

ORA DATA REQUEST
ORA-SDG&E-DR-052-PM1
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: JANUARY 26, 2015
DATE RESPONDED: FEBRUARY 9, 2015

1. Please provide the following delineated by the shared and non-shared services for all software contracts included in GRC recorded and forecast capital expenditures 2009-2016:
 - a. Start date and expiration date.
 - b. Contract has option to extend service beyond the expiration date (yes or no).
 - c. Cost of contract by year (in nominal and base year 2013 dollars) delineated by labor, non-labor and other.
 - d. Total cost of software contracts by year (in nominal and base year 2013 dollars) delineated by labor, non-labor and other.
 - e. Type of contract (product contract, contract for the supply of products, contracts for the supply of services, or contract for the custom development (service) and supply of solutions/applications).

SDG&E Response 01:

Software contracts are not tracked in this manner for GRC recorded and forecasted capital expenditures covering 2009-2016. This response is consistent with discussions held on January 22nd, 2015 between ORA, SDG&E and SoCalGas.

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2. Please provide the following delineated by the shared and non-shared services for all software contracts included in GRC recorded and forecast O&M expenses 2009-2016:
- a. Start date and expiration date.
 - b. Contract has option to expend service beyond the expiration date (yes or no).
 - c. Cost of contract by year (in nominal and base year 2013 dollars).
 - d. Total cost of software contracts by year (in nominal and base year 2013 dollars).
 - e. Type of contract (product contract, contract for the supply of products, contracts for the supply of services, or contract for the custom development (service) and supply of solutions/applications).

SDG&E Response 02:

The data to address this response was obtained through two separate internal systems. The SAP system contains the historical costs paid to software vendors and the Enterprise Contract Management (ECM) system contains the contract agreement with software vendors. The table represented in attachment ORA-SDG&E-DR-052-PM1 Q2 Attachment.xls represents combined information from these two systems in order to address answers to questions 2.a – 2.e.

For item 2.a, some software contracts, start date and expiration date are not available because the ECM system was upgraded in May, 2014. These are identified in the table as, “not avail.”

For item 2.e, SDG&E does not track contract types by the categories listed above. We have provided the following level of detail, using general ledger accounts:

SRV-DISTRIB SOFTWARE	Generally used for vendor contracts associated with software that runs on a variety of distributed server platforms.
SRV-MAINFRAME SOFTWR	Generally used for vendor contracts associated with software that runs on the enterprise server platforms.
SRV-SOFTWR MAINT&LSE	Generally used for vendor contracts associated with software that runs on other hardware platforms.

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3. Regarding SDG&E's response to ORA-SDG&E-DR-27-PM1 Q. 7, which stated "SDG&E determined the forecast costs of \$100,000 by calculating the average IT employee salary in 2013. \$10,000 per employee in associated NL (non-labor) costs was based upon management estimates to cover employee related expenses such as travel, office supplies, furniture, etc." please provide the following (this question pertains to both capital expenditures and O&M expenses, if SDG&E used different methods to forecast capital vs expenses please provide separate answers to items a-c below):
- a. Calculations (in Excel format) used in determining employee salary of \$100,000.
 - b. Please provide all materials, studies, and analysis used by management to develop the non-labor cost forecast of \$10,000.
 - c. Does SDG&E track non-labor costs for the addition of new employees? If the answer is yes, please provide yearly recorded 2009-2013 O&M expenses and capital expenditures (in nominal and base year 2013 dollars delineated separately) for the addition of new IT department employees.

SDG&E Response 03:

Capital:

- A. The forecasted labor capital expenditures from 2014-2016 are not calculated using the average IT employee salary of \$100,000 for 2013. Capital projects estimates use professional judgment and the experience of subject matter experts (SME) of the existing systems impacted for labor estimations. Examples of how labor is estimated in individual projects can be found in Appendix B of Mr. Mikovits' testimony (Exh. SDG&E-19) and ORA-SDG&E-DR-001-PM1.
- B. The forecasted non-labor capital expenditures from 2014-2016 are not calculated using the average 10,000. Capital projects use various estimation tools for non-labor, including vendor quotes, existing contracts, etc. Examples of how labor is estimated in individual projects can be found in Appendix B of Mr. Mikovits' testimony (Exh. SDG&E-19) and ORA-SDG&E-DR-001-PM1.
- C. Non-labor costs for the addition of new employees are not tracked for forecasted capital expenditures. Examples of how non-labor is estimated can be found in Appendix B of Mr. Mikovits' testimony (Exh. SDG&E-19) and ORA-SDG&E-DR-001-PM1.
- D.

