

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case – Track 2
Application No.: A.22-05-016
Exhibit: SDG&E-T2-07

PREPARED REBUTTAL TESTIMONY OF
R. CRAIG GENTES
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
(TRACK 2 - ACCOUNTING)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



July 26, 2024

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1 **PREPARED REBUTTAL TESTIMONY OF R. CRAIG GENTES**
2 **ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

3 **I. INTRODUCTION**

4 My revised direct testimony describes San Diego Gas & Electric Company’s (SDG&E)
5 Wildfire Mitigation Plan Memorandum Account (WMPMA) costs between 2019-2022, presents
6 the direct cost balances in the accounts, discusses the process for adding appropriate loaders to
7 the recorded direct costs, provides how SDG&E offset the amounts previously authorized in
8 SDG&E’s Test Year (TY) 2019 General Rate Case (GRC), and presents the amount that
9 SDG&E seeks recovery for in this GRC Track 2 proceeding. As further explained in this
10 rebuttal testimony and as supported by Ernst & Young’s (E&Y) report submitted with my
11 revised direct testimony, SDG&E’s process for calculating its request for recovery and offsetting
12 amounts previously authorized in the 2019 GRC confirms that SDG&E seeks only costs
13 incremental to those previously authorized. The expansion of SDG&E’s wildfire mitigation
14 program in response to Senate Bill (SB) 901 created substantial additional work beyond that
15 contemplated in the 2019 GRC, requiring SDG&E to hire additional employees and incur
16 substantial additional costs to perform this work. These costs are incremental to those authorized
17 in the 2019 GRC and thus properly the subject of SDG&E’s request for recovery.

18 In addition to confirming the incrementality of SDG&E’s requested costs beyond those
19 authorized in the 2019 GRC (specifically as to straight-time labor, employee benefits, and
20 overhead), this rebuttal testimony addresses the substantial documentary support SDG&E
21 provided to substantiate its request for recovery, SDG&E’s proper accounting for E&Y’s report
22 findings, and the timeliness of costs included in SDG&E’s request for recovery, in response to
23 the June 14, 2024 testimony from the Public Advocates Office at the California Public Utilities

1 Commission (Cal Advocates), Small Business Utility Advocates (SBUA), and Utility
2 Consumers' Action Network (UCAN).

3 The absence of a response to any issue in this rebuttal testimony does not imply or
4 constitute agreement by SDG&E with the proposal or contention made by these or other parties.

5 **II. SDG&E PROVIDED EXTENSIVE DOCUMENTARY SUPPORT FOR ITS**
6 **REQUEST FOR RECOVERY**

7 Cal Advocates' complaints regarding the workpapers and invoices SDG&E provided to
8 support its request are unfounded.¹ As SDG&E explained to Cal Advocates, SDG&E maintains
9 detailed invoices to support transactions. In response to Cal Advocates' data requests, SDG&E
10 repeatedly asked Cal Advocates to request a representative sample of invoices to review, which
11 is consistent with generally accepted auditing practices and similar to what SDG&E produced to
12 E&Y and to Cal Advocates in Track 1 of the 2024 General Rate Case.² Cal Advocates did not
13 do so, and instead requested line itemization and invoices to support over 90% of the direct costs
14 in SDG&E's Track 2 request, which would have taken several months to compile and would
15 have provided for unwieldy review. This refusal to request a representative sample caused the
16 delay of Cal Advocates' receipt of supporting invoices, requiring SDG&E to create criteria for
17 the sampling after providing Cal Advocates several opportunities to do so. SDG&E ultimately
18 provided Cal Advocates with invoices for the largest two transactions of any line items over
19 \$500,000 for O&M and \$2.5 million for capital, totaling hundreds of invoices to support its
20 request for recovery.³

¹ Cal Advocates' Report on SDG&E's Submission and Supplemental Testimony Supporting its Track 2 Request to Authorize Recovery of Incremental Wildfire Mitigation Costs Incurred from 2019-2022, Direct Costs, Part 1 of 2 (Chauncey Quam) (June 14, 2024) (Exhibit (Ex.) CA-02 (Quam)) at 4-6.

² SDG&E Responses to Data Requests PAO-SDGE-301-CQU, PAO-SDGE-313 & PAO-SDGE-321-CQU. All data request responses referenced herein are attached as Appendix 1.

³ SDG&E Responses to Data Requests PAO-SDGE-310-CQU & PAO-SDGE-321-CQU.

