

ORA DATA REQUEST
ORA-SDG&E-DR-007
SDG&E GRC Phase 2 APPLICATION – A.15-04-012
SDG&E RESPONSE
DATE RECEIVED: JANUARY 21, 2016
DATE RESPONDED: FEBRUARY 3, 2016

Customer Hook-Up Costs

1. Please explain how SDG&E developed the replacement rate percentage of 1.5% that is used in the NCO work papers.¹
 - a. Please explain why the replacement rate is the same for all customer classes.
 - b. Does SDG&E track the *actual* frequency of hook up replacements over the total number of customers for each year? If so, please provide the most recent 5 years of data for each customer class.²
 - c. Please provide the most recent 5 years of data that illustrates the *actual* total costs incurred to replace retired transformers, service lines and meters for each customer class.
 - d. For all the questions to which SDG&E replies that it does not track the data describe, please explain why it does not do so and why SDG&E believes that the methodology it currently employs is sufficient in capturing the true replacement rate.

SDG&E Response:

The replacement rate percentage of 1.5% used in the NCO Method calculations that SDG&E provided in response to ORA DR-04, Question 8, reflects the replacement rate used in previous SDG&E GRC Phase 2 proceedings. Because SDG&E does not propose the use of the NCO Method in this proceeding, SDG&E is simply providing the calculations consistent with the assumptions that parties have previously used for the NCO Method, including the 1.5% replacement rate.

- a. As explained above the replacement rate is the one used in previous SDG&E GRC Phase 2 proceedings, which reflects a replacement rate of 1.5% for all customer classes.
- b. No, SDG&E does not track the actual frequency of retired hook-up replacements by customer class.
- c. SDG&E does not track the actual total costs to replace retired transformers, service lines, and meters for each customer class.
- d. The replacement of retired transformers, services lines, and meters is not tracked on a customer basis but instead the cost of these replacements goes into a clearing account where these costs are then separated into total O&M and capital related costs. The Rental Method, the methodology SDG&E uses to calculate marginal distribution customer costs in this proceeding, does not use a replacement rate of transformers, services and meters in the calculation. The Real Economic Carrying Charge (RECC) factors used to annualize the TSM costs in the Rental Method contains depreciation charges that account for the plant investment that is “used up,” causing the need for eventual replacement. For this reason, the use of a separate replacement rate is not needed in the Rental Method.

¹ SDG&E response to question 08 of DR04 explaining how that replacement rate was *applied* in its NCO work papers, but not how that **rate itself** was developed.

² If 5 years of data is not available, please provide whatever is available and be sure to label the year for which that data is collected.

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2. Regarding number of new meters:

- a. In its response to DR-01 submitted by ORA for the April filing, SDG&E submitted workpapers on June 4th, 2015 that provides the historic number of new meter installations in years 2008-2014 for residential and non-residential customers.³ However, there was no class breakdown of these numbers for non-residential customers. What is the reason for this aggregation? If feasible, please provide a breakdown of these figures for each customer class.
- b. Please provide the number of new meter installations for each customer class in 2015. If SDG&E cannot produce the numbers for each customer class, please provide the numbers for the residential and the aggregated numbers for non-residential class.
- c. Please explain the discrepancy between the number of new meter installations⁴ and the number of new customers.⁵ Can this discrepancy be explained by some possible lagged effects between the planning/building of new connections and the time at which those connections are active or by other factors? Please examine the table below.

	Residential			Non-Residential		
	(A)	(B)	(B-A)/A	(C)	(D)	(D-C)/C
	New Meter Installations	Change Number of customers	Discrepancy	New Meter Installations	Change Number of customers ⁶	Discrepancy
2008	7,930			4,358		
2009	7,152	7,620	7%	2,711	-354	-113.05%
2010	4,724	7,602	61%	2,257	-3	-100.14%
2011	5,516	6,916	25%	2,226	864	-61.18%
2012	5,889	6,419	9%	2,366	554	-76.57%
2013	6,333	7,075	12%	2,530	465	-81.60%
2014	7,447	6,864	-8%	2,473	858	-65.33%

³ SDG&E response to DR01 relating to the GRC April filing, “New Meter Installations for Q2(A) of ORA-01” work papers.

⁴ See Footnote 3.

⁵ SDG&E response to DR01 relating to the GRC April filing, “Customers for Q2(C) of ORA DR-01” work papers.

⁶ In “Customers for Q2(C) of ORA DR-01” work papers, take sum of non-residential customers in one year and subtract sum of non-residential customers in the previous year.

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Question 2 (Continued)

- i.** Please provide forecasting methodologies in developing new meter installations for each customer class.
- ii.** How do the historic numbers provided in SDG&E's work papers compare to those forecasts?
- iii.** If SDG&E develops such forecasts using econometric modeling, please provide the functions including all the variables, the reasoning for using those variables, any assumptions underlying the model and data inputs.

SDG&E Response:

- a. SDG&E does not track the new meter installation data by non-residential class which is the reason that the data provided was aggregated for non-residential customers.
- b. SDG&E's new meter installation for 2015 is 8,734 for residential customers and 2,608 for non-residential customers.
- c. Yes, the difference in the new meter installations and the change in the number of customers in a given year can be partially explained by the lag effect of a meter being installed prior to a customer actually taking electric service on that meter. In addition, the new meter installations reflect the number of new meters installed at new facilities while the change in the number of customers reflect the change in the number of customers taking electric service with SDG&E at both new facilities and existing facilities. For this reason, a new customer taking electric service at an existing facility that already has a meter would reflect a change in the number of customers but would not reflect a change in new meter installations; thus, contributing to the differences shown for new meter installations versus the change in the number of customers.
 - i). No forecasting methodologies were used because the new meter installations reflect actual new meter installations for each year.
 - ii). As stated above, the new meter installations provided reflect actual installations and thus, the comparison requested between historical and forecasted new meter installations is not possible.
 - iii). Please see response to i) and ii) above.

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3. Please provide the average number of customers for each class in 2015.⁷

SDG&E Response:

The “ORA DR-007, Question 3” file provides the average number of actual customers for each class for years 2008-2015.

⁷ Please provide this data in the same format used in “Customers for Q2(C) of ORA DR-01” work papers.

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4. SDG&E developed its hook-up costs via engineering studies.⁸

“Cost estimates for the various customer demand and service levels were developed for: 1) transformers based on transformer size and the average number of customers per transformer; 2) services based on wire size, number of runs, average service length, and compression lug wires; and 3) meters based on size and type (single- or three-phase). The TSM investment cost for each customer group was based on engineering estimates for a typical customer by size and class.”- WGS-8

- a. Has SDG&E verified the accuracy hook up costs derived from these engineering studies to actual connection costs incurred? If so, how?
- b. Please provide the actual hook up costs incurred over the last five years for each facility type (i.e. transformers, service drops and meters) for each customer class.
 - i. Please indicate whether or not these cost figures include hook-up replacements. If so, indicate the magnitude of those costs.

SDG&E Response:

- a. The estimated TSM investment costs for each customer group are based on 2013 actual TSM material costs, loaders based on actual 2013 costs, and estimated labor costs to install the TSM components. SDG&E does not track the actual hook-up costs by customer type and thus, SDG&E has not compared these estimated hook-up costs with actual hook-up costs.
- b. Please see response to Question 4a.

⁸ Please provide this data in the same format used in “Customers for Q2(C) of ORA DR-01” work papers. SDG&E refiling, Saxe 06, WGS-8