O&M:

- A. Calculations for the average employee salary were based on actual salaries for all IT employees as of 2013. Please see attachment ORA-SDG&E-DR-052-PM1 Q3.a Attachment.
- B. The O&M non-labor cost forecast of \$10,000 associated with each new employee was determined using management experience and based on consideration for the following types of costs:

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Response to Question 3B (Continued)

- a. Computer equipment and accessories
 - b. Telecommunications equipment and services
 - c. Office supplies
 - d. Travel
 - e. Training, conferences
 - f. Any certifications, or required licenses
- C. Non-labor costs for the addition of new employees are not tracked for forecasted O&M expenditures.

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4. In response to ORA-SDG&E-DR-27-PM1 Q. 8 SDG&E stated “Additional IT employees were forecasted as part of organic growth. The funding for these employees was allocated across categories of management on a weighted average of O&M labor spend in 2013. This allocation resulted in partial FTE forecasts.” Regarding this statement please provide the following for TY 2016 GRC O&M expense forecasts:
- a. Calculations on how SDG&E determined “weighted average” “allocation.”
 - b. Identify the yearly 2013 recorded to TY2016 percentage of “organic growth” and how SDG&E determined percentage of “organic growth” and contractual obligation increases yearly 2013-2016.

SDG&E Response 04:

- a. For 4.a please see attachment ORA-SDG&E-DR-PM1 Q4.a Attachment.xlsx
- b. O&M labor forecasts driven by organic growth are a subset of total labor growth. Management consideration of the labor resource needs to support organic IT growth resulted in the assumption of 15 incremental employees in 2015 and again in 2016. Organic growth is based upon management experience and takes into consideration topics such as business demand, industry trends, and technology changes. Please see ORA-SDG&E-DR-PM1 Q4 column E. “Contractual obligations” are not relevant with respect to O&M labor forecasts.

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5. Please identify if SDG&E's TY 2016 GRC forecast for labor and non-labor O&M expenses was developed based on "organic growth" and/or contractual obligations. If the answer is yes, please state so and provide the following:
- a. All calculations used in forecasting/estimating 2014, 2015 and TY2016 O&M expenses (in Excel format).
 - b. Justification for the method utilized for calculating "organic growth" and/or contractual obligations.
 - c. Any studies and/or analysis utilized by SDG&E to calculate "organic growth" and/or contractual obligations.

SDG&E Response 05:

- a. Only SDG&E's forecast for labor (including employee expenses) was developed based on organic growth and was addressed in the response to question ORA-SDG&E-DR-052-PM1 Q 4.
- b. Please see response to question ORA-SDG&E-DR-052-PM1 Q 4.
- c. Please see response to question ORA-SDG&E-DR-052-PM1 Q 4.

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6. Please identify if SDG&E’s TY 2016 GRC forecast for capital expenditures was developed based on “organic growth” and/or contractual obligations. If the answer is yes, please state so and provide the following:
- a. All calculations used in forecasting/estimating 2014, 2015 and TY2016 capital expenditures.
 - b. Justification for the method utilized for calculating “organic growth” and/or contractual obligations.
 - c. Any studies and/or analysis utilized by SDG&E to calculate “organic growth” and/or contractual obligations.

SDG&E Response 06:

The term “organic growth” is in reference to O&M as stated in ORA-SDG&E-DR-052-PM1 Q4 and does not apply to the GRC forecast for capital expenditures.

Examples of forecasting/estimation, justification, etc. for GRC forecasted capital expenditures can be found in Appendix B of Mr. Mikovits’ testimony (Exh. SDG&E-19), and ORA-SDG&E-DR-001-PM1.

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7. Please identify if SDG&E’s TY 2016 GRC forecasts for capital expenditures and O&M expenses were developed based on “organic growth” and/or contractual obligations. If the answer is yes, please state so and provide the following:
- a. All calculations used in forecasting/estimating 2014, 2015 and TY2016 capital expenditures.
 - b. Justification for the method utilized for calculating “organic growth” and/or contractual obligations.
 - c. Any studies and/or analysis utilized by SDG&E to calculate the “organic growth” and/or contractual obligations.

SDG&E Response 07:

Capital:

This is a duplicate request of ORA-SDG&E-DR-052-PM1 Q6, and the response provided for ORA-SDG&E-DR-052-PM1 Q6 is included below for convenience.

The term “organic growth” is in referenced to O&M as stated in ORA-SDG&E-DR-052-PM1 Q4 and does not apply to the GRC forecast for capital expenditures.

