decision on non-transmission depreciation rates; and

- Section V: Quantification of the changes in Electric General Rates and Common Rates.
- Section VI: Conclusion

II. BACKGROUND ON SDG&E'S FORMULA RATE

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

9. As with the TO4 Formula and pursuant to the formula protocols, the TO5 Formula filing includes annual information filings (Referred to as "Cycles"), with Cycle 1 being included in 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 4 Rate Effective Period is January 1, 2022 through December 31, 2022.

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 third 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.19-09-51 in SDG&E's 2019 GRC (Docket A.17-10-007). 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. In accordance with the FERC Audit Report issued in Docket No. FA19-3-000, SDG&E implemented Recommendation 24 (Finding No. 4) to reclassify electric vehicle charging stations from General Plant Account 398, Miscellaneous Equipment to Distribution Plant Account 371, Installations on Customers' Premises in 2020. 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 utilized to derive the Base Transmission Revenue Requirements ("BTRR") in the TO5 Cycle 4 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 4, reflects the recalculation of the 2020 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 4 INFORMATIONAL FILING TO CONFORM WITH 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, 2020, the base year and true up year utilized for the TO5 Cycle 4 Annual 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 4 informational filing.

V. QUANTIFICATION OF DEPRECIATION RATE CHANGE IMPACT

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 3 rates.

20. As shown, there is a decrease in depreciation expense for Common Plant of approximately $430 thousand, a 0.7% decrease from depreciation rates at present. Additionally, there is a decrease in depreciation expense for Electric General Plant of approximately $46 thousand, a 0.2% decrease from depreciation rates at present. In total, approximately $69 thousand is allocated to the transmission function, $60 thousand from Common Plant and $9 thousand from 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 2020 calendar year, in accordance with SDG&E's Formula Rate Protocols.

EXHIBIT SDG-1 – APPENDIX A

TO5 CYCLE 4 DEPRECIATION RATES FOR ELECTRIC GENERAL PLANT AND COMMON PLANT

Appendix - A

SAN DIEGO GAS & ELECTRIC COMPANY
Common & Electric General Plant Depreciation Rates
for the 12-month period ended December 31, 2020

