Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit: SDG&E-245

REBUTTAL TESTIMONY

OF MELANIE E. HANCOCK

(POST-TEST YEAR RATEMAKING)

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

May 2023

TABLE OF CONTENTS

APPENDICES

REBUTTAL TESTIMONY OF
MELANIE E. HANCOCK
(POST-TEST YEAR RATEMAKING)

I. INTRODUCTION

This rebuttal testimony regarding San Diego Gas & Electric Company's (SDG&E or the Company) request for post-test year (PTY) ratemaking addresses the following testimony from other parties:

- The Public Advocates Office of the California Public Utilities, Commission (Cal Advocates) as submitted by Stacey Hunter (Ex.CA-20 (Hunter)), dated March 27, 2023.
- The Federal Executive Agencies (FEA), as submitted by Ralph C. Smith (Ex. FEA-01 (Smith)), dated March 27, 2023.
- The Utility Reform Network (TURN), as submitted by David Cheng (Ex. TURN-09 (Cheng)), dated March 27, 2023.
- The Utility Consumers Action Network (UCAN), as submitted by Dr. Eric Charles Woychik (Ex. UCAN (Woychik)), dated March 27, 2023.
- Small Business Utility Advocates (SBUA), as submitted by Richard McCann and Steven J. Moss (Ex. SBUA-1), dated March 27, 2023.[1]
- California Environmental Justice Alliance (CEJA) as submitted by Matthew Vespa, Sara Gersen, Sasan Saadat, and Rebecca Barker on behalf of California Environmental Justice Alliance (Ex. CEJA-01), dated March 27, 2023.[2]
- The Protect Our Communities Foundation (PCF) as submitted by Bill Powers (Ex. PCF-01 (Powers)), dated March 2023.[3]

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SDG&E with the proposal or contention made by these or other parties. The forecasts contained in SDG&E's direct testimony,

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[1] Although SBUA references SDG&E's budgeting methodology, SBUA offers no specific post-test year proposal to rebut.

[2] Although CEJA references SDG&E's post-test year ratemaking mechanism on pages 2, 8, 19, and 20 of Exhibit CEJA-01, CEJA offers no specific post-test year proposal to rebut.

[3] Although PCF references my direct testimony on page 1 of Exhibit PCF-01, PCF offers no specific post-test year proposal to rebut.

performed at the company and project levels, are based on sound estimates of its revenue requirements at the time of testimony preparation.

II. COMPARISON OF PROPOSALS

The following tables provide a summary comparison between SDG&E and intervenors on key items of the PTY mechanism. Further details regarding SDG&E's and intervenors' proposals are outlined below.

Table MEH-1 – Comparison of Proposals[4,5]

($ in millions) Revenue Requirement Increase	2025		2026		2027	
SDG&E[6, 7]	10.52%	$315.0	9.24%	$306.0	7.72%	$279.1
Cal Advocates[8]	7.90%	$222.0	7.90%	$239.0	7.50%	$247.0
FEA[9]	N/A	N/A	N/A	N/A	N/A	N/A

Table MEH-2 – Comparison of Proposals

Issue		SDG&E	Cal Advocates	FEA
General Rate Case (GRC) Term		4 years	4 years	4 years
Escalation Rates	O&M (excluding medical)	IHS Global Insight	3.0%	Not addressed
	O&M - Medical	Willis Towers Watson	3.0%	IHS Global Insight
	Capital	IHS Global Insight	3.0%	Not addressed

4 As SBUA, PCF, and CEJA offer no specific post-test year proposal or position to rebut, I do not include separate sections within my testimony responding to each.

5 TURN and UCAN's proposals to adjust to post-test year capital costs are discussed later in my rebuttal testimony but are excluded from comparison here as there are no specific proposals to the post-test year ratemaking mechanism or revenue requirement.

6 Ex. SDG&E-45-R (Hancock) at MEH-2, Table MEH-1.

7 Table MEH-1 reflects the impact of Administrative Law Judge Lakhanpal's January 24, 2023 ruling granting SDG&E's October 28, 2022 Motion for Leave to Submit Supplemental Testimony (Motion). SDG&E's supplemental and revised Wildfire Mitigation testimony resulted in post-test year revenue requirement reductions of $60.9 million for 2025, $93.7 million for 2026, and $122.1 million for 2027, as shown in the Motion at 6.

8 Ex. CA-20 (Hunter) at 2.

9 Proposed annual post-test year attrition and annual revenue requirement increases were not included in Ex. FEA-01 (Smith).