1 **A. Invoices Provided Support SDG&E’s Request**

2 Contrary to Cal Advocates’ claims, the invoices that SDG&E provided sufficiently
3 support SDG&E’s request for recovery.⁴ SDG&E follows invoicing protocols so that the
4 booking of costs underlying its request for recovery is accurate and correct. SDG&E’s Supply
5 Management department works with SDG&E’s vendors to enter into supplier contracts. These
6 contracts contain language related to the expectations and requirements of the level of invoice
7 documentation required of vendors.

8 Within SDG&E, the appropriate personnel, who have knowledge of the work being
9 performed by a particular vendor, are responsible for reviewing the accuracy of the vendor
10 invoices before they are approved for payment. These personnel have the necessary interactions
11 with the vendors and the understanding of work being performed to determine whether an
12 invoice is appropriate to be paid. These personnel will ascertain that the services being billed
13 were actually incurred and were in compliance with contract terms.

14 This person is also responsible to code the invoice with the appropriate accounting
15 identifiers such as cost centers, budget codes and internal orders. These accounting identifiers
16 will allow the costs to be booked to the appropriate place. For example, the proper accounting
17 codes ensure that costs are appropriately allocated to CPUC or FERC jurisdictional rates, that
18 they are grouped into O&M versus capital activities, or that they are assigned to high fire threat
19 district versus non-high fire threat districts. Expenditures for both capital and O&M are
20 reviewed, on a monthly basis, throughout SDG&E. As part of the financial closing process, a
21 monthly review of the expenditures is performed by SDG&E's accounting departments to
22 determine the overall reasonableness of costs. These monthly reviews, as well as account

⁴ Ex. CA-02 (Quam) at 4-6.

1 reconciliations and Sarbanes-Oxley controls testing, are conducted to ensure the appropriateness
2 of the charges to a given cost center, budget code or internal order.

3 In addition, SDG&E, as a company that is a registrant of the Securities and Exchange
4 Commission, has an annual financial statement audit by Deloitte & Touche (“Deloitte”). As part
5 of these annual audits, Deloitte selects a representative sample of invoices to review and has
6 always been able to conduct its review with these invoices to ensure appropriate accounting has
7 been applied. These audits evaluate SDG&E’s financial and internal control environment and
8 have always provided SDG&E with a clean audit opinion, which states that SDG&E’s financial
9 statements present fairly, in all material respects, its financial position in accordance with
10 generally accepted accounting practices in the United States.

11 **B. Ernst & Young Analysis Supports SDG&E’s Request**

12 SDG&E additionally provided a detailed report from E&Y in support of its request for
13 recovery. SDG&E proactively engaged E&Y to review the wildfire mitigation costs incurred
14 from May 30, 2019 through December 31, 2022 and evaluate whether the costs were
15 appropriately booked to the WMPMAs and were incurred for activities incremental to those
16 contemplated by the revenue requirements authorized in SDGE’s 2019 GRC. Contrary to
17 SBUA’s claims,⁵ the E&Y report did consider and support the reasonableness, prudence, and
18 incrementality of the costs included in SDG&E’s request for recovery.

19 E&Y’s analysis included analyzing whether activities recorded in the sample population
20 were consistent with activities described in SDG&E’s applicable Wildfire Mitigation Plan
21 (WMP). Furthermore, E&Y’s analysis considered the applicable advice letter documenting

⁵ Opening Testimony of Ariel Strauss on Track 2 on Behalf of SBUA (June 14, 2024) (Ex. SBUA-01 (Strauss)) at 9-10.

1 allowable costs.⁶ Although E&Y is not an engineering firm, their analysis included appropriate
2 steps to consider if activities were necessary (i.e., anticipated in the approved WMP and advice
3 letter). E&Y further tested for reasonableness by recalculating unit prices under each cost
4 category and comparing those unit prices to prices charged by other vendors performing similar
5 services.⁷

6 E&Y analyzed in detail the incrementality of costs. E&Y's report describes several steps
7 including: 1) obtaining the GRC filing with supporting schedules to gain an understanding of the
8 nature and timing, as well as the activities and types of costs included within current base rates;
9 2) obtaining SDG&E's 2019-2021 Risk Spending Accountability Reports (RSAR) and analyzing
10 them to understand actual expenses compared to imputed authorized costs; and 3) identifying
11 activity types within the GRC and RSAR with risk of double recovery. E&Y then calculated the
12 total imputed authorized costs and actual spend for the activities identified as potentially
13 containing wildfire costs over the years in question.

14 Based upon E&Y's review procedures, E&Y found no evidence of systemic errors or
15 omissions that would raise questions relating to management's conclusions that costs were: 1)
16 incurred for the activities set forth in the corresponding relevant CPUC approved account; 2)
17 accurately recorded; 3) incremental; and 4) recorded in only one account.

