

Docket	:	<u>A.17-10-007/008</u>
Exhibit Number	:	<u>ORA-15</u>
Commissioner	:	<u>L. Randolph</u>
ALJ	:	<u>R. Lirag</u>
Witness	:	<u>F. Hadiprodjo</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 and Fuel Procurement
SCG Gas Procurement

San Francisco, California
April 13, 2018

TABLE OF CONTENTS

SDG&E ELECTRIC & FUEL PROCUREMENT, AND SoCALGAS GAS PROCUREMENT	1
I. INTRODUCTION	1
II. SUMMARY OF RECOMMENDATIONS.....	1
III. SDG&E ELECTRIC AND FUEL PROCUREMENT EXPENSES	2
A. Overview of SDG&E’s Request	3
B. ORA’s Analysis	4
IV. SUPPORT FOR SDG&E ELECTRIC AND FUEL PROCUREMENT CAPITAL EXPENDITURES	4
A. 2016, 2017 and 2018 CAISO Mandates	4
1. Overview of SDG&E’s Request	4
2. ORA’s Analysis	4
B. Allegro Technology Upgrade	5
1. Overview of SDG&E’s Request	5
2. ORA’s Analysis	5
V. SoCALGAS GAS PROCUREMENT	5
A. Overview of SCG’s Request	6
B. ORA’s Analysis	7
WITNESS QUALIFICATIONS	9

1 **SDG&E ELECTRIC & FUEL PROCUREMENT, AND SoCALGAS GAS**
2 **PROCUREMENT**

3 **I. INTRODUCTION**

4 This exhibit presents the analyses and recommendations of the Office of
5 Ratepayer Advocates (ORA) regarding the Electric and Fuel Procurement (E&FP)
6 proposals of San Diego Gas & Electric Company (SDG&E), and Gas Procurement
7 proposals of the Southern California Gas Company (SCG or SoCalGas), collectively
8 the Sempra Utilities (Sempra), for Test Year (TY) 2019.

9 SDG&E's E&FP function is responsible for planning, procuring, managing,
10 and administering SDG&E's energy supply resources.¹ SoCalGas' Gas Acquisition
11 Department is responsible for procuring natural gas for SoCalGas' and SDG&E's
12 core customers, and for procuring Cap-and-Trade emissions compliance
13 instruments for end-use customers and transmission / storage facilities.²

14 **II. SUMMARY OF RECOMMENDATIONS**

15 The following summarizes ORA's recommendations:

- 16 • A TY 2019 expense forecast of \$3.990 million for SoCalGas' Gas
17 Acquisition, compared to the utility's forecast of \$4.230 million.
18 ORA's forecast is lower than SoCalGas' because of an adjustment
19 of \$250,000 related to two positions in that department.
- 20 • ORA does not take issue with SDG&E's TY 2019 expense forecast
21 of \$8.641 million.

¹ Ex. SDG&E-12, p. KKH-1, lines 14-15.

² Ex. SCG-16, p. MFL-1, lines 12-13.

1 Table 15-1 compares ORA's and Sempra's 2019 procurement-related
2 expenses:

3
4
5

Table 15-1
SDG&E and SoCalGas Procurement-Related Expenses for 2019
(in Thousands of 2016 Dollars)

Description (a)	ORA Recommended (b)	Sempra Proposed ³ (c)	Amount Sempra>ORA (d=c-b)
SDG&E Electric and Fuel Procurement	\$8,641	\$8,641	\$0
SCG Gas Procurement	\$3,990	\$4,230	\$250
Total	\$12,631	\$12,871	\$250

6 **III. SDG&E ELECTRIC and FUEL PROCUREMENT EXPENSES**

7 SDG&E's E&FP is responsible for planning, procuring, managing, and
8 administering the energy supply resources for its customers.⁴ It consists of three
9 functional groups: Long Term Procurement, Trading and Scheduling, and Middle
10 and Back office.⁵

11 Table 15-2 shows SDG&E's 5 years of historical data and compares
12 SDG&E's TY 2019 forecast to ORA's forecast of the E&FP functional groups:

³ Ex. SDG&E-12, p. KKH-1, Table KKH-1; Ex. SCG-16, p. MFL-1, Table MFL-1.

⁴ Ex. SDG&E-12, p. KKH-1, lines 14-16.

⁵ Ex. SDG&E-12, p. KKH-4, Table KKH-2; Ex. SCG-16, p. MFL-1, Table MFL-1.

1
2
3
4

Table 15-2
Non-Shared Electric & Fuel Procurement Expenses
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SDG&E 2019	ORA 2019
LT Procurement	\$2,504	\$2,414	\$2,253	\$2,083	\$1,762	\$2,203	\$2,203
Trading & Schedule	\$3,280	\$2,745	\$2,991	\$2,900	\$2,830	\$2,949	\$2,949
Mid & Back Office	\$3,379	\$3,531	\$3,610	\$3,554	\$3,370	\$3,489	\$3,489
Total	\$9,163	\$8,690	\$8,854	\$8,537	\$7,962	\$8,641	\$8,641

5 Source: 2012-2016 data from Ex. SDG&E-12-WP, pp. 6-20. SDG&E 2019 forecasts from Ex.
6 SDG&E-12, p. KKH-1, Table KKH-1.