Examples of forecasting/estimation, justification, etc. for GRC forecasted capital expenditures can be found in Appendix B of Mr. Mikovits’ testimony (Exh. SDG&E-19) and ORA-SDG&E-DR-001-PM1.

O&M:

Only SDG&E’s forecast for labor (including employee expenses) was developed based on “organic growth” and was addressed in the response to question ORA-SDG&E-DR-052-PM1 Q 4.

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8. Please provide yearly revenues in GRC accounts for SDG&E's IT department recorded 2009-2013 and forecast 2014-2016 (in nominal and base year 2013 dollars). Include where revenues are recorded, and associated TY 2016 GRC testimony explaining IT department revenues.

SDG&E Response 08:

It is unclear what is meant by "revenues" in this context.

There are certain IT-related shared assets that generate miscellaneous revenues between the Sempra utilities. For example, SoCalGas might own an IT asset which is also used (considered "shared") by San Diego Gas & Electric Company ("SDG&E"), Sempra Energy Corporate Center ("SECC") and its unregulated affiliates. In this case, SoCalGas will bill SDG&E, SECC, and its unregulated affiliates for the use of the asset which will be recorded as miscellaneous revenues for SoCalGas. For further information regarding miscellaneous revenue between the affiliates please reference the testimony of Michelle Somerville (SCG 32).

There are no specific IT related miscellaneous revenues as they relate to non-affiliates authorized in the 2008 GRC or 2012 GRC. IT is not seeking any miscellaneous revenues as they relate to non-affiliates in its 2016 GRC.

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9. Please provide detailed descriptions of “Concept Document,” “Business Case” and “In-Flight,” as identified in the January 22, 2015 meeting between ORA and SCG, including all criteria a project must meet to be classified as each.

SDG&E Response 09:

Detailed descriptions of “Concept document” and “Business Case” are available in Mr. Mikovits’ testimony (Exh. SDG&E-19). “In Flight” was not included in testimony but was discussed during the meeting noted in the data request. SDG&E shared these topics during the meeting to provide an overview of the overall project lifecycle and how documentation is utilized through the process. Each of the documents listed becomes an historical artifact as a project moves from Concept to Business Case to In Flight. These artifacts are available for reference but are not kept up to date as projects move forward. The requested descriptions for each are provided below. The descriptions provided for Concept Documents and Business Cases are extracted from Mr. Mikovits’ testimony for convenience (Ex. SDG&E-19 SJM-22 and Ex. SDG&E-19 SJM-23 respectively):

Concept Document:

“Concept documents (see Appendix A for a concept document summary template) are high-level assessments developed for review during the capital planning process. The concept document contains typical project elements such as cost estimates, business benefits and project schedules. It also provides project teams the opportunity to document alternative options considered, as well as business risks and implications of not proceeding with the project. All of these elements are available for consideration during project prioritization and approval. The Central Business Planning group then decides whether to approve funding as part of its prioritization and approval process.”

Business Cases:

“Once funding is approved by the Central Business Planning group for a concept, a complete business case must be prepared and approved before work begins. Business cases are developed jointly by representative(s) from the sponsoring IT department, representative(s) from the sponsoring business department (when applicable) and a representative from the IT Project Management Office (“IT PMO”). Additional business case contributors, as required, may be included on the project team that is assigned to develop the business case. Typically, the responsibilities for developing specific aspects of the business case are handled as follows:

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Response to Question 9 (Continued)

- The sponsoring IT department is primarily responsible for defining the project scope, identifying the technical approach, and generating the basis of estimate for the capital costs and ongoing O&M support costs.
- The business representatives are primarily responsible for confirming the business requirements, calculating the business benefits, and ensuring that the proposed solution meets the business objectives.
- The IT PMO ensures that the templates are completed correctly, that the budgets are calculated and characterized correctly, and that the proposed scope is consistent with policy.”

In-Flight

In-flight projects have completed the business cases process and received approval to utilize requested capital funding. In-flight projects are required to provide financial updates on a monthly basis including actual spend to date and forecasted total project spend at completion. As is the nature with many IT capital projects, various types of changes may occur as a project proceeds, which may impact the approved funding level for the project. Illustrative examples include: changes in project scope (i.e., adding functionality), schedule (i.e., needing to allow more time for testing activities in order to achieve the expected level of quality) and/or resources (i.e., bringing in addition employees and/or contractors to address specific technical challenges).

This information was also discussed during the January 22nd, 2015 meeting held between ORA, SDG&E and SoCalGas.

