

Docket	:	<u>A.10-12-005 / 006</u>
Exhibit Number	:	<u>DRA-02</u>
Commissioner	:	<u>Ferron</u>
ALJ	:	<u>Wong</u>
Witness	:	<u>Paul Chan</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
General Rate Case
Test Year 2012**

**SDG&E
Summary of Earnings**

San Francisco, California
September 1, 2011

TABLE OF CONTENTS

I. INTRODUCTION	1
II. DISCUSSION OF RESULTS OF OPERATIONS (RO) MODEL	1

Summary of Earnings

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Division of Ratepayer Advocates (DRA) regarding San Diego Gas & Electric Company's (SDG&E) forecast of Summary of Earnings for Test Year (TY) 2012.

This exhibit summarizes SDG&E's forecasted revenues, expenses, taxes, return, and rate base. The DRA and SDG&E Combined Test Year 2012 Summary of Earnings at present rates is shown on Table 2-1, and the DRA and SDG&E Combined Test Year 2012 Summary of Earnings at proposed rates is shown on Table 2-2. The DRA and SDG&E Electric Department Test Year 2012 Summary of Earnings at present rates is shown on Table 2-3, and the DRA and SDG&E Electric Department Test Year 2012 Summary of Earnings at proposed rates is shown on Table 2-4. The DRA and SDG&E Gas Department Test Year 2012 Summary of Earnings at present rates is shown on Table 2-5, and the DRA and SDG&E Gas Department Test Year 2012 Summary of Earnings at proposed rates is shown on Table 2-6.

II. DISCUSSION OF RESULTS OF OPERATIONS (RO) MODEL

The RO model compiles all of DRA cost estimates and produces a revenue requirement for TY 2012. For SDG&E's TY 2012 GRC, shared and non-shared Operation and Maintenance (O&M) expenses are forecasted from Federal Energy Regulatory Commission (FERC) accounts to cost centers per Decision (D.) 08-07-046. The mapping of cost centers to FERC enables the RO model to properly process the O&M costs in order to produce a revenue requirement result. Most of SDG&E's costs are assigned to either O&M or capital. However, certain Administrative and General (A&G) costs, labor overheads and non-labor overheads are not charged directly to capital. Included in the RO model is a process that reassigns these costs to capital. Certain costs such as tools and fleet within some

- 1 cost centers are subjected to segmentation between Electric, Gas, and Generation
- 2 (SDG&E), reassignment to capital, and allocation to Electric Transmission (SDG&E).
- 3

TABLE 2-1
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2012
COMBINED SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	DRA 2012		SDG&E 2012		SDG&E Exceeds DRA		%
		Present Rates (2012\$)	Present Rates (2012\$)	Present Rates (2012\$)	Present Rates (2012\$)	DRA	%	
1	Base Margin	\$ 1,512,555	\$ 1,512,555	\$ -			0.00%	
2	Miscellaneous Revenues	5,389	5,428	39			0.72%	
3	Revenue Requirement	\$ 1,536,755	\$ 1,536,885	\$ 129			0.01%	
OPERATING & MAINTENANCE EXPENSES								
4	Distribution	116,795	148,410	31,615			27.07%	
5	Gas Transmission	3,810	3,992	182			4.78%	
6	Generation	30,183	33,687	3,504			11.61%	
7	Nuclear Generation (SONGS)	65,293	120,196	54,903			84.09%	
8	Engineering	5,962	13,749	7,787			130.60%	
9	Procurement	8,289	10,442	2,153			25.97%	
10	Customer Services	77,593	93,283	15,690			20.22%	
11	Information Technology	46,397	54,759	8,362			18.02%	
12	Support Services	83,440	92,924	9,484			11.37%	
13	Administrative and General	345,608	473,069	127,461			36.88%	
14	Subtotal (2009\$)	\$ 783,370	\$ 1,044,511	\$ 261,141			33.34%	
15	Shared Services Adjustments	(36,900)	(40,258)	(3,358)			9.10%	
16	Reassignments	(103,352)	(141,787)	(38,435)			37.19%	
17	FERC Transmission Costs	(37,665)	(49,020)	(11,354)			30.15%	
18	Escalation	20,157	27,973	7,816			38.78%	
19	Uncollectibles (0.174%)	2,632	2,632	-			0.00%	
20	Franchise Fees (3.4345%)	47,897	48,605	708			1.48%	
21	Total O&M (2012\$)	\$ 676,099	\$ 894,178	\$ 218,079			32.26%	
22	Depreciation & Amortization	300,587	338,203	37,616			12.51%	
23	Taxes on Income	161,487	37,530	(123,957)			-76.76%	
24	Taxes Other Than on Income	69,392	77,424	8,032			11.58%	
25	Total Operating Expenses	\$ 1,207,565	\$ 1,347,336	\$ 139,770			11.57%	
26	Return	329,190	189,549	(139,641)			-42.42%	
27	Rate Base	3,624,286	4,406,505	782,219			21.58%	
28	Rate of Return	9.08%	4.30%					

