

Application: A.18-02-

Exhibit No.: SDG&E-

Witness: Michael R. Woodruff and James G. Vanderhye Jr.

****PUBLIC REDACTED VERSION****

**DIRECT TESTIMONY OF
MICHAEL R. WOODRUFF AND JAMES G. VANDERHYE JR.
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

FEBRUARY 28, 2018

Corrected March 27, 2018

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**DIRECT TESTIMONY OF
MICHAEL R. WOODRUFF AND JAMES G. VANDERHYE JR.**

I. INTRODUCTION

The purpose of my direct testimony is to present the San Diego Gas & Electric Company (“SDG&E”) revenue requirement resulting from seven energy storage projects (“Proposed Projects”) and capital and operations and maintenance (“O&M”) spend. The total revenue requirement for the Proposed Projects is \$284.6 million, over the period of 2018 to 2068.

II. REVENUE REQUIREMENT

The revenue requirement associated with the Proposed Projects is based on the forecasted capital and O&M costs described in the testimony¹ of Steven Prsha. Table 1 below summarizes the direct costs (including contingency) of the projects.

Table 1: Direct Costs
(In Millions of Dollars, Nominal)

	2018	2019	2020	2021	Total
Kearny	\$ -				
Melrose	\$ -				
Clairemont	\$ -				
Paradise	\$ -				
Elliott	\$ -				
Boulevard	\$ -				
Santee	\$ -				
TOTAL	\$ -				

The methodology to determine a revenue requirement involves several steps and considerations. First, the incremental capital and O&M costs are adjusted to include overhead allocations, consistent with their classification as company labor, contract labor, or purchased services and materials. Overhead allocations are those activities and services that are associated

¹ References to “testimony” herein are to the prepared direct testimony served in support of this application.

with direct costs, such as payroll taxes and pension and benefits, or costs that cannot be economically direct-charged, such as administrative and general overheads. The overhead allocations adhere to the methodology established by the Federal Energy Regulatory Commission (“FERC”) and were derived using the same methodology used in SDG&E’s most recent General Rate Case (“GRC”) filing. SDG&E used December 2017 internal overhead planning rates for illustrative purposes in this Application; however, actual overhead rates will be applied in the determination of actual revenue requirement, and only overheads that are incremental to the Proposed Projects will be included.

Next, the variable O&M costs are escalated for inflation. SDG&E applied the indices published in IHS Global Insight’s 3rd Quarter 2017 Utility Cost Forecast for this Application.

Table 2 below summarizes the fully loaded and escalated costs of the Proposed Projects.

Table 2: Fully Loaded and Escalated Costs Summary
(In Millions of Dollars, Nominal)

	2018	2019	2020	2021	Total
Kearny	\$ -				
Melrose	\$ -				
Clairemont	\$ -				
Paradise	\$ -				
Elliott	\$ -				
Boulevard	\$ -				
Santee	\$ -				
TOTAL	\$ -				\$ 155,594,124

The revenue requirement calculation assumes all capital costs, including Allowance for Funds Used During Construction (“AFUDC”), are recovered through depreciation over the book-life of the assets. In addition to the fully loaded and escalated costs shown in Table 2, this revenue requirement captures all capital-related costs-such as the authorized return on investment, taxes, and franchise fees and uncollectibles needed to support the investment for its useful life. The revenue requirement calculation uses the current authorized rate of return of

1 7.55%. Table 3 below summarizes the forecasted revenue requirement for costs for SDG&E to
2 complete the Proposed Projects.

3 **Table 3: Forecasted Revenue Requirement Summary**
4 *(In Millions of Dollars, Nominal)*

	2018	2019	2020	2021 - 2068	Total
Kearny	\$ -	\$ 569,430	\$ 9,120,891	\$ 68,520,445	\$ 78,210,766
Melrose	\$ -	\$ 381,013	\$ 6,129,544	\$ 46,713,272	\$ 53,223,829
Boulevard	\$ -	\$ 219,871	\$ 3,430,979	\$ 24,519,060	\$ 28,169,909
Clairemont	\$ -	\$ -	\$ 218,808	\$ 28,626,429	\$ 28,845,237
Paradise	\$ -	\$ -	\$ 244,507	\$ 35,037,076	\$ 35,281,583
Elliott	\$ -	\$ -	\$ 223,011	\$ 29,456,077	\$ 29,679,088
Santee	\$ -	\$ -	\$ 227,229	\$ 31,006,745	\$ 31,233,974
TOTAL	\$ -	\$ 1,170,314	\$ 19,594,969	\$ 263,879,104	\$ 284,644,388

5
6 SDG&E will determine the actual capital and O&M costs of the Proposed Projects as they
7 are completed, and will calculate the actual revenue requirements associated with those costs for
8 recovery in rates. Further details of the regulatory accounting treatment of the actual revenue
9 requirements are discussed in the testimony of Norma G. Jasso.

