

Docket	:	<u>A.17-10-007/008</u>
Exhibit Number	:	<u>ORA-18</u>
Commissioner	:	<u>L. Randolph</u>
ALJ	:	<u>R. Lirag</u>
Witness	:	<u>M. Waterworth</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 – Supply Management & Logistics and Supplier Diversity; Fleet Services; Real Estate, Land Services and Facilities; and Environmental Services

San Francisco, California
April 13, 2018

TABLE OF CONTENTS

SDG&E – SUPPLY MANAGEMENT & LOGISTICS AND SUPPLIER DIVERSITY; FLEET SERVICES; REAL ESTATE, LAND SERVICES AND FACILITIES; AND ENVIRONMENTAL SERVICES.....	1
I. INTRODUCTION	1
II. SUMMARY OF RECOMMENDATIONS.....	2
A. Supply Management & Logistics, and Supplier Diversity.....	2
B. Fleet Services.....	3
C. Real Estate, Land Services and Facilities	3
D. Environmental Services	5
PART I: SUPPLY MANAGEMENT & LOGISTICS, AND SUPPLIER DIVERSITY	6
I. NON-SHARED AND SHARED EXPENSES	6
PART II: FLEET SERVICES	7
I. NON-SHARED AND SHARED EXPENSES	7
A. ORA’s Ownership Expense Forecast Analysis.....	7
B. ORA’s Maintenance Operations Forecast Analysis	10
1. Maintenance Operations Analysis and Recommendation	11
2. Automotive Fuel Analysis and Recommendation.....	12
PART III: REAL ESTATE, LAND SERVICES AND FACILITIES.....	14
I. NON-SHARED AND SHARED EXPENSES	14
II. CAPITAL EXPENDITURES	14
A. Land/Structures and Improvements Blankets.....	17
B. Safety and Environmental Blanket	18
C. Miscellaneous Equipment Blanket.....	19
D. Security Systems Blanket.....	20
E. Infrastructure & Reliability Blanket.....	21
F. Alternative Energy Systems Blanket.....	22
G. Remodels/Reconfigurations/Relocations.....	23
H. Business Unit Expansions	24
1. Kearney Master Plan	25
2. Mission Critical Facility Consolidation & Expansion.....	26

3. Business Unit Expansion Blanket	26
PART IV: ENVIRONMENTAL SERVICES	28
I. NON-SHARED AND SHARED EXPENSES	28
WITNESS QUALIFICATIONS	29

1 **SDG&E – SUPPLY MANAGEMENT & LOGISTICS AND SUPPLIER**
2 **DIVERSITY; FLEET SERVICES; REAL ESTATE, LAND SERVICES AND**
3 **FACILITIES; AND ENVIRONMENTAL SERVICES**

4 **I. INTRODUCTION**

5 This exhibit presents the analyses and recommendations of the Office of
6 Ratepayer Advocates (ORA) regarding the proposals of San Diego Gas & Electric
7 Company (SDG&E) in its Test Year (TY) 2019 General Rate Case (GRC) associated
8 with:

- 9 • Exhibit (Ex.) SDG&E-20 - Supply Management & Logistics and
10 Supplier Diversity (SM&LSD). (SM&LSD) manages the purchase,
11 distribution, receipt, delivery, inventory, and management of materials,
12 supplies, and services.
- 13 • Ex. SDG&E-21 - Fleet Services. Fleet Services acquires, maintains,
14 repairs, and salvages vehicles and related equipment to support the
15 delivery of electricity and gas.
- 16 • Ex. SDG&E-22 - Real Estate, Land Services, and Facilities (REL&F).
17 REL&F plans, acquires, builds, and maintains the operating and non-
18 operating real estate and facility assets; and, is responsible for the
19 administration of real estate, facilities, capital construction and land
20 services for a combined building footprint portfolio of 1.375 million
21 square feet.
- 22 • Ex. SDG&E-23 - Environmental Services. Environmental Services
23 oversees compliance for federal, state, regional and local
24 environmental statutes, rules and regulations, including laws protecting
25 air quality, water quality, hazardous materials, waste, cultural
26 resources, land planning and natural resources.

27 ORA addresses SDG&E's forecasts of operation and maintenance (O&M)
28 expenses for 2019 and capital expenditures for 2017 through 2019. Tables 18-1
29 (Expenses) and 18-2 (Capital) in Section II, Summary of Recommendations, present
30 the results of ORA's analysis and subsequent recommendations.

1 **II. SUMMARY OF RECOMMENDATIONS**

2 **Table 18-1**
 3 **ORA Recommended Versus SDG&E Proposed 2019 O&M Expenses by Exhibit**
 4 **(in Thousands of Dollars)**

Description (a)	ORA Recommended (b)	SDG&E Proposed ¹ (c)	Amount SDG&E>ORA (d=c-b)
SDG&E-20 Supply Mgt. & Logistics	\$13,769	\$13,769	\$0
SDG&E-21 Fleet Services	\$30,356	\$45,456	\$18,080
SDG&E-22 Real Estate & Facilities	\$34,169	\$34,169	\$0
SDG&E-23 Environmental Services	\$6,957	\$6,957	\$0
Total	\$82,251	\$100,331	\$18,080

5 **Table 18-2**
 6 **SDG&E-22 Real Estate, Land Services and Facilities 2017-2019 Capital Expenditures**
 7 **(in Thousands of Dollars)**

Description	ORA Recommended			SDG&E Proposed ²		
	2017	2018	2019	2017	2018	2019
Total	\$51,600	\$47,646	\$47,017	\$54,699	\$68,502	\$80,249

8

9 **A. Supply Management & Logistics, and Supplier Diversity**

10 Table 18-3 compares ORA's and SDG&E's TY2019 expense forecasts. ORA
 11 did not oppose SDG&E's forecast. See discussion in Part I: Section I.A.

12 **Table 18-3**
 13 **Supply Management & Logistics and Supplier Diversity Expenses**
 14 **(in Thousands of 2016 Dollars)**

Description (a)	ORA Recommended (b)	SDG&E Proposed ³ (c)	Amount SDG&E>ORA (d=c-b)
Non-Shared Services	\$9,081	\$9,081	\$0
Shared Services	\$4,688	\$4,688	\$0
Total	\$13,769	\$13,769	\$0

¹ Ex. SDG&E-20: DW-ii, Ex. SDG&E-21: CLH-ii, Ex. SDG&E-22: RDT-v, Ex. SDG&E-23: NCC-iii.

² Ex. SDG&E-22: RDT-v.

³ Ex. SCG-22/SDG&E-20, p. DW-ii Summary Table (combined data).

