

ORA DATA REQUEST
ORA-SCG-061-CL8
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: DECEMBER 27, 2017
DATE RESPONDED: JANUARY 10, 2018

Exhibit Reference: SCG-36 and SCG-36-WP

SCG Witness: Flora Ngai

Subject: Depreciation

Please provide the following:

1. Follow-up question to ORA-SCG-032-CL8, Question 1 (a). ORA requested the following: “Please provide 5 years of historical data (2012-2016) for actual net salvage dollars collected in rates.”

SoCalGas responded, “The actual net salvage dollars collected in rates for 2012-2016 are the amounts authorized per the Commission’s decision on SCG’s TY 2012 GRC (D.13-05-010) and TY 2016 GRC (D.16-06054). As stated in the Master Data Request response, Chapter 30, Question 2: ‘The annual negative net salvage authorized in rates for 2012 through 2015 was \$77,964,118... and \$97,809,896 for 2016.’ The amount collected is the same as the amount authorized, which was \$77,965,118 per year for 2012 through 2015 and \$97,809,896 for 2016.”

SoCalGas’s response is incomplete, as follows: SoCalGas did not provide the requested data. SoCalGas’s response refers to the authorized amounts for test years 2012 and 2016, but it does not include the amounts for years 2013, 2014, and 2015. Under Standard Practice (SP) U-4, the depreciation expense is carried forward through the application of authorized depreciation rates to new gross plant balances. Because actual net salvage dollars are provided for within the depreciation rate calculation, posttest year actual net salvage amounts will not be equal to the test year amounts unless the gross amount of recorded plant in an account does not change. When additions, retirements, or adjustments are charged to an account, the actual net salvage dollars collected will change.

- a. SoCalGas’s response to ORA-SCG-032-CL8 indicates that the amount of actual net salvage dollars collected in rates for each post-test year of a GRC cycle is nominally equal to the test year amount that was calculated at authorized rates. Please confirm whether or not this is correct.
- b. If (a) is correct:
 - i. Please explain why the amount of actual net salvage dollars collected did not change even though the recorded amount of gross plant in most accounts varied year to year.
 - ii. Please explain how ORA’s understanding of the treatment of net salvage under SP U-4, as detailed in the paragraph prior to (a), is incorrect, or else justify SoCalGas’s departure from the recommendations of SP U-4.

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Question 1 Continued:

iii. Please explain whether or not the entire depreciation accruals for years 2013, 2014, and 2015 were nominally equal to the test year 2012 accrual at authorized rates, were calculated by applying authorized rates to new gross plant balances, or were calculated with another methodology (please specify).

iv. If the 2013, 2014, and 2015 accruals were calculated by applying authorized rates to new gross plant balances, please explain why SoCalGas did not collect nominally different amounts of actual net salvage dollars. Please include a reconciliation of actual depreciation accruals to account for the difference of the changing depreciation accrual and the unchanging provision for future net salvage.

c. If (a) is incorrect, please provide the originally requested 5 years (2012-2016) of historical data of actual net salvage dollars collected in rates.

SoCalGas Response 1:

Per this follow-up data request to ORA-SCG-032-CL8 Question 1(a), ORA clarifies that the request is not dollars authorized but rather actual dollars accrued for net salvage (a component of the depreciation expense). SoCalGas' actual depreciation rates consist of: (1) a life rate (which combines life + gross salvage), and (2) a cost of removal rate. Because gross salvage is small relative to net salvage, SoCalGas does not record accruals for gross salvage separately. In response to this request, below is the cost of removal accrual for 2012-2016.

Year	*Accrual (Cost of Removal)
2012	\$90,287,802
2013	\$88,154,125
2014	\$93,045,465
2015	\$97,982,762
2016	\$114,297,741

*Excludes Safety Enhancement Capital Cost Balancing Account (SECCBA), Pipeline Safety Enhancement Plan (PSEP), which has separate rate-making.

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2. Follow-up question to ORA-SCG-032-CL8, Question 1 (b). ORA requested the following: “Please provide 5 years of historical data (2012-2016) for year-end accumulated net salvage (i.e., accumulated net salvage dollars accounted for within the depreciation reserve).”

SoCalGas responded, “The net salvage dollars accounted for within the depreciation reserve is the “Net Salvage Recorded” column as shown in the table provided in response to the Master Data Request, Chapter 30, Question 2. For your convenience, the table is reproduced below...” SoCalGas provided the actual (current-year) recorded net salvage, but not the requested data for the **accumulated** net salvage. The total amount of pre-funded future net salvage held by SoCalGas increases with each year that SoCalGas collects net salvage dollars in rates in excess of the recorded actual net salvage of that year. This accumulation is a regulatory liability arising from removal obligations, as reported on Sempra Energy’s balance sheet. Please provide the originally requested 5 years (2012-2016) of historical data for year-end accumulated net salvage.

SoCalGas Response 2:

In response to Data Request ORA-SCG-032-CL8 Question 1(b), SoCalGas provided the salvage and cost of removal activity for 2012-2016. In this follow-up request, ORA clarifies that the reserve balance is being requested and not the activity for salvage and cost of removal. As explained in response to Question 1 above, SoCalGas’ accounting data records gross salvage as part of the life accrual and not separately. Therefore, a net salvage provision and accumulated provision is not available. In response to this request, below is the accumulated cost of removal reserve balances for 2012-2016.

Year	*Accumulated Provision (Cost of Removal)
2012	\$1,914,667,366
2013	\$1,977,617,874
2014	\$2,034,400,764
2015	\$2,073,738,067
2016	\$2,130,185,768

*Excludes SECCBA (PSEP) which has separate rate-making.