TABLE 2-2
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2012
COMBINED SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	DRA		SDG&E		SDG&E Exceeds DRA	%
		2012 Proposed Rates (2012\$)					
1	Base Margin	\$ 1,466,961	\$ 1,842,446	\$ 375,486		25.60%	
2	Miscellaneous Revenues	24,200	24,330	129		0.53%	
3	Revenue Requirement	\$ 1,491,161	\$ 1,866,776	\$ 375,615		25.19%	
OPERATING & MAINTENANCE EXPENSES							
4	Distribution	116,795	148,410	31,615		27.07%	
5	Gas Transmission	3,810	3,992	182		4.78%	
6	Generation	30,183	33,687	3,504		11.61%	
7	Nuclear Generation (SONGS)	65,293	120,196	54,903		84.09%	
8	Engineering	5,962	13,749	7,787		130.60%	
9	Procurement	8,289	10,442	2,153		25.97%	
10	Customer Services	77,593	93,283	15,690		20.22%	
11	Information Technology	46,397	54,759	8,362		18.02%	
12	Support Services	83,440	92,924	9,484		11.37%	
13	Administrative and General	345,608	473,069	127,461		36.88%	
14	Subtotal (2009\$)	\$ 783,370	\$ 1,044,511	\$ 261,141		33.34%	
15	Shared Services Adjustments	(36,900)	(40,258)	(3,358)		9.10%	
16	Reassignments	(103,352)	(141,787)	(38,435)		37.19%	
17	FERC Transmission Costs	(37,665)	(49,020)	(11,354)		30.15%	
18	Escalation	20,157	27,973	7,816		38.78%	
19	Uncollectibles (0.174%)	2,553	3,206	653		25.60%	
20	Franchise Fees (3.4345%)	46,379	59,054	12,674		27.33%	
21	Total O&M (2012\$)	\$ 674,543	\$ 903,680	\$ 229,137		33.97%	
22	Depreciation & Amortization	300,587	338,203	37,616		12.51%	
23	Taxes on Income	142,199	177,322	35,123		24.70%	
24	Taxes Other Than on Income	69,392	77,424	8,032		11.58%	
25	Total Operating Expenses	\$ 1,186,721	\$ 1,496,629	\$ 309,909		26.11%	
26	Return	304,440	370,146	65,706		21.58%	
27	Rate Base	3,624,286	4,406,505	782,219		21.58%	
28	Rate of Return	8.40%	8.40%				

TABLE 2-3
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2012
ELECTRIC SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	DRA		SDG&E		SDG&E Exceeds DRA	%
		2012 Present Rates (2012\$)					
1	Base Margin	\$ 1,260,037	\$ 1,260,037	\$ -			0.00%
2	Miscellaneous Revenues	-	-	-			N/A
3	Revenue Requirement	\$ 1,278,849	\$ 1,278,939	\$ 90			0.01%
OPERATING & MAINTENANCE EXPENSES							
4	Distribution	100,185	126,215	26,030			25.98%
5	Gas Transmission	-	-	-			N/A
6	Generation	30,027	33,523	3,495			11.64%
7	Nuclear Generation (SONGS)	65,293	120,196	54,903			84.09%
8	Engineering	144	445	301			208.47%
9	Procurement	7,963	10,083	2,120			26.62%
10	Customer Services	48,636	61,146	12,509			25.72%
11	Information Technology	28,110	33,113	5,003			17.80%
12	Support Services	66,403	73,893	7,490			11.28%
13	Administrative and General	274,319	370,947	96,627			35.22%
14	Subtotal (2009\$)	621,082	829,561	208,479			33.57%
15	Shared Services Adjustments	(29,132)	(31,611)	(2,479)			8.51%
16	Reassignments	(79,443)	(108,179)	(28,736)			36.17%
17	FERC Transmission Costs	(37,665)	(49,020)	(11,354)			30.15%
18	Escalation	14,732	20,126	5,394			36.61%
19	Uncollectibles (0.174%)	2,192	2,192	-			0.00%
20	Franchise Fees (3.4345%)	42,568	43,276	708			1.66%
21	Total O&M (2012\$)	534,335	706,346	172,012			32.19%
22	Depreciation & Amortization	255,055	284,169	29,115			11.42%
23	Taxes on Income	140,897	41,359	(99,539)			-70.65%
24	Taxes Other Than on Income	58,363	65,025	6,662			11.42%
25	Total Operating Expenses	\$ 988,650	\$ 1,096,900	108,250			10.95%
26	Return	290,199	182,039	(108,159)			-37.27%
27	Rate Base	3,172,310	3,864,072	691,762			21.81%
28	Rate of Return	9.15%	4.71%				