Issue	SDG&E	Cal Advocates	FEA
Capital Additions Adjustment	5-year average (2020-2021 actual, 2022-2024 forecast)	None	7-year average (2015-2021 actual)
Post-Test Year Capital Exceptions	Separate PTY revenue requirement	For IMPs*, establish a 2-way balancing account with costs, in excess of 110% of authorized subject to reasonableness review; exclude Moreno, reductions to Smart Meter 2.0 and WMP*	Not addressed
Z-factor	Test Year (TY) and PTYs with $5 million deductible per event	TY and PTYs with $5 million deductible per event	Not addressed

* Integrity Management Programs (IMPs), Wildfire Mitigation Plan (WMP)

A. SDG&E's Proposal

SDG&E issued revised testimony on PTY ratemaking on August 16, 2022. The following is a summary of SDG&E's request:[10]

- Continuation of 4-year GRC cycle (2024-2027), with SDG&E's next test year in 2028,
- Using IHS Markit Global Insight's (GI) utility cost escalation factors to determine PTY Operations and Maintenance (O&M) escalation (excluding medical expenses),
- Medical costs based on Willis Towers Watson's actuarial forecasts and escalations,
- Calculate PTY capital-related revenue requirements using:
  - A 5-year average of capital additions (2020-2021 actual, 2022-2024 forecast) escalated using GI utility cost escalation factors,
  - A forecast for Wildfire Mitigation Plan capital additions,
  - A forecast for Moreno Compressor Upgrade capital additions,
  - A forecast for Smart Meter 2.0 capital additions,
  - Forecasts for various Gas Integrity Management Program capital additions (Distribution Integrity Management Program or DIMP, Transmission

[10] Ex. SDG&E-45-R (Hancock) at MEH-1 – MEH-2.

Integrity Management Program or TIMP, Facilities Integrity Management Program or FIMP, and Gas Safety Enhancement Programs or GSEP),

- Continuation of the currently authorized Z-factor mechanism, with a $5 million deductible per event,
- Continuation of updating the PTY revenue requirements through an annual advice letter process,
- Application of SDG&E's proposed PTY ratemaking mechanism would result in the following forecasted attrition year revenue requirement increases:

($ in millions)	2025		2026		2027	
Revenue Requirement Increase	10.52%	$315.0	9.24%	$306.0	7.72%	$279.1

B. Cal Advocates

The following is a summary of Cal Advocates' positions:[11]

- Proposes post-test year increases of 3.0% for 2025, 2026, and 2027,
- Proposes the removal of Moreno Compressor Modernization's revenue requirement,
- Proposes a 50% reduction in the requested Smart Meter 2.0 revenue requirement,
- Proposes a 10% reduction in the requested WMP revenue requirement,
- Proposes that SDG&E's Gas Integrity Management Programs and Wildfire Mitigation Program be subject to two-way balancing account treatment, along with the requirement that the utility file an application for reasonableness review of any recorded costs in excess of 110% of the capital expenditure amounts authorized in the TY2024 GRC decision,
- Does not oppose continuation of a four-year GRC cycle (2024-2027),
- Does not oppose continuation of the Z-factor mechanism, with a $5 million deductible per event.

[11] Ex. CA-20 (Hunter).

C. The Federal Executive Agencies (FEA)

The following is a summary of FEA's positions:[12]

- Proposes applying the same GI utility cost escalation factors used to calculate PTY O&M to determine PTY medical costs,
- Recommends a PTY mechanism to adjust revenue requirements for capital investments based on a 7-year average of historical capital additions from 2015-2021,
- Does not oppose continuation of a four-year GRC cycle (2024-2027),
- Does not oppose continuation of the Z-factor mechanism,
- Does not oppose continuation of updating the PTY revenue requirements through an annual advice letter process,
- Does not oppose inclusion of SDG&E's post-test year capital exceptions.

III. REBUTTAL TO CAL ADVOCATES PTY RATEMAKING PROPOSALS

A. Cal Advocates recommendation for a flat 3.0% for annual post-test year increases should be rejected

Cal Advocates' proposal for post-test year increases of 3.0% per year for 2025, 2026, and 2027 is guided by a recent independent forecast of the annual percent change in Consumer Price Index (CPI) for the post-test years.[13] Cal Advocates notes that they are "well aware of the Utilities' opposition to the application of CPI to post-test year revenue increases, but CPI reflects the level of general price increases ratepayers endure and expect. Post-test year revenue increases guided by CPI also attempt to discipline the Utilities' proposed costs increases by offering an external benchmark."[14] For reasons explained below, Cal Advocates' proposal inappropriately utilizes CPI as a basis for forecasting utility-specific costs and is not supported by numerical analysis.

First, the CPI measures changes in the price of a representative basket of goods and services purchased by a typical U.S. household and is not intended to and does not gauge price changes with respect to goods and services purchased by businesses, or more specifically,

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12 Ex. FEA-01 (Smith).