1
2
3

**Table 18-5
Real Estate O&M Expenses for 2019
(in Thousands of 2016 Dollars)**

Description (a)	ORA Recommended (b)	SCG Proposed⁵ (c)	Amount SCG>ORA (d=c-b)
Non-Shared Services	\$27,881	\$27,881	\$0
Shared Services	\$6,288	\$6,288	\$0
Total	\$34,169	\$34,169	\$0

4 Table 18-6 compares ORA's and SDG&E's 2017-2019 Real Estate, Land
5 Services and Facilities capital expenditure forecasts:

6
7
8

**Table 18-6
Fleet Services & Facility Operations Capital Expenditures for 2017-2019
(in Thousands of Dollars)**

Description	ORA Recommended			SDG&E Proposed⁶		
	2017	2018	2019	2017	2018	2019
Total	\$51,600	\$47,646	\$47,017	\$54,699	\$68,502	\$80,249

9 The following summarizes ORA's recommendations regarding Fleet Services
10 & Facility Operations capital expenditures:

- 11 • ORA recommends using 2017 actual costs as an appropriate
12 forecast" of SDG&E's 2017 capital expenditures, which is \$3.099
13 million lower than SDG&E's request,
- 14 • ORA opposes SDG&E's 2018 forecasted expenditures and
15 recommends a forecast of \$2.946 million related to the Structures
16 and Improvements Blanket,
- 17 • ORA opposes SDG&E's 2018 and 2019 forecasted expenditures
18 and recommends a forecast of \$1.089 million for each year related
19 to the Environmental Safety Blanket,
- 20 • ORA opposes SDG&E's 2018 and 2019 forecasted expenditures
21 and recommends a forecast of \$2.606 million and \$696,000
22 respectively, related to the Miscellaneous Fleet/Equipment Blanket,

⁵ Ex. SDG&E-24, p. RDT-2, Summary Table.

⁶ Ex. SDG&E-22: RDT-v.

- 1 • ORA opposes SDG&E’s 2018 and 2019 forecasted expenditures
2 and recommends a forecast of \$775,000 and \$1.680 million
3 respectively, related to the Security Blanket,
- 4 • ORA opposes SDG&E’s 2018 and 2019 forecasted expenditures
5 and recommends a forecast of, \$615,000 and \$5.319 million
6 respectively, related to the Infrastructure Reliability Blanket,
- 7 • ORA opposes SDG&E’s 2018 and 2019 forecasted expenditures
8 and recommends a forecast of, \$2.625 million for each year related,
9 related to the Alternate Energy Efficiency Program,
- 10 • ORA opposes SDG&E’s 2018 and 2019 forecasted expenditures
11 and recommends a forecast of, \$7.278 million and \$13.109 million
12 respectively, related to the Remodel/Relocate/Reconfigure forecast,
- 13 • ORA opposes SDG&E’s 2018 and 2019 forecasted expenditures
14 and recommends a forecast of \$16.060 million and \$8.608 million
15 respectively, related to the Business Unit Expansion forecast.

16 **D. Environmental Services**

17 Table 18-7 compares ORA’s and SDG&E’s TY2019 expense forecasts. ORA
18 accepted, SDG&E’s TY2019 Environmental Services forecast. See discussion in
19 Part IV: Section I.A.

20 **Table 18-7**
21 **Environmental Services O&M Expenses for 2019**
22 **(in Thousands of 2016 Dollars)**

Description (a)	ORA Recommended (b)	SDG&E Proposed⁷ (c)	Amount SDG&E>ORA (d=c-b)
Non-Shared Services	\$4,850	\$4,850	\$0
Shared Services	\$2,107	\$2,107	\$0
Total	\$6,957	\$6,957	\$0

23

⁷ Ex. SDG&E-23, p. NCC-iii, Summary Table.

1 **PART I: SUPPLY MANAGEMENT & LOGISTICS, AND SUPPLIER**
 2 **DIVERSITY**

3 **I. NON-SHARED AND SHARED EXPENSES**

4 SDG&E is forecasting \$9.080 million for TY 2019 which is \$594,000 or 6.1
 5 percent below 2016 recorded expenses for Supply Management's Non-Shared
 6 O&M. SDG&E is requesting \$4.688 million for TY 2019 expenses for Shared O&M
 7 which is \$429,000 or 10.1 percent above 2016 recorded expenses. ORA does not
 8 oppose this forecast based on its analysis. Table 18-8 below, presents 5 years of
 9 historic data alongside ORA's recommendations and SDG&E's forecast.

10 **Table 18-8**
 11 **Supply Management & Logistics and Supplier Diversity**
 12 **Non-Shared/Shared O&M Expenses**
 13 **2012-2016 Recorded and 2019 Forecasts**
 14 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	SDG&E 2019	ORA 2019
Electric Portfolio	\$1,042	\$1,034	\$998	\$856	\$948	\$975	\$975
Strategy and Sust.	\$1,351	\$986	\$740	\$1,150	\$997	\$(304)	\$(304)
Inventory Mgmt.	\$5,334	\$4,989	\$4,894	\$4,807	\$4,690	\$5,038	\$5,038
Supplier Diversity	\$1,165	\$1,093	\$1,172	\$924	\$854	\$1,142	\$1,142
Office Services	\$2,614	\$2,150	\$2,193	\$2,003	\$2,185	\$2,229	\$2,229
Total Non-Shared	\$11,506	\$10,252	\$9,997	\$9,740	\$9,674	\$9,080	\$9,080
Category Mgmt.	\$1,967	\$1,727	\$1,873	\$1,912	\$2,254	\$2,668	\$2,668
Office Services	\$1,199	\$1,290	\$1,400	\$1,322	\$1,289	\$1,301	\$1,301
Supply Chain	\$834	\$741	\$646	\$662	\$716	\$719	\$719
Total Shared	\$4,000	\$3,758	\$3,919	\$3,896	\$4,259	\$4,688	\$4,688

15 Source: 2012-2016 and 2019 data (combined) from Ex. SDG&E-20-WP, pp. 5, 10, 22, 28, 34, 41, 47,
 16 53, 60, 66, 72 and 79.

1 **PART II: FLEET SERVICES**

2 **I. NON-SHARED AND SHARED EXPENSES**

3 SDG&E is forecasting \$43.839 million for TY 2019 which is \$17.252 million or
4 64.9 percent above 2016 recorded expenses for Non-Shared Fleet O&M. ORA
5 recommends \$28.740 million for TY 2019 which is \$15.099 million (or 34.4 percent)
6 less than SDG&E’s forecast and. SDG&E is requesting \$1.616 million for TY 2019
7 expenses for Shared O&M which is \$353,000 or 28 percent above 2016 recorded
8 expenses. ORA accepts, SDG&E’s TY 2019 Shared fleet management forecast of
9 \$1.616 million. Table 18-9 below presents 5 years of historic data alongside ORA’s
10 recommendations and SDG&E’s forecasts.

11 **Table 18-9**
12 **Fleet Services**
13 **Non-Shared/Shared O&M Expenses**
14 **2012-2016 Recorded and 2019 Forecasts**
15 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	SDG&E 2019	ORA 2019
Ownership Costs	\$11,496	\$10,291	\$10,291	\$11,060	\$10,116	\$24,489	\$11,009
Maintenance Op	\$20,100	\$19,245	\$17,672	\$16,614	\$15,747	\$18,801	\$17,182
Fleet Management	\$504	\$636	\$426	\$595	\$724	\$549	\$549
Total	\$32,100	\$30,172	\$28,389	\$28,269	\$26,587	\$43,839	\$28,740
Shared Fleet Mgmt	\$876	\$900	\$945	\$914	\$1,263	\$1,616	\$1,616

16 Source: 2012-2016 and 2019 data (combined) from Ex. SDG&E-21-WP pp. 5, 17, 25, 32, 40, 48, 54,
17 61, 67, 74, 83, 90, and 98.

