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ALJ	:	<u>R. Lirag</u>
Witness	:	<u>T. Godfrey</u>



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

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
Test Year 2019
General Rate Case**

SDG&E – Electric Distribution Expenses

San Francisco, California
April 13, 2018

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SDG&E – ELECTRIC DISTRIBUTION EXPENSES

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding the Electric Distribution operation and maintenance (O&M) expense proposals of San Diego Gas & Electric Company (SDG&E) in its Test Year (TY) 2019 General Rate Case (GRC).

Electric Distribution O&M expenses are for work activities related to the operation, maintenance, supervision, and engineering associated with its electric distribution system. SDG&E only incurs Non-Shared Electric Distribution O&M expenses. SDG&E separates and records its Electric Distribution O&M expenses into twenty-six costs categories.¹

II. SUMMARY OF RECOMMENDATIONS

SDG&E forecasts \$164.729 million² for its TY 2019 O&M expenses for Electric Distribution.³ SDG&E states that its TY forecasts “include approximately \$8.5M in net downward pressures due to FOF efficiency savings.”⁴

The corresponding ORA estimate is \$133.019 million for SDG&E’s TY 2019 Electric Distribution O&M expenses. ORA’s estimate is \$31.710 million less than SDG&E’s forecast and is \$10.552 million more than SDG&E’s 2016 adjusted

¹ Ex. SDG&E-15-R, p. WHS-ix.

² All expense figures discussed and presented in this exhibit are expressed in constant 2016 dollars, unless indicated otherwise.

³ Ex. SDG&E-15-R, p. WHS-1.

⁴ Ex. SDG&E-15-R, p. WHS-5. SDG&E states that the Fueling our Future (FOF) “efficiencies were established through a variety of means including improving processes, leveraging technology for more targeted maintenance, and improved cost controls.”

1 recorded expenses. ORA does not take issue here with SDG&E's TY forecast for its
2 proposed FOF efficiency savings.⁵

3 SDG&E's forecast includes incremental funding for inspection and
4 maintenance programs and projects that address issues associated with its Risk
5 Assessment Mitigation Phase (RAMP) Report,⁶ System Growth, Safety and
6 Reliability, Environmental and Regulatory Compliance, Workforce Development, and
7 FOF Efficiencies.⁷ SDG&E calculated its TY forecast for its Electric Distribution
8 O&M expenses by utilizing historical averages, its 2016 adjusted recorded
9 expenses, linear trends and zero-based methods.⁸

10 SDG&E proposes substantial increases in some of its cost categories above
11 recorded 2016 levels. To make its recommendations, ORA utilized SDG&E's 2019
12 TY forecast, and its 2016 adjusted recorded expenses and historical averages as a
13 basis for its estimates. ORA also reviewed and considered SDG&E's 2017 adjusted
14 recorded expense levels and its 2017 forecasts. Table 5-1 compares ORA's
15 recommendations with SDG&E's proposed estimates for its Electric Distribution
16 O&M expenses for TY 2019.

⁵ See Ex. ORA-04 for ORA's discussion and recommendation on SDG&E's TY forecast for its Fueling Our Future efficiency savings.

⁶ In regards to SDG&E's RAMP Report and proposed TY activities associated with RAMP, ORA attended SDG&E's presentation held at the Commission on November 14, 2017 to obtain a better understanding on SDG&E's TY request. In response to a data request, SDG&E stated "[t]he controls presented in the RAMP Report are programs, projects, and related activities that are likely ongoing, and some of the 2012-2017 historical costs are imbedded in the work groups addressed by Exhibit SDG&E-15." SDG&E states further that its "RAMP Report and the integration of RAMP into the GRC identifies all "RAMP" costs, whether related to historical, ongoing, or new risk mitigation activities, in accordance with guidance from the Safety and Enforcement Division and as ordered by the Commission" (SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-a).

⁷ Ex. SDG&E-15-R, p. WHS-6.

⁸ Ex. SDG&E-15-R, p. WHS-ix. Regarding TY 2019 forecast estimates, SDG&E's workpapers in Ex. SDG&E-15-WP includes TY estimates listed under headings "Low" and "High". In regards to these estimates, SDG&E states "The RAMP Report shows proposed risk reduction programs that were identified and submitted with a cost estimate range. An estimate range was more appropriate for use in the RAMP Report, because the RAMP Report was not a request for funds, and it would be completed months before the GRC estimates would be finalized. SDG&E is providing the RAMP-reported range of numbers in its GRC workpapers for ease of reference and information only" (SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-c).

1 The following summarizes ORA's recommendations regarding SDG&E's
2 Electric Distribution O&M expenses:

- 3 • Regarding Construction Services, ORA recommends \$8.531
4 million, as opposed to SDG&E's request of \$19.167 million.
- 5 • Regarding Electric Distribution Operations, ORA recommends
6 \$17.517 million, as opposed to SDG&E's request of \$22.546
7 million.
- 8 • Regarding Kearny Operations Services, ORA recommends \$1.721
9 million, as opposed to SDG&E's request of \$2.133 million.
- 10 • Regarding Project Management, ORA recommends \$0.822 million,
11 as opposed to SDG&E's request of \$1.347 million.
- 12 • Regarding Electric Regional Operations, ORA recommends
13 \$37.823 million, as opposed to SDG&E's request of \$42.792
14 million.
- 15 • Regarding Distribution and Engineering, ORA recommends \$2.867
16 million, as opposed to SDG&E's request of \$4.299 million.
- 17 • Regarding Substation Construction and Operations, ORA
18 recommends \$4.759 million, as opposed to SDG&E's request of
19 \$5.322 million.
- 20 • Regarding Asset Management, ORA recommends zero funding for
21 SDG&E's reorganization and consolidation, as opposed to
22 SDG&E's request of \$4.610 million.
- 23 • Regarding Tech Solutions and Reliability, ORA recommends
24 \$2.751 million, as opposed to SDG&E's request of \$3.260 million.
- 25 • Regarding Emergency Management, ORA recommends \$3.079
26 million, as opposed to SDG&E's request of \$5.344 million.
- 27 • Regarding Strategic Planning and Business Optimization, ORA
28 recommends \$1.630 million, as opposed to SDG&E's request of
29 \$2.390 million.
- 30 • Regarding Vegetation Management Balancing Account, ORA
31 recommends continuing the one-way balancing account treatment
32 to track expenses, which was established in SDG&E's 2016 GRC.
- 33 • Regarding Performance Based Ratemaking, ORA is not proposing
34 a mechanism for SDG&E's 2019 GRC.

35

1 Table 5-1 compares ORA's recommendations with SDG&E's requests for its
 2 Electric Distribution O&M expenses for TY 2019.

3 **Table 5-1**
 4 **Electric Distribution O&M Expenses for TY 2019**
 5 **(in Thousands of 2016 Dollars)**

Description (a)	SDG&E Proposed ⁹ (b)	ORA Recommended (c)	\$Amount SDG&E>O RA (d=b-c)	Percentage SDG&E>ORA (e=d/c)
Reliability & Capacity	\$341	\$341	\$0	
Construction Services	\$19,167	\$8,531	\$10,636	124.67%
Distribution Operations Enterprise Geographic Info System Standards	\$1,253	\$1,253	\$0	
Electric Distribution Operations	\$22,546	\$17,517	\$5,029	28.71%
Kearny Operations Services	\$2,133	\$1,721	\$412	23.94%
Grid Operations	\$567	\$567	\$0	
Officer	\$772	\$772	\$0	
Project Management	\$1,347	\$822	\$525	63.87%
Electric Regional Operations	\$42,792	\$37,823	\$4,969	13.14%
Skills & Compliance Training	\$4,661	\$4,661	\$0	
Service Order Team (SOT)	\$161	\$161	\$0	
Substation C&O	\$5,322	\$4,759	\$563	11.83%
System Protection	\$1,861	\$1,861	\$0	
Distribution and Engineering	\$4,299	\$2,867	\$1,432	49.95%
Asset Management	\$4,610	\$0	\$4,610	N/A
Troubleshooting	\$7,796	\$7,796	\$0	
Vegetation Management	\$26,415	\$26,415	\$0	
Regional Public Affairs	\$1,802	\$1,802	\$0	
Major Projects	\$110	\$110	\$0	
Technology Utilization	\$1,225	\$1,225	\$0	
Compliance Management	\$2,856	\$2,856	\$0	
Tech Solutions and Reliability	\$3,260	\$2,751	\$509	18.52%
Emergency Management	\$5,344	\$3,079	\$2,265	73.56%
Strategic Planning and Business Optimization	\$2,390	\$1,630	\$760	46.63%
Distributed Energy Resources	\$1,699	\$1,699	\$0	
Total	\$164,729	\$133,019	\$31,710	

6
⁹ Ex. SDG&E-15-R, pp. WHS-16 to -17, Table WS-6.

1 **III. ORA's ANALYSIS**

2 ORA conducted its analysis by reviewing SDG&E's testimony and
3 workpapers, and by issuing data requests and analyzing responses. ORA had
4 telephone discussions with SDG&E to obtain additional information to clarify forecast
5 requests.

6 SDG&E combined the forecast expenses from twenty-six cost categories¹⁰ to
7 calculate its forecast of \$164.729 million for its Electric Distribution Non-Shared
8 O&M expenses. SDG&E's forecast of \$164.729 million is an increase of \$42.262
9 million or 34.51% over 2016 adjusted recorded expenses of \$122.467 million.
10 SDG&E's combined total for its adjusted recorded expenses averaged \$118.562
11 million between 2012 and 2017, with 2012 recording the highest expense level for
12 the six-year period (2012-2017) of \$123.737 million. SDG&E shows 2017 adjusted
13 recorded expenses of \$118.066 million.

14 ORA analyzed the adjusted recorded expenses and the forecast estimates for
15 each individual cost category to calculate its TY estimates for SDG&E's Electric
16 Distribution Non-Shared O&M expenses. Table 5-2 shows SDG&E's adjusted
17 recorded expenses for Electric Distribution for 2012-2017 and also shows ORA's
18 and SDG&E's TY 2019 forecasts.

¹⁰ Ex. SDG&E-15-R, p. WHS-ix.

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**Table 5-2
Electric Distribution O&M Expenses
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019 Forecast	ORA 2019 Forecast
Asset Management	\$0	\$-1	\$0	\$-1	\$0	\$184	\$4,610	\$0
Compliance Management	\$2,593	\$2,526	\$2,585	\$2,496	\$2,694	\$2,658	\$2,856	\$2,856
Construction Services	\$3,107	\$2,903	\$2,885	\$6,519	\$5,363	\$5,954	\$19,167	\$8,531
Dist Ops Enterprise Geographic Information System Standards	\$2,072	\$1,658	\$1,468	\$1,373	\$1,379	\$1,281	\$1,253	\$1,253
Distributed Energy Resources	\$900	\$766	\$357	\$413	\$1,304	\$690	\$1,699	\$1,699
Distribution & Engineering	\$1,676	\$1,570	\$1,657	\$1,636	\$2,341	\$2,414	\$4,299	\$2,867
Electric Distribution Ops	\$10,746	\$10,067	\$10,913	\$12,420	\$15,590	\$14,670	\$22,546	\$17,517
Electric Regional Operations	\$35,861	\$33,681	\$32,267	\$34,114	\$35,613	\$35,322	\$42,792	\$37,823
Emergency Management	\$2,810	\$2,863	\$2,458	\$2,537	\$2,503	\$2,889	\$5,344	\$3,079
Grid Operations	\$302	\$134	\$147	\$247	\$667	\$712	\$567	\$567
Kearney Operations Servs	\$1,978	\$1,959	\$1,604	\$1,715	\$1,350	\$1,245	\$2,133	\$1,721
Major Projects	\$62	\$108	\$106	\$105	\$119	\$364	\$110	\$110
Officer	\$2,145	\$1,982	\$1,657	\$1,564	\$772	\$1,497	\$772	\$772
Project Management	\$430	\$503	\$405	\$564	\$660	\$824	\$1,347	\$822
Regional Public Affairs	\$1,226	\$1,847	\$2,083	\$2,279	\$1,965	\$1,402	\$1,802	\$1,802
Reliability & Capacity	\$645	\$539	\$326	\$227	\$244	\$250	\$341	\$341
Service Order Team	\$647	\$873	\$673	\$286	\$161	\$192	\$161	\$161
Skills & Compliance Trng	\$3,143	\$3,353	\$2,772	\$3,721	\$4,133	\$2,804	\$4,661	\$4,661
Strategic Planning & Business Optimization	\$1,507	\$2,992	\$3,493	\$2,326	\$1,631	\$971	\$2,390	\$1,630
Substation Construction & Operations	\$7,009	\$6,178	\$5,617	\$5,205	\$4,582	\$3,599	\$5,322	\$4,759
System Protection	\$1,610	\$1,627	\$1,613	\$1,743	\$1,459	\$1,616	\$1,861	\$1,861
Tech Solutions & Reliability	\$2,539	\$3,107	\$2,489	\$2,380	\$2,544	\$2,426	\$3,260	\$2,751
Technology Utilization	\$857	\$1,070	\$1,000	\$1,032	\$1,042	\$914	\$1,225	\$1,225
Troubleshooting	\$8,639	\$8,029	\$7,289	\$7,453	\$7,896	\$7,115	\$7,796	\$7,796
Vegetation Management (Pole Brushing)	\$4,868	\$3,725	\$3,356	\$3,442	\$3,449	\$3,222	\$3,741	\$3,741
Vegetation Management (Tree Trimming)	\$26,365	\$23,403	\$22,812	\$21,810	\$23,006	\$22,851	\$22,674	\$22,674
Total	\$123,737	\$117,462	\$112,032	\$117,606	\$122,467	\$118,066	\$164,729	\$133,019

5 Source: 2012-2016 and 2019 data from SDG&E's response to data request ORA-SDG&E-014-
6 TLG. 2017 adjusted-recorded expenses provided via e-mail from SDG&E on March 16, 2018.

7 ORA does not oppose SDG&E's Electric Distribution expense forecasts for
8 the following cost categories: Compliance Management of \$2.856 million,¹¹

¹¹ SDG&E reorganized and consolidated its Compliance Management with its proposed Asset Management group (SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-i). ORA does not
(continued on next page)

1 Distribution Operations Enterprise Geographic Information System Standards of
2 \$1.253 million, Distributed Energy Resources of \$1.699 million, Grid Operations of
3 \$0.567 million, Major Projects of \$0.110 million, Officer of \$0.772 million, Regional
4 Public Affairs of \$1.802 million, Reliability and Capacity of \$0.341 million, Service
5 Order Team of \$0.161 million, Skills and Compliance Training of \$4.661 million,
6 System Protection of \$1.861 million, Technology Utilization of \$1.225 million,
7 Troubleshooting of \$7.796 million, and Vegetation Management of \$26.415 million
8 (Tree Trimming of \$22.674 million and Pole Brushing of \$3.741 million).¹²

9 ORA reviewed SDG&E's testimony, workpapers, data request responses, and
10 historical expense levels for these cost categories and the forecasts are reasonable
11 and comparable to historical expense levels. ORA objects to SDG&E's TY forecasts
12 for the costs categories that are discussed below.

13 **IV. CONSTRUCTION SERVICES**

14 SDG&E's Construction Services is tasked with installing and removing
15 transformers and managing construction projects and field activities associated with
16 its electric distribution system that is performed by its contractors.¹³

17 **A. Overview of SDG&E's Request**

18 SDG&E forecasts \$19.167 million for its Construction Services O&M
19 expenses for TY 2019.¹⁴ SDG&E's forecast of \$19.167 million is an increase of

(continued from previous page)

take issue with SDG&E's forecast of \$2.856 million for its Compliance Management group, based on a three-year average plus incremental funding of \$264,000 for proposed activities and additional positions (Ex. SDG&E-15-R, pp. WHS-73 to WHS-75). ORA opposes SDG&E's Electric Distribution forecast for Asset Management of \$4.610 million that was calculated with a zero-based methodology.

¹² ORA does not oppose SDG&E's forecast of \$26.415 million for its Vegetation Management. ORA opposes SDG&E's request for two-way balancing account treatment. SDG&E's O&M expenses for its Vegetation Management, is currently treated under a one-way balancing account (Ex. SDG&E-15-R, p. WHS-67).

¹³ Ex. SDG&E-15-R, p. WHS-19.

¹⁴ Ex. SDG&E-15-R, p. WHS-16. SDG&E's Table WS-8 on page WHS-19 shows SDG&E's TY forecast for Construction Services as \$20.690 million. The correct TY forecast is \$19.167 million.

(continued on next page)

1 \$13.803 million, or 257.33% over its 2016 adjusted recorded expenses of \$5.364
2 million. SDG&E developed its forecast by utilizing its 2016 adjusted recorded
3 expenses as a basis plus incremental expenses for proposed TY projects and
4 activities.¹⁵

5 SDG&E's forecast includes incremental funding for RAMP proposed activities
6 for the following: employee training, overhead small wire and connector
7 replacement program, 4kV modernization capital project, bridge cutout switch
8 replacements, overhead/underground switch inspection and high-risk switch
9 replacements, Pole Risk Mitigation and Engineering (PRiME),¹⁶ contractor safety
10 program enhancements, and twenty additional positions.¹⁷ SDG&E's forecast also
11 includes efficiency savings from its Fueling our Future program of \$1.313 million.¹⁸

12 **B. ORA's Analysis**

13 The corresponding ORA TY 2019 recommendation for SDG&E's Construction
14 Services O&M expenses is \$8.531 million. ORA's estimate is \$10.636 million less
15 than SDG&E's forecast and is \$3.167 million more than SDG&E's 2016 adjusted
16 recorded expenses. ORA utilized SDG&E's 2016 adjusted recorded expenses, and
17 its TY 2019 forecast as a basis for its estimate and adjusted for proposed activities.
18 Table 5-3 below shows SDG&E's adjusted recorded expenses for 2012-2017,

(continued from previous page)

The discrepancy in the TY forecast is due to a late addition adjustment to SDG&E's proposed Fueling Our Future initiative for Construction Services from \$1.313 million to \$1.523 million (SDG&E's response to data request ORA-SDG&E-064-TLG, Q. 1-c and ORA-SDG&E-Oral-DR003-TLG).

¹⁵ Ex. SDG&E-15-R, p. WHS-21.

¹⁶ SDG&E's O&M TY forecast for proposed activities for its overhead small wire and connector replacement program, 4kV modernization capital project, bridge cutout switch replacements, overhead/underground switch inspection and high-risk switch replacements, and Pole Risk Mitigation and Engineering (PRiME) are associated with proposed capital projects discussed in Ex.SDG&E-14.

¹⁷ Ex. SDG&E-15-R, p. WHS-21-WHS-27. In SDG&E's response to data request ORA-SDG&E-073-TLG, Q.1-p, it provided a list of the additional positions requested in the TY for each cost category.

¹⁸ Ex. SDG&E-15-R, p. WHS-21. Regarding SDG&E's TY forecast of \$1.313 million for its Fueling Our Future initiative, SDG&E revised its estimate to \$1.523 million. This is due to a late addition adjustment (SDG&E's response to data request ORA-SDG&E-064-TLG, Q.1-c and ORA-SDG&E-Oral-DR003-TLG).