7 **A. Overview of SDG&E’s Request**

8 SDG&E is requesting \$8.641 million of expenses in TY 2019, which is an
9 increase of \$679,000 or 8.5% over 2016 adjusted-recorded costs of \$7.962 million.⁶

10
11
12

Table 15-3
SDG&E Electric Fuel & Procurement
(in Thousands of 2016 Dollars)

Description (a)	2016 Adjusted Recorded (b)	2019 Forecast (c)	Difference (d=c-b)
Long Term Procurement	\$1,762	\$2,203	\$441
Trading & Scheduling	\$2,830	\$2,949	\$119
Middle and Back Office	\$3,370	\$3,489	\$119
Total	\$7,962	\$8,641	\$679

13 SDG&E’s Electric and Fuel Procurement expense forecasts are based on a 5-
14 year (2012-2016) average to develop the basis for its 2019 forecast.⁷

⁶ Ex. SDG&E-12, p. KKH-1, line 12.

⁷ Ex. SDG&E-12, p. KKH-ii.

1 **B. ORA’s Analysis**

2 ORA has reviewed SDG&E’s request and does not oppose SDG&E’s Electric
3 and Fuel Procurement expense forecast for TY 2019. ORA does not take issue with
4 SDG&E’s 5-year averaging methodology to forecast a baseline level for test year
5 expenses.

6 **IV. SUPPORT FOR SDG&E ELECTRIC and FUEL PROCUREMENT**
7 **CAPITAL EXPENDITURES**

8 SDG&E is requesting capital costs in Information Technology (IT) for
9 technology upgrades to comply with scheduling services associated with the
10 California Independent System Operator (CAISO) market.⁸ SDG&E’s forecasted IT
11 capital costs for 2016 CAISO Mandates, 2017 CAISO Mandates, 2018 CAISO
12 Mandates, and the Allegro Technology Upgrade.

13 **A. 2016, 2017 and 2018 CAISO Mandates**

14 These projects are implemented to comply with CAISO requirements.

15 **1. Overview of SDG&E’s Request**

- 16 • 2016 CAISO Mandates is a request of new software systems
17 including: PCI for bidding and scheduling; Versify for planning,
18 operations, and analytics system; and Allegro.
- 19 • 2017 CAISO Mandates is a request of new Meter Data Processing
20 System (MDPS) to meet its data reporting requirements as per
21 CAISO Tariff Section 37.5.2.
- 22 • 2018 CAISO Mandates is a request of new and updated software to
23 PCI, Versify, and the Automated Dispatch System.

24 **2. ORA’s Analysis**

25 ORA does not take issue with SDG&E’s business justifications for these
26 forecasted capital projects. ORA’s capital expenditure forecasts for these projects
27 can be found in Ex. ORA-20.

⁸ Ex. SDG&E-12, p. KKH-14, lines 14-16.

1 **B. Allegro Technology Upgrade**

2 **1. Overview of SDG&E’s Request**

3 SDG&E requests a new upgrade on Allegro software of “Allegro Horizon
4 Technology.”⁹ Allegro is a software system that complies with Sarbanes-Oxley
5 (SOX) in regulatory reporting, accounting, commodity trading management, and
6 portfolio valuation.¹⁰

7 **2. ORA’s Analysis**

8 ORA does not take issue with SDG&E’s business justification for the
9 forecasted capital project. ORA’s capital expenditure forecasts for the Allegro project
10 can be found in Ex. ORA-20.

11 **V. SOCALGAS GAS PROCUREMENT**

12 SoCalGas’ Gas Procurement supports its Gas Acquisition Department, which
13 is responsible for the procurement of natural gas for SoCalGas and SDG&E’s core
14 customers. It is also responsible for the procurement of Cap-and-Trade emissions
15 compliance.

16 Table 15-4 shows SoCalGas’ 5 years of historical data and compares
17 SoCalGas’ TY 2019 forecast to ORA’s TY 2019 forecast of the Gas Acquisition
18 Department in Gas Procurement for labor and non-labor:

⁹ Ex. SDG&E-12, p. KKH-15, lines 19-21.

¹⁰ Ex. SDG&E-12, p. KKH-15, lines 8-10.