TABLE 2-4
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2012
ELECTRIC SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	DRA		SDG&E		SDG&E Exceeds DRA	%
		2012	2012	2012	2012		
		Proposed Rates	Proposed Rates	Proposed Rates	Proposed Rates		
		(2012\$)	(2012\$)	(2012\$)	(2012\$)		
1	Base Margin	\$ 1,216,236	\$ 1,523,354	\$ 307,118	25.25%		
2	Miscellaneous Revenues	18,812	18,902	90	0.48%		
3	Revenue Requirement	\$ 1,235,048	\$ 1,542,256	\$ 307,208	24.87%		
OPERATING & MAINTENANCE EXPENSES							
4	Distribution	100,185	126,215	26,030	25.98%		
5	Gas Transmission	-	-	-	N/A		
6	Generation	30,027	33,523	3,495	11.64%		
7	Nuclear Generation (SONGS)	65,293	120,196	54,903	84.09%		
8	Engineering	144	445	301	208.47%		
9	Procurement	7,963	10,083	2,120	26.62%		
10	Customer Services	48,636	61,146	12,509	25.72%		
11	Information Technology	28,110	33,113	5,003	17.80%		
12	Support Services	66,403	73,893	7,490	11.28%		
13	Administrative and General	274,319	370,947	96,627	35.22%		
14	Subtotal (2009\$)	\$ 621,082	\$ 829,561	\$ 208,479	33.57%		
15	Shared Services Adjustments	(29,132)	(31,611)	(2,479)	8.51%		
16	Reassignments	(79,443)	(108,179)	(28,736)	36.17%		
17	FERC Transmission Costs	(37,665)	(49,020)	(11,354)	30.15%		
18	Escalation	14,732	20,126	5,394	36.61%		
19	Uncollectibles (0.174%)	2,116	2,651	534	25.25%		
20	Franchise Fees (3.4345%)	41,088	52,320	11,231	27.34%		
21	Total O&M (2012\$)	\$ 532,779	\$ 715,848	\$ 183,069	34.36%		
22	Depreciation & Amortization	255,055	284,169	29,115	11.42%		
23	Taxes on Income	122,377	152,631	30,254	24.72%		
24	Taxes Other Than on Income	58,363	65,025	6,662	11.42%		
25	Total Operating Expenses	\$ 968,574	\$ 1,217,674	\$ 249,100	25.72%		
26	Return	266,474	324,582	58,108	21.81%		
27	Rate Base	3,172,310	3,864,072	691,762	21.81%		
28	Rate of Return	8.40%	8.40%				

TABLE 2-5
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2012
GAS SUMMARY OF EARNINGS

(Thousands of Dollars)