1 ORA's recommendation and SDG&E's TY 2019 forecast for Construction Services
2 expenses.

3 **Table 5-3**
4 **Construction Services Expenses**
5 **2012-2016 Recorded and 2019 Forecast**
6 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$75	\$141	\$134	\$104	\$250	\$208	\$1,471	\$398
Non-Labor	\$3,032	\$2,762	\$2,751	\$6,415	\$5,114	\$5,746	\$17,696	\$8,133
Total	\$3,107	\$2,903	\$2,885	\$6,519	\$5,364	\$5,954	\$19,167	\$8,531

7 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-16 and SDG&E's response to
8 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
9 2018.

10 SDG&E's request for incremental funding of \$13.803 million or 257.33% over
11 2016 expense levels of \$5.364 million for Construction Services expenses is not
12 justified and produces an excessive cost forecast that is unjustly burdensome to
13 ratepayers. The highest recorded expense level for the six-year period (2012-2017)
14 was \$6.519 million in 2015. The five-year average (2012-2016) of adjusted recorded
15 expenses for Construction Services is \$4.156 million and the six-year average
16 (2012-2017) is \$4.455 million.

17 SDG&E requested \$18.8 million in Construction Services O&M expenses in
18 its TY 2016 GRC. SDG&E was authorized \$16.0 million,¹⁹ and shows 2016
19 adjusted recorded expenses of \$5.364 million, or \$10.6 million less than authorized.
20 SDG&E shows 2017 adjusted recorded expenses of \$5.954 million,²⁰ or \$10.046
21 million less than authorized. SDG&E did not provide any documentation indicating
22 that it postponed, deferred, eliminated or failed to meet compliance requirements
23 and maintenance projects for its Construction Services group based on its recorded
24 expenses for 2016 and 2017. Regarding the underspending in 2016 and 2017 of
25 2016 GRC authorized funding for Construction Services; SDG&E did not provide any

¹⁹ SDG&E response to data request ORA-SDG&E-064-TLG, Q.s 6, 8, and 10.

²⁰ SDG&E's forecast for 2017 adjusted recorded expenses was \$6.277 million (Ex. SDG&E-15-WP, p. 15).

1 documentation identifying the specific projects and/or accounts showing the
2 recording of the reallocated amounts. SDG&E did not provide documentation
3 demonstrating how it incorporated the \$10.6 million it did not spend as proposed in
4 its 2016 GRC for Construction Services into its TY 2019 forecast of \$19.167 million.

5 ORA opposes the level of incremental funding of \$1.221 million, an increase
6 of 488% for SDG&E's TY labor expenses. SDG&E's TY estimate is not justified.
7 ORA recommends \$0.398 million utilizing SDG&E's 2016 adjusted recorded
8 expenses, its 2019 forecast with adjustments and SDG&E's 2016 GRC authorized
9 amount.²¹ ORA's estimate is \$1.073 million less than SDG&E's TY forecast.

10 SDG&E's adjusted recorded labor expenses averaged \$0.141 million over the five-
11 year period (2012-2016) and averaged \$0.152 million over the six-year period (2012-
12 2017). SDG&E's 2017 adjusted recorded labor expenses of \$0.208 million is \$0.917
13 million less than its 2017 labor expense forecast of \$1.125 million.²²

14 SDG&E's TY labor expense forecast includes incremental funding of \$1.221
15 million²³ for additional staffing and enhancements for its Contractor Safety Program,
16 its 4 kV modernization (removal and replacement) capital project, enhancements for
17 training activities, employee transfers, and costs for employee non-productive time.
18 ORA's TY estimate for SDG&E's labor expenses of \$0.398 million is reasonable,
19 and is more than SDG&E's 2016 and 2017 adjusted recorded labor expense levels.
20 SDG&E's \$10.6 million of unspent funding it received in its 2016 GRC for
21 Construction Services can be reallocated back to Construction Services and

²¹ ORA calculated its TY estimate of \$0.398 million for SDG&E's labor expenses as follows: divided SDG&E's 2016 adjusted recorded labor expense of \$0.250 million by its 2016 total recorded expenses of \$5.364 million equals 0.0466. Subtracted SDG&E's 2016 GRC authorized amount for Construction Services of \$16.0 million from its 2019 GRC request of \$19.167 million. This equals incremental TY funding of \$3.167 million for Construction Services. \$3.167 million times 0.0466 equals \$0.148 million. \$0.148 million plus 2016 adjusted recorded labor expenses of \$0.250 million = \$0.398 million.

²² Ex. SDG&E-15-WP, p. 14.

²³ Ex. SDG&E-15-WP, pp. 33-34.

1 provides more than enough funding for SDG&E to address its proposed staffing
2 needs in the TY.

3 ORA opposes the level of incremental funding of \$12.582 million,²⁴ an
4 increase of 246% for SDG&E's TY non-labor expenses. ORA recommends \$8.133
5 million utilizing SDG&E's 2016 adjusted recorded expenses, its 2019 forecast with
6 adjustments and SDG&E's 2016 GRC authorized amount.²⁵ ORA's
7 recommendation is \$9.563 million less than SDG&E's TY forecast and is \$3.019
8 million more than SDG&E's 2016 adjusted recorded expenses. SDG&E's adjusted
9 recorded non-labor expenses averaged \$4.015 million over the five-year period
10 (2012-2016) and averaged \$4.303 million over the six-year period (2012-2017).

11 SDG&E's TY non-labor expense forecast includes incremental funding for
12 enhancements to its Contractor Safety Program, its 4 kV modernization (removal
13 and replacement) capital project, Overhead small wire and connector replacement
14 capital project, Overhead/Underground Inspection and High-Risk Switch
15 Replacement, Bridge Cutout Switch Replacements, Pole Risk Mitigation and
16 Engineering (PRiME) program, and Fueling Our Future program costs. ORA's TY
17 recommendation for SDG&E's non-labor expenses of \$8.133 million is reasonable,
18 and provides a substantial increase of 59.03% or \$3.019 million more than SDG&E's
19 2016 adjusted recorded expenses of \$5.114 million. ORA's TY estimate of \$8.133
20 million is also more than SDG&E's 2017 adjusted recorded non-labor expenses of
21 \$5.746 million. As mentioned above, SDG&E's \$10.6 million of unspent funding it
22 received in its 2016 GRC for Construction Services, can be reallocated back to
23 Construction Services for proposed TY activities.

²⁴ Ex. SDG&E-15-WP, pp. 33-36.

²⁵ ORA calculated its TY estimate for SDG&E's non-labor expenses of \$8.133 million as follows: divided SDG&E's 2016 adjusted recorded labor expense of \$5.114 million by its 2016 total recorded expenses of \$5.364 million equals 0.9534. Subtracted SDG&E's 2016 GRC authorized amount for Construction Services of \$16.0 million from its 2019 GRC request of \$19.167 million. This equals incremental TY funding of \$3.167 million for Construction Services. \$3.167 million times 0.9534 equals \$3.019 million. \$3.019 million plus 2016 adjusted recorded non-labor expenses of \$5.114 million = \$8.133 million.

1 Regarding SDG&E’s incremental request for non-labor expenses of \$2.261
2 million for Overhead/Underground Switch Inspection and High-Risk Switch
3 Replacement projects,²⁶ it appears that SDG&E is requesting TY funding twice for
4 the same activities. This overstates its request and unnecessarily increases costs
5 for ratepayers. SDG&E’s employees in its Construction Services group and its
6 Electric Regional Operations group²⁷ both have costs included in rates for the
7 performance of Overhead/Underground Switch Inspection and High-Risk Switch
8 Replacement maintenance projects and both groups are requesting incremental
9 funding for these overlapping activities in SDG&E’s 2019 GRC.

10 SDG&E states it “did request funds for Overhead Switch Inspection and
11 Maintenance in the TY 2016 GRC, but the scope of this activity in TY 2019 is heavily
12 expanded.”²⁸ SDG&E’s recorded non-labor expenses have fluctuated between
13 2012-2016 and SDG&E’s Construction Services 2016 and 2017 adjusted recorded
14 expenses are less than the amount it was authorized in its 2016 GRC. It is not clear
15 from SDG&E’s testimony if the proposed “heavily expanded” scope of its
16 overhead/underground switch inspection and maintenance, which are routine and
17 ongoing activities, is due to postponed projects and catch up work.

18 SDG&E did not provide documentation that specifically identified and
19 demonstrated the costs incurred during 2012-2016 relating to its
20 Overhead/Underground Switch Inspection and High-Risk Switch Replacement
21 projects for its Construction Services group or its Electric Regional Operations group
22 for review and comparison to its TY forecast. SDG&E did not provide
23 documentation demonstrating how the historical costs incurred for the same or
24 similar maintenance projects were identified and incorporated into its TY non-labor
25 forecast.

26 ORA has similar concerns regarding SDG&E’s incremental request of \$9.153
27 million for non-labor expenses for its Pole Risk Mitigation and Engineering (PRiME)

²⁶ Ex. SDG&E-15-WP, p. 33.

²⁷ Ex. SDG&E-15-R, p. WHS-22 to WHS-23 and WHS-43.

²⁸ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-j.

1 program,²⁹ that it is requesting TY funding twice for the same activities. SDG&E's
2 PRiME is a pole loading program, "to confirm that the structures supporting
3 overhead electric lines meet the current required factors."³⁰ SDG&E's historical
4 expenses include similar costs incurred for its pole loading program activities
5 including costs for its Fire Risk Mitigation (FIRM) program.³¹ SDG&E's testimony
6 does not demonstrate how the costs already included in rates for these overlapping
7 pole loading projects³² were identified and incorporated into its TY calculation for its
8 proposed PRiME activities. SDG&E's employees in its Construction Services group
9 and its Distribution Engineering group³³ both incur costs and perform pole loading
10 activities³⁴ and overhead structure inspection and maintenance projects.³⁵

²⁹ SDG&E states that its PRiME program "is designed to ensure poles continue to meet GO 95 standards and locally known conditions (wind), meet loading safety factor and clearance criteria and other conditions that are known to be a risk" (Ex. SDG&E-15-R, p. WHS-26).

³⁰ Ex. SDG&E-15-R, p. WHS-25.

³¹ SDG&E's FIRM project utilizes Light Detection and Ranging (LiDAR) and 3D pole and line modeling to address known local weather conditions (SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-b). SDG&E started using LiDAR along with 3D design software in 2014 on its distribution lines (SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-h). SDG&E's PRiME will also utilize LiDAR, 3D and Power Line Systems Computer Aided Drafting and Design (PLS-CADD) to analyze pole loading (Ex. SDG&E-15-R, p. WHS-24 and WHS-26).

³² Regarding SDG&E's FIRM program and pole loading activities, it states "the FIRM program performs a LiDAR survey and creates a PLS-CADD design model to determine the loads of the new conductor on the existing structures. This can result in pole change-outs as the existing structure may not have sufficient remaining capacity for the new loading requirements of the larger diameter conductor being installed" (ORA-SDG&E-Oral-DR003-TLG, Q.2).

³³ Ex. SDG&E-15-R, p. WHS-23 to WHS-26 and WHS-59.

³⁴ SDG&E performs pole loading calculations on new pole replacements (General Order 95 Rule 44.1 and Rule 44.2), pole modifications (i.e., addition or replacement of conductors, overhead transformer or switch), and third-party attachments (i.e., telecommunications conductors, or antennae). ORA-SDG&E-Oral-DR003-TLG, Q.2.

³⁵ SDG&E response to ORA data request ORA-SDG&E-066-TLG, Q.1-b. SDG&E has two programs in addition to its proposed PRiME that perform inspection and maintenance on SDG&E's poles and overhead structures: Corrective Maintenance Program (CMP), which is a visual inspection and maintenance program performed by SDG&E's Electric Regional Operations group and Fire Risk Mitigation (FiRM) program. FiRM projects are performed by SDG&E's Electric Regional Operations group and Construction Services group.

1 SDG&E’s forecast for its PRiME cannot be verified and its costs estimates are
2 premature because “The pilot phase of PRiME will occur in 2018. Results from the
3 pilot phase will be used to prioritize future year projects based on risk and to further
4 define cost.”³⁶ SDG&E’s pilot phase, which is currently incurring costs, will include
5 approximately 1,850 poles for analysis and increase in 2019 to 22,600 poles each
6 year through 2025. SDG&E’s TY costs, that are being requested from ratepayers,
7 should be “defined” now. If the costs cannot be determined, and defined now, then
8 SDG&E should wait until its next GRC to request funding for its PRiME project when
9 more detailed documentation and recorded expenses are available for review and
10 analysis. SDG&E should be required to provide a detailed breakdown of all
11 overlapping inspection and maintenance projects and costs related specifically to
12 pole loading activities in its next GRC for review and analysis.

13 SDG&E provided brief and general explanations in its workpapers showing
14 lump sum numbers without any verifiable documentation to substantiate the
15 calculations (i.e., historical recorded maintenance or program costs for 2012-2016
16 for the same or similar projects for comparison, the basis for the line item estimates
17 and the breakdown of the calculation of the line item estimates included in the lump
18 sum totals). ORA requested additional information on the calculation of SDG&E’s
19 TY forecast and on SDG&E’s 2016 GRC proposed projects and programs to
20 compare it to SDG&E’s TY 2019 GRC request. SDG&E’s ratepayers cannot receive
21 the anticipated benefits from proposed projects that are reviewed, analyzed, and
22 approved by the Commission but do not get implemented.

23

24 ORA asked:³⁷

25 Provide the documentation that explains in detail and identifies all
26 projects and programs that were proposed in 2016 GRC for
27 Construction Services but were deferred and is included in the TY
28 2019 increase of 257.33%.
29

³⁶ Ex. SDG&E-15-R, p. WHS-25.

³⁷ SDG&E response to data request ORA- SDG&E-073-TLG, Q.1-l.

1 SDG&E's response was:

2 SDG&E objects to this question in that it assumes facts not
3 supported, e.g., that there exist "projects and programs that were
4 proposed in 2016 GRC for Construction Services but were
5 deferred". Subject to and without waiving this objection, SDG&E
6 responds as follows: There are no projects or programs that were
7 proposed in the 2016 GRC for Construction Services but were
8 deferred and included in TY 2019.
9

10 ORA asked:³⁸

11 Provide the documentation that demonstrates the 2016 projects
12 and associated costs that SDG&E completed as forecast in its 2016
13 GRC for Electric Distribution, and the forecast projects that were
14 deferred or eliminated.
15

16 SDG&E's response was:

17 The operations and maintenance of the electric system is constant
18 and cyclical. SDG&E does not track all O&M costs as shown in
19 Exhibit SDG&E-15 by program; rather, historical costs and activities
20 are shown on a workpaper-group basis. The programs that are
21 performed by the personnel represented in these workpaper groups
22 are described in the testimony and generally correspond to identical
23 or like-kind activities from 2016 GRC for Electric Distribution
24 Operations.
25

26 ORA asked:³⁹

27 Regarding SDG&E's 2016 GRC authorized funding for Electric
28 Distribution, if SDG&E underspent the amount that it was
29 authorized in certain line items/category management, provide the
30 documentation that explains in detail and demonstrates the specific
31 accounts, business units, and projects/programs that received and
32 recorded the reallocated funding.
33

34 SDG&E's response was:

35 SDG&E does not track re-allocations and therefore cannot explain
36 in detail and demonstrate the specific accounts, business units, and
37 projects/programs that received and recorded any reallocated

³⁸ SDG&E response to data request ORA-SDG&E-064-TLG, Q.11.

³⁹ SDG&E response to data request ORA-SDG&E-064-TLG, Q.12.

1 funding. Reallocations may be necessary due to emergencies,
2 emergent work, new regulatory requirements or realigned priorities.
3 As described in response to Question 11, the programs that are
4 performed by the personnel represented in these workpaper groups
5 are described in the testimony and generally correspond to identical
6 or like-kind activities from the 2016 GRC for Electric Distribution
7 Operations. The workpaper Exhibit SDG&E-015-WP demonstrates
8 five years of historical costs for each workpaper group / category of
9 management with the 2017, 2018, and 2019 forecast amounts, thus
10 changes in expenses amongst those workpaper groups may be
11 seen and in some cases are explained in the detailed adjustments
12 found in the workpapers.
13

14 ORA asked additional follow-up questions on SDG&E's 2016 GRC authorized
15 funding and its 2016 adjusted recorded expenses:⁴⁰

16

17 SDG&E's response was:

18 In response to the conference call held on 3/9/2018, the SDG&E
19 Electric Distribution O&M rate case team would like to explain the
20 difference between the \$16M allocated by the commission and the
21 \$5M dollar actual spend. There were several drivers behind the
22 lower than authorized spending in 2016. Two organizations that
23 were part of the Construction Services Workpaper during 2016
24 GRC are now included in a different workpaper. Specifically, the
25 Aviation Services Department and the Fire Coordination &
26 Prevention organizations are now within the Emergency
27 Management workpaper. Together, these two groups had a
28 combined spend of \$2.225M.

29 A reprioritization of efforts related to the Fire Risk Mitigation (FiRM)
30 program has led to a shift from O&M-intensive activities to Capital-
31 intensive activities, which attributed to the majority of the underrun.
32 Specifically, at the time of the TY2016 forecast, FiRM had planned
33 to do a large-scale O&M survey and engineering analysis on the
34 lines and structures within the HRFA. However, as the project
35 ramped up, the primary risk reduction activity of replacing

⁴⁰ Conference call between ORA and SDG&E held on March 9, 2018 and SDG&E's response to ORA-SDG&E-Oral-DR003-TLG, Q.3. In the response SDG&E states that its Aviation Services Department was a part of its Construction Services workgroup in its 2016 GRC but is now included in its Emergency Management group for its 2019 GRC with a forecast of \$5.344 million (Ex. SDG&E-15-R, p. WHS-79). ORA notes that SDG&E's Electric Regional Operations group includes its Aviation Services group activities in its TY forecast of \$42.792 million (Ex. SDG&E-15-R, pp. WHS-38, WHS-40, WHS-43 to WHS-45).

1 conductor with known high failure rates became the priority over the
2 analysis, which was primarily capital activity. ORA-SDG&E-073-
3 Q1a shows how the underruns were reallocated to new workgroups
4 or workgroups with overruns.
5

6 SDG&E's responses above are insufficient and incomplete to support its
7 proposed funding. SDG&E was able to calculate and request incremental funding of
8 257.33% for its Construction Services but is not able to provide specific detail or the
9 status of projects it proposed in its 2016 GRC, or provide documentation
10 demonstrating a detailed accounting and tracking of the funding it was authorized by
11 this Commission for review and analysis. If SDG&E deferred maintenance projects
12 or postponed activities that were proposed in its 2016 GRC and included any of
13 these projects in its 2019 GRC, it should state so. SDG&E's ratepayers are not
14 responsible for additional costs incurred for deferred projects.

15 Regarding deferred maintenance the Commission has stated the following:⁴¹

16 For us to authorize Edison's recovery of deferred maintenance
17 expense would establish an undesirable precedent, whereby the
18 utility is effectively guaranteed that it can earn (or exceed) its
19 authorized rate of return, regardless of its operating efficiency or
20 inefficiency, simply by curtailing current maintenance activities, in
21 the assurance that they could be refinanced later through recovery
22 of deferred maintenance expenses in a succeeding rate case. This
23 would create a perverse incentive for the utility to defer needed
24 maintenance in the future. Consequently, we will disallow recovery
25 of the \$34.6 million requested for deferred maintenance activities in
26 1983 and 1984. Our disallowance of this expense for test year
27 ratemaking purposes does not relieve Edison of its responsibility to
28 maintain the operating efficiency of its utility plant in a timely
29 manner. Indeed, we expect Edison to fulfill that responsibility more
30 conscientiously in the future.
31

32 SDG&E should be held accountable for the funding it receives for proposed
33 projects that were reviewed and analyzed in its 2016 GRC, especially when
34 proposed projects appear to have been deferred, postponed or eliminated based on
35 its recorded adjusted expenses. ORA's TY 2019 estimate for SDG&E's

⁴¹ *SoCal Edison* (1982) 10 CPUC 2d 155, 186; D.82-12-055, 1982 Cal. PUC LEXIS 1209.