18 **A. ORA’s Ownership Expense Forecast Analysis**

19 SDG&E is requesting \$24.489 million for TY 2019 which is \$14.373 million or
20 142 percent above 2016 recorded expense for Ownership Costs. ORA is
21 recommending \$11.009 million for TY 2019 which is \$13.480 million or 45 percent
22 less than SDG&E’s forecast for Ownership Costs. Table 18-10 below presents 6
23 years of historic data alongside ORA’s recommendations and SDG&E’s forecast.

1
2
3
4

Table 18-10
Fleet Services – Ownership O&M Expenses
2012-2017 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SD&E 2019	ORA 2019
Amortization	\$10,218	\$9,383	\$9,938	\$9,694	\$8,337	\$9,437	\$18,632	\$9,437
Interest	\$951	\$820	\$956	\$850	\$838	\$1,148	\$3,480	\$1,148
Salvage	\$(645)	\$(966)	\$(1,823)	\$(634)	\$(284)	\$(890)	\$(1,166)	\$(890)
License/Tax	\$972	\$1,054	\$1,220	\$1,150	\$1,225	\$1,314	\$3,543	\$1,314
Total	\$11,496	\$10,291	\$10,291	\$11,060	\$10,116	\$11,009	\$24,489	\$11,009

5 Source: 2012-2016 and 2019 data (combined) from Ex. SDG&E-21-WP, pp. 5, 17, 25, 32, and 40.
6 2017 Actual Expense from 2017-SDG&E Recorded Operating Costs.

7 ORA recommends using 2017 actual recorded ownership costs to forecast
8 SDG&E's 2019 Fleet Services expenses. By using 2017 actual data, ORA bases its
9 forecast on actual amortization, actual interest, actual salvage, actual license
10 fee/taxes, and actual vehicle additions. SDG&E primarily bases its forecast on
11 forecasted vehicle additions by year, with the added vehicle costs compounding year
12 over year. This results in increasing SDG&E's 2017 forecast by 72.5 percent to
13 determine TY2019. Based on its analysis, ORA concludes that forecasting vehicle
14 additions is highly discretionary. Further, the concept of compounding 2017 costs to
15 arrive at a TY2019 forecast is not justified based on historic data. The support for
16 ORA's argument is as follows:

- 17 • Per Table 18-11, SDG&E's methodology results in over-collections
18 of an estimated \$35.1 million from 2012-2017; and, likely greater if
19 the 2019 forecast is approved. ORA did not have the attrition years
20 for authorized so conservatively used the test year authorized for
21 the years 2013-2015 and 2017,
- 22 • Despite SDG&E's calculation of increasing ownership costs from
23 2017 to 2019, ownership costs historically do not increase by 41.5
24 percent, (from 2017-2018) then by 21.9 percent (from 2018 to
25 2019), yielding a year after year, or 72.5 percent increase. The
26 table also shows despite variation in actual yearly vehicle additions,
27 costs remained relatively consistent for several years (see Table
28 18-12),

29

- 1 • SDG&E’s ownership costs forecasts largely assume estimated
 2 vehicle replacements as a cost driver; however, as shown in Table
 3 18-3 actual acquisitions are far lower than forecast resulting in
 4 lower actual ownership costs.

5 Additionally, Table 18-12 shows from 2011 – 2017 ownership costs are
 6 relatively consistent. This consistency is present, despite varying levels of vehicle
 7 replacements ranging from 29 to 321 vehicles. Table 18-12 shows actual ownership
 8 costs for that period remain in a consistent range from \$10.8 million to \$11.5 million.
 9 This shows ownership expenses do not historically increase as significantly as
 10 SDG&E forecasts from 2017 – 2019 (\$14.2 million to \$24.5 million). In fact, Table
 11 18-12 shows ownership costs decreasing significantly from 2009 – 2011 with varying
 12 levels of vehicle replacements. Based on this analysis, ORA further asserts the
 13 reasonableness of its forecast as actual 2017 ownership expense is consistent with
 14 historic expenses ; and, therefore is a reasonable forecast for TY2019.

15 **Table 18-11**
 16 **Ownership Costs O&M Expenses-Requested, Authorized, Actual**
 17 **2012-2017 Recorded and 2019 Forecasts**
 18 **(in Millions of 2016 Dollars)**

	2012	2013	2014	2015	2016	2017	2018	2019
Requested Expense	\$16.5				\$18.2	\$14.2	\$20.1	\$24.5
Authorized Expense	\$16.5	\$16.5	\$16.5	\$16.5	\$16.7	\$16.7		
Actual Expense	\$11.5	\$10.3	\$10.3	\$11.1	\$10.1	\$11.0		
Over-Collected	\$5.0	\$6.2	\$6.2	\$5.4	\$6.6	\$5.7		

19 Source: 2012/2016 Requested/Authorized Expense ORA-SDG&E-147-LMW Q.5, 2013-2015/2017
 20 Authorized (used Authorized), 2012-2016 Actual Expense Combined Data SDG&E-21 W/P’s –
 21 Ownership Costs. 2017 Actual Expense from 2017-SDG&E Recorded Operating Costs.

22 **Table 18-12**
 23 **Vehicle and Incremental Vehicle Replacements Compared to Actual Expenses**
 24 **2012-2017 Actuals**
 25 **(in Millions of 2016 Dollars)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vehicle Replacements	136	42	180	144	240	111	25	79	123
Incremental – Business	55	20	47	52	81	32	4	20	30
Actual Expense	\$15.1	\$13.8	\$10.8	\$11.5	\$10.3	\$10.3	\$11.1	\$10.1	\$11.0

26 Source: Vehicle Replacements/Incremental - ORA-SDG&E-147-LMW Q.1. Actual Expense 2009-
 27 2011 ORA-Ex.14 TY2016 p.11 Table14-9, Actual Expense 2012-2017 Table 18-11 above.

1
2
3
4

**Table 18-13
Comparison of Forecasted Vehicles to Actual
2014-2019 Actuals
(in Number of Vehicles)**

	2014	2015	2016	2017	2018	2019
Replacement Forecasted Vehicles	270	200	200	207	243	232
Replacement Actual Acquired Vehicles	111	25	75	53		
ATCM Forecasted			0	79	53	123
ATCM Actual Acquired			4	70		
Incremental - Business Forecasted Vehicles	41	15	16	24	24	14
Incremental – Business Actual Acquired Vehicles	32	4	20	30		

5 Source: Acquired Vehicles ORA-SDG&E-147-LMW Q.1, Forecasted 2014 - ORA-Ex.14 TY2016 p.14
6 (line 11-12), Forecasted 2015-2016 ORA-SDG&E-147-LMW Q.7, Forecasted 2017-2019 SDG&E-21
7 W/Ps p.12

8 **B. ORA’s Maintenance Operations Forecast Analysis**

9 SDG&E is requesting \$18.801 million for TY 2019 which is \$3.054 million or
10 19.4 percent above 2016 recorded expense for Maintenance Operations. ORA
11 recommends \$17.182 million for TY 2019 which is \$1.619 million or 8.6 percent less
12 than SDG&E’s forecast for Maintenance Operations. Table 18-14 provides
13 maintenance operations historical expenses alongside ORA’s recommendation and
14 SDG&E’s TY 2019 forecast.

