

EPUC DATA REQUEST
EPUC-SDG&E-DR-004
SDG&E 2020 COST OF CAPITAL
DATE RECEIVED: JULY 29, 2019
DATE RESPONDED: AUGUST 5, 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

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documents that do not currently exist.

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.

III. OBJECTIONS TO INSTRUCTIONS

1. SDG&E objects to Instruction D to the extent it purports to require the individual(s) responsible for providing the response and/or designate the proper witness to cross-examine concerning 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 Instructions G and J 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 Instruction L to the extent it purports to require SDG&E to identify information or documents that is not in its possession, custody or control, or to ascertain whether documents have been destroyed in the past, which is unduly burdensome and may be impossible.
4. SDG&E objects to Instruction M to 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.

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IV. OBJECTIONS TO DEFINITIONS

1. SDG&E objects to the definition of “SDG&E” to the extent it purports to require SDG&E to produce documents in the possession, custody or control of “affiliates,” “parents,” “successors,” “predecessors,” or “assigns” or other entities not under the control of SDG&E. Notwithstanding this objection, SDG&E will produce any responsive, nonprivileged information that is in its possession, custody or control.
2. SDG&E objects to the definition of “Communication” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.
3. SDG&E objects to the definition of “Document” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.
4. SDG&E objects to the definition of “Identification” as overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, nonprivileged information that is in its possession, custody or control.
5. SDG&E objects to the definition of “Relate to” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.
6. SDG&E objects to the definition of “Study,” “studies,” “analyses,” and “reports,” because it is overbroad and unduly burdensome. Notwithstanding this objection, SDG&E will produce any responsive, non-privileged information that is in its possession, custody or control.

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

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4-1 Please provide every Commission decision, order, or other directive that resulted in a disallowance of power procurement costs or expenses over the past 10 years.

a. Please describe the decision, order or other directive and the total costs disallowed.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 5, and 7. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 4-1:

The yellow highlighted information in the response below is **confidential/protected pursuant to applicable provisions of PUC Section 583, GO 66-D, and D.17-09-023. These protected materials are being produced subject to a duly-executed Non-Disclosure Agreement between SDG&E and EPUC.**

Consistent with the objections above, SDG&E objects to the extent this seeks information for the last ten years. Notwithstanding these objections, in D.17-03-016, SDG&E received a disallowance in the Energy Resource Recovery Account (ERRA) for \$ [REDACTED] for a self-scheduling error associated with an SDG&E power purchase agreement (PPA). In D.12-03-014 the CPUC approved a settlement that included a disallowance of \$368,802 in an ERRA proceeding for San Onofre Nuclear Generating Station Unit 2 outage.

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4-2 Please provide a list of every energy procurement solicitation or program that SDG&E participates in, both mandated and voluntary. Specifically, please provide the following:

- a. The current number of contracts held within each program.
- b. The procurement percentage required upon establishment of each program or solicitation.
- c. The procurement percentage currently required for each program or solicitation.
- d. If known, what change to the procurement percentage for each program/solicitation is expected during this Cost of Capital time period.

Concerning this response, please provide all responses on an electronic spreadsheet with all formulas and course data intact.

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

SDG&E Response 4-2:

Please see separately attached file, EPUC-DR-04 Q4-2_EFP Participation_Mandated and Volunaty_FinalDraft.xlsx.

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4-3. Please provide all risk management techniques and strategies to mitigate risks of SDG&E's participation in energy procurement solicitations or programs

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

SDG&E Response 4-3:

SDG&E's risk management strategy is described in its Bundled Procurement Plan (BPP) filed in Advice Letter (AL) 2850 E-A, approved March 30, 2016 on Original Sheets 66-78.

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4-4. Please specify the total debt equivalence resulting from the procurement contracts held by SDG&E.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 6. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 4-4:

Please refer to the response to EPUC-DR-01 Question 19 subpart e for the undiscounted amount of off-balance sheet PPAs at each year-end for 2014 through 2018. Please refer to the response to EPUC-DR-01 Question 13 for S&P's 2018 credit metric calculation which includes an adjustment for debt equivalence related to PPAs.

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4-5. Please provide all risk management techniques and strategies to mitigate risks of procurement contracts held by SDG&E.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 6. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 4-5:

SDG&E's risk management strategy is described in its BPP filed in AL 2850 E-A, approved March 30, 2016 on Original Sheets 66-78.

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4-6 Please specify every risk, cost or impact rising from SDG&E's position as a Provider of Last Resort.

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

SDG&E Response 4-6:

The risks related to Provider of Last Resort are described in Joint Utilities' Direct Testimony Proposing A Methodology For Calculating And Implementing The CCA Financial Security Requirement in the CCA OIR (R.03-10-003) at pages 3-8. See attachment.

The cost and impacts are described in the same document at pages 35-40.

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4-7. Please provide forecasts and risk analyses of alternative mechanisms for follow-on Provider of Last Resort contracts.

- a. Please provide forecasts and risk analyses of alternative mechanisms for follow-on Provider of Last Resort contracts.

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

SDG&E Response 4-7:

SDG&E does not have any analyses of alternative mechanisms for follow-on Provider of Last Rest contracts.

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4-8. Please identify every Commission order, decision or other directive identifying steps the Commission has taken to mitigate Provider of Last Resort risks.

a. Please describe the decision, order or other directive and the risk(s) mitigated.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, 4, and 7. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 4-8:

Consistent with the objections above, the underlying information being sought is in the public domain.

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4-9. Please provide every instance where SDG&E's credit rating directly or indirectly impacted SDG&E's ability to procure energy supplies or necessitated greater working capital to procure those supplies.

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

SDG&E Response 4-9:

As demonstrated in the testimony of EPUC witness Michael Gorman, a reduction in credit rating from A to Baa1 has demonstrable impacts on the cost of capital. SDG&E has remained at an investment grade credit rating, and as a result SDG&E has been able to find willing sellers to supply energy products to SDG&E without requiring SDG&E to post collateral which would increase the need for greater working capital. If SDG&E's credit rating should fall, this would likely no longer be the case.

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4-10. Please provide all copies of publications, articles or statements issued by Standard & Poor's, Moody's or Fitch Ratings that discuss concern about energy procurement programs or solicitations presenting a risk for utility investors.

Objections: SDG&E objects to this request on the grounds set forth in General Objections Nos. 2, 3, and 6. Subject to the foregoing objections, SDG&E responds as follows.

SDG&E Response 4-10:

As SDG&E has already answered in response to EPUC-DR-01, Question 3, and consistent with 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 to produce and all credit reports discussing the regulated utility industry and related energy procurement programs, when SDG&E does not create or have authority over such reports and when many are unrelated to SDG&E or California. See SDG&E's response to EPUC-DR-01, Question 3 for links to US Utility and Power Sector rating reports & research in which can be found various reports discussing CCAs, renewable procurement, and other industry wide energy procurement topics. In addition, as Dr. Morin cites in his prepared direct testimony, Standard & Poor's has explicitly discussed how greater renewable portfolio standards can increase risks. SDG&E will produce any additional responsive documents under a duly-executed Non-Disclosure Agreement (see attached).