1 Construction Services O&M expenses of \$8.531 million is reasonable and is more
2 than SDG&E's 2016 and 2017 expenses and provides adequate funding for
3 proposed TY projects.

4 **V. ELECTRIC DISTRIBUTION OPERATIONS**

5 SDG&E's Electric Distribution Operations Control Center is responsible for
6 ensuring that safe, efficient and reliable power is delivered to its customers through
7 electric smart meters.⁴²

8 **A. Overview of SDG&E's Request**

9 SDG&E forecasts \$22.546 million for its Electric Distribution Operations O&M
10 expenses for TY 2019.⁴³ SDG&E's forecast of \$22.546 million is an increase of
11 \$6.956 million or 44.62% over its 2016 adjusted recorded expenses of \$15.590
12 million. SDG&E's TY expense forecast is based on a three-year linear trend plus
13 incremental funding for nine additional positions, training, and program activities.⁴⁴
14 SDG&E's forecast also includes efficiency savings from its Fueling our Future
15 initiative of \$288,000.⁴⁵

16 **B. ORA's Analysis**

17 The corresponding ORA TY 2019 recommendation for SDG&E's Electric
18 Distribution Operations O&M expenses is \$17.517 million. ORA's estimate is \$5.029
19 million less than SDG&E's forecast and is \$1.927 million more than SDG&E's 2016
20 adjusted recorded expenses. ORA utilized SDG&E's 2016 adjusted recorded
21 expenses and SDG&E's 2019 forecast with adjustments as a basis for its estimate.
22 ORA normalized SDG&E's request to account for additional TY activities that do not
23 have related costs included in rates and to adjust for proposed activities that are

⁴² Ex. SDG&E-15-R, p. WHS-28.

⁴³ Ex. SDG&E-15-R, p. WHS-28.

⁴⁴ Ex. SDG&E-15-R, p. WHS-30.

⁴⁵ Ex. SDG&E-15-R, p. WHS-31.

1 ongoing and routine and have costs included in rates.⁴⁶ Table 5-4 below shows
 2 SDG&E's adjusted recorded expenses for 2012-2017, ORA's recommendation and
 3 SDG&E's TY 2019 forecast for Electric Distribution Operations expenses.

4 **Table 5-4**
 5 **Electric Distribution Operations Expenses**
 6 **2012-2016 Recorded and 2019 Forecast**
 7 **(in Thousands of 2016 Dollars)**
 8

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$3,102	\$3,779	\$3,158	\$3,800	\$3,055	\$2,638	\$3,306	\$3,306
Non-Labor	\$7,644	\$6,288	\$7,755	\$8,620	\$12,535	\$12,032	\$19,240	\$14,211
Total	\$10,746	\$10,067	\$10,913	\$12,420	\$15,590	\$14,670	\$22,546	\$17,517

9 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-16 and SDG&E's response to
 10 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
 11 2018.

12 ORA does not oppose SDG&E's TY forecast for its labor expenses of \$3.306
 13 million. Although SDG&E's adjusted recorded labor expenses declined by \$0.417
 14 million between 2016 and 2017, its labor expense estimate for the TY of \$3.306
 15 million is reasonable and comparable to the five-year (2012-2016) and the six-year
 16 average (2012-2017).

17 ORA opposes SDG&E's method utilized to calculate its TY forecast for non-
 18 labor expenses. SDG&E's TY calculation for incremental funding of \$6.706 million,
 19 an increase of 53.49% for non-labor expenses lacks substantiated estimates for
 20 proposed TY activities.⁴⁷ SDG&E's adjusted recorded non-labor expenses
 21 fluctuated between 2012 and 2016 averaging \$8.568 million during the five-year

⁴⁶ ORA calculated its TY estimate for SDG&E's Electric Distribution Operations non-labor expenses by normalizing SDG&E's TY 2019 incremental non-labor expense forecast of \$6.705 million by four and adding the amount to SDG&E's 2016 adjusted recorded expenses of \$12.535 million (\$6.705 million divided by four-year rate case cycle = \$1.676 million plus \$12.535 million = \$14.211 million).

⁴⁷ SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-w. SDG&E's testimony and workpapers did not include documentation demonstration the calculation breakdown of its incremental forecast request based on a three-year linear trend. In response to a data request, SDG&E provided calculation detail for \$220,000 of its \$6.958 million incremental request. ORA requested additional information on SDG&E's TY forecast and its three-year linear trend calculation (ORA-SDG&E-Oral-DR003-TLG).

1 period (2012-2016). SDG&E's 2016 adjusted recorded expenses of \$15.590 million
2 were the highest recorded for the six-year period (2012-2017).⁴⁸

3 SDG&E's non-labor expenses increased between 2014 and 2016 by \$4.780
4 million, and SDG&E states "this trend is expected to continue over the next three
5 years in 2017, 2018, and 2019."⁴⁹ Although SDG&E's expenses increased, its
6 utilization of a three-year linear projection to calculate non-labor expenses produces
7 an excessive cost forecast in the TY which is unjustly burdensome to ratepayers.
8 SDG&E's non-labor expenses did not increase in 2017 as forecasted and instead
9 decreased between 2016 and 2017 by \$0.503 million. SDG&E's 2017 adjusted
10 recorded non-labor expenses of \$12.032 million is \$2.556 million less than its 2017
11 forecast of \$14.588 million.⁵⁰

12 SDG&E states "We understand that linear projections are not realistic into
13 perpetuity. However, a three-year linear trend for this period will address the
14 expanding needs and provide for increasing costs until a steady state is achieved."⁵¹
15 ORA requested additional information on SDG&E's TY 2019 incremental request
16 because SDG&E's testimony and workpapers lacked specific detail on the
17 breakdown of the expense calculation for its Electric Distribution Operations group.

18
19 ORA asked:⁵²

20 Provide the documentation that explains in detail and specifically and
21 clearly compares the differences/enhancements in the maintenance
22 projects, programs and procedures that SDG&E utilized, performed and
23 completed during 2012-2016 and what is being proposed in TY 2019.
24

25 SDG&E's response was:

⁴⁸ SDG&E's expense increase between 2014 and 2016 was due to the purchase of exempt materials for construction projects (SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-v).

⁴⁹ ORA-SDG&E-Oral-DR003-TLG.

⁵⁰ Ex. SDG&E-15-WP, p. 48.

⁵¹ Ex. SDG&E-15-R p. WHS-31.

⁵² SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-u.

1 SDG&E provides testimony regarding its baseline and incremental Electric
2 Distribution Operations programs and activities from pages WHS-28
3 through WHS-31 in SDG&E-15, and in the associated supporting
4 workpapers. Page WHS-32 details the incremental expenses for this work
5 group, which includes a training class for distribution system operators so
6 that Electric Distribution Operations can be staffed to maintain its ability to
7 safely and reliably operate the distribution system, and also an upward
8 pressure due to increased SCADA maintenance contract expenses.
9 Additional detail regarding distribution system operator training can be
10 found in the RAMP chapter describing Workforce Planning risk mitigation
11 activities (Chapter SDG&E-17).
12

13 ORA asked:⁵³

14 If proposed TY activities and initiatives are new, never performed or
15 implemented for Electric Distribution Operations and Distribution and
16 Engineering, clearly state so and explain why the proposed maintenance
17 projects were never required or necessary during 2012-2016 to ensure
18 safety and reliability of its operating system and to ensure that safety risks
19 were properly managed, minimized and mitigated.
20

21 SDG&E's response was:

22 The incremental upward pressures are not new, they relate to staffing
23 requirements to continue performing critical activities and additional
24 software maintenance costs. These incremental cost drivers are
25 explained in detail in SDG&E-15 page WHS-31 and include additional
26 classes for distribution system operators and additional expenses due to
27 an increase in the SCADA system maintenance contract costs.
28

29 SDG&E's responses are insufficient and incomplete and do not justify
30 incremental funding of 53.49% in the TY for its non-labor expenses. SDG&E refers
31 back to its testimony in Ex. SDG&E-15, page WHS-31 that is lacking in detail and is
32 the reason ORA requested additional information on SDG&E's forecast. SDG&E's
33 TY proposal includes costs for ongoing and routine activities that already have costs
34 for the same or similar activities in rates that can be reallocated for proposed
35 activities.

⁵³ SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-y.

1 SDG&E's TY proposal includes funding for additional training programs for
2 engineers to address attrition, retirement, and knowledge loss.⁵⁴ SDG&E is aware
3 that every year there are employees that will be scheduled to retire. There should
4 be established procedures, prior to 2019 GRC, to address retirements and
5 knowledge transfers to remaining staff that will be responsible for maintaining
6 system safety and reliability. SDG&E did not provide any documentation
7 demonstrating that its management staff was prevented from preparing for planned
8 retirements and effectively training its current engineers or new hires. SDG&E does
9 not provide any verifiable documentation on identified safety and reliability problems
10 or on maintenance projects and programs it had to defer resulting from unplanned
11 retirements, attrition rates, staffing levels, and knowledge loss. SDG&E's testimony
12 does not discuss or identify inefficiencies in its current training programs due to its
13 current funding level.

14 ORA calculated its TY estimate for SDG&E's Electric Distribution Operations
15 non-labor expenses by normalizing SDG&E's TY 2019 incremental non-labor
16 expense forecast of \$6.705 million by four and adding the amount to SDG&E's 2016
17 adjusted recorded expenses of \$12.535 million ($\$6.705 \text{ million} \div 4 + \$12.535 \text{ million} = \14.211 million).

19 It is inappropriate to force ratepayers to pay twice for normal, on-going and
20 routine activities. ORA's TY recommendation of \$17.517 million for SDG&E's
21 Electric Distribution Operations, is reasonable, and is more than SDG&E's 2016 and
22 2017 recorded expense levels.⁵⁵ ORA's method utilized to calculate its TY estimate
23 is more reliable than SDG&E's three-year linear projection, and provides for
24 SDG&E's "expanding needs and provide[s] for increasing costs until a steady state
25 is achieved."⁵⁶

⁵⁴ Ex. SDG&E-15-R, p. WHS-59.

⁵⁵ SDG&E's 2017 adjusted recorded expenses of \$14.670 million is \$3.427 million less than its 2017 forecast of \$18.097 million (Ex. SDG&E-15-WP, p. 48).

⁵⁶ Ex. SDG&E-15-R p. WHS-31.

1 **VI. KEARNY OPERATIONS SERVICES**

2 SDG&E's Kearny Operations Services is tasked with maintenance, repair,
3 fabrication and acquisition of new tooling, disposal and/or refurbishment of
4 equipment removed from service, transformer repair and high voltage testing, and it
5 inspects and tests rubber goods (i.e., rubber gloves) used by SDG&E's Electric
6 Distribution employees.⁵⁷

7 **A. Overview of SDG&E's Request**

8 SDG&E forecasts \$2.133 million for its Kearny Operations Services O&M
9 expenses for TY 2019.⁵⁸ SDG&E's forecast of \$2.133 million is an increase of
10 \$0.784 million or 58% over its 2016 adjusted recorded expenses of \$1.349 million.
11 SDG&E's TY expense forecast is based on a five-year average plus incremental
12 funding for proposed staffing, training, and program activities.⁵⁹

13 **B. ORA's Analysis**

14 ORA's TY 2019 recommendation for SDG&E's Kearny Operations Services
15 O&M expenses is \$1.712 million. ORA utilized a five-year average (2012-2016) as a
16 basis for its estimate. ORA's estimate is \$0.412 million less than SDG&E's forecast
17 and is \$0.372 million more than SDG&E's 2016 adjusted recorded expenses.

18 SDG&E's forecast includes funding for ongoing and routine maintenance and
19 training activities that already have costs included in rates. SDG&E's forecast also
20 includes incremental funding for three additional positions.⁶⁰ Table 5-5 below shows
21 SDG&E's adjusted recorded expenses for 2012-2017, ORA's recommendation and
22 SDG&E's TY 2019 forecast for Kearny Operations Services expenses.

⁵⁷ Ex. SDG&E-15-R, p. WHS-32.

⁵⁸ Ex. SDG&E-15-R, p. WHS-32.

⁵⁹ Ex. SDG&E-15-R, p. WHS-33.

⁶⁰ Ex. SDG&E-15-R, p. WHS-33. In SDG&E's response to data request ORA-SDG&E-075-TLG, Q.1-r, it provided a list of the additional positions requested in the TY for each cost category.

1
2
3
4

Table 5-5
Kearny Operations Services Expenses
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$1,784	\$1,842	\$1,422	\$1,589	\$1,210	\$1,058	\$1,981	\$1,569
Non-Labor	\$194	\$117	\$182	\$126	\$139	\$187	\$152	\$152
Total	\$1,978	\$1,959	\$1,604	\$1,715	\$1,349	\$1,245	\$2,133	\$1,721

5 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-16 and SDG&E's response to
6 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
7 2018.

8 SDG&E's method utilized to calculate its TY forecast is not justified and its
9 incremental calculation totaling \$0.784 million is not substantiated. SDG&E's
10 adjusted recorded expenses declined from \$1.978 million in 2012, the highest
11 recorded expense level for the six-year period (2012-2017), to \$1.245 million in
12 2017, its lowest recorded expense level. SDG&E's adjusted recorded expenses
13 averaged \$1.721 million during the five-year period (2012-2016). SDG&E has not
14 provided any supporting documentation demonstrating recorded problems due to its
15 current expense levels for 2012-2016 which prevented SDG&E and its management
16 staff from providing mandated and required training for its employees in the positions
17 of journeyman, crew lead, and working foreman. SDG&E did not provide any
18 supporting documentation identifying specific issues with its employees attending its
19 annual Equipotential Zone training.

20 ORA reviewed and compared SDG&E's TY 2019 GRC request with its
21 requested, authorized and recorded expense levels for its TY 2016 GRC.⁶¹ SDG&E
22 requested \$2.239 million in Kearny Operations Services O&M expenses in its TY
23 2016 GRC. SDG&E was authorized \$1.900 million in its 2016 GRC and shows 2016
24 adjusted recorded expenses of \$1.349 million, which is \$0.551 million less than

⁶¹ SDG&E response to data request ORA-SDG&E-064-TLG, Q.s 6, 8, 10.

1 authorized and shows \$1.245 million for 2017, or \$0.655 million less than
2 authorized.⁶²

3 SDG&E does not require incremental funding of \$0.784 million in the TY for
4 revising, enhancing or restructuring training programs that have the same or similar
5 training programs and related costs included in rates. ORA's estimate of \$1.721
6 million, based on a five-year average (2012-2016), is a reasonable TY estimate, and
7 is more than SDG&E's adjusted recorded expenses for the years 2014, 2015, 2016,
8 and 2017 for Kearny Operations Services.

9 **VII. PROJECT MANAGEMENT**

10 SDG&E's Project Management is responsible for designing, engineering and
11 preparing construction orders (i.e., orders for individual customers, large complex
12 distribution systems for subdivisions, commercial centers, high-rise towers,
13 converting electrical overhead lines to underground and relocating facilities).⁶³

14 **A. Overview of SDG&E's Request**

15 SDG&E forecasts \$1.347 million for its Project Management O&M expenses
16 for TY 2019.⁶⁴ SDG&E's forecast of \$1.347 million is an increase of \$0.687 million
17 or 104.09% over its 2016 adjusted recorded expenses of \$0.660 million. SDG&E
18 developed its forecast by utilizing its 2016 adjusted recorded expenses plus
19 incremental funding for proposed training, thirteen⁶⁵ additional positions, and non-
20 productive employee hours.⁶⁶ SDG&E's forecast also includes efficiency savings
21 from its Fueling our Future initiative of \$74,000.⁶⁷

⁶² SDG&E's 2017 adjusted recorded expenses of \$1.245 million is \$0.888 million less than its 2017 forecast of \$2.133 million (Ex. SDG&E-15-WP, p. 60).

⁶³ Ex. SDG&E-15-R, p. WHS-36.

⁶⁴ Ex. SDG&E-15-R, p. WHS-36.

⁶⁵ SDG&E's cost split for positions in its Project Management is 2% to O&M and 98% to capital (Ex. SDG&E-15-R, p. WHS-37).

⁶⁶ Ex. SDG&E-15-R, p. WHS-36. In SDG&E's response to data request ORA-SDG&E-073-TLG, Q.1-
(continued on next page)

1 **B. ORA's Analysis**

2 The corresponding ORA TY 2019 recommendation for SDG&E's Project
3 Management O&M expenses is \$0.822 million. ORA's recommendation is based on
4 a five-year average (2012-2016) and SDG&E's 2019 forecast with adjustments for
5 proposed activities. ORA normalized SDG&E's request to account for additional TY
6 activities that do not have related costs included in rates and to adjust for proposed
7 activities that are ongoing and routine and have costs included in rates.⁶⁸ ORA's
8 estimate is \$0.525 million less than SDG&E's forecast. Table 5-6 below shows
9 SDG&E's adjusted recorded expenses for 2012-2017, ORA's recommendation and
10 SDG&E's TY 2019 forecast for Project Management expenses.

11 **Table 5-6**
12 **Project Management Expenses**
13 **2012-2016 Recorded and 2019 Forecast**
14 **(in Thousands of 2016 Dollars)**
15

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$320	\$307	\$360	\$434	\$589	\$556	\$1,079	\$712
Non-Labor	\$110	\$196	\$45	\$130	\$71	\$268	\$268	\$110
Total	\$430	\$503	\$405	\$564	\$660	\$824	\$1,347	\$822

16 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
17 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
18 2018.

19 SDG&E's incremental request of 104.25% is not justified. SDG&E's adjusted
20 recorded expenses fluctuated slightly between 2012 and 2014 averaging \$0.446
21 million for the three-year period, then increased by \$0.254 million⁶⁹ between 2014

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p, it provided a list of the additional positions requested in the TY for each cost category.

⁶⁷ Ex. SDG&E-15-R, p. WHS-37. SDG&E shows FOF initiative savings of \$184,000 in response to data request ORA-SDG&E-095-TLG, Q.1-f.

⁶⁸ ORA calculated its TY estimate for SDG&E's Project Management labor expenses by normalizing SDG&E's TY 2019 incremental labor expense forecast of \$0.490 million by four and adding the amount to SDG&E's 2016 adjusted recorded expenses of \$0.589 million (\$0.490 million divided by four- year rate case cycle = \$0.123 million plus \$0.589 million = \$0.712 million). ORA's estimate for SDG&E's non-labor expenses is based on a five-year average (2012-2016).