13 Ex. CA-20 (Hunter) at 18.

14 Ex. CA-20 (Hunter) at 2, n.8 (emphasis omitted).

utilities. As stated in Exhibit SDG&E-41 on Cost Escalation, GI is weighted to incorporate "Utility Service Works," "Managers and Administrators," and "Professional and Technical Workers" and is therefore, more appropriate as an industry-specific source for escalation.[15] In addition, the CPI would not appropriately distinguish between the attrition necessary for capital and O&M costs, which is a position that has previously been supported by the Commission. In SDG&E's TY 2019 GRC, the Commission adopted a two-part attrition mechanism as reasonable. The Commission specifically noted:

> Since O&M expenses and capital expenditures affect the revenue requirement differently, we find that a two-part attrition mechanism, where O&M expenses and capital-related revenues are separately escalated, is reasonable. Therefore, we find it reasonable to apply different PTY mechanisms for O&M and for capital additions.[16]

Furthermore, SDG&E believes utilization of Willis Towers Watson's medical escalation rates is more appropriate for the post-test years. SDG&E recommends using post-test year escalation rates of 6.0% for 2025, 5.5% for 2026, and 5.0% for 2027 for medical expenses. Cal Advocates does not recommend a separate escalation rate for medical expenses. Cal Advocates utilizes a flat 3.0% escalation in the post-test years.[17] The medical escalation forecast prepared by Willis Towers Watson is more appropriate because it considers demographic factors specific to SDG&E. These demographic factors – location, workforce demographics, and medical plan design – are key drivers of medical plan costs. The actuarial forecast of Willis Towers Watson, which is based on preliminary 2021 renewal rates, is more reflective of the cost trends in Southern California. Furthermore, the Commission has adopted a separate medical cost escalation mechanism in multiple recent GRCs including Southern California Edison Company's (SCE) TY 2018 and TY 2021 GRCs.[18] Additional information is provided in Debbie Robinson's compensation and benefits revised direct testimony.[19] The medical escalation rates shown in Debbie Robinson's chapter should be utilized for the PTY methodology.

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[15] Ex. SDG&E-41 (Wilder, adopted by Martinez) at SRW-2.

[16] D.19-09-051 at 707.

[17] Ex. CA-20 (Hunter) at 18.

[18] D.19-05-020, Conclusions of Law (COL) 114 at 418 and D.21-08-036 at 547-548, and COL 184 at 668.

[19] Ex. SCG-25-R/SDG&E-29-R (Robinson).

Second, as described in my revised direct testimony, SDG&E expects to make significant annual capital investments during the TY 2024 GRC cycle with a primary focus on increasing investments in utility safety, reliability, and sustainability that also aligns with supporting California's clean energy and environmental goals.[20] As described in the risk policy testimony of Michael M. Schneider (Exhibit SDG&E-03 (Schneider) Chapter 1), this includes investments necessary to mitigate safety risks identified in the 2021 RAMP Report.[21] Accordingly, the TY 2024 GRC PTY capital-related margin adjustment mechanism should also reflect the anticipated growth in capital additions in excess of depreciation in the PTY period. The use of CPI does not appropriately capture increases in utility-specific cost inflation or increases in depreciation, taxes, and return.

Furthermore, an attrition adjustment based on CPI will not reflect revenue requirement increases from plant additions in excess of depreciation (rate base growth) and cost escalation SDG&E will face in the attrition years. Changes in capital revenue requirement components (authorized returns on rate base, depreciation expense, and taxes) are determined almost entirely by the relationship between capital additions and depreciation. When capital additions exceed depreciation, rate base increases and the related capital revenue requirement components also increase. These increases are unrelated to inflation, and rate base growth has no correlation to CPI.

Finally, Cal Advocates' recommendation for annual attrition of 3.0% appears arbitrarily determined. To best capture SDG&E operating needs in the post-test year environment, the attrition amounts should be grounded on a numerical basis using an external industry-specific source for escalation, an appropriate estimation of future capital additions, the corresponding impact on rate base, and the calculated increases for each revenue requirement component. This is the methodology reflected in SDG&E's proposed PTY mechanism. Additionally, in Pacific Gas and Electric Company's (PG&E) 2014 GRC decision, the Commission stated:

> We adopt a two-part mechanism to capture distinctions driving attrition increases: (a) for expenses versus and (b) for capital expenditures. We decline to adopt Division of Ratepayer Advocate's (DRA) primary proposal to set post-test-year revenue increases simply based on a single index, with no distinction between

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20 SDG&E-45-R (Hancock) at MEH-7:19-21.

21 A.21-05-011, SDG&E 2021 Risk Assessment and Mitigation Phase (RAMP) Report (May 15, 2021) available at https://www.sdge.com/proceedings/2021-sdge-ramp-report.

> expenses versus capital additions. While applying a single index, as proposed by DRA, offers simplicity, we conclude that such an approach fails to adequately capture the distinctions between expense and capital expenditure attrition. We also decline to apply the CPI as an escalation factor. The CPI reflects consumer retail price changes, not the escalation in wholesale purchases of utility goods and services. Accordingly, we generally adopt industry specific escalation factors, rather than use of the CPI.[22]

Using the same, arbitrarily determined, attrition rate to escalate both O&M expenses and capital expenditures does not accurately reflect the inherent differences in these two categories of costs. This method will not provide reasonable and sufficient funding for operating expenses and capital investments. SDG&E's proposal to continue using a two-part attrition mechanism should be adopted.

