

**2020 COST OF CAPITAL – SOCALGAS [A.19-04-018]**  
**PUBLIC ADVOCATES DATA REQUEST**  
**DR-PA-02**  
**DATE RECEIVED: JULY 18, 2019**  
**DATE RESPONDED: JULY 26, 2019**

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1. Are the cash flows generated by SCG important to its parent company Sempra from the perspective of it being able to service its interest payment obligations? If not, please explain why not.

**Response 1:**

SoCalGas objects to the question as vague and ambiguous as to the term “important,” and as it is seeking information regarding Sempra Energy that is not relevant to SoCalGas’ cost of capital request and outside the scope of this proceeding. Further, Sempra Energy is not a party to this proceeding. Subject to and without waiving these objections, SoCalGas responds as follows. The 10-K Report contains information with respect to Sempra Energy’s service of its interest payment obligations.

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2. Why is it considered appropriate for the consolidated capital structure of Sempra Energy to contain a higher percentage of debt than the capital structure of SCG?

**Response 2:**

SoCalGas objects to the question as vague and ambiguous as to the term “appropriate,” and as it is seeking information regarding Sempra Energy that is not relevant to SoCalGas’ cost of capital request and outside the scope of this proceeding. Further, Sempra Energy is not a party to this proceeding.

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3. For each of the last ten years, please show the equity investments made by Sempra Energy into SCG, the dividends paid to Sempra Energy from SCG, and the total net proceeds dollar amount of net new common equity sold by Sempra Energy.

**Response 3:**

SoCalGas objects to the question regarding Sempra Energy's new common equity as it is seeking information regarding Sempra Energy that is not relevant to SoCalGas' cost of capital request and outside the scope of this proceeding. Further, Sempra Energy is not a party to this proceeding. Subject to and without waiving these objections, SoCalGas responds as follows.

There have been no equity investments made by Sempra Energy into SoCalGas during the time period requested. Common dividends paid are shown in the table below.

<b>(\$ in millions)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Common Dividends Paid to Sempra Energy from SoCalGas	\$50	\$ -	\$ -	\$50	\$100	\$50	\$250	\$50	\$100	\$ -

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4. Page A-2 of the appendix to the testimony of Mr. Gonzalez shows the embedded cost of debt computation.
- a. Is it correct that the net proceeds amount shown in column (c) is has not added back any of any accumulated amortization of either the “total discount and expenses” in column (B) as is proposed to be charged to ratepayers or the “expense” as shown in column (E) as is also proposed to be charged to ratepayers?
  - b. If this accumulated amortization has not been added back, please explain why not.
  - c. If the accumulated amortization has not been added back, please provide a version of schedule A-2 with the accumulated amortization added back.

**Response 4:**

- a. SoCalGas does not see the term “expense” in Column E. Notwithstanding, the net proceeds amounts shown have not added back any accumulated amortization from prior periods.
- b. Adding back the accumulated amortization would overstate total expenses and understate the net proceeds, resulting in an overstated embedded cost of debt.
- c. If accumulated amortization were to be added back, the resulting embedded cost of debt would be 4.25% or two basis points higher than the 4.23% requested by SoCalGas in its application. Please see the separately attached file.

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5. Please explain why short-term debt was not included in the capital structure recommended by Mr. Gonzalez for use in computing the overall cost of capital in this proceeding.
- a. What is the current interest rate cost of debt to both SCG and Sempra Energy?
  - b. For both SCG and Sempra Energy, please explain how the cost of short-term debt is determined, i.e. 1% over Libor.

**Response 5:**

SoCalGas objects to the question as it seeks information that is not relevant to this proceeding, and seeks information regarding Sempra Energy that is likewise not relevant to SoCalGas' cost of capital request and outside the scope of this proceeding. Further, Sempra Energy is not a party to this proceeding. Subject to and without waiving these objections, SoCalGas responds as follows.

See the response to DR-PA-01, Question 21 as to why SoCalGas has not included short-term debt as part of its recommended capital structure.

- a. SoCalGas does not have short-term debt (commercial paper) outstanding as of July 23, 2019. SoCalGas could access one-month commercial paper today at approximately 2.4% per annum. The weighted-average interest rates on total short-term debt at Sempra Energy Consolidated was 3.10% at June 30, 2019.
- b. See the response to DR-PA-01, Question 20.

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6. Please provide the average amount of short-term debt that was used by both SCG and Sempra Energy for each of the three years that ended with 2018 and forecast for the 2020 Test Year.
  - a. For each of the periods provided in the first part of this question, please state how much of that short-term debt was allocated to the AFUDC rate being charged for CWIP.

**SCG Response 6:**

SoCalGas objects to the question to the extent it seeks information that is not relevant to this proceeding, and seeks information regarding Sempra Energy that is likewise not relevant to SoCalGas' cost of capital request and outside the scope of this proceeding. Further, Sempra Energy is not a party to this proceeding. Subject to and without waiving these objections, SoCalGas responds as follows.

The monthly average balance of short-term debt used by SoCalGas in 2016 was \$63 million. The monthly average short-term debt balances for 2017 and 2018, as provided in response to DR-PA-01, Question 22(a), are \$32 million and \$204 million, respectively.

- a. The entire outstanding short-term debt balance for the 2016-2018 timeframe figures into the calculation of the AFUDC rate as stipulated by 18 C.F.R. § 201 "Components of Construction Cost," Allowance for Funds Used During Construction.