⁶⁹ SDG&E's increase in recorded expenses between 2014 and 2016 was due to a planning class that
(continued on next page)

1 and 2016. The five- year average (2012-2016) for Project Management is \$0.512
2 million and the six-year average (2012-2017) is \$0.564 million. SDG&E’s 2019
3 forecast request of \$1.347 million is comparable to the request it made in its 2016
4 GRC of \$1.368 million⁷⁰ for Project Management. SDG&E was authorized \$0.800
5 million in its 2016 GRC and shows 2016 adjusted recorded expenses of \$0.660
6 million.

7 SDG&E states it “is seeking to fill planner and support staff positions made
8 vacant by recent retirements” and that it must “continue to systematically replenish
9 the organization with skilled individuals through hiring and development
10 programs.”⁷¹ SDG&E did not provide any supporting documentation demonstrating
11 that it has not been able to “systematically replenish the organization with skilled
12 individuals through hiring and development programs” at its current expense levels.
13 SDG&E has not provided documentation demonstrating that its established
14 procedures currently in place to address employee retirements and training are
15 insufficient. ORA requested additional information from SDG&E regarding deferred
16 or eliminated maintenance programs and projects due to recent retirements and if
17 work was negatively impacted due to retirements in regards to its sustained output,
18 operational goals, and training of its project planners and service planners during
19 2012-2016 and 2017.⁷²

20

21 SDG&E’s response was:

22 The Project Management group is not involved in maintenance programs
23 or projects, thus the staffing issues within this workpaper have not led to
24 deferred or eliminated maintenance programs. The “sustained output”
25 from this work group regarding retirements is managed through a variety
26 of means, including short-term resource reallocations, managing new
27 project assignments based on complexity and expected schedule

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started in 2015 (SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-d).

⁷⁰ SDG&E response to data request ORA-SDG&E-064-TLG, Q.s 6, 8, and 10.

⁷¹ Ex. SDG&E-15-R p. WHS-37.

⁷² SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-f.

1 requirements, and process improvements such as the adoption of new
2 project management technologies. As might be expected, these short-
3 term management tools are useful for short periods and cannot be
4 sustained in the long term. This request is not solely regarding
5 retirements, but also for additional staff to address increased capital
6 project support. Note, too, that retirements do not necessarily all occur at
7 the start of the year and remain unfilled the entire year, and therefore a
8 given position may be vacant for only a few months, while this may occur
9 for several positions throughout the year.
10

11 SDG&E states in its response above that “This request is not solely regarding
12 retirements, but also for additional staff to address increased capital project support.”
13 SDG&E’s testimony does not include substantiated O&M expense forecast
14 calculations for “increased capital projects” or discuss or identify proposed capital
15 activities other than retirements, vacancies, and employee training and
16 development.⁷³ SDG&E’s employee retirements, training and development costs
17 are not new. When an employee retires, the costs recorded in rates for that position
18 that later becomes vacant are still included in recorded expenses, and the new hires
19 usually start at a salary below the salary paid to the retiring employee. It is
20 inappropriate to force ratepayers to pay twice for normal, on-going and routine
21 activities or employee non-productive costs⁷⁴ in the TY that already have the same
22 or similar costs included in rates that can be reallocated and utilized for SDG&E’s
23 proposed projects.

24 SDG&E does not require incremental funding of \$0.687 million in the TY.
25 ORA’s estimate of \$0.822 million, based on a five- year average (2012-2016) and
26 normalized adjustments of SDG&E’s 2019 forecast is reasonable, addresses
27 fluctuations in activities and is comparable to SDG&E’s 2017 adjusted recorded
28 expenses⁷⁵ of \$0.824 million and SDG&E’s 2016 GRC authorized funding.

⁷³ Ex. SDG&E-15-R p. WHS-37.

⁷⁴ SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-f.

⁷⁵ SDG&E’s 2017 adjusted recorded expenses of \$0.824 million is \$0.270 million less than its 2017 forecast of \$1.094 million (Ex. SDG&E-15-WP, p. 83).

1 **VIII. ELECTRIC REGIONAL OPERATIONS**

2 SDG&E’s Electric Regional Operations is responsible for inspection and
3 maintenance of its distribution system, restoring service after outages, repairing
4 service problems and other issues for customers, and constructing new electric
5 infrastructure.⁷⁶

6 **A. Overview of SDG&E’s Request**

7 SDG&E forecasts \$42.792 million for its Electric Regional Operations O&M
8 expenses for TY 2019.⁷⁷ SDG&E’s forecast of \$42.792 million is an increase of
9 \$7.179 million or 20.16% over its 2016 adjusted recorded expenses of \$35.613
10 million. SDG&E developed its forecast by utilizing its 2016 adjusted recorded
11 expenses plus incremental funding for proposed activities.⁷⁸

12 SDG&E’s forecast includes incremental funding for RAMP proposed activities
13 for Long Span Inspection and Repair, expansion of its existing Customer
14 Communication campaign, Hydrocarbon and Contaminates Removal filter socks
15 (HCOR),⁷⁹ Overhead/Underground Switch Inspection and High-Risk Switch
16 Replacement, Aviation Services Enhancements, Aviation Services Unmanned
17 Aircraft Systems Program Enhancements, and thirty-nine additional positions.⁸⁰
18 SDG&E’s forecast also includes efficiency savings from its Fueling our Future
19 initiative of \$4.770 million.⁸¹

⁷⁶ Ex. SDG&E-15-R, p. WHS-38.

⁷⁷ Ex. SDG&E-15-R, p. WHS-38.

⁷⁸ Ex. SDG&E-15-R, p. WHS-41.

⁷⁹ HCOR filter socks allow SDG&E’s employees to pump water (rain water or irrigation) from subsurface structures to perform work without the need for Hazmat crews and still comply with environmental laws and regulations regarding pumping water (Ex. SDG&E-15-R, p. WHS-45).

⁸⁰ Ex. SDG&E-15-R, pp. WHS-41 to WHS-45.

⁸¹ Ex. SDG&E-15-R, p. WHS-41.

1 **B. ORA's Analysis**

2 The corresponding ORA TY 2019 recommendation for SDG&E's Electric
3 Regional Operations O&M expenses is \$37.823 million. ORA's estimate is based on
4 a five-year average of recorded costs and SDG&E's 2019 forecast with adjustments
5 for proposed activities.⁸² ORA's estimate is \$4.969 million less than SDG&E's
6 forecast and is \$2.210 million more than SDG&E's 2016 adjusted recorded
7 expenses. Table 5-7 below shows SDG&E's adjusted recorded expenses for 2012-
8 2017, ORA's recommendation and SDG&E's TY 2019 forecast for Electric Regional
9 Operations expenses.

10 **Table 5-7**
11 **Electric Regional Operations Expenses**
12 **2012-2016 Recorded and 2019 Forecast**
13 **(in Thousands of 2016 Dollars)**
14

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$24,001	\$22,812	\$21,551	\$21,384	\$21,321	\$21,992	\$23,055	\$22,214
Non-Labor	\$11,860	\$10,869	\$10,716	\$12,730	\$14,292	\$13,330	\$19,737	\$15,609
Total	\$35,861	\$33,681	\$32,267	\$34,114	\$35,613	\$35,322	\$42,792	\$37,823

15 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
16 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
17 2018.

18 SDG&E's incremental TY request is not justified and its estimates are not
19 substantiated. SDG&E's adjusted recorded expenses declined by \$3.594 million
20 between 2012 and 2014 from \$35.861 million in 2012 to \$32.267 million in 2014.
21 SDG&E's 2012 expenses were the highest recorded for the six-year period (2012-
22 2017). SDG&E's adjusted recorded expenses increased by \$3.345 million between
23 2014 and 2016 from \$32.267 million to \$35.612 million in 2016, then remained
24 relatively stable between 2016 and 2017 with 2017 expenses of \$35.322 million.
25 The five-year average (2012-2016) of adjusted recorded expenses for Electric

⁸² SDG&E's 2017 adjusted recorded expenses of \$35.322 million is \$2.416 million less than its 2017 expense forecast of \$37.738 million (Ex. SDG&E-15-WP, p. 48).

1 Regional Operations is \$34.307 million and the six-year average (2012-2017) is
2 \$34.476 million.

3 ORA opposes the level of incremental funding of \$1.734 million for SDG&E's
4 labor expense because it is not justified. ORA forecasts \$22.214 million utilizing a
5 five-year average (2012-2016). ORA's estimate is \$0.841 million less than SDG&E's
6 TY forecast and is \$0.893 million more than SDG&E's 2016 adjusted recorded
7 expenses. SDG&E's adjusted recorded labor expenses were on a downward trend
8 between 2012 and 2016, decreasing from \$24.001 million in 2012 to \$21.321 million
9 in 2016.⁸³ SDG&E did not provide any documentation indicating that it postponed,
10 deferred, eliminated or failed to meet compliance requirements and maintenance
11 projects for its Electric Regional Operations due to its declining labor expenses
12 between 2012-2016.

13 SDG&E's labor expense forecast includes costs of \$1.039 million for its
14 Overhead/Underground Switch Inspection and High-Risk Switch Replacement
15 projects.⁸⁴ SDG&E's employees in its Electric Regional Operations group and its
16 Construction Services group⁸⁵ both incur costs and perform Overhead/Underground
17 Switch Inspection and High-Risk Switch Replacement and both are requesting
18 funding for these same overlapping projects in its 2019 GRC.

19 SDG&E states it "did request funds for Overhead Switch Inspection and
20 Maintenance in the TY 2016 GRC, but the scope of this activity in TY 2019 is heavily
21 expanded."⁸⁶ SDG&E's recorded labor expenses show a downward trend, so it is
22 not clear from SDG&E's testimony if the proposed "heavily expanded" scope of its
23 overhead/underground switches maintenance program, which are a routine and

⁸³ SDG&E's labor forecast for the thirty-nine additional positions include overtime, non-productive time, and training costs. SDG&E's historical expenses already include costs incurred for employee overtime, non-productive time and training; incremental funding for these proposed expenses that have the same or similar costs included in rates is not necessary and is burdensome to ratepayers. SDG&E should be able to reduce and reallocate the costs incurred for overtime with the addition of new staff.

⁸⁴ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-f.

⁸⁵ Ex. SDG&E-15-R, p. WHS-22 to WHS-23.

⁸⁶ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-j.

1 ongoing activity, is due to postponed projects and catch up work. SDG&E did not
2 provide documentation specifically identifying and demonstrating the costs incurred
3 during 2012-2016 relating to its Overhead/Underground Switch Inspection and High-
4 Risk Switch Replacement projects for its Electric Regional Operations and its
5 Construction Services group. SDG&E did not provide documentation demonstrating
6 how the historical costs incurred for the same or similar maintenance projects were
7 identified and incorporated into its TY labor forecast.

8 SDG&E's labor expense forecast includes costs of \$0.600 million for re-
9 inspection and repair of its Long Spans.⁸⁷ SDG&E inspected its long spans in the
10 past and its TY estimate was based on similar projects it completed during historical
11 years.⁸⁸ The costs for those similar completed projects is included in SDG&E's
12 rates and the funding utilized for those completed projects and the past inspections
13 and repairs for its Long Spans can be reallocated in the TY towards the re-
14 inspection project. SDG&E did not provide any documentation demonstrating why it
15 is unable to reallocate embedded funding for proposed projects.

16 SDG&E also requests incremental labor funding of \$0.168 million for
17 reorganization and establishment of a permitting group and a Project Management
18 group.⁸⁹ The proposed activities are not new and have costs incurred for these
19 same activities already included rates. SDG&E did not provide any verifiable
20 documentation demonstrating that its current staffing level was unable to handle its
21 permitting work, "face to face interaction" with Cities and counties and was
22 experiencing backlogs.

23 Regarding SDG&E's project management work, the company says "SDG&E
24 has managed ERO efforts in a more decentralized fashion. As a result, there are no
25 costs compiled to quantify the associated costs."⁹⁰ SDG&E should be able to

⁸⁷ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-f.

⁸⁸ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-f.

⁸⁹ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-f.

⁹⁰ SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-m.

1 efficiently and effectively reorganize, consolidate and reallocate its resources
2 already funded by ratepayers to establish its permitting group and its Project
3 Management group.

4 SDG&E's recorded labor expenses increased in 2017 by \$0.671 million over
5 2016 expense levels from \$21.321 million to \$21.992 million.⁹¹ ORA's TY labor
6 expense recommendation of \$22.214 million is reasonable, is more than SDG&E's
7 2016 and 2017 expense levels, accounts for additional staff, fluctuations in
8 expenses and expanding activities.

9 SDG&E's request for incremental non-labor funding of \$6.0 million (\$24.0
10 million over the four-year rate case cycle) for its communication campaign is not
11 justified and should be rejected. ORA recommends \$15.609 million for SDG&E's TY
12 non-labor expenses⁹² utilizing SDG&E's 2016 adjusted recorded expenses plus
13 adjustments for proposed activities.⁹³ SDG&E's proposed communication campaign
14 is for "outreach and education geared toward wire down awareness but also other
15 electric safety issues."⁹⁴ ORA agrees that "outreach and education geared toward
16 wire down awareness" and "other electric safety issues" are important. However, it
17 is problematic and burdensome to ratepayers that SDG&E is requesting incremental
18 funding for duplicate customer communication campaigns and ignoring the fact that
19 it has costs included in rates for the same or similar communication projects that are
20 ongoing or have been completed and the costs from past projects can be reallocated
21 in the TY.

22 SDG&E did not provide documentation demonstrating how it incorporated
23 costs already in rates for its customer communication campaigns into its TY forecast

⁹¹ SDG&E's 2017 adjusted recorded labor expenses of \$21.992 million is \$0.576 million less than its 2017 forecast of \$22.568 million (Ex. SDG&E-15-WP, p. 93).

⁹² SDG&E's 2017 adjusted recorded non-labor expenses of \$13.330 million is \$1.840 million less than its 2017 forecast of \$15.170 million (Ex. SDG&E-15-WP, p. 93).

⁹³ ORA's TY calculation includes SDG&E's 2016 adjusted recorded non-labor expenses of \$14.292 million plus incremental funding of \$1.317 million for proposed TY activities (SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-f).

⁹⁴ Ex. SDG&E-15-WP, p. 145.

1 of \$6.0 million. SDG&E did not provide similar historical costs from its existing
2 program⁹⁵ for review, analysis and comparison to its TY request. Communication
3 campaigns utilizing advertisement for television, radio and newspaper, billboards,
4 videos, and direct communication programs, and its website that educate SDG&E's
5 customers are not new activities for SDG&E's Electric Distribution organization.
6 SDG&E states its proposed Electric Regional Operations project "is an expansion of
7 existing targeted communication efforts to inform, raise awareness, and educate the
8 public about what they can do to ensure their safety around gas and electricity."⁹⁶

9 SDG&E provided unsubstantiated TY estimates for its communication
10 campaign that lacked detail in its workpapers. SDG&E showed lump sum numbers
11 without any verifiable documentation to substantiate the calculations (i.e., historical
12 recorded communication projects or program costs for 2012-2016 for the existing
13 program or similar communication campaigns for comparison, the basis for the line
14 item estimates and the breakdown of the calculation of the line item estimates
15 included in the lump sum totals).⁹⁷

16 In the TY, SDG&E should utilize its resources in a more cost efficient and
17 effective manner by coordinating and scheduling its communication campaigns (i.e.,
18 reviewing closed, ongoing and proposed projects and related costs, especially
19 regarding safety issues) with other work groups within its Electric Distribution
20 organization and within SDG&E. This will allow SDG&E to identify and calculate
21 costs savings (by consolidating communication projects and reallocating funding and
22 staff resources) which will reduce the amount of duplicate funding for the same or
23 similar projects that ratepayers are being required to fund.⁹⁸ ORA requested

⁹⁵ SDG&E is requesting incremental funding of \$6.0 million each year and provided a copy of a past communication project amounting to \$20,000 and \$30,000 as additional support (SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-o).

⁹⁶ Ex. SDG&E-15-R, p. WHS-42.

⁹⁷ SDG&E's 2017 adjusted recorded expenses of \$35.322 million is \$2.416 million less than its 2017 forecast of \$37.738 million (Ex. SDG&E-15-WP, p. 93).

⁹⁸ SDG&E's Electric Distribution work group for Distribution and Engineering is requesting funding in its 2019 GRC for a customer communication campaign to educate and inform the public about safety
(continued on next page)

1 additional information on SDG&E's TY 2019 incremental request for its Electric
2 Regional Operations group.

3 ORA asked:⁹⁹

4 If SDG&E performed the same or similar maintenance programs, projects,
5 and activities as being proposed in TY 2019 for Electric Regional
6 Operations, to ensure safety and reliability of its operating system and to
7 ensure that safety risks were properly managed, minimized and mitigated,
8 state so and provide the documentation that demonstrates the costs
9 incurred and the accounts where the costs were recorded.

10

11 SDG&E's response was:

12 Electric Regional Operations consists in large part of routine, ongoing
13 activities that are consistent from year-to-year and experience cost
14 increases due to costs SDG&E must pay for labor and materials, and to
15 respond to real-time, current conditions in conducting its risk mitigation
16 activities. More detail regarding the RAMP risk mitigation activities
17 described in the Electric Regional Operations testimony, and the reason
18 for performing those activities, are discussed in the corresponding RAMP
19 chapters (as shown in SDG&E-15, Section II):

20

21 SDG&E -1 Wildfires Caused by SDG&E Equipment
22 SDG&E-3 Employee, Contractor and Public Safety
23 SDG&E-8 Aviation Incident
24 SDG&E-11 Unmanned Aircraft System (USA) Incident
25 SDG&E-12 Electric Infrastructure Integrity
26 SDG&E-13 Records Management
27 SDG&E-17 Workforce Planning

28 These RAMP Report chapters are available (by risk name) at
29 [http://www.sdge.com/regulatory-filing/20016/risk-assessment-and-](http://www.sdge.com/regulatory-filing/20016/risk-assessment-and-mitigaton-phase-report-sdge-socalgas)
30 [mitigaton-phase-report-sdge-socalgas](http://www.sdge.com/regulatory-filing/20016/risk-assessment-and-mitigaton-phase-report-sdge-socalgas).

31

32 SDG&E also adopts new technologies, work methods and programs
33 necessary to meet increased regulatory requirements and to improve its

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around Distributed Energy Resources and 12 kV distribution system (Ex. SDG&E-15-R, p. WHS-59). SDG&E's Mass Media Communication and Marketing group incurs the same or similar costs for advertisement (television, radio, newspaper) and marketing publications and market research, direct mail, bill inserts, and online services to educate SDG&E's customers and the public about various issues (Information provided about SDG&E's Mass Media Communication group in its 2016 GRC (Ex.ORA-13 in SDG&E's 2016 GRC).

⁹⁹ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-I.

1 ability to provide reliable service. For example, one item to meet
2 increased environmental regulation is the need for HCOR filter socks,
3 which will allow crews to pump subsurface structures while meeting water
4 quality requirements. An example of an expansion of existing programs
5 for increased reliability is the hiring of additional lineman and apprentices,
6 which will improve response times to service interruptions.
7

8 ORA asked:¹⁰⁰

9 Referring to SDG&E’s testimony, Ex. SDG&E-15, page WHS-46, lines 7-9,
10 regarding SDG&E’s Electric Regional Operations group, it “proposes the
11 establishment of a project management office. In addition to repurposing
12 existing personnel, this organization will add a Manager, Project Manager,
13 and Business Analyst”.