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10. Please provide a list of all capital projects (in Excel format) included in estimated values on Table SJM-14 (Ex. SDG&E-19, p. 22) delineated by items “A-G” and further by the current status of the project: “Concept Document,” “Business Case,” and “In-Flight” (if as of 1/26/2015 is not available please provide most recent available status) and include the following information (if any of the projects do not meet the three criteria above explain and provide the information requested in parts a-g in a separate section):
- a. Forecast in GRC application, yearly 2014-2016 in 2013 dollars by labor and non-labor.
 - b. If current forecast differs from GRC application forecast please provide the current yearly and total 2014-2016 forecast. Current forecast (if as of 1/26/2015 is not available please provide most recent available status) by labor and non-labor in 2013 dollars.
 - c. If current forecast implementation dates differ from forecast in GRC application, please provide the current and GRC application forecast dates by labor and non-labor in 2013 dollars.
 - d. Difference between items a and b above, yearly 2014-2016, by labor and non-labor in 2013 dollars.
 - e. Hardware forecast.
 - f. Software forecast.
 - g. Current status of project (if as of 1/26/2015 is not available please provide most recent available status): complete, all necessary contracts signed, some necessary contracts signed, no necessary contracts signed, vendor quotes obtained, vendor quotes not obtained, work commenced, work not commenced, meet all approval necessary, and not meet all approval necessary (include a column for each of the above items and check boxes for all of the criteria that applies to each project).

SDG&E Response 10:

At the January 22, 2015 meeting, SDG&E and SoCalGas agreed to provide information on any project that has progressed along the capital project planning approval process since the information was last provided in the November, 2014 GRC application filing.

Only one project has changed during that time period. Workpaper 831M Direct Access Service Request has since been approved for business case and is currently in-flight. The table requested was provided in a previous submission ORA-SDG&E-DR-037-PM1 Question 5, which is as of November 2014.

The remainder of the request seeks information outside of the scope of what SDG&E said it could provide during the January 22, 2015 discussion, and as such, SDG&E has not provided that information. In addition, the requested information does not pertain to SDG&E’s forecast for capital projects in the GRC.

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SDG&E Response 10 Continued:

- A. Please refer to response previously provided for ORA-SDG&E-DR-037-PM1 Question 7.
- B. The Rate Case Plan does not provide for the utility to update its forecasted expenses, either up or down, in its application except for certain, specific and identified items in the update filing following hearings. As the utility is not entitled to revise its forecast up as circumstances may warrant, neither is the utility required to revise forecasts downward. Should a party choose to recommend a different funding level for a particular activity it is up to the party to derive a new forecast or other calculations to support that assertion.
- C. The Rate Case Plan does not provide for the utility to update its forecasted expenses, either up or down, in its application except for certain, specific and identified items in the update filing following hearings. As the utility is not entitled to revise its forecast up as circumstances may warrant, neither is the utility required to revise forecasts downward. Should a party choose to recommend a different funding level for a particular activity it is up to the party to derive a new forecast or other calculations to support that assertion.
- D. Difference cannot be provided because the Rate Case Plan does not provide for the utility to update its forecasted expenses, either up or down, in its application except for certain, specific and identified items in the update filing following hearings. As the utility is not entitled to revise its forecast up as circumstances may warrant, neither is the utility required to revise forecasts downward. Should a party choose to recommend a different funding level for a particular activity it is up to the party to derive a new forecast or other calculations to support that assertion.
- E. As discussed in the January 22, 2015 meeting and ORA-SDG&E-037-PM1 Question 7, further delineated non-labor categories for capital expenditures are currently not forecast for GRC purposes. The yearly estimate has been provided for 2014-2016 broken out by Labor and Non-Labor categories in the previous submission ORA-SDG&E-DR-037-PM1 Question 7.
- F. As discussed in the January 22, 2015 meeting and ORA-SDG&E-037-PM1 Question 7, further delineated non-labor categories for capital expenditures are currently not forecast for GRC purposes. The yearly estimate has been provided for 2014-2016 broken out by Labor and Non-Labor categories in the previous submission ORA-SDG&E-DR-037-PM1 Question 7.

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11. Regarding SDG&E's response to SDG&E_Reponse_DEF-001-B, please update the Excel file to include the following information:
- a. O&M decreases, including explanations for decreases.
 - b. Accounts where forecast has no change from recorded 2013 to TY2016.
 - c. A column with TY2016 total by account.

SDG&E Response 11:

Please see ORA-SDG&E-DR-052-PM1 Q11 Attachment.xlsx