1
2
3
4

Table 15-4
Non-Shared Gas Procurement Expenses
2012-2016 Recorded and 2019 Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Labor	\$3,885	\$3,604	\$3,463	\$3,481	\$3,600	\$3,867	\$3,627
Non-Labor	\$461	\$421	\$366	\$254	\$313	\$363	\$363
Total	\$4,346	\$4,025	\$3,829	\$3,735	\$3,914	\$4,230	\$3,990

5 Source: 2012-2016 data from Ex. SCG-16-WP, p. 5. SCG 2019 forecast from Ex. SCG-16, p. MFL-
6 4, Table MFL-4.

7 **A. Overview of SCG’s Request**

8 SoCalGas is requesting \$4.230 million of expenses in TY 2019, which is an
9 increase of \$317,000 or 8.1% over 2016 adjusted-recorded costs of \$3.913
10 million.¹¹

11
12
13

Table 15-5
SoCalGas Gas Procurement
(in Thousands of 2016 Dollars)

Description	2016 Adjusted Recorded	2019 Forecast	Difference
Total Labor	\$3,600	\$3,867	\$267
Total Non-Labor	\$313	\$363	\$50
Total	\$3,913	\$4,230	\$317

14 SoCalGas’ Gas Acquisition labor expense forecasts are based on base year
15 2016 recorded costs, plus an incremental increase in expenses due to request to fill
16 vacancies.¹² Gas Acquisition non-labor expense forecasts based on a 5-year
17 average (2012-2016) average. The \$317,000 difference from Base Year (BY) 2016
18 to TY 2019 includes:

¹¹ Ex. SCG-16, p. MFL-1, line 9.

¹² Ex. SCG-16, p. MFL-8, lines 9-19.

- 1 • The need to fill positions in Gas Acquisition department.
- 2 • The increase in non-labor costs based on a 5-year average
- 3 forecast methodology.
- 4 • The transfer of Gas Acquisition's Pinnacle Gas Management
- 5 System to Information Technology capital projects.
- 6 • The reduction of labor costs during the SoCalGas' Fueling Our
- 7 Future initiative.

8 **B. ORA's Analysis**

9 ORA has reviewed SoCalGas' request and opposes ratepayer funding for two
10 existing positions, a Director and a Supply Forecast Analyst, whose salaries were
11 provided to ORA under Section 583.¹³

12 SoCalGas is requesting ratepayer funding for the Director and Supply
13 Forecast Analyst positions in the Gas Acquisition Department. SoCalGas had
14 requested and was provided funding for these two positions in the previous TY 2016
15 GRC.¹⁴ In an e-mail response to ORA, SoCalGas confirmed that these two
16 positions requested in TY 2019 were included in the TY 2016 GRC.¹⁵ However,
17 these two positions have not been filled.

18 In its previous GRC, SoCalGas requested \$3.99 million for the Gas
19 Acquisition Department in Gas Procurement, which included the Director and Supply
20 Forecast Analyst positions.¹⁶ In Decision (D.) 16-06-054, the Commission approved
21 SoCalGas' total request of \$3.99 million. Therefore, the Director and Supply
22 Forecast Analyst positions that SoCalGas is currently requesting for TY 2019 are the

¹³ SoCalGas' Response to ORA-SCG-003-FH2, Q.1 (Confidential).

¹⁴ Decision (D.) 16-06-054, pp. 256-257.

¹⁵ SoCalGas' e-mail response on 1/19/2018 regarding data request ORA-SCG-DR-003-FH2 (Confidential) in A.17-10-008.

¹⁶ A.14-11-003/004, Ex. SCG-9, p. ITC-ii.

1 same two positions not filled since 2014, despite the fact that they were previously
2 approved and funded.¹⁷

3 The Commission had previously authorized funding for those two positions,
4 yet SoCalGas did not fill them. SoCalGas has been able to conduct its procurement
5 activities without staffing the two positions. As such, ORA recommends that
6 ratepayers should not be required to fund these two positions for TY 2019.

7 As the specific salaries associated with these positions were designated
8 confidential by SoCalGas, ORA recommends a \$250,000 adjustment to SoCalGas'
9 forecast as a proxy for their aggregate salaries. For Gas Procurement, ORA
10 recommends \$3.990 million in expenses, compared to SoCalGas' request of \$4.230
11 million for TY 2019.

¹⁷ SoCalGas' e-mail response on 1/19/2018 regarding data request ORA-SCG-DR-003-FH2 (Confidential) in A.17-10-008.

1

WITNESS QUALIFICATIONS

2 My name is Fransiska Hadiprodjo. 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 Financial Examiner II in the Energy Cost of Service and
5 Natural Gas Branch.

6 I received a Bachelor of Sciences degree in Accounting from California State
7 University, Fullerton. Since joining the Commission in 2014, I have reviewed the
8 SONGS Settlement Agreement figures back to Southern California Edison
9 Company's (SCE) and San Diego Gas & Electric Company's (SDG&E) General
10 Ledgers; rate base filed in the SONGS OII; and Claims Payments, Corporate Office
11 – General Administration, and Operations & Maintenance as part of ORA's Report
12 on the Results of Examination in the Sempra 2016 General Rate Case. I submitted
13 prepared testimony on Administrative and General expenses in the Pacific Gas and
14 Electric 2017 GRC, as well as on Property and Payroll Taxes in the SCE 2018 GRC.

15 This completes my prepared testimony.