14
15 Provide the documentation that demonstrates specifically how SDG&E
16 managed its project management activities during 2012-2016 and the
17 related costs. In the response include documentation that clearly
18 demonstrates the reason SDG&E is not able to utilize its repurposed
19 existing personnel and funding already included in rates to support its
20 “Fueling our Future” (FOF) efforts and “business process evaluations and
21 improvements.” Provide the adjusted recorded expenses for 2012-2016
22 and 2017 for repurposed existing personnel.
23

24 SDG&E’s response was:

25 Historically, SDG&E has managed ERO efforts in a more decentralized
26 fashion. As a result, there are no costs compiled to quantify the
27 associated costs. The establishment of a formal project management
28 office represents a new organizational structure. The position of manager
29 of this initiative will be filled from existing staff, this change will reduce the
30 requested funding from three FTEs to two.
31

32 ORA asked:¹⁰¹

33 Provide documentation that explains in detail and identifies all projects
34 and programs that were proposed in SDG&E’s 2016 GRC for Electric
35 Regional Operations but were deferred and is included in the TY 2019
36 increase of 20%.
37

38 SDG&E’s response was:

¹⁰⁰ SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-m.

¹⁰¹ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-j.

1 There are no specific projects or programs that were authorized in the
2 2016 GRC for Electric Regional Operations but were deferred and
3 included in TY 2019. SDG&E had requested \$36.859 million for Electric
4 Regional Operations, the decision authorized \$35.449 million (A.14-11-
5 003/D.16-06-054 at page 44). SDG&E did request funds for Overhead
6 Switch Inspection and Maintenance in the TY 2016 GRC, but the scope of
7 this activity in TY 2019 is heavily expanded.
8

9 ORA asked:¹⁰²

10 Referring to SDG&E’s workpapers, Ex. SDG&E-15-WP, pages 145 and
11 146, regarding its proposed TY activities and forecast of \$6.0 million for its
12 Public Safety Campaign included as a line item for Electric Regional
13 Operations, SDG&E states that this “year-long effort is proposed” and will
14 “inform and educate people about what they can do to stay safe around
15 gas and electricity.”
16

17 Provide detailed breakdown of the calculation of each individual estimate
18 included in the non-labor calculation of the forecast of \$6.0 million and the
19 basis utilized to calculate each individual estimate. Note that SDG&E’s
20 workpapers only show lump sum numbers with brief and general
21 explanations.
22

23 SDG&E’s response was:

24 SDG&E-15-R discusses the risk mitigation activities and cost included in
25 its Customer Communications Safety Program throughout (see, e.g.,
26 WHS-2-5), including ERO testimony beginning at WHS-38 (see, e.g.,
27 WHS-42-43), in the section of testimony discussing RAMP costs (Section
28 II), and in the workpapers. SDG&E also included detailed Supplemental
29 Workpapers for Electric Regional Operations that includes this
30 information, please see SDG&E-15-WP page 146, which details the
31 breakdown for each item of the Public Safety Campaign. In addition, we
32 have attached “ORA-SDG&E075-Q1 Public Safety Campaign.xlsx” for
33 your reference. Finally, as discussed in Section II of testimony, the
34 Customer Communications Safety Report (available at
35 [http://www.sdge.com/regulatory-filing/20016/risk-assessment-and-
36 mitigaton-phase-report-sdge-socalgas](http://www.sdge.com/regulatory-filing/20016/risk-assessment-and-mitigaton-phase-report-sdge-socalgas), see, e.g., RAMP Chapters 3 and
37 15).
38

39 SDG&E’s responses are insufficient and incomplete and do not justify its
40 incremental funding request. ORA’s TY recommendation of \$37.823 million, for

¹⁰² SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-m.

1 SDG&E's Electric Regional Operations is reasonable and is more than SDG&E's
2 2016 and 2017 adjusted recorded expense levels. ORA's TY estimate is
3 comparable to the forecast that SDG&E calculated for its 2017 O&M expenses for
4 Electric Regional Operations of \$37.738 million.

5 **IX. SUBSTATION CONSTRUCTION AND OPERATIONS**

6 SDG&E's Substation Construction and Operations is responsible for the
7 inspection, installation, and maintenance of all substation equipment which includes
8 batteries, buses, support structures, capacitor banks, reactors grounding systems,
9 fire suppression systems and perimeter fences and gates.¹⁰³

10 **A. Overview of SDG&E's Request**

11 SDG&E forecasts \$5.322 million for its Substation Construction and
12 Operations O&M expenses for TY 2019.¹⁰⁴ SDG&E's forecast of \$5.322 million is
13 an increase of \$0.740 million or 16.15% over its 2016 adjusted recorded expenses
14 of \$4.582 million. SDG&E's TY expense forecast is based on a five-year average of
15 recorded costs with incremental adjustments for proposed activities.¹⁰⁵

16 SDG&E's forecast includes incremental funding for projects and programs
17 associated with its proposed RAMP activities for a Condition Based Maintenance
18 program and a 4kV modernization capital project.¹⁰⁶ SDG&E's forecast also
19 includes efficiency savings from its Fueling our Future initiative of \$0.686 million.¹⁰⁷

¹⁰³ Ex. SDG&E-15-R, p. WHS-51.

¹⁰⁴ Ex. SDG&E-15-R, p. WHS-51.

¹⁰⁵ Ex. SDG&E-15-R, p. WHS-52.

¹⁰⁶ Ex. SDG&E-15-R, p. WHS-52 and WHS-53.

¹⁰⁷ Ex. SDG&E-15-R, p. WHS-52.

1 **B. ORA's Analysis**

2 ORA's TY 2019 recommendation for SDG&E's Substation Construction and
3 Operations Services O&M expenses is \$4.759 million. ORA utilized SDG&E's 2016
4 adjusted recorded expense level and its 2019 forecast as a basis for its estimate.
5 ORA's estimate is \$0.563 million less than SDG&E's forecast. Table 5-8 below
6 shows SDG&E's adjusted recorded expenses for 2012-2017, ORA's
7 recommendation and SDG&E's TY 2019 forecast for Substation Construction and
8 Operations expenses.

9 **Table 5-8**
10 **Substation Construction and Operations Expenses**
11 **2012-2016 Recorded and 2019 Forecast**
12 **(in Thousands of 2016 Dollars)**
13

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$4,622	\$3,993	\$3,657	\$3,499	\$3,038	\$2,552	\$3,601	\$3,038
Non-Labor	\$2,387	\$2,185	\$1,960	\$1,706	\$1,544	\$1,047	\$1,721	\$1,721
Total	\$7,009	\$6,178	\$5,617	\$5,205	\$4,582	\$3,599	\$5,322	\$4,759

14 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
15 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
16 2018.

17 ORA does not oppose SDG&E's TY forecast for its non-labor expenses of
18 \$1.721 million. Although SDG&E's non-labor expenses declined between 2016 and
19 2017 by \$0.497 million, its TY forecast is comparable to 2016 expenses and
20 provides for incremental funding associated with SDG&E's Condition Based
21 Maintenance project and the 4 kV modernization capital project.¹⁰⁸

22 SDG&E's forecast method utilized to calculate its incremental funding request
23 for its labor expenses is not justified. SDG&E's adjusted recorded labor expenses
24 declined each year between 2012 and 2017 from \$4.622 million in 2012 to \$2.552
25 million in 2017. The three-year average (2015-2017) of SDG&E's most recent

¹⁰⁸ SDG&E's O&M expense estimate for the 4 kV Modernization relates to its proposed capital project. ORA's discussion and recommendation on SDG&E capital projects will be discussed in Ex.ORA-06. The O&M portion of this project is \$113,950 and will need to be adjusted based on the authorized amount for 2019 capital expenditures (SDG&E response to data requests ORA-SDG&E-095-Q.1-a and Q.1-o).

1 recorded labor expenses is \$3.030 million. SDG&E’s testimony does not include a
2 discussion on proposed staffing increases in the TY for its Substation Construction
3 and Operations group.

4 SDG&E’s testimony, workpapers and data request responses do not identify
5 any documented problems which prevented SDG&E from performing installation,
6 inspection and maintenance projects at any of its 134 distribution substations¹⁰⁹ due
7 to declining labor expense levels between 2012-2016 and 2017. SDG&E did not
8 provide any supporting documentation demonstrating that its adjusted recorded
9 expenses will not continue to decline in the TY. ORA requested additional
10 information from SDG&E regarding the specific reason and associated projects and
11 programs that caused its expenses to decline each year between 2012 and 2016.

12 ORA asked:¹¹⁰

13 Provide the documentation that explains in detail the reason for the
14 decrease in Substation Construction and Operations expenses between
15 2012 and 2016 and that identifies the associated projects/programs and
16 related expense. In the response provide the adjusted recorded expenses
17 for 2017 for Substation Construction and Operations.
18

19 SDG&E’s response was:

20 The cost to maintain substations are variable, with required maintenance
21 activities that are time-based and cyclical. Both visual inspections and
22 preventative diagnostic testing can lead to variable amounts of follow up
23 repair, which themselves vary in scope and magnitude. This is why a five-
24 year average was utilized as the base estimate for this forecast, as it
25 includes the potential for high and low maintenance years, and provides a
26 reasonable estimate for future years. The 2017 data is not currently
27 available.
28

29 SDG&E’s response is insufficient and incomplete. SDG&E’s adjusted
30 recorded labor expenses did not fluctuate between 2012 and 2016, and its use of a
31 five-year average is not justified for expenses demonstrating a downward six-year
32 trend (2012-2017) and that lacks substantiated TY estimates for proposed

¹⁰⁹ Ex. SDG&E-15-R, p. WHS-51.

¹¹⁰ SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-p.

1 staffing.¹¹¹ SDG&E did not provide any detailed or verifiable documentation to
2 explain its expense decline. ORA reviewed and compared SDG&E's TY 2019 GRC
3 request with its requested, authorized and recorded expense levels for its TY 2016
4 GRC.¹¹² SDG&E requested \$6.912 million in Substation Construction and
5 Operations O&M expenses in its TY 2016 GRC. SDG&E was authorized \$6.710
6 million in its 2016 GRC and shows 2016 adjusted recorded expenses of \$4.582
7 million,¹¹³ which is \$2.128 million less than authorized and shows 2017 adjusted
8 recorded expenses of \$3.599 million, or \$3.111 million less than authorized.
9 SDG&E should be able to reallocate funding of \$13,000¹¹⁴ back to its Substation
10 Construction and Operations group if additional funding over ORA's estimate is
11 necessary for its TY activities.

12 SDG&E does not require incremental funding of \$0.740 million in the TY.
13 ORA's TY estimate of \$4.759 million, based on SDG&E's 2016 adjusted recorded
14 expenses and its 2019 forecast is reasonable. ORA's TY estimate is more than
15 SDG&E's 2016 and 2017¹¹⁵ adjusted recorded expense levels.

16 **X. DISTRIBUTION AND ENGINEERING**

17 SDG&E's Electric Distribution and Engineering group is responsible for all
18 distribution network equipment and tasks include the development and maintenance

¹¹¹ SDG&E's 2017 adjusted recorded labor expenses of \$2.552 million is \$1.133 million less than its 2017 forecast of \$3.685 million (Ex. SDG&E-15-WP, p. 166).

¹¹² SDG&E response to data request ORA-SDG&E-064-TLG, Q.s 6, 8, 10.

¹¹³ SDG&E states that it "did not defer or eliminate substation maintenance activities during this time" period between 2012-2016 (SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-n).

¹¹⁴ SDG&E provided calculations of \$13,000 for a 2-man crew to perform maintenance associated with its Condition Based Maintenance project (SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-o).

¹¹⁵ SDG&E's 2017 adjusted recorded expenses of \$3.599 million is \$2.092 million less than its 2017 forecast of \$5.691 million (Ex. SDG&E-15-WP, p. 166).

1 of overhead and underground equipment specifications, risk analysis and mitigation,
2 and development of construction standards and work methods. ¹¹⁶

3 **A. Overview of SDG&E's Request**

4 SDG&E forecasts \$4.299 million for its Electric Distribution and Engineering
5 O&M expenses for TY 2019.¹¹⁷ SDG&E's forecast of \$4.299 million is an increase
6 of \$1.957 million or 83.56% over its 2016 adjusted recorded expenses of \$2.342
7 million. SDG&E's TY expense forecast is based on a three-year average of
8 recorded costs plus incremental funding for proposed activities.¹¹⁸

9 SDG&E's forecast includes incremental funding for projects and programs
10 associated with its proposed RAMP activities for training, Distributed Energy
11 Resources Outreach program (communication campaign), Pole Risk Mitigation and
12 Engineering (PRiME), and ten additional positions.¹¹⁹ SDG&E's forecast also
13 includes efficiency savings from its Fueling our Future initiative of \$0.485 million.¹²⁰

14 **B. ORA's Analysis**

15 The corresponding ORA TY 2019 estimate for SDG&E's Electric Distribution
16 and Engineering O&M expenses is \$2.867 million. ORA utilized SDG&E's 2016
17 adjusted recorded expense level and its 2019 forecast as a basis for its estimate.
18 ORA normalized SDG&E's request to account for additional TY activities that do not
19 have related costs included in rates and to adjust for proposed activities that are
20 ongoing and routine and have costs included in rates.¹²¹ ORA's recommendation is

¹¹⁶ Ex. SDG&E-15-R, p. WHS-56.

¹¹⁷ Ex. SDG&E-15-R, p. WHS-56.

¹¹⁸ Ex. SDG&E-15-R, p. WHS-58.

¹¹⁹ Ex. SDG&E-15-R, p. WHS-59.

¹²⁰ Ex. SDG&E-15-R, p. WHS-58.

¹²¹ ORA calculated its TY estimate for SDG&E's Distribution and Engineering non-labor expenses by normalizing SDG&E's TY 2019 incremental labor expense forecast of \$1.909 million by four and adding the amount to SDG&E's 2016 adjusted recorded expenses of \$1.218 million (\$1.909 million divided by four-year rate case cycle = \$0.477 million plus \$1.218 million = \$1.695 million).

1 \$1.432 million less than SDG&E's forecast and is \$0.525 million more than SDG&E's
 2 2016 adjusted recorded expenses. Table 5-9 below shows SDG&E's adjusted
 3 recorded expenses for 2012-2017, ORA's recommendation and SDG&E's TY 2019
 4 forecast for Electric Distribution and Engineering expenses.

5 **Table 5-9**
 6 **Distribution and Engineering Expenses**
 7 **2012-2016 Recorded and 2019 Forecast**
 8 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$1,294	\$1,241	\$1,051	\$1,109	\$1,124	\$1,169	\$1,172	\$1,172
Non-Labor	\$382	\$329	\$606	\$527	\$1,218	\$1,245	\$3,127	\$1,695
Total	\$1,676	\$1,570	\$1,657	\$1,636	\$2,342	\$2,414	\$4,299	\$2,867

9 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
 10 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
 11 2018.

12 ORA does not oppose SDG&E's TY forecast for its labor expenses of \$1.172
 13 million. SDG&E's TY labor forecast is reasonable and comparable to its most recent
 14 expense levels. SDG&E's method utilized to calculate its incremental funding
 15 request of \$1.907 million, a 157% increase for its non-labor expenses is not justified.
 16 The TY estimates are not substantiated and it produces an excessive cost forecast
 17 which is burdensome to ratepayers.¹²²

18 SDG&E's adjusted recorded non-labor expenses fluctuated slightly between
 19 2012 and 2015, averaging \$0.461 million for the four-year period (2012-2015).
 20 SDG&E's non-labor expenses increased by \$0.691 million between 2015 and 2016.
 21 The increase of \$0.691 million was for maintenance activities for its back-up
 22 generators. SDG&E does not provide any documentation demonstrating that the
 23 costs incurred in 2016 for back-up generator maintenance will continue at that same

¹²² SDG&E's testimony does not show the calculation detail for its TY forecast. ORA assumes it was calculated as follows: by utilizing a three-year average (2014-2016) of \$0.784 million then adding incremental funding of \$2.343 million arriving at a TY forecast of \$3.127 million for its non-labor forecast.

1 expense level. SDG&E's non-recurring expenses for special projects that have
2 costs included in rates can be reallocated for TY projects.¹²³

3 SDG&E's TY proposal includes funding for additional training programs for
4 engineers to address attrition, retirement, and knowledge loss.¹²⁴ Although ORA
5 did not oppose SDG&E's labor expense¹²⁵ forecast it is concerned that SDG&E did
6 not provide any documentation on whether it encountered safety and reliability
7 problems or maintenance issues resulting from unplanned retirements, attrition
8 rates, staffing levels, and knowledge loss. SDG&E should be required to track and
9 record issues and costs directly related to unplanned/planned retirements that
10 negatively impacted Electric Distribution operations and include that information in
11 its next GRC for review and analysis.

12 ORA opposes the level of incremental funding of \$0.500 million (\$2.0 million
13 over a four year rate case cycle) requested for SDG&E's communication campaign.
14 SDG&E's TY proposal includes funding for advertisements for radio and print, and
15 direct communication related to Distributed Energy Resources and the 12 kV
16 distribution system.¹²⁶ ORA agrees that these issues are important and the public
17 should be informed and educated about safety risks associated with its distribution
18 system. However, SDG&E's historical costs include activities for the same or similar
19 projects and from completed projects that can be reallocated. Communication
20 campaigns utilizing advertisement for radio and print, and direct communication
21 programs that educate SDG&E's customers are not new activities for SDG&E or its
22 Electric Distribution organization.

23 SDG&E did not provide similar historical costs from past communication
24 projects for review, analysis and comparison to its TY request. SDG&E should be

¹²³ SDG&E's increase in adjusted recorded expenses between 2015 and 2016 was due to increased maintenance costs for its emergency backup generators associated with SDG&E's Fire Prevention Plan (SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-r).

¹²⁴ Ex. SDG&E-15-R, p. WHS-59.

¹²⁵ SDG&E's TY labor forecast includes funding for additional positions and staff training. SDG&E's forecast is comparable to historical expense levels.

¹²⁶ Ex. SDG&E-15-R, p. WHS-59.

1 required to utilize its resources in a more cost efficient and effective manner in the
2 TY by coordinating and scheduling its Electric Distribution communication
3 campaigns (i.e., reviewing closed, ongoing and proposed projects and related costs,
4 especially regarding safety issues) with other work groups within its Electric
5 Distribution organization and within SDG&E. By doing so SDG&E should be able to
6 identify and calculate costs savings (by consolidating communication projects and
7 reallocating funding and staff resources) which will reduce the amount of duplicate
8 funding for the same or similar projects that ratepayers are supporting.¹²⁷ SDG&E's
9 testimony does not state why it is unable to reallocate costs from similar customer
10 communication activities that have been completed for proposed TY activities.

11 SDG&E's TY proposal includes non-labor funding of \$2.142 million (\$8.568
12 million over the four year rate case cycle) for its Pole Risk Mitigation and
13 Engineering (PRiME) program,¹²⁸ a pole loading program, "to confirm that the
14 structures supporting overhead electric lines meet the current required factors."¹²⁹
15 ORA's TY recommendation of \$1.695 million for SDG&E's non-labor expenses
16 provides incremental funding for SDG&E's proposed TY activities including its
17 proposed PRiME project. SDG&E's historical expenses include similar costs
18 incurred for its pole loading program activities including its Fire Risk Mitigation
19 (FIRM) program. SDG&E's testimony does not demonstrate how the costs already
20 included in rates for these similar, related and overlapping pole projects were
21 identified and incorporated into its TY calculation for its proposed PRiME activities.