B. Cal Advocates recommendations to remove SDG&E's Moreno Compressor Modernization from post-test year recovery and reduce the amounts for Smart Meter 2.0 and Wildfire Mitigation in the post test years should be rejected

Cal Advocates opposes the inclusion of SDG&E's Moreno Compressor Modernization project as a post-test year capital exception. Cal Advocates' suggestions regarding the completion date and threshold requiring a separate application for the Moreno Compressor Modernization project is addressed in the Gas Transmission Operations & Construction testimony area (Exhibit SDG&E-206, rebuttal testimony of Rick Chiapa, Steven Hruby and Aaron Bell). Cal Advocates' suggestions regarding adjustments to the capital forecasts and revenue requirements for Smart Meter 2.0 and Wildfire Mitigation are addressed in Exhibit SDG&E-217 (Customer Services – Field Operations) and Exhibit SDG&E-213 (Electric Distribution - Wildfire Mitigation and Vegetation Management) the rebuttal testimony of David H. Thai, and Jonathan T. Woldemariam, respectively.

C. Cal Advocates proposal for a 110% threshold for all the Gas Integrity Management and Wildfire Mitigation Programs should be rejected

Cal Advocates recommends that the Gas Integrity Management Programs and the Wildfire Mitigation Program for SDG&E, be subject to two-way balancing account treatment, along with the requirement that the utility file an application for reasonableness review of any recorded costs in excess of 110% of the capital expenditure amounts authorized in this decision.

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[22] D.14-08-032 at 653.

Any undercollection that is less than 110% of the amount authorized in this proceeding, as well as the refund of any overcollection, should be filed via a Tier 2 advice letter. SDG&E's rebuttal of these balancing account proposals is in Exhibit SDG&E-243 (Regulatory Accounts), the rebuttal testimony of Jason Kupfersmid.

IV. REBUTTAL TO FEA PTY RATEMAKING PROPOSALS

A. Medical Escalation Rates

SDG&E believes utilization of Willis Towers Watson's medical escalation rates is more appropriate for the post-test years than FEA's recommended use of GI's utility escalation factors. In their testimony, FEA does not provide any supporting arguments for why using GI's utility escalation factors would provide a more accurate forecast of medical expenses. SDG&E recommends using post-test year escalation rates of 6.0% for 2025, 5.5% for 2026, and 5.0% for 2027 for medical expenses, while FEA recommends using the same GI utility escalation factors used to calculate SDG&E's PTY O&M to determine PTY medical costs. These escalation rates are 1.7% for 2025, 2.1% for 2026, and 2.3% for 2027.

The Commission has recently authorized the use of a separate escalation factor for SoCalGas and SDG&E's test year (TY) O&M medical costs, in the TY 2019 Decision. D.19-09-051 supports the reasonableness of using a separate medical trend forecast, as follows:

> [W]e find that the medical trend forecast prepared by Willis Towers Watson is more reasonable to apply because the forecast was prepared specifically for SoCalGas and SDG&E taking into account workforce demographics, location, and medical plan design which we find to be more reflective of Applicants' medical premium costs. The forecast is based on the local health care market of Southern California as opposed to national trends and considers the slightly older workforce of SoCalGas and SDG&E as well as larger family sizes which means greater coverage for dependents. Therefore, we find that Applicants' proposed medical premium escalation rates of 8.0 percent for 2018 and 7.0 percent for 2019 are more appropriate and should be authorized.[23]

In addition, SDG&E notes that the actuarial forecast by Willis Towers Watson is similar to the post-test year medical expense escalation rate mechanism that was adopted in SCE's TY 2018 and TY 2021 GRCs.[24]

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[23] D.19-09-051 at 551.

[24] D.19-05-020, COL 114 at 418; and D.21-08-036, COL 184 at 668. *See* n.17, *supra*.

B. Capital Related Revenue Requirement

FEA recommends use of a 7-year average of capital additions based on 2015-2021 recorded results. SDG&E strongly disagrees with this proposal. Utilizing a 5-year average (2020-2021 recorded and 2022-2024 forecasted) best captures the utility investment profile and operating initiatives of the current utility environment, which has changed in the past few years. The five-year average has been widely used and adopted as a relevant and reasonable basis for the forecast of future costs in past and current SDG&E rate cases. As stated in my revised direct testimony[25] and in the testimony of SDG&E's capital witnesses, SDG&E's capital program continues to evolve, with a primary focus on increasing investment in utility safety, reliability, and sustainability, by supporting California's clean energy and environmental initiatives. The five-year average includes recorded and forecasted capital additions, which incorporates the company's recent historical capital trend but is also forward looking – focusing on the critical improvements within SDG&E's service territory that are aimed at mitigating safety risk and providing clean and reliable energy.