15
16
17
18

**Table 18-14
Fleet Services – Maintenance Operations Expenses/FTE
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	SDG&E 2019	ORA 2019
Maintenance Ops.	\$12,610	\$12,459	\$11,230	\$10,842	\$10,999	\$12,061	\$11,179
Automotive Fuels	\$7,490	\$6,786	\$6,442	\$5,772	\$4,748	\$6,740	\$6,003
Total	\$20,100	\$19,245	\$17,672	\$16,614	\$15,747	\$18,801	\$17,182
Maint. Ops. FTE	79.4	82.6	76.7	71.7	73.5	78.6	

19 Source: 2012-2016 and 2019 data from Ex. SDG&E-21-WP, pp. 48 and 54.

1 **1. Maintenance Operations Analysis and**
2 **Recommendation**

3 To determine its forecast, SDG&E calculated a 5 year average of \$11.628⁸
4 million then incrementally adjusts that figure to arrive at its TY 2019 forecast.

5 SDG&E’s adjustments are as follows:

- 6 • \$148,000⁹ for the backfilling of service technicians,
- 7 • \$144,000¹⁰ for non-labor maintenance costs associated with 14
8 incremental vehicles,
- 9 • \$156,000¹¹ for training, technology, and compliance,

10 ORA’s 2019 forecast of \$11.179 million for Maintenance Operations is
11 \$882,000 lower than SDG&E’s forecast. To determine its forecast, ORA uses a 3
12 year average (2014-2016), given that the expenses are trending downwards during
13 the 2012-2016 period, and the last 3 years of expense are more current indicating
14 less fluctuation and variability relative to 2012 and 2013, resulting in a forecast of
15 \$11.023 million. ORA agrees with SDG&E’s proposed adjustments for training,
16 technology, and compliance, and includes that \$156,000 adjustment in its 2019
17 forecast.

18 Regarding SDG&E’s \$148,000 incremental increase related to the backfilling
19 of service technician positions, ORA notes the increase will bring the Full-Time
20 Equivalent (FTE) levels back close to 2012 and 2013 levels despite a downward
21 trend in FTEs during 2012-2016. SDG&E was able to operate with fewer FTEs
22 during that time period. SDG&E did not explain why FTE’s decreased from 2013 to
23 2016, and yet, it wants to bring FTE levels in 2019 back to 2012 levels. Given the
24 lack of sufficient evidence, and SDG&E’s demonstrated ability to operate with FTEs,
25 ORA opposes SDG&E’s proposed \$148,000 adjustment for TY 2019.

⁸ Ex. SDG&E-21-WP pg. 49

⁹ Ex. SDG&E-21-WP pg. 50

¹⁰ Ex. SDG&E-21-WP pg. 50

¹¹ Ex. SDG&E-21-WP pg. 50

1 given ORA's argument related to ownership expenses (see ORA's Ownership
2 Forecast Analysis) for additional fleet. There is no proof these additional vehicles
3 will be added outside a proposed forecast for them which is at the discretion of
4 management regardless of the funds approved in a rate case.

1 **PART III: REAL ESTATE, LAND SERVICES AND FACILITIES**

2 **I. NON-SHARED AND SHARED EXPENSES**

3 SDG&E is forecasting \$9.080 million for TY 2019 which is \$594,000 or 6.1%
4 below 2016 recorded expenses for Supply Management’s Non-Shared O&M; and,
5 SDG&E is requesting \$4.688 million for TY 2019 expenses for Shared O&M which is
6 \$429,000 or 10.1% above 2016 recorded expenses. ORA does not oppose this
7 forecast, based on its analysis. ORA also reviewed lease agreements, noting
8 percentage increases for rent were reasonable, and 2017 actual expenses were in
9 line with SDG&E’s 2017 forecast. Table 18-15 below, presents 5 years of historic
10 data alongside ORA’s recommendations and SDG&E’s forecast.

11 **Table 18-15**
12 **Real Estate, Land Service, and Facilities O&M Expenses**
13 **2012-2016 Recorded and 2019 Forecasts**
14 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	SDG&E 2019	ORA 2019
Facility Operations	\$7,492	\$7,331	\$8,679	\$9,149	\$8,307	\$8,378	\$8,378
Land Services	\$607	\$541	\$555	\$735	\$939	\$692	\$692
Rent	\$13,705	\$14,324	\$14,426	\$15,316	\$17,028	\$18,811	\$18,811
Total Non-Shared	\$21,804	\$22,196	\$23,660	\$25,200	\$26,274	\$27,881	\$27,881
Shared:							
Facility & Planning	\$4,798	\$6,136	\$5,788	\$5,874	\$6,148	\$5,873	\$5,873

15 Source: 2012-2016 and 2019 data (combined) from Ex. SDG&E-22-WP, pp. 5, 18, 24, 32, 38, 44, 49,
16 51, 57, 64, 71, 77, 84, and 91.

17 **II. CAPITAL EXPENDITURES**

18 According to SDG&E, capital projects consist of: (1) Regulatory compliance
19 and the necessity for our facilities to support the operational reliability and safety of
20 our electric and gas assets; (2) Continuous improvements, changes, and
21 technological advances in our industry; (3) Environmentally focused upgrades for
22 facility energy efficiency, sustainability in operations; (4) Strengthening and

1 improving the existing aging infrastructure; (5) Implementation of a strategic plan to
 2 consolidate facilities and personnel for increased adjacencies and efficiencies.

3 As noted in Table 18-2 under the Summary of Recommendations, SDG&E's
 4 capital expenditure request is \$54.699 million in 2017, \$68.502 million in 2018, and
 5 \$80.249 million in 2019. SDG&E's capital expenditure forecasts for 2017, 2018, and
 6 2019 respectively are \$14.620 million (36.5 percent), \$28.423 million (70.9 percent),
 7 and \$40.170 million (100 percent), above 2016 recorded/adjusted expenditures of
 8 \$40.079 million. Table 18-16 presents SDG&E's capital expenditure historic data
 9 and forecasts, and Table 18-17 presents ORA's recommendations and SDG&E's
 10 proposed expenditures.

11 **Table 18-16**
 12 **Real Estate, Land Service, and Facilities**
 13 **2012-2017 Historic and 2018-2019 Proposed Capital Expenditures**
 14 **(in Thousands of Dollars)**

Capital	2012	2013	2014	2015	2016	2017	2018	2019
Struct.Impve./Land	2,656	2,051	1,474	7,283	3,045	3,829	5,163	5,124
Environ/Safety Blan	668	981	1,386	290	2,120	1,327	1,504	2,146
Misc./Fleet Eq. Blan	202	157	1,381	774	324	846	3,475	2,065
Security Blanket	367	1,326	388	1,404	2,420	1,356	3,401	4,047
Infrastruct. Reliab.	2,003	2,091	1,138	1,299	1,035	2,715	1,947	6,651
Alternate. Energy	603	66	0	1,393	1,105	2,124	2,814	5,724
Remo/Recon/Relo	11,732	9,960	10,124	9,681	21,677	21,466	17,478	29,102
Business Unit Exp.	16,168	4,958	1,518	869	1,291	4,146	19,068	16,623
Archibus Systems	0	1,410	1,305	1,061	1,132	1,385	1,008	504
Trans/Mission Ctl.	0	1,305	1,624	1,181	4,627	8,718	11,132	0
RBDC AC/Reliab.	0	0	796	1,383	711	3,688	1,512	8,263
Other – Historic	44	0	691	1,383	592	0	0	0
Total	34,443	24,305	21,825	26,741	40,079	51,600	68,502	80,249

15 Source: 2012 – 2016 Historical Data -SDG&E Revised 5-Yr Hist w Fcst Requirements Item 17
 16 (Combined Line Items), SDG&E Proposed - Ex. SDG&E-22 p. RDT-26, Table RDT-19 (combined),
 17 2017 Actual Capital from 2017-SDG&E Recorded Capital Expenditures (Combined Line Items).