¹²⁷ SDG&E's Electric Regional Operations is requesting \$6.0 million in its 2019 GRC for expansion of an existing customer communication program to educate and inform the public about safety around gas and electricity (Ex. SDG&E-15-R, p. WHS-42). SDG&E also has a Mass Media Communication and Marketing group that incurs the same or similar costs for advertisement (television, radio, newspaper) and marketing publications and market research, direct mail, bill inserts, and online services to educate SDG&E's customers and the public about various issues (Information provided about SDG&E's Mass Media Communication group in its 2016 GRC (Ex.ORA-13 in SDG&E's 2016 GRC).

¹²⁸ SDG&E states that its PRiME program "is designed to ensure poles continue to meet GO 95 standards and locally known conditions (wind), meet loading safety factor and clearance criteria and other conditions that are known to be a risk" (Ex. SDG&E-15-R, p. WHS-26).

¹²⁹ Ex. SDG&E-15-R, p. WHS-25.

1 SDG&E’s employees in its Distribution Engineering group and its Construction
2 Services group¹³⁰ both incur costs and perform pole loading activities and overhead
3 structure inspection and maintenance projects.¹³¹

4 SDG&E’s forecast for its PRiME program cannot be verified and is premature
5 because “The pilot phase of PRiME will occur in 2018. Results from the pilot phase
6 will be used to prioritize future year projects based on risk and to further define
7 cost.”¹³² SDG&E’s TY costs should be “defined” now. If the costs cannot be
8 determined and defined now, then SDG&E should wait until its next GRC to request
9 funding for its PRiME project when more detailed documentation and recorded
10 expenses are available for review and analysis.

11 SDG&E provided brief and general explanations in its workpapers showing
12 lump sum numbers without any documentation to substantiate the calculations (i.e.,
13 historical recorded maintenance or program costs for 2012-2016 for the same or
14 similar projects for comparison, the basis for the line item estimates and the
15 breakdown of the calculation of the line item estimates included in the lump sum
16 totals). ORA requested additional information on the calculation of SDG&E’s TY
17 forecast.

18 ORA asked:¹³³

19 Provide a detailed breakdown of the calculation of each individual
20 estimate (labor and non-labor) included in the calculation of the forecast of
21 \$4.299 million and the basis utilized to calculate each individual estimate
22 for Distribution and Engineering. Note that SDG&E’s workpapers included
23 in Ex. SDG&E-15-WP, pages 200-202 show lump sum numbers with brief

¹³⁰ Ex. SDG&E-15-R, p. WHS-23 to WHS-26.

¹³¹ SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-b. SDG&E has two programs in addition to its proposed PRiME that perform inspection and maintenance on SDG&E’s overhead structures: Corrective Maintenance Program (CMP), which is a visual inspection and maintenance program performed by SDG&E’s Electric Regional Operations group and Fire Risk Mitigation (FiRM) program. FiRM projects are performed by SDG&E’s Electric Regional Operations group and Construction Services group. SDG&E states “FiRM utilizes advanced technology such as Light Detection and Ranging (LiDAR) and 3D pole and line modeling to address known local weather conditions.”

¹³² Ex. SDG&E-15-R, p. WHS-25.

¹³³ SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-s.

1 and general explanations for an increase of 84%. These pages lack the
2 detailed breakdown of the calculation of each individual estimate included
3 in the forecast.
4

5 SDG&E's response was:

6 As can be seen at workpaper page 188, the forecast is derived from a 3
7 year average and not entirely from individual estimates. SDG&E-15-WP
8 pages 200-202 detail the additional projects and programs that SDG&E
9 had proposed for TY 2019 that are in addition to the three-year average
10 forecast. The Supplemental Workpapers also include detailed estimates
11 for PRiME (page 201) and the Increased Outreach Program (page 202).
12 The detailed estimate for the PRiME program (page 201) shows the non-
13 labor engineering support for analysis and assessment will cost \$200 per
14 pole, as-built true up construction work on 10% of all poles at \$250 per
15 pole and PLS CADD model of 5% of all poles at \$350 per pole. For
16 Contractor Staffing, SDG&E lists by line item the positions needed and
17 cost, with 27% O&M. For Internal adds, SDG&E lists detail for three FTEs
18 and cost at 10% O&M. The detail estimate for the Increased Outreach
19 Program (page 202) shows each line item for the program and frequency
20 of the item. For example, Radio Ads will be done quarterly for a total cost
21 of \$20,000 or \$5,000 per quarter.
22

23 SDG&E's response does not justify its request for incremental funding of
24 157% for non-labor expenses. SDG&E's historical expenses include similar costs as
25 the proposed TY projects and SDG&E has not provided documentation showing the
26 incorporation of these costs in its calculation of its TY forecast or demonstrated why
27 it is unable to reallocate similar costs from completed projects for proposed
28 activities.

29 ORA's recommendation of \$2.867 million for Distribution and Engineering,
30 utilizing SDG&E's 2016 adjusted recorded expenses, plus incremental adjustments
31 is a reasonable TY estimate and is more than SDG&E's 2016 and 2017 adjusted
32 recorded expense levels.

1 **XI. ASSET MANAGEMENT**

2 SDG&E’s forecast includes funding for the reorganization and establishment
3 of a centralized Asset Management group.¹³⁴ This group will be responsible for
4 establishing asset management policies, strategies, and governance for all
5 distribution assets that more closely relate to the guidelines of the ISO 55000-
6 certified asset management program.¹³⁵

7 **A. Overview of SDG&E’s Request**

8 SDG&E forecasts \$4.610 million for its Asset Management O&M expenses for
9 TY 2019.¹³⁶ SDG&E does not show any adjusted recorded expenses for Asset
10 Management for 2012-2016. SDG&E calculated its TY expense forecast by utilizing
11 a zero-based method. The forecast includes incremental funding for proposed
12 staffing of twenty full time employees and consultant fees associated with
13 establishing the group.¹³⁷

14 **B. ORA’s Analysis**

15 SDG&E’s request for incremental funding of \$4.610 million to reorganize and
16 establish its Asset Management group is not justified and should be denied. ORA
17 agrees that SDG&E should examine its Electric Distribution asset and records
18 management practices carefully and make improvements to reflect industry
19 practices and “demonstrate accredited 3rd party certification of compliance with ISO
20 550001 Asset Management Standard.”¹³⁸ However, this should be done at its
21 current funding levels (reallocating and utilizing embedded historical costs) or at its

¹³⁴ SDG&E’s asset management maintenance functions are routine and on-going activities and its historical expenses (2012-2016 and 2017) include costs for this activity (SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-i).

¹³⁵ SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-i.

¹³⁶ Ex. SDG&E-15-R, p. WHS-60.

¹³⁷ Ex. SDG&E-15-R, p. WHS-62. SDG&E’s Asset Management group will have a total of thirty-nine full time employees.

¹³⁸ Ex. SDG&E-15-R, p. WHS-60.

1 shareholders expense. SDG&E’s testimony does not discuss or demonstrate the
2 benefit to ratepayers for funding asset and records management activities and
3 additional staff resources in other cost category groups within Electric Distribution
4 and also providing funding for the same activities in SDG&E’s Asset Management
5 group.

6 SDG&E’s asset and records management and maintenance functions are
7 routine and on-going activities and its historical expenses (2012-2016 and 2017)
8 include costs already funded by ratepayers.¹³⁹ The following cost categories within
9 SDG&E’s Electric Distribution organization currently perform asset management
10 activities: Compliance Management, Technology Solutions and Reliability Group,
11 Substation Operations and Maintenance, System Protection group, Electric Regional
12 Operations and Distribution Engineering.¹⁴⁰

13 SDG&E states that 50% of the staffing for its Asset Management group is
14 supposed to come from existing overlapping functions, but SDG&E’s testimony for
15 Asset Management does not provide any discussion that identifies, demonstrates, or
16 incorporates any positions or adjusted recorded expenses for 2012-2016 for the
17 existing overlapping functions into its forecast of \$4.610 million.¹⁴¹ Table 5-10
18 below shows SDG&E’s adjusted recorded expenses for 2012-2017, ORA’s
19 recommendation and SDG&E’s TY 2019 forecast for Asset Management expenses.

¹³⁹ SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-q.

¹⁴⁰ SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-i.

¹⁴¹ Ex. SDG&E-15-R, p. WHS-62.

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Table 5-10
Asset Management Expenses
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$0	\$0	\$0	\$0	\$0	\$160	\$3,610	\$0
Non-Labor	\$0	\$-1	\$0	\$-1	\$0	\$24	\$1,000	\$0
Total	\$0	\$-1	\$0	\$-1	\$0	\$184	\$4,610	\$0

5 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
6 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
7 2018.

8 SDG&E states "At the time of the GRC filing it was not known that these
9 groups (Compliance Management and Technology Solutions and Reliability) were
10 going to be absorbed into Asset Management Organization, as the organization was
11 in the process of being established. The reorganization has no impact on the
12 incremental request, as the zero-based estimate for asset management included
13 only the costs for the additional employees needed to establish the workgroup."¹⁴²
14 Tables 5-11, 5-12 and 5-13 below show the historical recorded costs for 2012-2017
15 and separate TY 2019 forecasts for "existing overlapping functions" that were not
16 identified in SDG&E's testimony as being included as part of its Asset Management
17 group.¹⁴³

¹⁴² SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-i.

¹⁴³ For clarity of SDG&E's TY 2019 forecast requests for its Asset Management forecast, ORA includes the historical 2012-2017 adjusted recorded expenses and TY forecasts for SDG&E's reorganized and consolidated groups: Compliance Management, Technology Solutions and Reliability, and Electric Regional Operations. Note that ORA's discussion and recommendations for these three workgroups is discussed in another section in this exhibit.

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Table 5-11
Compliance Management Expenses
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$839	\$749	\$736	\$714	\$913	\$890	\$1,052	\$1,052
Non-Labor	\$1,754	\$1,777	\$1,849	\$1,782	\$1,781	\$1,768	\$1,804	\$1,804
Total	\$2,593	\$2,526	\$2,585	\$2,496	\$2,694	\$2,658	\$2,856	\$2,856

5 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
6 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
7 2018.

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Table 5-12
Technology Solutions and Reliability Expenses
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$1,168	\$1,816	\$1,408	\$1,536	\$1,656	\$1,472	\$2,025	\$1,656
Non-Labor	\$1,371	\$1,291	\$1,081	\$844	\$888	\$954	\$1,235	\$1,095
Total	\$2,539	\$3,107	\$2,489	\$2,380	\$2,544	\$2,426	\$3,260	\$2,751

12 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
13 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
14 2018.

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Table 5-13
Electric Regional Operations
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$24,001	\$22,812	\$21,551	\$21,384	\$21,321	\$21,992	\$23,055	\$22,214
Non-Labor	\$11,860	\$10,869	\$10,716	\$12,730	\$14,291	\$13,330	\$19,737	\$15,608
Total	\$35,861	\$33,681	\$32,267	\$34,114	\$35,612	\$35,322	\$42,792	\$37,822

19 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
20 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
21 2018.

22 ORA disagrees with SDG&E's assessment that "The reorganization has no
23 impact on the incremental request" for Asset Management. SDG&E's failure to
24 account for the embedded costs included in its historical expenses, which are

1 directly related to existing asset and records management activities, produces an
2 excessive cost forecast which is unjustly burdensome to ratepayers.¹⁴⁴ SDG&E is
3 not a start-up company and its historical expenses include labor costs for several
4 groups that have been performing the same or similar activities that it proposes for
5 its Asset Management group. SDG&E should be able to efficiently and effectively
6 consolidate and reallocate its resources already funded by ratepayers to establish its
7 Asset Management group.

8 SDG&E's statement in support of its forecast is troubling. SDG&E states that
9 its "Asset Management model is currently being developed and therefore specific
10 historical overlapping positions cannot be uniquely identified at this time."¹⁴⁵ Based
11 on the above tables SDG&E has not revised its forecast for Electric Distribution and
12 is requesting duplicate funding for the same or similar activities for its reorganization
13 and establishment of its Asset Management group. SDG&E's TY forecast for its
14 Electric Distribution includes separate forecasts for identified groups¹⁴⁶ that will be
15 absorbed as one into its proposed Asset Management group.¹⁴⁷ ORA requested
16 additional information on SDG&E's historical expenses and overlapping asset
17 management activities.

¹⁴⁴ SDG&E's 2017 adjusted recorded expenses of \$0.184 million for its Asset Management group is \$0.665 million less than its 2017 forecast of \$0.849 million (Ex. SDG&E-15-WP, p. 317).

¹⁴⁵ SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-e.

¹⁴⁶ SDG&E provided ORA with documentation showing that it transferred nineteen positions to its Asset Management group from its Electric Regional Operations group. SDG&E's forecast of \$42.792 million for its Electric Regional Operations group includes a proposal for twenty-six additional positions (SDG&E provided its Asset Management Organization Chart via e-mail on March 9, 2018). In ORA-SDG&E-Oral-DR003-TLG, SDG&E stated that the information it provided to ORA on March 9, 2018 regarding transferring nineteen positions to its Asset Management group from its Electric Regional Operations group, was an error. The nineteen positions were transferred from Compliance Management (fourteen positions) and its Technology Solutions and Reliability group (five positions). ORA's understanding is that SDG&E transferred the entire workgroups, not just specific positions, for Compliance Management and Technology Solutions and Reliability to its Asset Management group.

¹⁴⁷ SDG&E's forecast for Electric Distribution includes a forecast of \$2.856 million for Compliance Management and \$3.260 million for Technology Solutions and Reliability (Ex. SDG&E-15-R, p. WHS-17). SDG&E's forecast for its Technology Solutions and Reliability group includes incremental funding for eighteen positions (SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-h). SDG&E's Compliance Management group has also requested incremental funding for additional positions (Ex. SDG&E-15-R, pp. WHS-73 to WHS-75).

1 ORA asked:¹⁴⁸

2 Provide documentation that identifies and explains all of the “existing
3 overlapping functions” and the adjusted recorded labor and non-labor
4 expenses for 2012-2016 and 2017. In the response state specifically why
5 SDG&E did not separately identify these historical labor and non-labor
6 costs and related activities for review and analysis along with its request
7 for \$4.610 million for its Asset Management group.
8

9 SDG&E’s response was:

10 Please see SDG&E’s response to ORA-SDG&E-066-TLG 1(i). The Asset
11 Management model is currently being developed and therefore specific
12 historical overlapping positions cannot be uniquely identified at this time.
13 The estimate was based on experience from consultants involved in Asset
14 Management implementations in the industry. Functions that include the
15 overlapping positions are systems support, and analytics, engineering,
16 planning, quality assurance and Asset Management leadership positions.
17 The total headcount increase related to Asset Management will not
18 exceed the values provided.
19

20 ORA asked:¹⁴⁹

21 Referring to SDG&E’s testimony, page WHS-62, on lines 18-21 that it
22 “estimates the staffing needs of this group at 39 full time employees, and
23 plans to fill 50% of this need from existing overlapping functions,” provide
24 a detailed breakdown of the calculation of the 50% associated with
25 recorded labor expenses for 2012-2016 and 2017.
26

27 SDG&E’s response was:

28 Please see SDG&E’s response to ORA-SDG&E-066-TLG 1(i). As
29 discussed above in response to (e), the Asset Management organization
30 is currently being developed, and specific positions have not yet been
31 precisely defined. Pages 325 through 327 of Mr. Speer’s workpapers
32 contain a chart showing the FTE resources needed to perform the
33 functions of the Asset Management organizations, detailed in the chart.
34 As opportunities for integration materialize these positions will be
35 leveraged for establishing the Asset Management system. Some
36 functions that have already been allocated include the Compliance
37 Management Group, and the Technology Solutions and Reliability group.
38 Other necessary positions identified in the work paper, might get filled by

¹⁴⁸ SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-e.

¹⁴⁹ SDG&E response to data request ORA-SDG&E-073-TLG, Q.1-f.

1 internal employees, that in turn might get filled by a new employee,
2 making a detailed response complex. While on a higher level the
3 company is confident of the 50% allocation provided, the detailed
4 breakdown is not available at this point.
5

6 SDG&E's statements that a "detailed breakdown is not available at this point"
7 and that its "Asset Management organization is currently being developed, and
8 specific positions have not yet been precisely defined" are insufficient and
9 incomplete and does not justify incremental funding of \$4.610 million. SDG&E's
10 testimony does not identify or discuss the cost-savings directly related to this
11 reorganization that will benefit both SDG&E and its ratepayers. SDG&E's testimony
12 does not discuss or demonstrate how it incorporated costs included in rates into its
13 TY forecast that were incurred for ongoing asset and records management activities.

14 In examining the relationship between embedded historical costs and forecast
15 expenses for the same or similar activities, the Commission stated in its Southern
16 California Edison (SCE) TY 2009 GRC decision:

17 SCE's forecast also includes a \$4.812 million (constant 2006\$)
18 increase for insulator replacement as part of its Transmission Life
19 Extension Program. SCE claims that the increase represents the cost
20 of materials and the use of contract crews to supplement SCE's crews
21 for insulator and hardware replacements. DRA claims historical
22 expenses have embedded costs for insulator replacements. According
23 to SCE, some of the circuits it will be replacing are over 90 years old
24 and many of the insulators on its system have exceeded their life
25 expectancies. While these types of programs may be a cost-effective
26 way to maintain the integrity of the system and slow the deterioration of
27 capital assets, SCE has not sufficiently addressed the relationship of
28 these programs to costs embedded in historical data. Accordingly,
29 SCE's request for \$4.812 million to increase its insulator replacement
30 as part of its Life Extension Program is denied.¹⁵⁰

31

32 SDG&E should be able to reorganize, consolidate and establish its Asset
33 Management group with funding it is currently receiving for asset and records
34 management activities. SDG&E's ratepayers should not be required to provide

¹⁵⁰ D.09-03-025, p. 72.

1 funding twice for activities already included in rates or be penalized for SDG&E's
2 inefficiencies. SDG&E's request for incremental funding of \$4.610 million should be
3 denied.

4 **XII. VEGETATION MANAGEMENT**

5 SDG&E's Vegetation Management (Pole Brushing) Program is responsible
6 for clearing flammable brush and vegetation away from SDG&E's distribution poles
7 to prevent energized electrical hardware from igniting a fire.¹⁵¹ SDG&E's
8 Vegetation Management (Tree Trimming) Program is responsible for inspecting and
9 maintaining (pruning and/or removing to meet required compliance distance) trees to
10 prevent them from growing or falling into overhead power lines.¹⁵²

11 **A. Overview of SDG&E's Request**

12 SDG&E forecasts \$26.415 million for Vegetation Management (\$3.741 million
13 for Pole Brushing and \$22.674 million for Tree Trimming) O&M expenses for TY
14 2019.¹⁵³ SDG&E's TY expense for Pole Brushing is based on a five-year average
15 (2012-2016) of recorded cost.¹⁵⁴ SDG&E's TY expense for Tree Trimming is based
16 on a four-year average (2013-2016) of recorded costs.¹⁵⁵ SDG&E's forecast also
17 includes efficiency savings from its Fueling our Future initiative of \$84,000.¹⁵⁶

18 **B. ORA's Analysis**

19 ORA does not oppose SDG&E's TY forecast for its Vegetation Management
20 O&M expenses of \$26.415 million. The expense estimate is reasonable and

¹⁵¹ Ex. SDG&E-15-R, p. WHS-64.