In addition, FEA incorrectly claims that SDG&E's capital additions have been declining from 2018 to 2021.[26] FEA references SDG&E's response to request FEA-SDGE-001, Question 78[27] to support its claim that capital additions are declining, however, FEA fails to note that only SDG&E's Electric Distribution segment are reflected in the response, and FEA did not include capital additions pertaining to Gas or Generation. Also, the capital additions noted in the data request excluded SDG&E's significant wildfire mitigation related spending. To illustrate the recent changes in SDG&E's capital program, the average escalated total capital additions in the 2018-2019 period was ~$961 million compared to ~$1,226 million average of the 2020-2021 period, which represents a ~28% increase over that short timeframe.[28] The demonstrated increase in capital additions over this time frame reflects SDG&E's evolving priorities in the areas mentioned above. By utilizing the 5-year average of capital additions (2020-2024),

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25 Ex. SDG&E-45-R (Hancock) at MEH-7:17-24.

26 Ex. FEA-01 (Smith) at 41-43.

27 *See* Appendix B, SDG&E's response to data request FEA-SDGE-001, Question 78, dated 10/31/2022.

28 *See* Appendix B, SDG&E's response to data request CCAS-SDGE-003, Question 18, dated 11/16/2022.

SDG&E can more appropriately capture the future environment of the utility through the utilization of the most current trends.

V. REBUTTAL TO TURN AND UCAN PTY RATEMAKING PROPOSALS

A. TURN recommendation to exclude SDG&E's Smart Meter 2.0 project should be rejected

TURN opposes the inclusion of SDG&E's Smart Meter 2.0 project. TURN suggests the project should be rejected and capital reductions of $4.292 million in 2022, $32.802 million in 2023, $58.459 million in 2024, $59.989 million in 2025, $69.169 million in 2026, and $54.163 million in 2027 should be adopted. TURN's proposal regarding the Smart Meter 2.0 project is addressed in Exhibit SDG&E-217, Customer Services – Field Operations (rebuttal testimony of David H. Thai).

B. UCAN recommendation to exclude SDG&E's Smart Meter 2.0 capital costs impacting the post-test year ratemaking should be rejected

UCAN opposes the inclusion of SDG&E's Smart Meter 2.0 project costs impacting post-test year ratemaking. UCAN suggests the capital costs of $59.99 million in 2025, $69.2 million in 2026, and $54.16 million in 2027 should be denied. UCAN's proposal regarding Smart Meter 2.0 capital costs impacting the post-test year ratemaking is addressed in Exhibit SDG&E-217, Customer Services – Field Operations (rebuttal testimony of David H. Thai).

VI. CONCLUSION

To summarize, Cal Advocates' attrition proposal of a 3.0% flat escalation rate should not be adopted, as it is not an appropriate measure of SDG&E's attrition needs during the post-test years and fails to adequately capture the changing environment in which the utility operates. FEA's attrition proposals should also be rejected. SDG&E's attrition mechanism is fair and reasonable and provides the foundation for operational and financial stability in the post-test years. SDG&E's proposal accounts for the major cost drivers impacting the Company, which allows SDG&E to provide safe and reliable service to its customers, comply with regulations, and manage its operations as prudent financial stewards.

This concludes my prepared rebuttal testimony.

APPENDIX A

GLOSSARY OF TERMS

ACRONYM	DEFINITION
Commission	California Public Utilities Commission
CPI	Consumer Price Index
DRA	Division of Ratepayer Advocate
FEA	Federal Executive Agencies
GI	Global Insight
GRC	General Rate Case
O&M	Operations and Maintenance
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas and Electric Company
PTY	Post-Test Year
RAMP	Risk Assessment and Mitigation Phase
RO	Results of Operations
ROR	Rate of Return
SBUA	Small Business Utility Advocates
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
TY	Test Year

APPENDIX B

DATA REQUEST RESPONSES

SDG&E response to request FEA-SDGE-001, Question 78, dated 10/31/2022

SDG&E response to request CCAS-SDGE-003, Question 18, dated 11/16/2022

Data Request Number: FEA-SDGE-001

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Federal Executive Agencies

Date Received: 10/17/2022

Date Responded:10/31/2022

FEA-01-78. Post Test Year Ratemaking Proposal. Refer to Exhibit SDG&E-45-WP, Table 6 on page 8 of 34.

a. Please provide a similar schedule showing a seven-year average for the years 2017-2021 (actual) and 2022 and 2023 (forecasted) based on the methodology adopted in the prior GRC.

b. Please provide a similar schedule showing a seven-year average for the years 2018-2021 (actual) and 2022, 2023 and 2024 (forecasted).

c. Please provide a similar schedule showing a seven-year average for the years 2015-2021 (actual).

SDG&E Response 1.78:

SDG&E objects to this response on the grounds that it is not required to perform analysis or create evidence in response to discovery requests. Subject to and without waiving this objection, SDG&E responds as follows: Please see the tables below in response to Questions a, b, and c.

