

TURN DATA REQUEST-07
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: JANUARY 18, 2018
DATE RESPONDED: FEBRUARY 1, 2018

Exhibit Reference: SDG&E - 36
Witness: Dais
Subject: SDG&E Working Cash

The following questions relate to SDG&E-36, “Working Cash.” References to “workpapers” relate to the relevant workpapers for this Chapter, “SDG&E-36-WP SDais.”

1. Please provide all workpapers that support this chapter in Excel with working cells/formulas.

Utility Response 01:

SDG&E can provide Excel versions of the working cash workpapers for 2013 and 2016, which served as the basis for the test year (TY) SDG&E 2015 and 2019 general rate case (GRC), respectively. SDG&E prepares the working cash study for the TY of a GRC and not for other years. Attrition is applied to a GRC TY to derive the working cash component for the outer years of the GRC cycle.

Please refer to the following Excel schedules for further detail:

- 1) For TY2016 GRC: SDGE 2016 GRC Working Cash Workpaper Support.xlsx
- 2) For TY2019 GRC: SDGE 2019 GRC Working Cash Workpaper Support (CONFIDENTIAL).xlsx. **This attachment is considered Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-C/D, and D.16-08-024.**

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2. Regarding Schedule B-4 (p. 10 of the workpapers):
 - a. Please provide this workpaper in Excel with working formulas;
 - b. Please provide separate Excel tabs with the same information and calculations on an annual recorded basis for 2010-2015, and 2017 when available, inclusive.

Utility Response 02:

See the response to Question 1 above.

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3. Regarding workpaper schedules A-4, B-4, D (1-3), E, F, G, H, I, J, K, Ma, N (1-2), O(1-3), P(1-6), and Q, for each schedule:
 - a. Please provide these workpapers in separate Excel files with working formulas.
 - b. For each year of 2010-2015, inclusive, and 2017 when available, please also include separate tabs for recorded calculations with all the same information as provided in each schedule, and with working formulas.

Utility Response 03:

See the response to question 1 above.

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4. Regarding revenue lag presented on page 11 of the workpapers (Schedule C):
- a. Please provide this workpaper in Excel and include annual calculations, in separate tabs, for 2010-2015 (recorded) and 2017 (recorded, when available) in the same format. For each of those years, please include all line items presented in Schedule C.
 - b. Please explain how smart meters reduce revenue lag and where this is or would be reflected in the revenue lag calculation.

Utility Response 04:

- a. See the response to question 1 above.
- b. Any impact that Smart Meters may have had on revenue lag would be reflected in the billing lag, which decreased by 0.2 days from 2.39 days to 2.19 days between 2013 and 2016. We, however, are not able to estimate the impact that Smart Meters had on billing lag (if any).

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SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #2
DATE RECEIVED: JANUARY 18, 2018
DATE RESPONDED: FEBRUARY 7, 2018

Exhibit Reference: SDG&E - 36
Witness: Dais
Subject: SDG&E Working Cash

The following questions relate to SDG&E-36, “Working Cash.” References to “workpapers” relate to the relevant workpapers for this Chapter, “SDG&E-36-WP SDais.”

5. Regarding Schedules N-1 and N-2 on page 42 of the workpapers,
 - a. Please provide the due date for each of the tax payments and refunds.
 - b. Please provide the estimated level of federal and state franchise tax refunds SDG&E expects in 2019, and provide all supporting documents and an explanation.
 - c. Please explain the reason for the refunds shown on Schedule N-1, line 6, and Schedule N-2, line 1, including what it was for and the tax treatment that allowed or caused it.
 - d. Please explain whether the tax refunds shown on Schedule N-1, line 6, and Schedule N-2, line 1, are expected to occur in 2019 and why SDG&E believes this to be the case.

Utility Response 05:

The original response to this Data Request was sent to TURN on February 1, 2018. This follow-up addresses Question 5 only.

5.a. The IRS requires that 25% of the annual forecast of tax liability be paid by April 15, another 25% (50% cumulative) by June 15th, another 25% (75% cumulative) by September 15, and another 25% (100% cumulative) by December 15. This applies to all tax years. Please refer to the attached IRS regulations §1.6655-1(d) and §1.6655-1(f).

The refund amount shown on line 6 of Schedule N-1 does not have a specified due date.

The state of California requires that 30% of the annual tax liability be paid by April 15th, another 40% (70% cumulative) by June 15th, and another 30% (100% cumulative) by December 15th. This applies to all years presented. Please refer to the attached Cal. Rev. & Tax Cd. §19025(b).

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Utility Response 05:-Continued

The refund shown on line 1 of Schedule N-2 does not have a specified due date. This refund is a true-up adjustment to the true tax return liability as filed on the 2014 CA tax return. Payments or refund requests for true-up adjustments are made or requested once all tax return filings for the tax year have been finalized.

5.b. SDG&E does not expect any federal or state franchise tax refunds in 2019. It is not possible to determine, at the present date, whether SDG&E's 2018 income tax provision estimate as compared to the tax return that will be filed will result in a refund or payment position. SDG&E is not able to determine at this time whether any federal or state refunds will be received in 2019.

5.c. The reason for the refund shown on SDG&E's Schedule N-1, line 6 is that SDG&E calculates its estimated tax payments under the annualized income installment method (please refer to the attached IRS regulations §1.6655-2). Throughout the first 3 quarters of 2016, SDG&E annualized its estimated income and made quarterly estimated payments based on information it had available at that time. In the fourth quarter of 2016, it was determined that SDG&E was able to claim a tax deduction for its wildfire settlement payments that exceeded amounts SDG&E had received from insurance, third party settlements, and FERC recoveries (SDG&E shareholders incurred the full cost of these settlement payments). This deduction resulted in an overall overpayment of taxes for 2016.

The reason for the refund shown on SDG&E's Schedule N-2, line 1 is that it is a return to provision (RTP) adjustment for the 2014 tax year.

5.d. SDG&E is not able to determine at this time whether any federal or state refunds will be received in 2019. The tax refunds shown on Schedule N-1, line 6 and Schedule N-2, line 1 were related to specific events occurring in the years referenced above. Accordingly, those specific refunds are not expected to occur in 2019.

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6. Regarding p. SPD-15 of testimony:

a. Please explain why option premiums are included as a component of the purchased commodity expense lag.

b. Does the gas purchased commodity include option premiums? Please explain why or why not and indicate where this is reflected in testimony or the workpapers.

Utility Response 06:

a. Option premiums are included as a component of the electric purchased commodity expense lag because they are used to hedge future gas procurement as a risk mitigation measure. SDG&E pays for option premiums up front and they are either exercised or expire unused. Therefore the payments are made in advance of of the time period to which they pertain (i.e., a “lead”).

b. Similar to electric option premiums discussed above, gas purchased commodity option premiums are also made in advance of of the time period to which they pertain (i.e., a “lead”). Due to an oversight, gas commodity option premiums were not included as part of SDG&E’s working cash study. Including them would have resulted in an increase to SDG&E’s 2019 working cash request of approximately \$1 million.