10 SDG&E uses the forecasted revenue requirement for purposes of illustrating the potential
11 rate impact as a result of the Proposed Projects. The details of the illustrated rate impacts are
12 discussed in the testimony of Kellen C. Gill.

13 This concludes our direct testimony.

1 **III. STATEMENT OF QUALIFICATIONS**

2 **WITNESS QUALIFICATIONS FOR MICHAEL R. WOODRUFF**

3 My name is Michael R. Woodruff. My business address is 8330 Century Park Court, San
4 Diego, California 92123. I am employed by SDG&E as a Finance Manager in Financial &
5 Strategic Analysis. I am responsible for overseeing the financial analysis and development of
6 revenue requirements for SDG&E projects. I joined SDG&E in 2011. Prior to SDG&E, I was
7 employed by Wells Fargo & Co. for twelve years, six years as a Financial Analyst and six years
8 as a Finance Manager. I received a Bachelor of Science degree in Liberal Arts and Sciences
9 from Iowa State University in 1994. I received a Master's of Business Administration degree
10 with an emphasis in Finance from the University of Iowa in 1999.

11 I have previously testified before California Public Utilities Commission.

12 **WITNESS QUALIFICATIONS FOR JAMES G. VANDERHYE Jr.**

13 My name is James G. Vanderhye Jr. My business address is 8326 Century Park Court,
14 San Diego, California 92123. I am employed by SDG&E as the Supervisor, Affiliate Billing &
15 Costing. I am responsible for overseeing the application of SDG&E's overhead/indirect cost
16 process. I joined SDG&E in 1993. I received a Bachelor of Science degree in Finance from San
17 Diego State University in 2003.

18 I have not testified before the California Public Utilities Commission.

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF TED REGULY REGARDING CONFIDENTIALITY OF
CERTAIN DATA/DOCUMENTS PURSUANT TO D.17-09-023**

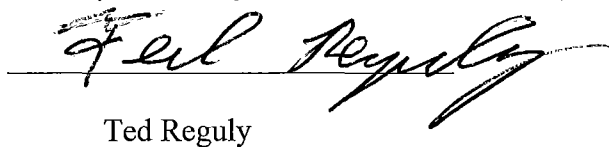
I, Ted Reguly, do declare as follows:

1. I am the Director of the Growth & Technology Integration Department for San Diego Gas & Electric Company (“SDG&E”). I have been delegated authority to sign this declaration by Caroline Winn, SDG&E’s Chief Operating Officer. I have reviewed the confidential information included within the Direct Testimony of Stephen Prsha and the Direct Testimony of Michael R. Woodruff and James G. Vanderhye Jr., submitted concurrently herewith (the “Direct Testimony”). I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decision (“D.”) 17-09-023 and General Order (“GO”) 66-D to demonstrate that the confidential information (“Protected Information”) provided in the Direct Testimony is within the scope of data protected as confidential under applicable law.

3. In accordance with the narrative justification described in Attachment A, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge. Executed this 28th day of February, 2018, at San Diego


Ted Reguly

ATTACHMENT A

SDG&E Request for Confidentiality on the following information in its Direct Testimony

Location of Protected Information	Legal Citations	Narrative Justification
<p>Highlighted data within documents:</p> <p>Direct Testimony of Steven Prsha, SP-7 to SP-10, SP-12 to SP-13, SP-15, SP-17 to SP-19, SP-21.</p> <p>Direct Testimony of Michael R. Woodruff and James G. Vanderhye Jr., MW-1 to MW-2.</p>	<p>CPR A Exemption, Gov't Code § 6254.7(d)</p> <p>CPR A Exemption, Gov't Code § 6254(k)</p> <ul style="list-style-type: none"> • Cal. Evid. Code § 1060 • Cal. Civil Code §§ 3426 <i>et seq.</i> 	<p>The Protected Information is entitled to confidential treatment under applicable law, including, but not limited to, the legal authority cited herein. The identified confidential information are project cost estimates which third-party vendors will bid upon based upon an RFI/RFP process. Public disclosure would pose potential negative impacts and/or competitive harm by setting a cost target for third parties. Cost estimates should not be made visible to the public, other vendors, contractors, or any others outside SDG&E, as public disclosure would impact competitive pricing, and the ability to secure optimal terms with third parties.</p>