

ORA DATA REQUEST
ORA-SCG-019-LMW
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: NOVEMBER 28, 2017
DATE RESPONDED: DECEMBER 26, 2017

Exhibit Reference: SCG-24, Testimony and Workpapers

SDG&E Witness: Tattersall

Subject: GCT Rents

Please provide the following:

1. Referring to SCG's workpaper page 18, 2200-0618.000 - GCT RENTS and SCG's testimony page RDT-5 (lines 7-14) please answer/provide the following:
 - a. A break out of costs for base rent, operating expenses, and variable expenses that tie to the forecast period (2017-2019) amounts requested.
 - b. All 3rd party documents (e.g., lease agreements, estimates from the property owners, etc.) justifying the increase from the base year to the 2017, 2018, and 2019 forecast years.
 - c. A document showing the percentages/methodology used to calculate the forecast years (2017 – 2019) using the base year as the starting point. If this is not available then provide a document showing how SCG's estimate was derived inclusive of expected rent increases supported by 3rd documentation.
 - d. Did SCG use the same estimating methodology for GCT rents in its Test Year 2016 GRC? If yes, please provide the amount approved by the Commission and SCG's actual expenses with any applicable explanations for variances.
 - e. Actual GCT rents for 2017 thru November 2017.
 - f. In testimony, SCG states in 2010, as part of the lease renewal negotiations with the owner of the GCT, SoCalGas received lease incentives that were to occur under certain contractual provisions. SoCalGas received these incentives as lease credits starting in 2016 and extending through the remainder of the lease term; most of these credits were realized in 2016. Based on this, if the credits were available in 2010, why were most of the credits realized in 2016?
 - g. Were any credits applied to 2017? If yes, how much was applied, and were those the last of the credits?
 - h. The credits taken each year from 2010 – 2016.
 - i. What the GCT rents would have been without the credits from 2010 – 2016?

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SoCalGas Response 1:

a: The table below contains a break out of costs for base rent, operating expenses and variable expenses for the forecast period 2017 – 2019.

	2017	2018	2019
Base Rents	7,909,526	8,127,038	9,096,119
Operating Expenses	7,337,198	7,580,697	8,416,442
Variable Expenses	1,725,270	1,759,775	2,026,796
	16,971,994	17,467,510	19,539,357

Due to a spreadsheet error, the rent estimate for 2017 in the original testimony was understated by \$1.7M. The correct 2017 forecast amount is reflected in the table above.

b: The lease agreement and subsequent amendments with the landlord, Maguire Properties -555 are attached in response of this data request

c: The following methodology was used to calculate the costs included in the 2017 – 2019 forecasts:

Rents – Assumes a 2.75% year-over-year increase as referenced in the “Basic Rent (Net)” section of the Lease Summary found on page S-1 of the attached agreement.

Operating Expenses – Assumes a 4% year-over-year increase as referenced in Section C (iv) “Operating Expenses” found on Page 9 in the attached agreement.

Variable Expenses – Assumes a 2% year-over-year increase

d: SCG used a zero-based estimating methodology for GCT rents in its Test Year 2016 GRC, which is consistent with the methodology used in the Test Year 2019 GRC.

A comparison of 2016 actual costs vs. the amount approved by the Commission is provided in the table below.

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SoCalGas Response 1 Continued:

<i>in thousands of \$</i>	2016 GRC Approved	2016 Actual Expense	Variance
2200-0618 - GCT Rents \$	14,000	\$ 10,212	\$ (3,788)

e: 2017 financial information will not be available until after SDG&E makes its 10-K filing with the SEC in early 2018.

f: Per the executed 2010 lease agreement, the contract specifies rent credits (**page 9, section 4.2**) in October 2013, October 2014, October 2015 and April 2016 through October 2016. The rent credits were realized in the amounts specified by the contract, with the majority of the credits occurring in 2016 (see section 4.2 of the contract below). The amounts of credits realized in the 2013 – 2016 timeframe are included in the response to question 1h.

4.2 **Free Rent.** Notwithstanding anything to the contrary set forth herein, during the months of October 2013, October 2014, October 2015 and the period April 2016 through October 2016, Tenant shall not be obligated to pay Basic Rent or Additional Rent for Project Expenses (herein, the “Free Rent”) for the Initial Premises. Tenant shall, however, remain obligated during all Free Rent months hereunder to pay all other Additional Rent payable under this Lease (including, without limitation, parking charges).

g: No credits were applied in the 2017 GRC forecast.

h: The amounts of lease credits taken each year from 2010 – 2016 are reflected in the table below.

Year	Lease Credits
2010	\$ -
2011	\$ -
2012	\$ -
2013	\$ 876
2014	\$ 933
2015	\$ 923
2016	\$ 6,922

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SoCalGas Response 1 Continued:

i: The table below reflects what the GCT rents would have been without the lease credits from 2010-2016.

Year	Adjusted Lease Pmt
2010	\$ 23,377
2011	\$ 19,827
2012	\$ 14,899
2013	\$ 14,356
2014	\$ 13,570
2015	\$ 13,824
2016	\$ 17,134