1
2
3
4

Table 18-17
Real Estate, Land Service, and Facilities
2017-2019 Capital Expenditure ORA Recommended and SCG Proposed
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SDG&E Proposed		
	2017	2018	2019	2017	2018	2019
Structure Improve/Land Blanket	\$3,829	\$2,946	\$5,124	\$2,237	\$5,163	\$5,154
Enviro. Safety Blanket	\$1,327	\$1,089	\$1,089	\$909	\$1,504	\$2,146
Misc. Fleet/Equipment Blanket	\$846	\$2,606	\$696	\$1,956	\$3,475	\$2,065
Security Blanket	\$1,356	\$775	\$1,680	\$1,760	\$3,401	\$4,047
Infrastructure Reliability Blanket	\$2,715	\$615	\$5,319	\$1,560	\$1,947	\$6,651
Alternate/Ener. Efficiency Blanket	\$2,124	\$2,625	\$2,625	\$2,625	\$2,814	\$5,724
Remodel/Relocate/Reconfigure.	\$21,466	\$7,278	\$13,109	\$19,726	\$17,478	\$29,102
Business Unit Expansion	\$4,146	\$16,060	\$8,608	\$10,446	\$19,068	\$16,623
Archibus Business Improvements	\$1,385	\$1,008	\$504	\$756	\$1,008	\$504
Trans. Energy/Mission Hardening	\$8,718	\$11,132	\$0	\$7,992	\$11,132	\$0
RBDC Power Reliability/Server	\$3,688	\$1,512	\$8,263	\$4,732	\$1,512	\$8,263
Total	\$51,600	\$47,646	\$47,017	\$54,699	\$68,502	\$80,249
Difference	\$3,099	\$20,856	\$33,232			

5 Source: SDG&E Proposed from Ex. SDG&E-22 p. RDT-26, Table RDT-19 (combined).

6 ORA recommends capital expenditures of \$51.600 million, \$47.646 million,
7 and \$47.017 million which are \$3.099 million, \$20.865 million, and \$33.232 million
8 less than SDG&E's 2017, 2018 and 2019 forecasts, respectively. From 2012 –
9 2016, SDG&E started/completed the following projects:

- 10 • San Diego Energy Center
- 11 • Century Park Indoor/Out Dining Area Renovation
- 12 • Lightwave East Tenant Improvement
- 13 • Century Park 2 Restroom & Building
- 14 • Century Park 4 Common Area Refurbish
- 15 • Beach Cities Locker Room Refresh
- 16 • Century Park 1 Finish Refresh
- 17 • Century Park Annex Tenant Improvements
- 18 • Century Park Site Improvements & Landscaping
- 19 • Century Park 3 Exec. Operations Performance Center
- 20 • Kearney Offsite Warehouse Suite A Tenant Improvements

- 1 • Century Park 3-1 & 3-2 Tenant Improvements
- 2 • Century Park 3-3 Refresh
- 3 • Century Park 1 Food Pavilion

4 The listing of previous projects indicates that within SDG&E’s historic capital
 5 expenditures large scale, small scale, and blankets both with and without approval in
 6 the prior rate cases were completed. These projects were completed with total
 7 annual capital expenditures ranging from \$21.8 million to \$40.1 million, which offers
 8 additional support that ORA’s recommended forecast of \$51.600 million, \$47.646
 9 million, and \$47.017 million for 2017, 2018 and 2019, respectively, are reasonable.
 10 ORA also asserts facility projects are highly discretionary and can change based on
 11 management’s reprioritization, indicating that although a project is forecasted, does
 12 not mean the project will be started and/or completed. ORA recommended 2017
 13 actual capital expenditures; and, any SDG&E proposed projects not discussed in
 14 ORA’s following analysis were not opposed.

15 **A. Land/Structures and Improvements Blankets**

16 ORA accepts SDG&E’s forecast for the Land Blanket; however, ORA
 17 opposes 2018 capital expenditures for the Structural Improvement Blanket. Table
 18 18-18 presents the 2012 – 2016 historic data alongside ORA’s recommendation and
 19 SDG&E’s proposed expenditures.

20 **Table 18-18**
 21 **Land/Structures and Improvements Blankets**
 22 **2012-2016 Historic and 2017-2019 ORA/SDG&E Proposed Capital Forecasts**
 23 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	2018	2019
Land Blanket	\$238	\$189	\$246	\$297	\$206	\$302	\$302	\$302
Structure Blanket	\$2,418	\$1,862	\$1,228	\$1,319	\$2,819	\$1,532	\$4,256	\$3,310
Control House						\$0	\$0	\$1,008
Training Center						\$403	\$605	\$504
SDG&E Proposed						\$2,237	\$5,163	\$5,124
ORA Recommended						\$3,829	\$2,946	\$5,124

24 Source: 2012-2016 – ORA-SDG&E-035-LMW Q.1a., SDG&E 2017-2019 Ex. SDG&E-22 WP pp.2,
 25 13, 14, and 15. 2017 ORA Recommended from SDG&E 2017 Actual Capital Expenditures

1 Generally, SDG&E’s forecast is comprised of blanket funding for planned and
 2 unknown future projects with estimated values less than \$1million; as well as,
 3 requested funding for a Control House and Training Center. ORA accepts SDG&E’s
 4 forecast with the exception of \$2.217 million¹⁵ for emergent and as-yet unspecified
 5 (unknown) projects for 2018. SDG&E calculates the unspecified allowance based
 6 on 3 year average. ORA opposes the unknown funding as SDG&E forecasts known
 7 projects **and** then requests a “placeholder” for unknown projects. ORA understands,
 8 some projects are unknown and use of averaging is a reasonable basis to forecast
 9 unknown/unplanned projects. However, the concept of averaging using historic data
 10 captures various projects both planned and unknown/unplanned. Thus, adding
 11 planned projects to that average which already captures both unplanned and
 12 unplanned projects creates a greater degree of risk that the capital budget will be
 13 higher than actual. ORA’s recommendation for the blanket results in a 3 year
 14 average of \$2.596 million and approximates 2012-2016 historic expenditures.
 15 Further, forecasting capital projects is discretionary and, although SDG&E
 16 specifically forecasts projects does not guarantee those projects will even be
 17 completed as planned.

18 **B. Safety and Environmental Blanket**

19 ORA opposes SDG&E’s 2018 and 2019 capital expenditure forecast for the
 20 Safety and Environmental blanket. Table 18-19 presents the 2012 – 2016 historic
 21 data alongside ORA’s recommendation and SDG&E’s proposed expenditures.