Line No.	Description	DRA		SDG&E		SDG&E Exceeds	
		2012	2012	2012	2012	DRA	%
		Present Rates	Present Rates	Present Rates	Present Rates		
		(2012\$)	(2012\$)	(2012\$)	(2012\$)		
1	Base Margin	\$ 252,518	\$ 252,518	\$ -		0.00%	
2	Miscellaneous Revenues	5,389	5,428	39		0.72%	
3	Revenue Requirement	\$ 257,907	\$ 257,946	\$ 39		0.02%	
OPERATING & MAINTENANCE EXPENSES							
4	Distribution	16,610	22,195	5,585		33.62%	
5	Gas Transmission	3,810	3,992	182		4.78%	
6	Generation	156	164	9		5.58%	
7	Nuclear Generation (SONGS)	-	-	-		N/A	
8	Engineering	5,818	13,304	7,486		128.67%	
9	Procurement	326	359	33		10.10%	
10	Customer Services	28,957	32,137	3,181		10.98%	
11	Information Technology	18,287	21,646	3,359		18.37%	
12	Support Services	17,037	19,031	1,994		11.70%	
13	Administrative and General	71,289	102,122	30,834		43.25%	
14	Subtotal (2009\$)	\$ 162,289	\$ 214,950	\$ 52,662		32.45%	
15	Shared Services Adjustments	(7,767)	(8,647)	(879)		11.32%	
16	Reassignments	(23,909)	(33,608)	(9,699)		40.56%	
17	FERC Transmission Costs	-	-	-		N/A	
18	Escalation	5,425	7,847	2,423		44.66%	
19	Uncollectibles (0.174%)	439	439	-		0.00%	
20	Franchise Fees (3.4345%)	5,329	5,329	-		0.00%	
21	Total O&M (2012\$)	\$ 141,764	\$ 187,832	\$ 46,068		32.50%	
22	Depreciation & Amortization	45,532	54,033	8,501		18.67%	
23	Taxes on Income	20,590	(3,829)	(24,419)		-118.60%	
24	Taxes Other Than on Income	11,029	12,399	1,370		12.42%	
25	Total Operating Expenses	\$ 218,915	\$ 250,436	\$ 31,521		14.40%	
26	Return	38,991	7,510	(31,482)		-80.74%	
27	Rate Base	451,976	542,433	90,456		20.01%	
28	Rate of Return	8.63%	1.38%				

TABLE 2-6
SAN DIEGO GAS & ELECTRIC COMPANY
TEST YEAR 2012
GAS SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	DRA 2012		SDG&E 2012		SDG&E Exceeds	
		Proposed Rates (2012\$)	Proposed Rates (2012\$)	Proposed Rates (2012\$)	Proposed Rates (2012\$)	DRA	%
1	Base Margin	\$ 250,724	\$ 319,092	\$ 68,368	27.27%		
2	Miscellaneous Revenues	5,389	5,428	39	0.72%		
3	Revenue Requirement	\$ 256,113	\$ 324,520	\$ 68,407	26.71%		
OPERATING & MAINTENANCE EXPENSES							
4	Distribution	16,610	22,195	5,585	33.62%		
5	Gas Transmission	3,810	3,992	182	4.78%		
6	Generation	156	164	9	5.58%		
7	Nuclear Generation (SONGS)	-	-	-	N/A		
8	Engineering	5,818	13,304	7,486	128.67%		
9	Procurement	326	359	33	10.10%		
10	Customer Services	28,957	32,137	3,181	10.98%		
11	Information Technology	18,287	21,646	3,359	18.37%		
12	Support Services	17,037	19,031	1,994	11.70%		
13	Administrative and General	71,289	102,122	30,834	43.25%		
14	Subtotal (2009\$)	\$ 162,289	\$ 214,950	\$ 52,662	32.45%		
15	Shared Services Adjustments	(7,767)	(8,647)	(879)	11.32%		
16	Reassignments	(23,909)	(33,608)	(9,699)	40.56%		
17	FERC Transmission Costs	-	-	-	N/A		
18	Escalation	5,425	7,847	2,423	44.66%		
19	Uncollectibles (0.174%)	436	555	119	27.27%		
20	Franchise Fees (3.4345%)	5,291	6,734	1,443	27.27%		
21	Total O&M (2012\$)	\$ 141,764	\$ 187,832	\$ 46,068	32.50%		
22	Depreciation & Amortization	45,532	54,033	8,501	18.67%		
23	Taxes on Income	19,821	24,691	4,869	24.57%		
24	Taxes Other Than on Income	11,029	12,399	1,370	12.42%		
25	Total Operating Expenses	\$ 218,147	\$ 278,955	\$ 60,808	27.87%		
26	Return	37,966	45,564	7,598	20.01%		
27	Rate Base	451,976	542,433	90,456	20.01%		
28	Rate of Return	8.40%	8.40%				