Data Request Number: FEA-SDGE-001

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Federal Executive Agencies

Date Received: 10/17/2022

Date Responded:10/31/2022

SDG&E Response 1.78: -Continued - a) 2017-2023 Table:

(Table 6)

San Diego Gas and Electric Company

WAVG Rate Base Support: Capital Additions, Capital Retirements, Net Depreciation and Amortization Reserve

ELECTRIC DISTRIBUTION

(Thousands of Dollars)

Line No.	Description	2024 RO Model: 2024 End of Year	2024 WAVG	2025-2027 Attrition Year: 2025 End of Year	2025 WAVG	2025 WAVG Increase	2026 End of Year	2026 WAVG	2026 WAVG Increase	2027 End of Year	2027 WAVG	2027 WAVG Increase
	Plant-in-Service											
1	Beginning of the Year	11,119,337	11,119,337	12,505,601	12,505,601	1,386,264	13,180,812	13,180,812	675,211	13,867,094	13,867,094	686,282
2	Net Plant Additions	1,386,264	412,719	675,211	201,024	(211,695)	686,282	204,320	3,296	700,779	208,636	4,316
3	Total	12,505,601	11,532,056	13,180,812	12,706,625	1,174,569	13,867,094	13,385,132	678,507	14,567,873	14,075,730	690,598
	Accumulated Depreciation Reserve											
4	Beginning of the Year	4,496,989	4,496,989	4,777,190	4,777,190	280,202	5,085,931	5,085,931	308,741	5,411,158	5,411,158	325,227
5	Net Depreciation Reserve	280,202	110,066	308,741	121,276	11,210	325,227	127,752	6,476	342,007	134,344	6,591
6	Total	4,777,190	4,607,055	5,085,931	4,898,467	291,412	5,411,158	5,213,684	315,217	5,753,165	5,545,502	331,818
	Accumulated Amortization Reserve											
7	Beginning of the Year	659,986	659,986	763,267	763,267	103,281	877,067	877,067	113,800	996,943	996,943	119,877
8	Net Amortization Reserve	103,281	24,606	113,800	27,112	2,506	119,877	28,560	1,448	126,062	30,033	1,474
9	Total	763,267	684,592	877,067	790,379	105,787	996,943	905,626	115,248	1,123,005	1,026,976	121,350

Line No.	Description	Recorded: 2017 (2017$)	2018 (2018$)	2019 (2019$)	2020 (2020$)	2021 (2021$)	Forecast: 2022 (2022$)	2023 (2023$)	PTY: 2025	2026	2027
10	**Escalation Rates to 2024$**	33.202%	26.963%	22.126%	16.422%	11.330%	7.187%	2.821%	1.254%	1.640%	2.112%
11	Capital Additions (Table 11)	569,781	784,057	604,595	568,025	429,842	797,058	737,364			
12	Capital Additions (2024$)	758,961	995,462	738,365	661,309	478,545	854,344	758,163			
13	**Capital Additions 7-Year Average**							749,307	758,700	771,140	787,430
14	Capital Retirements (Table 12)	88,593	63,361	72,058	53,486	68,607	69,572	75,387			
15	Capital Retirements (2024$)	118,008	80,445	88,001	62,270	76,380	74,572	77,513			
16	**Capital Retirements 7-Year Average**							82,455	83,489	84,858	86,651
17	**Net Plant Additions for Ratebase**								675,211	686,282	700,779

Data Request Number: FEA-SDGE-001

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Federal Executive Agencies

Date Received: 10/17/2022

Date Responded:10/31/2022

SDG&E Response 1.78: -Continued b) 2018-2024 Table:

(Table 6)

San Diego Gas and Electric Company
WAVG Rate Base Support: Capital Additions, Capital Retirements, Net Depreciation and Amortization Reserve
ELECTRIC DISTRIBUTION
(Thousands of Dollars)

Line No.	Description	2024 RO Model		2025-2027 Attrition Year								
		2024		2025			2026			2027		
		End of Year	WAVG	End of Year	WAVG	WAVG Increase	End of Year	WAVG	WAVG Increase	End of Year	WAVG	WAVG Increase
	Plant-in-Service											
1	Beginning of the Year	11,119,337	11,119,337	12,505,601	12,505,601	1,386,264	13,211,384	13,211,384	705,783	13,928,740	13,928,740	717,356
2	Net Plant Additions	1,386,264	412,719	705,783	210,126	(202,593)	717,356	213,571	3,445	732,510	218,083	4,512
3	Total	12,505,601	11,532,056	13,211,384	12,715,727	1,183,671	13,928,740	13,424,956	709,229	14,661,250	14,146,823	721,867
	Accumulated Depreciation Reserve											
4	Beginning of the Year	4,496,989	4,496,989	4,777,190	4,777,190	280,202	5,086,152	5,086,152	308,962	5,412,347	5,412,347	326,195
5	Net Depreciation Reserve	280,202	110,066	308,962	121,363	11,297	326,195	128,132	6,769	343,734	135,022	6,890
6	Total	4,777,190	4,607,055	5,086,152	4,898,554	291,499	5,412,347	5,214,285	315,731	5,756,081	5,547,369	333,084
	Accumulated Amortization Reserve											
7	Beginning of the Year	659,986	659,986	763,267	763,267	103,281	877,148	877,148	113,881	997,381	997,381	120,233
8	Net Amortization Reserve	103,281	24,606	113,881	27,131	2,526	120,233	28,645	1,513	126,698	30,185	1,540
9	Total	763,267	684,592	877,148	790,398	105,806	997,381	905,793	115,395	1,124,080	1,027,566	121,774

