

**PACIFIC GAS AND ELECTRIC COMPANY  
Distribution Interconnection OIR  
Rulemaking 17-07-007  
Data Response**

PG&E Data Request No.:	ED_006-Q01		
PG&E File Name:	DistributionInterconnectionOIR-2017_DR_ED_006-Q01		
Request Date:	March 27, 2019	Requester DR No.:	006
Date Sent:	April 9, 2019	Requesting Party:	Energy Division
PG&E Witness:	Various	Requester:	Sophie Meyer

**SUBJECT: COST OF OWNERSHIP CALCULATIONS**

**QUESTION 01**

What are your existing policies and cost accounting practices related to COO? Please be specific and detailed. For example, when replaced items get zeroed out in GRC, is depreciation included and how is it treated? How are total costs vs. incremental costs or replacements treated?

**ANSWER 01**

**Background on Cost-of-Ownership (COO)**

The computation of the COO rate is performed in a manner adopted by the CPUC in Advice Letter 1620-G-A/1328-E-A, approved 2/5/91, and Advice 1769-G/1434-E, Resolution E-3338, 10/20/93. The adopted method was developed as a result of discussions with parties representing Qualifying Facilities (QFs). The method captures the present value of the costs of replacement of facilities, the value of the tax benefits associated with tax depreciation, and other items.

The current COO was filed by PG&E under Rule 2 (Advice Filing 3905-G filed 11/06/17, approved, 1/29/17, and effective 1/1/18). PG&E conducted a review of the cost of ownership calculation following the California Public Utilities Commission decisions in PG&E's 2017 GRC Phases 1 proceeding. The review resulted in changes to the cost of ownership rates for both gas and electric distribution equipment. From Electric Rule 2, Sheet 23:

“Electric Rule 2.1.3.e provides that monthly cost of ownership charges are to be reviewed and re-filed when changes occur in PG&E's cost of providing such service. PG&E's review of the electric cost of ownership calculation resulted in a decrease in the Electric Rule 2.1.3.b utility-financed cost of ownership percentage from the currently effective level of 1.26% to 1.22%. The review resulted in a decrease of the customer-financed cost of ownership percentage shown in PG&E's Electric Rule 2.1.3.b from the currently effective level of 0.60% to 0.53%.”

## Description of Equipment Replacement

PG&E follows the standard retirement procedures outlined in the FERC Uniform System of Accounts (USofA), General Instructions and Electric Plant Instructions. Per the FERC USofA, an asset is fully depreciated at time of retirement regardless of retirement date.