* 1. 1. TURN understands that SDG&E uses a mix of NERA methods, short run marginal costs, and proposed rental methods for its cost allocation design methodology.
  2. a. Has SDG&E used other methodologies for cost allocation in the past? If yes, please briefly describe the methodologies used and the associated time periods.
  3. b. Please provide the most recent Long Run Incremental Cost (LRIC) study that SDG&E has performed.
  4. c. How often does SDG&E perform an LRIC study?
  5. d. If SDG&E does not perform an LRIC, please explain why.
  6. e. If SDG&E does not perform a complete LRIC, does it perform an LRIC for any of the following functional areas:
  7. i. Generation

ii. Transmission

iii. Distribution

iv. Customer service and Billing

If, so, please provide the most recent studies.

**SDG&E Response:**

a) NERA is a regression methodology used for calculating marginal distribution demand costs. SDG&E uses the Rental Method for marginal distribution customer costs and the NERA for the marginal distribution demand costs. SDG&E has not used other methodologies for cost allocation for at least the last few decades.

b-e) SDG&E is unfamiliar with the acronym LRIC. Sometimes the term “incremental” and “marginal” are used interchangeably, and SDG&E is familiar with the acronym LRMC which is long run marginal costs.

SDG&E does not perform a LRMC study to determine marginal cost, nor is SDG&E aware of an LRMC study being performed in the past for the functional areas listed above.