Line No.	Description	Recorded				Forecast			PTY		
		2018 (2018$)	2019 (2019$)	2020 (2020$)	2021 (2021$)	2022 (2022$)	2023 (2023$)	2024 (2024$)	2025	2026	2027
10	**Escalation Rates to 2024$**	26.963%	22.126%	16.422%	11.330%	7.187%	2.821%	0.000%	1.254%	1.640%	2.112%
11	Capital Additions (Table 11)	784,057	604,595	568,025	429,842	797,058	737,364	931,770			
12	Capital Additions (2024$)	995,462	738,365	661,309	478,545	854,344	758,163	931,770			
13	**Capital Additions 7-Year Average**							773,994	783,697	796,546	813,373
14	Capital Retirements (Table 12)	63,361	72,058	53,486	68,607	69,572	75,387	79,459			
15	Capital Retirements (2024$)	80,445	88,001	62,270	76,380	74,572	77,513	79,459			
16	**Capital Retirements 7-Year Average**							76,949	77,913	79,191	80,863
17	**Net Plant Additions for Ratebase**								705,783	717,356	732,510

Data Request Number: FEA-SDGE-001

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Federal Executive Agencies

Date Received: 10/17/2022

Date Responded:10/31/2022

SDG&E Response 1.78: -Continued c) 2015-2021 Table:

(Table 6)

San Diego Gas and Electric Company

WAVG Rate Base Support: Capital Additions, Capital Retirements, Net Depreciation and Amortization Reserve

ELECTRIC DISTRIBUTION

(Thousands of Dollars)

Line No.	Description	2024 RO Model 2024 End of Year	2024 WAVG	2025-2027 Attrition Year 2025 End of Year	2025 WAVG	2025 WAVG Increase	2026 End of Year	2026 WAVG	2026 WAVG Increase	2027 End of Year	2027 WAVG	2027 WAVG Increase
	Plant-in-Service											
1	Beginning of the Year	11,119,337	11,119,337	12,505,601	12,505,601	1,386,264	13,147,811	13,147,811	642,210	13,800,551	13,800,551	652,740
2	Net Plant Additions	1,386,264	412,719	642,210	191,199	(221,520)	652,740	194,334	3,135	666,529	198,439	4,105
3	Total	12,505,601	11,532,056	13,147,811	12,696,800	1,164,744	13,800,551	13,342,145	645,345	14,467,080	13,998,990	656,845
	Accumulated Depreciation Reserve											
4	Beginning of the Year	4,496,989	4,496,989	4,777,190	4,777,190	280,202	5,085,693	5,085,693	308,502	5,409,875	5,409,875	324,183
5	Net Depreciation Reserve	280,202	110,066	308,502	121,183	11,117	324,183	127,342	6,159	340,142	133,611	6,269
6	Total	4,777,190	4,607,055	5,085,693	4,898,373	291,318	5,409,875	5,213,035	314,662	5,750,017	5,543,486	330,452
	Accumulated Amortization Reserve											
7	Beginning of the Year	659,986	659,986	763,267	763,267	103,281	876,979	876,979	113,712	996,470	996,470	119,492
8	Net Amortization Reserve	103,281	24,606	113,712	27,091	2,485	119,492	28,468	1,377	125,374	29,869	1,402
9	Total	763,267	684,592	876,979	790,358	105,766	996,470	905,447	115,089	1,121,845	1,026,340	120,893

Line No.	Description	Recorded 2015 (2015$)	2016 (2016$)	2017 (2017$)	2018 (2018$)	2019 (2019$)	2020 (2020$)	2021 (2021$)	PTY 2025	2026	2027
10	**Escalation Rates to 2024$**	40.281%	38.122%	33.202%	26.963%	22.126%	16.422%	11.330%	1.254%	1.640%	2.112%
11	Capital Additions (Table 11)	550,051	463,342	569,781	784,057	604,595	568,025	429,842			
12	Capital Additions (2024$)	771,617	639,977	758,961	995,462	738,365	661,309	478,545			
13	**Capital Additions 7-Year Average**							720,605	729,639	741,602	757,268
14	Capital Retirements (Table 12)	72,497	56,195	88,593	63,361	72,058	53,486	68,607			
15	Capital Retirements (2024$)	101,699	77,618	118,008	80,445	88,001	62,270	76,380			
16	**Capital Retirements 7-Year Average**							86,346	87,428	88,862	90,739
17	**Net Plant Additions for Ratebase**								642,210	652,740	666,529