18 E&Y's reputation and experience further support the validity of its review procedures and
19 conclusions. E&Y is one of the "Big Four" accounting firms in the world. E&Y has the
20 professional knowledge and credentials to use sampling methods that would allow them to draw
21 meaningful conclusions from a subset of a larger population. E&Y operates in a heavily

⁶ Revised Prepared Direct Testimony of R. Craig Gents on Behalf of SDG&E, Chapter 2 (Track 2 – Accounting) (February 9, 2024) (Ex. SDG&E T2-02R (Gentes)), Appendix 8 at. 3.

⁷ *Id.*, Appendix 8 at 8.

1 monitored environment. The Public Company Accounting Oversight Board (PCAOB) was
2 established by the Sarbanes-Oxley Act of 2002 (SOX) and oversees auditing and accounting
3 firms like E&Y. The PCAOB has a rigorous inspection program and annually inspects the
4 practices of E&Y. This oversight of auditing and accounting firms including E&Y is crucial for
5 maintaining confidence in financial reporting and protecting investors. This is why SDG&E, on
6 its own volition, sought an audit from E&Y to demonstrate that its sought-after costs were
7 appropriately booked to the WMPMAs and incremental to SDG&E's 2019 GRC, and why
8 E&Y's audit should be relied upon here.

9 **III. SDG&E REQUESTED ONLY INCREMENTAL COSTS**

10 **A. Direct Costs**

11 **1. Straight-time Labor Costs Were Incremental**

12 Cal Advocates' recommended adjustments to remove straight-time and executive labor
13 from SDG&E's recovery are without merit. Cal Advocates recommends removal of \$28.502
14 million in capital and \$2.404 million in O&M in Grid Design and System Hardening labor costs,
15 in addition to \$10.899 million in capital and \$25.107 million in O&M in labor costs covering all
16 other work categories, erroneously claiming that these costs were all included in SDG&E's 2019
17 GRC funding.⁸ Cal Advocates' recommended adjustments reflect a misunderstanding of GRC
18 authorized funding and a miscalculation of the labor costs included in SDG&E's request.

19 With the passing of SB 901 in 2018, SDG&E began embarking on a significant initiative
20 to reduce wildfire risk, which was neither foreseen nor requested in SDG&E's 2019 GRC
21 application that was filed in 2017. The creation of the WMP program required SDG&E to create

⁸ Ex. CA-02 (Quam) at 6; Cal Advocates' Report on SDG&E's Submission and Supplemental Testimony Supporting its Track 2 Request to Authorize Recovery of Incremental Wildfire Mitigation Costs Incurred from 2019-2022, Direct Costs, Part 2 of 2 (Monica Weaver) (June 14, 2024) at 8-9.

1 a whole new internal organization to meet the state’s safety and reliability expectations and SB
2 901 requirements. The Commission recognized that this had the potential for significant
3 investment and astutely approved the WMPMA as a mechanism to track and potentially recover
4 these costs outside of the GRC.

5 In the GRC, authorization for capital funding is awarded by the Commission at the
6 workpaper (project) level. While SDG&E provides extensive supporting workpapers that further
7 break down historical (where available) and forecasted full-time equivalent (FTE) amounts, the
8 Commission authorizes total project dollars without consideration of the labor versus non-labor
9 components. By extension, if a project was not requested in the GRC or other application, then
10 no internal labor or third-party costs are authorized for that project. If a project scope is
11 expanded beyond what was adopted in the GRC, the labor dollars associated with that expanded
12 scope are similarly not included in the previously authorized funding for the project.
13 Accordingly, contrary to Cal Advocates’ assertions, the majority of the internal capital labor
14 costs associated with WMP projects were not included in SDG&E’s 2019 GRC funding.

15 Moreover, Cal Advocates’ recommended adjustments to remove all straight-time labor
16 costs from SDG&E’s recovery ignore that some of these costs were already authorized by GRC
17 funding and already removed from SDG&E’s request for recovery. As explained in my Revised
18 Direct Testimony, SDG&E’s process for calculating incremental costs for recovery ensures that
19 costs covered by 2019 GRC funding are excluded from SDG&E’s request. SDG&E includes the
20 fully loaded authorized amounts for the WMP-related activities authorized in the 2019 GRC in
21 the WMPMA to compare to the fully loaded actual costs of the WMP-related activities.⁹

⁹ Ex. SDG&E-T2-02R (Gentes) at 12-13.