¹⁵² Ex. SDG&E-15-R, p. WHS-68.

¹⁵³ Ex. SDG&E-15-R, p. WHS-67.

¹⁵⁴ Ex. SDG&E-15-R, p. WHS-66.

¹⁵⁵ Ex. SDG&E-15-R, p. WHS-70.

¹⁵⁶ Ex. SDG&E-15-R, p. WHS-70.

1 comparable to historical expense levels. Tables 5-14 and 5-15 below show
 2 SDG&E's adjusted recorded expenses for 2012-2017, ORA's recommendation and
 3 SDG&E's TY 2019 forecast for Vegetation Management expenses.

4 **Table 5-14**
 5 **Vegetation Management Expenses (Tree Trimming)**
 6 **2012-2016 Recorded and 2019 Forecast**
 7 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$980	\$980	\$1,363	\$1,325	\$1,227	\$1,217	\$1,140	\$1,140
Non-Labor	\$25,385	\$22,423	\$21,449	\$20,485	\$21,778	\$21,634	\$21,534	\$21,534
Total	\$26,365	\$23,403	\$22,812	\$21,810	\$23,006	\$22,851	\$22,674	\$22,674

8 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
 9 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
 10 2018.

11 **Table 5-15**
 12 **Vegetation Management Expenses (Pole Brushing)**
 13 **2012-2016 Recorded and 2019 Forecast**
 14 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$191	\$220	\$220	\$221	\$213	\$199	\$186	\$186
Non-Labor	\$4,677	\$3,505	\$3,136	\$3,221	\$3,237	\$3,023	\$3,555	\$3,555
Total	\$4,868	\$3,725	\$3,356	\$3,442	\$3,450	\$3,222	\$3,741	\$3,741

15 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
 16 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
 17 2018.

18 **1. Vegetation Management Balancing Account**

19 ORA opposes SDG&E's request for two-way balancing account treatment for
 20 its tree trimming activities. SDG&E states it "requests two-way balancing account
 21 funding for its tree trim activity separate from its funding for the pole brushing
 22 program, which is treated as a regular O&M expense."¹⁵⁷

23 ORA recommends a one-way balancing account to track and record
 24 expenses related to Vegetation Management and expense increases and/or

¹⁵⁷ Ex. SDG&E-15-R, p. WHS-68.

1 decreases due to weather disturbances (drought and rain). SDG&E’s 2016 GRC
2 adopted a one-way balancing account.¹⁵⁸ Continuing the one-way balancing
3 account treatment to track expenses, which was established in SDG&E’s 2016 GRC,
4 will benefit ratepayers by ensuring that if SDG&E’s Vegetation Management
5 expenses are lower than forecast, as demonstrated in SDG&E’s 2016 and 2017
6 adjusted recorded expenses, unspent funds will be returned to ratepayers. This will
7 ensure that SDG&E’s customers are protected “should the expected increase in
8 vegetation management activity not materialize to the degree anticipated” by
9 SDG&E.¹⁵⁹

10 SDG&E requested and was authorized \$24.559 million in Vegetation
11 Management (Tree Trimming) O&M expenses in its TY 2016 GRC and shows 2016
12 adjusted recorded expenses of \$23.066 million, which is \$1.533 million less than
13 authorized and shows 2017 adjusted recorded expenses of \$22.851 million, which is
14 \$1.708 million less than authorized. SDG&E requested and was authorized \$4.292
15 million in Vegetation Management (Pole Brushing) O&M expenses in its TY 2016
16 GRC and shows 2016 adjusted recorded expenses of \$3.450 million, which is
17 \$0.842 million less than authorized and shows 2017 adjusted recorded expenses of
18 \$3.222 million, or \$1.070 million less than authorized.¹⁶⁰

19 SDG&E states it “is concerned about the recent drought followed by
20 significant rain and the potential impact these events are expected to have on
21 vegetation management requirements in the form of increased vegetation growth
22 and workload.”¹⁶¹ ORA is likewise “concerned about the recent drought followed by
23 significant rain and the potential impact.”

24 Given the uncertainty and unpredictability of the weather, SDG&E’s
25 underspending in 2016 and 2017, and to ensure that ratepayers do not fund excess

¹⁵⁸ CPUC D.16-06-054.

¹⁵⁹ Ex. SDG&E-15-R, p. WHS-70.

¹⁶⁰ SDG&E response to data request ORA-SDG&E-064-TLG, Q.s 6, 8, and 10.

¹⁶¹ Ex. SDG&E-15-R, p. WHS-70.

1 amounts without receiving any identifiable benefit or credit from the overages, ORA
2 recommends that SDG&E continue to track and record Vegetation Management
3 expenses in a one-way balancing account.

4 **XIII. TECHNOLOGY SOLUTIONS AND RELIABILITY**

5 SDG&E's Technology Solutions and Reliability program includes several
6 groups that are responsible for various system analyst and business support
7 activities for Electric Operations. The activities include hardware support for field
8 operations, tracking and reporting on Electric Reliability indices, managing capital
9 projects, preparing cost benefits reports, managing system planning, developing,
10 and testing of enhancements and improvements, providing staff training, performing
11 asset management activities, and providing ongoing system support for Electric and
12 Gas Operations.¹⁶²

13 **A. Overview of SDG&E's Request**

14 SDG&E forecasts \$3.260 million for its Technology Solutions and Reliability
15 O&M expenses for TY 2019.¹⁶³ SDG&E's forecast of \$3.260 million is an increase
16 of \$0.716 million or 28.14% over its 2016 adjusted recorded expenses of \$2.544
17 million. SDG&E's TY expense forecast is based on a five-year average of recorded
18 costs plus incremental funding for proposed activities.¹⁶⁴

19 SDG&E's forecast includes incremental funding for system upgrades, updates
20 and enhancements, and eighteen additional positions.¹⁶⁵ SDG&E's forecast also
21 includes efficiency savings from its Fueling our Future initiative of \$7,000.¹⁶⁶

¹⁶² Ex. SDG&E-15-R, pp. WHS-75 and WHS-76.

¹⁶³ Ex. SDG&E-15-R, p. WHS-75.

¹⁶⁴ Ex. SDG&E-15-R, p. WHS-77.

¹⁶⁵ Ex. SDG&E-15-R, p. WHS-78, SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-t, ORA-SDG&E-064-TLG, Q.4.

¹⁶⁶ Ex. SDG&E-15-R, p. WHS-5.

1 **B. ORA's Analysis**

2 ORA's TY 2019 recommendation for SDG&E's Technology Solutions and
3 Reliability O&M expenses is \$2.751 million. ORA utilized SDG&E's 2016 adjusted
4 recorded expense level and a five-year average as a basis for its estimate. ORA's
5 estimate is \$0.509 million less than SDG&E's forecast and is \$0.207 million more
6 than SDG&E's 2016 adjusted recorded expenses. Table 5-16 below shows
7 SDG&E's adjusted recorded expenses for 2012-2017, ORA's recommendation and
8 SDG&E's TY 2019 request for Technology Solutions and Reliability expenses.

9 **Table 5-16**
10 **Technology Solutions and Reliability Expenses**
11 **2012-2016 Recorded and 2019 Forecast**
12 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$1,168	\$1,816	\$1,408	\$1,536	\$1,656	\$1,472	\$2,025	\$1,656
Non-Labor	\$1,371	\$1,291	\$1,081	\$844	\$888	\$954	\$1,235	\$1,095
Total	\$2,539	\$3,107	\$2,489	\$2,380	\$2,544	\$2,426	\$3,260	\$2,751

13 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
14 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
15 2018.

16
17 SDG&E's request for incremental funding of 28.14% over 2016 adjusted
18 recorded expenses is not justified and its TY estimates were not entirely
19 substantiated. SDG&E's adjusted recorded expenses increased by \$0.568 million
20 between 2012 and 2013 from \$2.539 million in 2012 to \$3.107 million in 2013, which
21 was the highest expense level for the six-year period (2012-2017). SDG&E's
22 adjusted recorded expenses decreased by \$0.727 million between 2013 and 2015
23 from \$3.107 million to \$2.380 million in 2015. SDG&E's adjusted recorded expenses
24 for 2017 of \$2.426 million,¹⁶⁷ is slightly less than its 2016 expense level.¹⁶⁸ The
25 five-year average (2012-2016) of adjusted recorded expenses for Technology

¹⁶⁷ SDG&E's 2017 adjusted recorded expenses of \$2.426 million is \$0.472 million less than its 2017 forecast of \$2.898 million (Ex. SDG&E-15-WP, p. 256).

¹⁶⁸ SDG&E's expense increase between 2012 and 2013 was due to increased labor costs, and the decrease between 2013 and 2015 was mostly due to consulting/contract labor (SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-r).

1 Solutions and Reliability workgroup is \$2.612 million and the six-year average (2012-
2 2017) is \$2.581 million.

3 SDG&E’s workpapers did not include supporting documentation showing the
4 detail for its TY calculations for incremental funding. ORA requested additional
5 information and SDG&E provided brief and general explanations showing lump sum
6 numbers without any verifiable documentation to substantiate the calculations (i.e.,
7 historical recorded maintenance or program costs for 2012-2016 for the same or
8 similar projects for comparison, the basis for the line item estimates and the
9 breakdown of the calculation of the line item estimates included in the lump sum
10 totals).¹⁶⁹

11 SDG&E’s system upgrades, updates and enhancements are routine and
12 ongoing activities and development, implementation and testing activities for specific
13 projects are one-time, non-recurring costs, and incremental funding is not required.
14 SDG&E’s historical expenses include costs in rates for its system upgrades,
15 updates, enhancements, maintenance, implementation, development and testing
16 activities from completed, closed or eliminated projects. The costs from these
17 completed projects, that have costs included in rates, can be reallocated in the TY
18 for proposed activities. It is inappropriate for ratepayers to pay twice for regular,
19 ongoing and routine activities that already have the same or similar costs included in
20 rates. ORA’s estimate of \$1.095 million based on a five-year average (2012-2016)
21 of non-labor expenses captures fluctuating costs and provides adequate funding for
22 the TY.

23 SDG&E’s Technology Solutions and Reliability group has been reorganized
24 and consolidated into its new Asset Management group along with its Compliance
25 and Management group. SDG&E’s testimony does not identify or discuss the cost-
26 savings directly related to this reorganization that will benefit both SDG&E and its
27 ratepayers. SDG&E’s testimony on its Technology Solutions and Reliability group
28 and its Asset Management group did not provide any discussions on the
29 reorganization. SDG&E states “At the time of the GRC filing it was not known that

¹⁶⁹ SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-t.

1 these groups (Compliance Management and Technology Solutions and Reliability)
2 were going to be absorbed into Asset Management Organization, as the
3 organization was in the process of being established.”¹⁷⁰

4 The consolidation of these groups should provide SDG&E with additional
5 staffing and the opportunity to cross train employees, produce identifiable efficiency
6 gains from proposed new processes and upgraded systems, and provide ratepayer
7 savings from the elimination of costs associated with employees performing
8 duplicate functions in separate work groups. ORA’s TY estimate of \$2.751 million,
9 utilizing SDG&E’s 2016 adjusted recorded expenses and a five-year average is a
10 reasonable TY estimate and is more than SDG&E’s 2016 and 2017 adjusted
11 recorded expense levels.

12 **XIV. EMERGENCY MANAGEMENT**

13 SDG&E’s Emergency Management includes three groups: Emergency
14 Services, Meteorology, and Fire Coordination and Prevention. These groups are
15 responsible for mitigation and emergency response (preparing, responding, and
16 recovering from various incidents), managing the largest utility weather network in
17 the country, providing daily reports for management real-time operating decisions for
18 its electric system, and providing firefighting and prevention expertise (develop fire
19 preventive measures, procedures, and designs for operational and construction
20 activities, coordinate activities with first responders, provide fire safety training to
21 employees).¹⁷¹

22 **A. Overview of SDG&E’s Request**

23 SDG&E forecasts \$5.344 million for its Emergency Management O&M
24 expenses for TY 2019.¹⁷² SDG&E’s forecast of \$5.344 million is an increase of

¹⁷⁰ SDG&E response to data request ORA-SDG&E-066-TLG, Q.1-i.

¹⁷¹ Ex. SDG&E-15-R, pp. WHS-79 to WHS-81.

¹⁷² Ex. SDG&E-15-R, p. WHS-79.

1 \$2.841 million or 113.50% over its 2016 adjusted recorded expenses of \$2.503
2 million. SDG&E developed its forecast by utilizing its 2016 adjusted recorded
3 expenses plus incremental funding for proposed activities.¹⁷³

4 SDG&E's forecast includes incremental funding for ongoing operating costs
5 for its mobile radar system, upgrading and transitioning its current operational
6 computer cluster system to cloud computing, audio visual equipment maintenance,
7 enhancements and curriculum development for Emergency Response training,
8 contract labor costs for fire standby crews,¹⁷⁴ employee travel costs, contract
9 training and development cost for implementation of an incident command system
10 (organizational structures and management principles), and maintenance and repair
11 for its Emergency Mobile Command Trailer (EMCT). SDG&E's TY forecast also
12 includes incremental funding for proposed RAMP activities relating to
13 consultants/university partnerships for climate change studies and research,
14 maintenance and updates to its Santa Ana Wildfire Threat Index (SAWTI), upgrades
15 to weather network equipment, maintenance for web-based forecasting systems,
16 web-based subscription fees for SCOUT,¹⁷⁵ and training revisions and
17 enhancements to its Company Emergency Response Plan.¹⁷⁶

18 **B. ORA's Analysis**

19 ORA's TY 2019 recommendation for SDG&E's Emergency Management
20 O&M expenses is \$3.079 million. ORA utilized SDG&E's 2016 adjusted recorded
21 expense level and its 2019 forecast with adjustments for proposed activities as a
22 basis for its estimate. ORA normalized SDG&E's request to account for additional
23 TY activities that do not have related costs included in rates and to adjust for
24 proposed activities that are ongoing and routine and have the same or similar costs

¹⁷³ Ex. SDG&E-15-R, p. WHS-83.

¹⁷⁴ SDG&E's contract for standby fire crews is three months a year, and is proposed to be four months a year. The costs for the three months is included in rates.

¹⁷⁵ SDG&E's web-based situational awareness and collaboration tool called "SCOUT" is estimated to have subscription fees of \$10,000 a year starting in 2017 (Ex. SDG&E-15-R, p. WHS-87).

¹⁷⁶ Ex. SDG&E-15-R, pp. WHS-84 to WHS-88.

1 included in rates.¹⁷⁷ ORA's estimate is \$2.265 million less than SDG&E's forecast
 2 and is \$0.576 million more than SDG&E's 2016 adjusted recorded expenses. Table
 3 5-17 below shows SDG&E's adjusted recorded expenses for 2012-2017, ORA's
 4 recommendation and SDG&E's TY 2019 forecast for Emergency Management
 5 expenses.

6 **Table 5-17**
 7 **Emergency Management Expenses**
 8 **2012-2016 Recorded and 2019 Forecast**
 9 **(in Thousands of 2016 Dollars)**
 10

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$1,125	\$1,057	\$886	\$1,029	\$1,025	\$949	\$1,562	\$1,025
Non-Labor	\$1,685	\$1,806	\$1,572	\$1,508	\$1,478	\$1,940	\$3,782	\$2,054
Total	\$2,810	\$2,863	\$2,458	\$2,537	\$2,503	\$2,889	\$5,344	\$3,079

11 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E's response to
 12 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
 13 2018.
 14

15 SDG&E's incremental request of 113.50% is not justified and its TY estimates
 16 are not substantiated. SDG&E's adjusted recorded expenses fluctuated slightly
 17 between 2012 and 2014, averaging \$2.710 million for the three-year period (2012-
 18 2014), and then remained relatively stable between 2014 and 2016. SDG&E's
 19 adjusted recorded expenses averaged \$2.634 million during the five- year period
 20 (2012-2016) and the six-year average (2012-2017) is \$2.677 million. SDG&E's
 21 adjusted recorded expenses increased by \$0.386 million between 2016 and 2017.

22 SDG&E's request for incremental labor funding of \$0.537 million or an
 23 increase of 52.39% over 2016 expenses, should be denied. ORA utilized SDG&E's
 24 2016 adjusted recorded expenses of \$1.025 million as the basis for its TY estimate
 25 for labor expenses. The five year-average (2012-2016) for SDG&E's adjusted
 26 recorded labor expenses is \$1.024 million, which is comparable to its 2016 adjusted
 27 recorded expenses. SDG&E's labor has been relatively stable with 2012 recording

¹⁷⁷ORA calculated its TY estimate for SDG&E's Emergency Management non-labor expenses by normalizing SDG&E's TY 2019 incremental non-labor expense forecast of \$2.304 million by four and adding the amount to SDG&E's 2016 adjusted recorded expenses of \$1.478 million (\$2.304 million divided by four-year rate case cycle = \$0.576 million plus \$1.478 million = \$2.054 million).

1 the highest expense level for the six-year period (2012-2017) of \$1.125 million.
2 SDG&E’s TY estimate includes \$0.337 million (\$1.348 million over a four year rate
3 case cycle)¹⁷⁸ for labor costs to perform regular, ongoing and routine maintenance
4 on its Weather Station equipment, Fire Potential Index (FPI) and the web-based
5 forecasting system supporting its FPI.

6 Regarding its Weather Network, SDG&E states that it “owns and operates the
7 largest weather network in the country.”¹⁷⁹ For a network this large, and to ensure it
8 operates efficiently and effectively, SDG&E must perform regular, ongoing and
9 routine maintenance, repair and equipment upgrades including and not limited to its
10 proposed activities of replacing sensors, batteries, and modems.¹⁸⁰ SDG&E did not
11 provide any documentation demonstrating that it was not able to properly maintain,
12 repair and upgrade its weather network system and equipment during 2012-2016
13 due to its current funding level.

14 SDG&E states that it “maintains, replaces, recalibrates and checks over 170
15 weather stations within the service territory” and that “[r]egular upgrades of computer
16 hardware and processors are required to run the latest versions of data
17 analytics.”¹⁸¹ SDG&E has been incurring costs for its 170 weather stations but it did
18 not provide a breakdown of the O&M cost incurred during 2012-2016 and included in
19 its rates for its weather stations for review and comparison to its TY 2019 request.
20 SDG&E states “The life span on weather equipment is three to five years and the
21 sensors will need replacing periodically.”¹⁸²

22 SDG&E’s historical expenses should already include costs incurred to
23 maintain, repair and upgrade equipment for its weather network. Incremental

¹⁷⁸ SDG&E response to data request ORA- SDG&E-075-TLG, Q.1-w.

¹⁷⁹ Ex. SDG&E-15-R, p. WHS-87.

¹⁸⁰ Ex. SDG&E-15-R, p. WHS-87.

¹⁸¹ Ex. SDG&E-15-R, p. WHS-81.

¹⁸² Ex. SDG&E-15-R, p. WHS-87.

1 funding in the TY for the same or similar regular, routine and ongoing maintenance
2 activity is not necessary.