Data Request Number: CCAS-SDGE-003

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: Joint Community Choice Aggregators

Date Received: 11/3/2022

Date Responded: 11/16/2022

SDG&E-45-R: page MEH-7, lines 11-17

18. SDG&E recommends use of a five-year average of capital additions for post-test year ratemaking instead of a seven-year average adopted in the prior GRC cycle.

a. Please provide a comparison between the cost of historical capital additions in 2018 and 2019 compared to 2020 and 2021.

b. Please provide revised tables MH-1 and MH-4 using a capital-related revenue requirement increase based on a seven-year average of capital additions, which includes historical capital additions from years 2018 and 2019 in addition to the five years SDG&E proposes to use. Please provide a copy of supporting workpapers in electronic format with all formulas intact and readable.

SDG&E Response 18:

In response to part a., please refer to the attached spreadsheet "SDGE Historical and Forecasted Capital Additions".

In response to part b., SDG&E objects to this request on the grounds that it is not required to perform analysis or create evidence in response to discovery requests. Please refer to the workpapers provided in response to Question 1, which can be used to perform the requested analysis in conjunction with the historical data provided.

SAN DIEGO GAS & ELECTRIC
RECORDED CAPITAL ADDITIONS BY FUNCTION
(Thousands of Dollars)

		RECORDED				
Asset ID	Description/Function	2017	2018	2019	2020	2021
10	Steam Production Land	-	-	-	-	-
20	Steam Production Easements	-	-	-	-	-
30	Steam Production Other	7,786	3,874	9,937	5,572	8,499
		7,786	3,874	9,937	5,572	8,499
40	Other Production Land	81	-	-	-	-
50	Other Production Easements	(54)	-	-	-	-
60	Other Production Other	26,269	4,366	2,384	12,994	31,214
		26,297	4,366	2,384	12,994	31,214
70	Electric Transmission Assigned to Generation	175	-	839	-	-
80	Electric Distribution Assigned to Generation	-	-	-	-	-
90	Nuclear Generation	-	-	-	-	-
100	Electric Distribution Software & Franchises	20,677	6,239	2,572	14,451	24
100	Electric Distribution Software & Franchises - Fully Recove	-	-	-	-	-
110	Electric Distribution Land	109	256	(51)	-	966
120	Electric Distribution Easements	1,765	2,079	2,313	2,728	2,202
130	Electric Distribution Other	415,785	477,927	537,721	587,096	550,284
		438,336	486,501	542,555	604,275	553,476
140	Electric Generation Assigned to Electric Distribution	-	645	257	-	-
150	Electric Transmission Land Assigned to Electric Distribut	3,183	3,349	405	-	7
151	Electric Transmission Easement Assigned to Electric Dis	-	17	25	-	0
152	Electric Transmission Other Assigned to Electric Distribu	204	7,135	7,863	31,866	1,371
		3,387	11,145	8,550	31,866	1,377
160	Electric General Land & Non Depreciables	-	-	-	-	-
170	Electric General Other	34,825	39,207	26,780	49,073	18,006
		34,825	39,207	26,780	49,073	18,006
180	Gas Storage Land	-	-	-	-	-
190	Gas Storage Other	-	-	-	-	-
		-	-	-	-	-
200	Gas Transmission Land	-	-	-	-	-
210	Gas Transmission Easements	455	829	-	-	-
220	Gas Transmission Other	8,148	14,601	9,247	109,770	104,904
		8,603	15,429	9,247	109,770	104,904
230	Gas Distribution Software & Franchises	-	-	-	-	-
230	Gas Distribution Software & Franchises - Fully Recovered	-	-	-	-	-
240	Gas Distribution & General Land	-	-	431	(0)	-
250	Gas Distribution & General Easements	35	24	138	5	4
260	Gas Distribution & General Other	114,469	177,614	141,592	153,212	156,215
		114,504	177,638	142,161	153,217	156,219
270	Common Software 5 Year	48,206	146,788	49,550	77,271	64,248
270	Common Software 5 Year-Fully Recovered	-	-	-	-	-
280	Common Software 15 Year	-	-	-	-	201,852
280	Common Software 15 Year-Fully Recovered	-	-	-	-	-
290	Common Land & Non-Depreciable Easements	325	0	-	-	-
300	Common IT Hardware	12,988	26,330	24,174	34,455	24,907
310	Common Other	55,136	149,437	46,035	122,234	87,272
		116,655	322,555	119,759	233,960	378,278
	Total	750,567	1,060,716	862,213	1,200,727	1,251,973