FERC Account / Depreciation Group	2020 Depreciable Base	2020 Depreciation Rates Life	Removal	Net	2020 Recorded Expense	Transfers	2020 Adjusted Expense	2019 Net Depreciation Rates	Depreciation Expense at 2019 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	$ 460,116,383	3.02%	0.47%	3.49%	$ 16,058,062		$ 16,058,062	3.42%	$ 15,735,980	$ 322,081
C391.10-Offc Furn & Eq-Other	$ 40,383,927	5.69%	-	5.69%	$ 2,297,845		$ 2,297,845	5.68%	$ 2,293,807	$ 4,038
C391.20-Offc Furn & Eq-Cmptr	$ 86,533,190	22.38%	-	22.38%	$ 19,366,128		$ 19,366,128	23.40%	$ 20,248,767	$ (882,639)
C392.10 - Trans Eq - Autos	$ 599,249	8.48%	-	8.48%	$ 50,816		$ 50,816	7.62%	$ 45,663	$ 5,154
C392.20-Transprtn Eq-Trailer	$ 107,977	5.24%	-	5.24%	$ 5,658		$ 5,658	5.37%	$ 5,798	$ (140)
C392.30-Transprtn Eq-Aviation	$ 11,808,555	9.45%	-	9.45%	$ 1,115,908		$ 1,115,908	9.45%	$ 1,115,908	$ -
C393.10-Stores Equip-Other	$ 333,836	5.14%	-	5.14%	$ 17,159		$ 17,159	5.27%	$ 17,593	$ (434)
C394.11-Portable Tools-Other	$ 1,520,857	4.20%	-	4.20%	$ 63,876		$ 63,876	4.25%	$ 64,636	$ (760)
C394.21-Shop Equip - Other	$ 142,760	1.81%	-	1.81%	$ 2,584		$ 2,584	1.87%	$ 2,670	$ (86)
C394.31-Garage Equip -Other	$ 1,853,461	6.44%	-	6.44%	$ 119,363		$ 119,363	6.53%	$ 121,031	$ (1,668)
C395.10-Laboratory Eq -Other	$ 1,731,117	4.42%	-	4.42%	$ 76,515		$ 76,515	4.44%	$ 76,862	$ (346)
C396.00 Power Oper Equip	$ -	-	-	-	$ -		$ -	-	$ -	$ -
C397.10-Commun Equip -Other	$ 270,673,586	7.63%	-	7.63%	$ 20,652,395		$ 20,652,395	7.58%	$ 20,517,058	$ 135,337
C398.10-Misc Equip - Other	$ 4,684,593	6.87%	-	6.87%	$ 321,832		$ 321,832	7.10%	$ 332,606	$ (10,775)
	$ 880,489,491				$ 60,148,142	$ -	$ 60,148,142		$ 60,578,379	$ (430,238)
Electric General Plant										
E390.00-Struct. and Improv.	$ 45,611,646	2.61%	-	2.61%	$ 1,190,464		$ 1,190,464	2.63%	$ 1,199,586	$ (9,122)
E392.10-Transprtn Eq-Autos	$ -	-	-	-	$ -		$ -	-	$ -	$ -
E392.20-Transprtn Eq-Trailer	$ 58,145	4.40%	-	4.40%	$ 2,558		$ 2,558	4.41%	$ 2,564	$ (6)
E393.10-Stores Equip.-Other	$ 46,522	4.01%	-	4.01%	$ 1,866		$ 1,866	4.01%	$ 1,866	$ -
E394.11-Portable Tools-Other	$ 35,973,596	3.73%	-	3.73%	$ 1,341,815		$ 1,341,815	3.73%	$ 1,341,815	$ -
E394.20-Shop Equipment	$ 278,145	2.97%	-	2.97%	$ 8,261		$ 8,261	3.14%	$ 8,734	$ (473)
E395.10-Laboratory Eq.-Other	$ 5,335,417	4.61%	-	4.61%	$ 245,963		$ 245,963	4.62%	$ 246,496	$ (534)
E396.00 - Power Oper Eqp	$ -	-	-	-	$ -		$ -	-	$ -	$ -
E397.10-Commun. Equip.-Other	$ 332,883,260	3.06%	1.84%	4.90%	$ 16,311,280		$ 16,311,280	4.91%	$ 16,344,568	$ (33,288)
E397.20-Commun. Equip.-SWPL	$ 8,168,448	2.85%	1.69%	4.54%	$ 370,848		$ 370,848	4.57%	$ 373,298	$ (2,451)
E397.60-Commun. Equip.-SRPL	$ 14,131,019	3.18%	-	3.18%	$ 449,366		$ 449,366	3.20%	$ 452,193	$ (2,826)
E397.70-Commun Dev - Telecom	$ 881,820	3.37%	1.78%	5.15%	$ 45,414		$ 45,414	5.13%	$ 45,237	$ 176
E398.10-Misc. Equip. - Other	$ 3,501,456	6.30%	-	6.30%	$ 447,164	$ (226,572)	$ 220,592	6.24%	$ 218,491	$ 2,101
E398.20-Misc. Equip. - EVSE [1]	$ -	-	-	-	$ 4,393,751	$ (4,393,751)	$ (0)	10.42%	$ -	$ (0)
	$ 446,869,473				$ 24,808,749	$ (4,620,324)	$ 20,188,426		$ 20,234,848	$ (46,422)
	$ 1,327,358,964				$ 84,956,891	$ (4,620,324)	$ 80,336,567		$ 80,813,227	$ (476,660)

	Labor Ratio	Impact of Rate Update	Allocation
Allocation of Common Plant Rate Update Impact to Electric	*73.22%*	*$ (430,238)*	*$ (315,020)*
Allocation of Electric Portion of Common Plant Rate Update Impact to Electric Transmission	19.15%	$ (315,020)	**$ (60,326)**
Allocation of Electric General Plant Rate Update Impact to Electric Transmission	19.15%	$ (46,422)	**$ (8,890)**
			$ (69,216)

Note:

[1] In accordance with the FERC Audit Report issued in Docket No. FA19-3-000, SDG&E implemented Recommendation 24 (Finding No. 4) to reclassify electric vehicle charging stations from General Plant Account 398, Miscellaneous Equipment to Distribution Plant Account 371, Installations on Customers' Premises in 2020.

EXHIBIT SDG-1 – 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,

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[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

VERFIFICATION

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.

s/ Heather Perry___________________________

Heather Perry