3 SDG&E’s web-based forecasting system behind its Fire Potential Index (FPI)
4 incurs annual maintenance costs and SDG&E should already have the same or
5 similar maintenance costs included in rates that can be reallocated in the TY.¹⁸³
6 SDG&E states its “FPI contains inputs that require regular updating and awareness
7 on information such as the greenness of grass layer and fuel moisture”¹⁸⁴ and the
8 maintenance and repair should be regular and ongoing activities. Incremental
9 funding in the TY is not necessary. SDG&E did not provide any documentation
10 demonstrating that it never incurred historical labor costs during 2012-2016 to
11 maintain its FPI or the web-based system that supports its FPI.

12 SDG&E’s forecast includes incremental labor funding of \$0.200 million for two
13 additional positions for training enhancements and implementation.¹⁸⁵ SDG&E’s
14 historical expenses have costs for the same or similar training activities, and
15 implementation costs for specific projects are non-recurring and do not require
16 funding every year. SDG&E did not provide any documentation demonstrating that
17 its current staffing level, which conducted this same type of training in the past, was
18 now ineffective and insufficient to properly instruct its employees on the revised
19 procedures and processes in the TY. Although SDG&E states “[o]ur current training
20 program addresses these risks, but will need to be augmented in light of recent
21 regulation,”¹⁸⁶ SDG&E did not provide the recorded expenses incurred for this
22 training for review, and comparison to its forecast estimate. SDG&E does not
23 demonstrate how it incorporated the historical costs into its test year estimate. It is

¹⁸³ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-w.

¹⁸⁴ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-w. and Ex. SDG&E-15-R, p. WHS-82.

¹⁸⁵ SDG&E states that its training is “intended to ensure all members of the response teams have a clear understanding of: SDG&E’s safety practices; the contents of emergency response plans; how SDG&E is organized to respond and manage incidents, specifically in the adoption of ICS; roles and responsibilities; and notification and activation processes” (Ex. SDG&E-15-R, p. WHS-88).

¹⁸⁶ Ex. SDG&E-15-R, p. WHS-88.

1 inappropriate for ratepayers to provide duplicate funding for the same or similar
2 training program that have costs already in rates.

3 SDG&E's request for incremental non-labor funding of \$2.304 million or an
4 increase of 155.89% over 2016 expenses, is not justified. ORA utilized SDG&E's
5 2016 adjusted recorded expenses of \$1.478 million as the basis and adjusted for
6 proposed activities¹⁸⁷ of \$0.576 million for a non-labor expense recommendation of
7 \$2.054 million.¹⁸⁸ SDG&E's non-labor expenses declined each year between 2013
8 and 2016, recording the highest expense level of \$1.806 million in 2013 for the five
9 year period (2012-2016). SDG&E's support for its TY estimates is lacking. SDG&E
10 provided lump sum numbers without any verifiable documentation to substantiate
11 the calculations (i.e., historical recorded maintenance or program costs for 2012-
12 2016 for the same or similar projects for comparison, the basis for the line item
13 estimates and the breakdown of the calculation of the line item estimates included in
14 the lump sum totals).¹⁸⁹

15 SDG&E did not provide documentation for review and analysis that
16 demonstrated the historical (2012-2016) non-labor costs included in rates for the
17 regular, routine and ongoing activities associated with maintenance for the following
18 activities: materials and equipment purchase for its Emergency Mobile Command
19 Trailer,¹⁹⁰ audio visual equipment,¹⁹¹ SAWTI,¹⁹² mobile radar system (Atmospheric

¹⁸⁷ SDG&E provided the total costs for TY activities of \$150,000 for its Climate Change research study, \$250,000 for its Incident Command System training and development, and \$375,000 for Emergency Response training and curriculum development. If SDG&E's forecast is adopted without adjustments for the above activities, it will over-collect in rates for these activities which is burdensome to ratepayers to have to overfund these activities (SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-w).

¹⁸⁸ SDG&E calculated the TY forecast for the Climate Change project utilizing a university team from Scripps Institution of Oceanography (requesting an additional 60% overhead fee) from a similar research project it conducted in the past with University of California, Los Angeles (UCLA) (SDG&E response to data request ORA-SDG&E-075-TLF, Q.1-w). The budget utilized from the completed UCLA project has associated costs in rates that can be reallocated for proposed TY projects.

¹⁸⁹ SDG&E response to data request ORA-SDG&E-075-TLG, Q.1-w.

¹⁹⁰ SDG&E performs monthly maintenance on equipment and services (i.e., turning on equipment to ensure everything is working and is connecting to communications and replacing non-functioning materials and services) inside and on the roof of its thirty-two foot trailer that includes

(continued on next page)

1 Profiler),¹⁹³ and weather network equipment. Similarly, SDG&E did not provide
2 documentation demonstrating the historical (2012-2016) non-labor costs included in
3 rates and incurred for its web-based forecasting systems, IT upgrades, updates and
4 enhancements, software packages, and operating costs for its high-performance
5 operational computing cluster system (supporting FPI, SAWTI, Solar Potential Index
6 and Outage Prediction Model)¹⁹⁴ and its mobile radar system (Atmospheric Profiler).
7 The costs associated with the above non-labor activities are regular, routine and
8 ongoing activities that do not require incremental funding at the level requested.
9 SDG&E’s development, implementation and testing activities for specific projects are
10 one-time, non-recurring costs, and incremental funding every year for these specific
11 projects is not required.
12 SDG&E’s testimony fails to demonstrate or incorporate into its forecast any
13 calculated ratepayer savings and benefits or associated efficiency gains in dollars for
14 its proposed web-based forecasting systems, IT upgrades, updates and
15 enhancements, software packages to enhance productivity and workflow processes
16 and equipment upgrades and other proposed “modern technology” that will enable
17 SDG&E “to leverage the stability of cloud computing.”¹⁹⁵ Regarding ratepayer

(continued from previous page)

communications, networking and office supplies for a command and control center (Ex. SDG&E-15-R, pp. WHS-85 and WHS-86).

¹⁹¹ SDG&E’s maintenance of its audio visual equipment utilized by its Emergency Operations Center (EOC) Training includes repair of regular wear and tear items like bulbs for projectors or updates to the display and sound system (Ex. SDG&E-15-R, p. WHS-84).

¹⁹² SDG&E’s Meteorology completed a project in 2015 which developed its Santa Ana Wildfire Threat Index (SAWTI). SAWTI is a tool used to communicate wildfire risk to utilities, fire agencies and the public (Ex. SDG&E-15-R, p. WHS-86).

¹⁹³ SDG&E owns two mobile radar systems called “Atmospheric Profilers” and they provide snapshots of wind speed, temperature, and humidity. SDG&E was provided the estimate for ongoing operating cost for 2017-2019 from the manufacturer (Ex. SDG&E-15-R, p. WHS-84). SDG&E does not provide a breakdown of the operating cost incurred during 2012-2016 and included in its rates for its “Atmospheric Profilers” for review and comparison to its TY 2019.

¹⁹⁴ Ex. SDG&E-15-R, p. WHS-86.

¹⁹⁵ Ex. SDG&E-15-R, p. WHS-86.

1 benefits and savings, on proposed projects, the Commission has stated the
2 following:

3 The descriptions of the potential benefits of the projects provide
4 general information but there is not sufficient information to determine
5 whether the costs are justified in either the short or long term. With
6 this type of analysis and showing it is possible to explicitly include
7 associated costs in rates but it is not possible to explicitly reflect any of
8 the associated benefits or savings, whatever they may ultimately be, in
9 rates for this rate case cycle. This imbalance is troubling. In general, it
10 is our obligation to consider both the costs and, if applicable, the
11 benefits/savings of utility proposals. If the benefits/savings are
12 ultimately small when compared to costs, the proposal should probably
13 not be implemented or included in rates. If the benefits/savings are
14 substantial, it would be reasonable to include both the costs and
15 benefits/savings in determining rates. For the advanced technology
16 programs/projects, the lack of information regarding benefits/savings
17 precludes us from making such determinations. In this decision, we
18 are authorizing significant increases in T&D O&M and capital
19 expenditures. How the potential benefits of the advanced technology
20 programs/projects relate to SCE's proposals for increased spending is
21 not clear. Whether the advanced technology spending results in the
22 modification of any future spending related to T&D costs has not been
23 shown.¹⁹⁶

24

25 SDG&E's testimony and workpapers did not identify and include a breakdown
26 of historical costs incurred for projects that are the same or similar to SDG&E's
27 proposed TY activities. ORA requested additional information on SDG&E's TY
28 forecast.

29 ORA asked:¹⁹⁷

30 Provide documentation that SDG&E's management prepared and relied
31 upon that clearly explains and demonstrates specifically why SDG&E did
32 not utilize, perform, incorporate, or complete those proposed TY activities
33 for its Emergency Management which will cause its expenses to increase
34 by 100.32% during 2012-2016 if those proposed maintenance activities
35 were important to ensure safety and reliability of its operating system and

¹⁹⁶ D.06-05-016, p. 64.

¹⁹⁷ SDG&E response to data request ORA- SDG&E-075-TLG, Q.1-s.

1 to ensure that safety risks were properly managed, minimized and
2 mitigated.

3

4 SDG&E's response was:

5 SDG&E objects to the premise of this question regarding the presumption
6 that "SDG&E did not utilize, perform, incorporate, or complete those
7 proposed TY activities for its Emergency Management." Subject to and
8 without waiving this objection, SDG&E responds as follow: See Response
9 1(p), which providing detail on where discussions of base and incremental
10 costs and activities for Emergency Management can be found in SDG&E's
11 testimony, workpapers, and RAMP Report. All proposed TY activities and
12 initiatives causing the 100.32% increase are new, never performed before
13 or implemented for Emergency Management. These activities are
14 additions to the current maintenance projects that ensure safety and
15 reliability of SDG&E operating systems and ensure that safety risks are
16 properly managed, minimized and mitigated, as described in the SDG&E's
17 testimony, workpapers and RAMP Report.

18

19 ORA disagrees with SDG&E's statements that "[a]ll proposed TY activities
20 and initiatives causing the 100.32% increase are new, never performed before or
21 implemented for Emergency Management."¹⁹⁸ SDG&E's proposed TY maintenance
22 activities are the same or similar to activities that have costs included in rates and its
23 non-labor expenses have been on a downward trend. ORA's estimate of \$3.079
24 million based on SDG&E's 2016 adjusted recorded expenses plus adjustments is
25 reasonable and is more than SDG&E's 2016 and 2017 adjusted recorded expense
26 levels for its Emergency Management group.

27 **XV. STRATEGIC PLANNING AND BUSINESS OPTIMIZATION**

28 SDG&E's Strategic Planning and Business Optimization is responsible for
29 assisting management by providing financial analysis, developing strategies to
30 support SDG&E's financial stability, analyzes new technology and market trends,
31 and product demands, develops tools and improvement projects to help employees

¹⁹⁸ SDG&E response to data request ORA- SDG&E-075-TLG, Q.1-s.

1 meet business and customer needs, and communicates SDG&E’s initiatives to
2 stakeholders.¹⁹⁹

3 **A. Overview of SDG&E’s Request**

4 SDG&E forecasts \$2.390 million for its Strategic Planning and Business
5 Optimization O&M expenses for TY 2019.²⁰⁰ SDG&E’s forecast of \$2.390 million is
6 an increase of \$0.760 million or 46.63% over its 2016 adjusted recorded expenses
7 of \$1.630 million. SDG&E’s TY expense forecast is based on a five-year average of
8 recorded costs.²⁰¹

9 **B. ORA’s Analysis**

10 The corresponding ORA TY 2019 estimate for SDG&E’s Strategic Planning
11 and Business Optimization O&M expenses is \$1.630 million. ORA utilized SDG&E’s
12 2016 adjusted recorded expense level as a basis for its estimate. ORA’s estimate is
13 \$0.760 million less than SDG&E’s forecast. Table 5-18 below shows SDG&E’s
14 adjusted recorded expenses for 2012-2017, ORA’s recommendation and SDG&E’s
15 TY 2019 forecast for Strategic Planning and Business Optimization expenses.

16 **Table 5-18**
17 **Strategic Planning and Business Optimization Expenses**
18 **2012-2016 Recorded and 2019 Forecast**
19 **(in Thousands of 2016 Dollars)**
20

Description	2012	2013	2014	2015	2016	2017	SDG&E 2019	ORA 2019
Labor	\$1,277	\$1,632	\$1,374	\$1,247	\$1,191	\$1,001	\$1,344	\$1,191
Non-Labor	\$230	\$1,360	\$2,119	\$1,079	\$439	\$(30)	\$1,046	\$439
Total	\$1,507	\$2,992	\$3,493	\$2,326	\$1,630	\$971	\$2,390	\$1,630

21 Source: 2012-2016 and 2019 data from Ex. SDG&E-15-R p. WHS-17 and SDG&E’s response to
22 data request ORA-SDG&E-014-TLG. 2017 data provided from SDG&E via e-mail on March 16,
23 2018.

¹⁹⁹ Ex. SDG&E-15-R, p. WHS-89.

²⁰⁰ Ex. SDG&E-15-R, p. WHS-89.

²⁰¹ Ex. SDG&E-15-R, p. WHS-90.

1 SDG&E's forecast method utilized to calculate its incremental funding request
2 is not justified. SDG&E's adjusted recorded labor expenses declined each year
3 between 2013 and 2017 from \$1.632 million in 2013, the highest recorded for the
4 six-year period (2012-2017), to the lowest expense level of \$1.001 million in 2017.
5 SDG&E's non-labor expenses declined by \$1.650 million between 2014 and 2017,
6 with 2014 recording the highest level of \$2.119 million for non-labor expenses.
7 SDG&E's TY forecast for Strategic Planning and Business Optimization does not
8 include any labor proposal for additional staff.

9 SDG&E's testimony provided for its Strategic Planning and Business
10 Optimization TY expense forecast lacked specific identification and discussion of
11 proposed activities and its TY estimates are not substantiated to justify incremental
12 funding.²⁰² SDG&E's incremental request provides funding over 2016 adjusted
13 recorded expenses of \$0.760 million (\$3.040 million over a four year rate case
14 cycle). ORA requested additional information from SDG&E to clarify SDG&E's TY
15 request.

16 ORA asked:²⁰³

17 Provide a detailed breakdown of the calculation of each individual
18 estimate (labor and non-labor); do not provide lump sum numbers as
19 support for the forecast) included in the calculation of the forecast of
20 \$2.390 million for Strategic Planning and Business Optimization expenses
21 and the basis utilized to calculate each individual estimate. Note that
22 SDG&E's workpapers included in Ex. SDG&E-15-WP, do not show any
23 detailed calculation for proposed TY increases that is being requested in
24 this question.
25

26 SDG&E's response was:

27 As described in SDG&E-15-WP pages 303-306 Strategic Planning and
28 Business Optimization forecast is based on a 5-year average. See also
29 response to 1.u. There are no incremental increases are being requested,
30 and therefore, there is no additional calculation for TY proposed increase.
31

²⁰² SDG&E's 2017 adjusted recorded expenses of \$0.971 million is \$1.419 million less than its 2017 forecast of \$2.390 million (Ex. SDG&E-15-WP, p. 301).

²⁰³ SDG&E response to data request ORA-SDG&E-095-TLG, Q.1-v.

1 Based on SDG&E’s response above, the lack of identified TY projects,
2 estimates not substantiated, and its downward expense trend, SDG&E’s request for
3 incremental funding of \$0.760 million should be denied. ORA’s recommendation of
4 \$1.630 million based on SDG&E’s 2016 adjusted recorded expenses is a reasonable
5 TY expense level for SDG&E’s Strategic Planning and Business Optimization group.

6 **XVI. PERFORMANCE BASED RATEMAKING**

7 SDG&E is not proposing an electric reliability performance-based ratemaking
8 mechanism in its 2019 GRC. SDG&E states it “believes that its priority focus should
9 be on safety, and that requesting a performance-based ratemaking (PBR)
10 mechanism for this GRC cycle would not be consistent with SDG&E’s efforts to build
11 upon its strong safety culture and to provide cost-effective service to its
12 customers.”²⁰⁴

13 **A. Overview of SDG&E’s Request**

14 SDG&E is not proposing a PBR in its 2019 GRC due to concerns that its
15 target values for System Average Interruption Duration Index (SAIDI) and its System
16 Average Interruption Frequency Index (SAIFI) are decreasing and would lead to
17 increasing costs and diminishing returns for its customers.²⁰⁵ SDG&E states “the
18 additional spend required to meet decreasing SAIDI and SAIFI PBR target values
19 would not be justified from a cost-efficiency perspective...”²⁰⁶

²⁰⁴ Ex. SDG&E-15-R, p. WHS-92.

²⁰⁵ SDG&E states that “During 2008-2014 period with no PBR, SDG&E’s SAIDI performance remained consistently between 30% to 63% (i.e., lower) than PG&E and SCE.” Regarding its SAIFI, SDG&E states its “SAIFI performance also remained consistently between 30% to 58% better (i.e., lower) for SAIFI than PG&E and SCE” (Ex. SDG&E-15-R, p. WHS-93).

²⁰⁶ Ex. SDG&E-15-R, p. WHS-92.

1 **B. ORA's Analysis**

2 ORA is not proposing an electric reliability performance-based
3 ratemaking mechanism for SDG&E in its 2019 GRC. ORA reviewed SDG&E's
4 testimony and workpapers and does not take issue with SDG&E's request.

1

WITNESS QUALIFICATIONS

2 My name is Tamera L. Godfrey. My business address is 505 Van Ness
3 Avenue, San Francisco, California. I am employed by the Office of Ratepayer
4 Advocates (ORA) as a Public Utilities Regulatory Analyst V in the Energy Cost of
5 Service and Natural Gas Branch.

6 I received a Master's Degree in Public Administration and a Bachelor of Arts
7 Degree in Political Science from California State University, Hayward. Since joining
8 the Commission in 1998, I have prepared testimony on the following subject matters:

- 9 • Administrative & General expenses and Total Compensation for Southern
10 California Edison Company's (SCE) 2003 and 2006 General Rate Cases
11 (GRC), Pacific Gas and Electric Company's (PG&E) 2007 GRC, and
12 Southern California Gas Company's (SCG) and San Diego Gas & Electric
13 Company's (SDG&E) 2004 Cost of Service;
- 14 • Employee Benefits expenses (excluding Pension and PBOPs) and
15 Incentive Compensation for SDG&E's and SCG's 2008 GRC;
- 16 • Transmission and Distribution Operations and Maintenance (O&M)
17 expenses in the SCE 2009, 2012, and 2015 GRCs, and on O&M
18 expenses and Short-Term Incentive Plan expenses in the PG&E 2011 and
19 2014 GRCs;
- 20 • Energy Supply O&M expenses in PG&E's 2014 GRC;
- 21 • Customer Services O&M expenses in SDG&E's and SCG's 2016 GRCs;
- 22 • SCE Results Sharing Associated with PBR Performance Incentives and
23 Related Adjustments in Order Instituting Investigation (I).06-06-014;
- 24 • Pipeline Records Integration Program Costs for PG&E's Pipeline Safety
25 Enhancement Plan, in Order Instituting Rulemaking (R.) 11-02-019;
- 26 • Shared Services costs in PG&E's 2017 GRC; and
- 27 • Transmission & Distribution expenses and associated Other Operating
28 Revenues in SCE's 2018 GRC.

29 I participated on the Total Compensation Study associated with SCE's 2006
30 and 2009 GRCs, PG&E's 2007 GRC, and SCG's and SDG&E's 2008 GRC. I have
31 also served as project coordinator and assistant project coordinator and have
32 testified numerous times before the Commission.

33 This completes my prepared testimony.