22 **Table 18-19**
 23 **Safety and Environmental Blankets**
 24 **2012-2016 Historic and 2017-2019 ORA/SDG&E Proposed Capital Forecasts**
 25 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	2018	2019
SDG&E Safety Blanket	\$668	\$981	\$1,386	\$290	\$2,120	\$909	\$1,504	\$2,146
ORA Recommended						\$1,327	\$1,089	\$1,089

26 Source: 2012-2016 – ORA-SDG&E-035-LMW, Q.2a., SDG&E 2017-2019 SDG&E-22 WP p. 18.
 27 2017 ORA Recommended from SDG&E 2017 Actual Capital Expenditures.

¹⁵ ORA-SDG&E-035-LMW Q.1b. response

1 Generally, SDG&E’s forecast comprises blanket funding for planned and
 2 unknown future projects with estimated values less than \$1 million. ORA opposes
 3 SDG&E’s forecast, and recommends \$1.089 million for 2018, which is lower than
 4 SDG&E’s forecast by \$1.463 million.¹⁶ Safety and Environmental Blankets costs
 5 are related to emergent and as-yet unspecified (unknown) projects. ORA uses a 5
 6 year average to determine its forecast of \$1.089 million for 2018 and 2019. ORA’s
 7 argument for a lower SDG&E forecast related to emergent and as-yet unspecified
 8 projects is the same argument used for the Land/Structures Improvement Blanket in
 9 Section A. above; and, ORA’s recommended forecast approximates 2012-2016
 10 historic expenditures.

11 **C. Miscellaneous Equipment Blanket**

12 ORA opposes SDG&E’s 2018 and 2019 capital expenditure forecast for the
 13 Miscellaneous Equipment blanket. Table 18-20 presents the 2012 – 2016 historic
 14 data alongside ORA’s recommendation and SDG&E’s proposed expenditures.

15 **Table 18-20**
 16 **Miscellaneous Equipment Blanket**
 17 **2012-2016 Historic and 2017-2019 ORA/SDG&E Proposed Capital Forecasts**
 18 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	2018	2019
SDG&E Blanket	\$202	\$157	\$1,381	\$774	\$324	\$1,956	\$3,475	\$2,065
ORA Recommended						\$846	\$2,606	\$696

19 Source: 2012-2016 – ORA-SDG&E-035-LMW Q.3a., SDG&E 2017-2019 SDG&E-22 WP p. 25., 2017
 20 ORA Recommended from SDG&E 2017 Actual Capital Expenditures.

21 Generally, SDG&E’s forecast comprises blanket funding for planned and
 22 unknown future projects with estimated values less than \$1 million. ORA opposes
 23 SDG&E’s forecast, and recommends for both 2018 and 2019 a lower forecast of
 24 \$1.369 million¹⁷ related to emergent and as-yet unspecified (unknown) projects.

¹⁶ ORA-SDG&E-035-LMW Q.2b. response

¹⁷ ORA-SDG&E-035-LMW Q.3b. response

1 ORA’s argument for a lower SDG&E’s forecast related to emergent and as-yet
 2 unspecified projects is the same argument used for the Land/Structures
 3 Improvement Blanket in Section A. above; and, ORA’s recommended forecast
 4 approximates 2012-2016 historic expenditures.

5 **D. Security Systems Blanket**

6 ORA opposes, SDG&E’s forecast for the Security Systems Blanket. Table
 7 18-21 presents the 2012 – 2016 historic data alongside ORA’s recommendation and
 8 SDG&E’s proposed expenditures.

9 **Table 18-21**
 10 **Security Systems Blanket**
 11 **2012-2016 Historic and 2017-2019 ORA/SDG&E Proposed Capital Forecasts**
 12 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	2018	2019
SDG&E Blanket	\$367	\$1,326	\$388	\$1,404	\$2,420	\$1,760	\$3,401	\$4,047
ORA Recommended						\$1,356	\$775	\$1,680

13 Source: 2012-2016 – ORA-SDG&E-035-LMW Q.4a., SDG&E 2017-2019 SDG&E-22 WP p. 31. 2017
 14 ORA recommended from SDG&E 2017 Actual Capital Expenditures.

15 Generally, SDG&E’s forecast comprises blanket funding for planned and
 16 unknown future projects with estimated values less than \$1 million. ORA opposes
 17 SDG&E’s forecast, and recommends a lower forecast of \$2.626 million¹⁸ in 2018,
 18 and by \$2.367 million¹⁹ in 2019 related to emergent and as-yet unspecified
 19 (unknown) projects. ORA also noted, that SDG&E, in calculating the unspecified
 20 allowances subtracted the value of two projects from RAMP forecasts for 2018 and
 21 2019, which were released to proceed in 2017,²⁰ thereby, not effecting the RAMP
 22 forecast. ORA’s argument for a lower SDG&E forecast related to emergent and as-
 23 yet unspecified projects is the same argument used for the Land/Structures

¹⁸ ORA-SDG&E-035-LMW Q.4b. response

¹⁹ ORA-SDG&E-035-LMW Q.4b. response

²⁰ ORA-SDG&E-035-LMW Q.4b. response

1 Improvement Blanket in Section A. above; and, ORA’s recommended forecast
 2 approximates historic 2012-2016 expenditures.

3 **E. Infrastructure & Reliability Blanket**

4 ORA opposes, SDG&E’s forecast for the Infrastructure and Reliability blanket.
 5 Table 18-22 presents the 2012 – 2016 historic data alongside ORA’s
 6 recommendation and SDG&E’s proposed expenditures.

7 **Table 18-22**
 8 **Infrastructure and Reliability Blanket**
 9 **2012-2016 Historic and 2017-2019 ORA/SDG&E Proposed Capital Forecasts**
 10 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	2018	2019
Infrastructure Blanket	\$2,003	\$2,091	\$1,138	\$1,299	\$1,035	\$1,560	\$1,947	\$4,636
NOC TI								\$2,015
Mission Gen. Repl.		\$1,305	\$1,624	\$5				
RBDC A/C Replace			\$796	\$123	\$628			
Switchgear/UPS Imp.				\$1,176	\$136			
Generator Replace				\$960	\$37			
SDG&E Total	\$2,003	\$3,396	\$3,558	\$3,563	\$1,836	\$1,560	\$1,947	\$6,651
ORA Recommended						\$2,715	\$615	\$5,319

11 Source: 2012-2016 – ORA-SDG&E-035-LMW Q.5a., SDG&E 2017-2019 SDG&E-22 WP pp. 43 and
 12 44. 2017 ORA Recommended from SDG&E 2017 Actual Capital Expenditures.

13 Generally, SDG&E’s forecast is comprised of blanket funding for planned and
 14 unknown future projects with estimated values less than \$1 million. ORA opposes
 15 SDG&E’s forecast, and lowers the forecast by \$1.332 million²¹ in 2018 and 2019
 16 related to emergent and as-yet unspecified (unknown) projects. ORA’s argument for
 17 a lower SDG&E forecast related to emergent and as-yet unspecified projects is the
 18 same argument used for the Land/Structures Improvement Blanket in Section A.
 19 above; and, ORA’s recommended 3 year average forecast (\$2.883 million)
 20 approximates historic 2012-2016 expenditures.

²¹ ORA-SDG&E-035-LMW Q.5b. response

1 **F. Alternative Energy Systems Blanket**

2 ORA opposes SDG&E’s forecast for the Alternative Energy Systems blanket.
 3 Table 18-23 presents the 2012 – 2016 historic data alongside ORA’s
 4 recommendation and SDG&E’s proposed expenditures.

5 **Table 18-23**
 6 **Alternative Energy System Blanket**
 7 **2012-2016 Historic and 2017-2019 ORA/SDG&E Proposed Capital Forecasts**
 8 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	2018	2019
SDG&E Blanket	\$603	\$66	\$691	\$1,816	\$1,105	\$2,625	\$2,814	\$5,724
ORA Recommended						\$2,124	\$2,625	\$2,625

9 Source: 2012-2016 – ORA-SDG&E-035-LMW Q.7a., SDG&E 2017-2019 SDG&E-22 WP p. 25. 2017
 10 ORA Recommended from SDG&E 2017 Actual Capital Expenditures.

11 According to SDG&E, the primary driver for SDG&E’s cost increases is due to
 12 implementing program-based installations of electric vehicle chargers and plug-in
 13 receptacles at occupied facilities across the SDG&E territory, both fee owned and
 14 leased. Further, as noted in SDG&E’s response to ORA discovery²², the
 15 “Alternative Energy Program Allowances” included in 2018 and 2019 for both
 16 employee and Fleet vehicle charging stations across the portfolio (employees pay
 17 for their own energy purchases). The allowances are driven by projected increases
 18 in employee EV ownership and electric vehicles additions to the Company fleet. The
 19 increased costs for these installations are \$2.744 million (Employee: \$1.469
 20 million²³ and Fleet: \$1.275 million²⁴) in 2018 and \$5.532 million (Employee \$2.982
 21 million²⁵ and Fleet: \$2.550 million²⁶) in 2019.

²² ORA-SDG&E-035-LMW Q.7b. response

²³ ORA-SDG&E-035-LMW Q.7a. response

²⁴ ORA-SDG&E-035-LMW Q.7a. response

²⁵ ORA-SDG&E-035-LMW Q.7a. response

²⁶ ORA-SDG&E-035-LMW Q.7a. response

1 ORA opposes SDG&E’s forecasts for 2018 and 2019. ORA considers the
 2 use of 2017 actual as reasonable funding for the installations given the basis of
 3 SDG&E’s forecast, which is based on the projected increases in employee EV
 4 ownership and electric vehicles additions to the Company fleet. With ORA’s
 5 arguments relative to the addition of fleet as a discretionary item coupled with the
 6 difficulties in projecting the number of employee’s EV ownership, ORA recommends
 7 the Commission adopt ORA’s recommendation. In 2018, ORA’s recommendation
 8 approximates SDG&E’s forecasted expenditures, and allows for over 50 percent of
 9 2019 forecasted expenditures.

10 **G. Remodels/Reconfigurations/Relocations**

11 ORA accepts SDG&E’s forecast for Remodel/Reconfiguration/Relocation
 12 capital expenditures with the exception of the Century Park (CP) - 4, and CP-5
 13 refresh projects. Table 18-24 below presents ORA’s recommendation and SDG&E’s
 14 proposal:

15 **Table 18-24**
 16 **Remodels/Reconfigurations/Relocation**
 17 **2017-2019 ORA/SDG&E Proposed Capital Forecasts**
 18 **(in Thousands of 2016 Dollars)**

Description	ORA Recommended			SDG&E Proposed		
	2017	2018	2019	2017	2018	2019
CP East TI	\$9,569	\$4,494	\$4,947	\$10,943	\$4,494	\$4,947
CP-4 Refresh	\$0	\$0	\$0	\$0	\$0	\$15,993
CP-5 Refresh	\$0	\$0	\$0	\$0	\$10,200	\$0
CP6 Cust. Call Ctr TI	\$2,559	\$0	\$0	\$2,592	\$0	\$0
Remodel Blanket	\$6,162	\$2,280	\$2,868	\$1,260	\$2,280	\$2,868
Annex Plus TI	\$0	\$0	\$0	\$2,821	\$0	\$0
CP6 Emer. Office	\$0	\$0	\$2,826	\$0	\$0	\$2,826
Remaining Projects	\$3,176	\$504	\$2,468	\$2,110	\$504	\$2,468
Total	\$21,466	\$7,278	\$13,109	\$19,726	\$17,478	\$29,102

19 Source: SDG&E Proposed - SDG&E-22 WP pp. 50-58. 2017 ORA Recommended from SDG&E
 20 2017 Actual Capital Expenditures.

21

1 ORA's recommendation to lower SDG&E's forecast is based on SDG&E's
2 responses²⁷ as follows for both CP-4 and CP-5:

- 3 • Detailed plans for this request have not been created as this project
4 is currently in the conceptual phase. Interviews with internal
5 stakeholders are in progress and plans are in the initial stages of
6 development.
- 7 • SDG&E confirmed the current facilities do provide a safe and
8 healthy environment for our employees.
- 9 • The facility is currently ADA compliant to the best of our knowledge,
10 and this project is not being submitted to mitigate or eliminate any
11 ADA deficiency.

12 ORA notes the following projects were completed even though not proposed
13 in the 2016 GRC (e.g. CP East, Annex Plus, CP-6 Customer Call Center, CP-6
14 Emergency Offices) indicating SDG&E was able to fund the projects within their
15 previous 2016 historic capital expenditures of \$40.079 million, and actual 2017
16 capital expenditures of \$51.600 million. ORA's recommended 2018 and 2019
17 forecasts fall within that range.

18 **H. Business Unit Expansions**

19 ORA opposes SDG&E's forecast and recommends lowering SDG&E's
20 forecast related to capital expenditure forecasts for the Kearney Master Plan,
21 Mission Critical Facility Plan, and a portion of the Business Unit Expansion Blanket.
22 Table 18-25 presents ORA's recommendation and SDG&E's proposal:

²⁷ ORA-SDG&E-029-LMW Q.4 (CP-4) Q.8 (CP-5)

1
2
3
4

Table 18-25
Business Unit Expansions
2017-2019 ORA/SDG&E Proposed Capital Forecasts
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SDG&E Proposed		
	2017	2018	2019	2017	2018	2019
Greencraig II TI	\$3,322	\$13,944	\$0	\$8,564	\$13,944	\$0
Bus. Unit Exp. Blanket	\$824	\$1,108	\$5,207	\$1,378	\$1,108	\$7,707
Miramar Welding Room	\$0	\$1,008	\$3,023	\$0	\$1,008	\$3,023
Mission Critical Facility	\$0	\$0	\$0	\$0	\$1,496	\$3,540
Kearny Master Plan	\$0	\$0	\$0	\$504	\$1,512	\$1,975
Ramona C&O Expansion	\$0	\$0	\$378	\$0	\$0	\$378
Total	\$4,146	\$16,060	\$8,608	\$10,446	\$19,068	\$16,623

5 Source: SDG&E Proposed - SDG&E-22 WP pp. 59-69. 2017 ORA Recommended from SDG&E
6 2017 Actual Capital Expenditures.

7 **1. Kearney Master Plan**

8 In response to ORA discovery,²⁸ SDG&E indicates that the Kearney Master
9 Plan forecast is based on a preliminary master plan that offers options for re-
10 development of the Kearny Construction & Operations property. A 3-phased plan for
11 redevelopment was suggested and the first phase of the plan has an estimated
12 implementation cost of approximately \$20M. The \$4M forecast includes an
13 approximation for pre-implementation costs at 10%, or \$2M, of the implementation
14 costs. The additional \$2M included in the forecast is an allowance to cover re-
15 assessment of the master plan program. SDG&E cannot accurately forecast a
16 precise total cost estimate for any of the three project phases now. SDG&E
17 anticipates a potential start of implementation activities in 2020 and the next GRC
18 would be the venue requesting approval for implementation funding.

19 ORA opposes funding for this project in the current GRC as any funding is
20 premature and any cost recovery be requested in the 2020 GRC. As SDG&E
21 stated, the project is based on a preliminary plan, is currently reviewing options,
22 asks for **pre**-implementation costs, will need to re-asses the master plan program,

²⁸ ORA-SDG&E-030-LMW Q.4a, 4b, 4c.

1 cannot forecast a precise cost estimate, and recommends the 2020 GRC be the
2 venue requesting approval implementing funding.

3 **2. Mission Critical Facility Consolidation & Expansion**

4 In response to ORA discovery²⁹ regarding the Mission Critical Facility
5 Consolidation & Expansion, SDG&E states: “A concept plan for the project has not
6 yet been developed and will be dependent on a site selection. As a result, the
7 forecast is based on high level assumptions. SDG&E’s response to Item 3a clarifies
8 the assumed basis and total forecasted cost of the project, as well as the basis for
9 the \$5M requested for 2018 and 2019. SDG&E cannot accurately forecast a precise
10 total cost estimate now. This initial request is to begin site selection,
11 planning/programming, design documents, preconstruction activities and ministerial
12 permitting. Through progress of these activities, SDG&E would be able to produce
13 and refine a total cost estimate. SDG&E is anticipating a potential start of
14 implementation activities in 2020 and the next GRC would be the venue requesting
15 approval for implementation funding.”

16 ORA opposes funding for this project in the current GRC as any funding is
17 premature and any cost recovery be requested in the 2020 GRC. As SDG&E
18 stated, no concept plan is developed, no site selected, can’t forecast a precise cost
19 estimate, and recommends the 2020 GRC would be the venue requesting approval
20 implementing funding.

21 **3. Business Unit Expansion Blanket**

22 Generally, SDG&E’s forecast comprises blanket funding for planned and
23 unknown future projects with estimated values less than \$1 million. ORA opposes
24 SDG&E’s forecast, and lowers the forecast by \$2.500 million³⁰ in 2019 related to
25 emergent and as-yet unspecified (unknown) projects. ORA’s argument for a lower
26 SDG&E forecast related to emergent and as-yet unspecified projects is the same
27 argument used for the Land/Structures Improvement Blanket in Section A. above;

²⁹ ORA-SDG&E-030-LMW Q.3a, 3b, 3c.

³⁰ ORA-SDG&E-030-LMW Q.1b.

1 and, approximates historic 2012-2016 expenditures. See Table 18-26 for
2 presentation of historic data and comparison of proposed recommendations.

3 **Table 18-26**
4 **Business Unit Expansion Blanket**
5 **2017-2019 ORA/SDG&E Proposed Capital Forecasts**
6 **(in Thousands of 2016 Dollars)**

Description	2012	2013	2014	2015	2016	2017	2018	2019
SDG&E Blanket	\$746	\$1,061	\$239	\$825	\$1,288	\$1,378	\$1,108	\$3,707
Training Facility								\$4,000
SDG&E Total	\$746	\$1,061	\$239	\$825	\$1,288	\$1,378	\$1,108	\$7,707
ORA Recommended						\$824	\$1,108	\$5,207

7 Source: 2012-2016 – ORA-SDG&E-030-LMW Q.1a., SDG&E 2017-2019 SDG&E-22 WP p. 64. 2017
8 ORA Recommended from SDG&E 2017 Actual Capital Expenditures.

9

1

PART IV: ENVIRONMENTAL SERVICES

I. NON-SHARED AND SHARED EXPENSES

2
3 SDG&E is forecasting \$4.850 million for TY 2019 which is \$975,000 or 16.7%
4 below 2016 recorded expenses for Supply Management’s Non-Shared O&M; and,
5 SDG&E is requesting \$2.107 for TY 2019 expenses for Shared O&M which is
6 \$405,000 or 16.1% below 2016 recorded expenses. ORA does not oppose
7 SDG&E’s TY 2019 forecast for Environmental Services. Environmental Services
8 expenses are forecast to decrease by approximately \$1 million from 2016 to TY2019
9 due to a consolidating of SCG and SDG&E programs. This consolidation increased
10 SCG’s TY 2019 forecast by \$1 million; however, decreased SDG&E’s Environmental
11 Program costs by approximately \$1 million. Further, ORA noted SDG&E’s 2017
12 expense forecast was in line with 2017 actual recorded expenses. Table 18-27
13 below, presents 5 years of historic data alongside ORA’s recommendations and
14 SDG&E’s forecast.

15
16
17
18

Table 18-27
Environmental Services Non-Shared and Shared O&M Expenses
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Environmental	\$5,442	\$5,369	\$5,605	\$5,340	\$5,021	\$4,015	\$4,015
NERBA	\$1,073	\$792	\$693	\$1,047	\$804	\$835	\$835
Total Non-Shared	\$6,515	\$6,161	\$6,298	\$6,387	\$5,825	\$4,850	\$4,850
Shared:							
Enviro. Srv. Prog.	\$2,821	\$2,551	\$2,562	\$2,493	\$2,512	\$2,107	\$2,107

19 Source: 2012-2016 data from Ex. SDG&E-23 WP, pp. 5, 38, 62, 88, 96, 105, and 113.

1 **WITNESS QUALIFICATIONS**

2 My name is L. Mark Waterworth. 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 Utility Regulatory Analyst V in the Energy Cost of
5 Service and Natural Gas Branch.

6 I received a Bachelor of Science Degree in Business Administration
7 (Accounting) from the California State University, Pomona, and a Bachelor of Arts
8 Degree in Economics from the University of California, Davis. I am a licensed C.P.A
9 (inactive) in the State of California.

10 Since joining the Commission in 2003, I have participated in General Rate
11 Case, Catastrophic Event Memorandum Account, Biennial Cost Allocation, and
12 special projects proceedings. In addition to my primary role conducting the financial
13 examinations, I have been responsible for the areas of Cost of Capital, Income
14 Taxes, Electric Generation, Gas Operations Capital, Cost Allocation, Pensions and
15 Bankruptcy. In participating in the various proceedings, I have prepared testimony
16 related to Pacific Gas and Electric Company, San Diego Gas and Electric Company,
17 Southern California Gas Company, Southern California Edison Company,
18 PacifiCorp, and Southwest Gas Corporation.

19 This completes my prepared testimony.