1 Specifically, for departments that are devoted exclusively to WMP activities, such as
2 SDG&E's Wildfire & Climate Science Division, SDG&E recorded all labor and non-labor costs
3 of this division to the WMPMAs and then compared these CPUC jurisdictional costs to the
4 relevant amount authorized in the 2019 GRC to determine what portion of those wildfire
5 mitigation related costs are considered incremental. For all other internal labor relating to WMP
6 activities, SDG&E included the fully loaded amounts authorized in the 2019 GRC in the
7 WMPMA so that the fully loaded actual costs could be compared to determine the incremental
8 costs incurred. To the extent that these costs exceeded the authorized, that excess of costs would
9 be incremental and were included in SDG&E's request for recovery. This methodology is
10 supported by E&Y's report findings regarding the determination of incrementality, as described
11 above in Section II (B).

12 Contrary to Cal Advocates' unsupported claims, SDG&E did hire additional employees
13 and incurred substantial additional non-labor costs to perform the incremental WMP-related
14 activities. As reflected in Jonathan Woldemariam's Rebuttal Testimony, the WMP activities
15 created substantial additional work beyond that contemplated in the 2019 GRC, and SDG&E had
16 to hire additional employees to perform this work. As discussed in more detail in Mr.
17 Woldemariam's Rebuttal Testimony, SDG&E created new departments, and FTEs were added to
18 some existing departments, to support the increased wildfire mitigation-related work. For
19 example, SDG&E created a new Wildfire Mitigation Department in mid-2019, and this
20 department had 17 FTEs by the end of 2022. SDG&E additionally created the Access and
21 Functional Needs Department, which consists of about 5 FTEs. Moreover, the Fire Science and
22 Climate Adaptation Department added 8 FTEs since mid-2019, and Emergency Management

1 added 10 FTEs since 2019. These efforts alone total 40 new FTEs hired to support SDG&E's
2 wildfire mitigation programs.¹⁰

3 Along with the additional FTEs mentioned above, during the period included in this
4 Track 2 filing, SDG&E has experienced growth in the total labor hours worked reflected as
5 FTEs, primarily caused by the implementation of the WMP activities. Accordingly, Cal
6 Advocates' assertions are incorrect and should be disregarded.

7 **2. Employee Benefit Costs Were Incremental**

8 Cal Advocates recommends a disallowance of \$0.221 million in capital and \$0.261
9 million in O&M expenses associated with employee benefits such as event tickets, cash awards,
10 and gift cards, incorrectly arguing that these costs are already embedded in rates through the
11 GRC.¹¹ Cal Advocates falsely claims that SDG&E stated that it did not hire new employees or
12 create new positions to perform the work recorded in the WMPMAs and thus that the employee
13 benefit costs cannot be incremental if the labor to which they are associated is not incremental.¹²
14 SDG&E, however, never stated that it did not hire new employees or create new positions to
15 perform the work recorded in the WMPMAs. To the contrary, SDG&E informed Cal Advocates
16 that it hired an additional 35 internal FTEs between 2019 and 2022 within the Wildfire &
17 Climate Science Division alone.¹³ Further, as detailed in the Rebuttal Testimony of Jonathan
18 Woldemariam and in Section III(A)(1) above, SDG&E's hiring to support its wildfire mitigation
19 efforts extended beyond this division as well.

20 The WMPMAs include the authorized amounts for employee benefit costs that were
21 included in the costs of the WMP-related activities and capital projects that were included in the

¹⁰ Woldemariam Rebuttal at 21-24.

¹¹ Ex. CA-02 (Quam) at 9.

¹² *Id.*

¹³ SDG&E Response to PAO-SDGE-304-LRS Q5 attached hereto as Appendix 1.

1 2019 GRC. Therefore, these same types of actual costs are included in the WMPMAs to be able
2 to determine incrementality. Although the 2019 GRC included these types of costs stemming
3 from normal work levels, these costs vary and increase when work levels increase as with the
4 additional WMP activities. The amounts included in SDG&E's request for recovery reflect this
5 incremental increase based on the additional WMP activities.

6 **B. Indirect Costs**

7 Indirect costs are variable in nature and therefore increase as activities that are
8 incremental to the 2019 GRC occur. Indirect costs are captured in overhead pools and applied to
9 an appropriate direct cost that benefits from or causes the indirect cost to be incurred. Certain
10 indirect costs only occur due to direct labor being charged to a project, such as pension &
11 benefits, incentive compensation, vacation & sick, and workers' compensation. Other indirect
12 costs are applied to a project based upon the most appropriate direct costs, including engineering,
13 department overheads, contract administration, and exempt materials.¹⁴ In the GRC, each pool is
14 forecasted in its own workpaper and then later applied to each applicable direct cost via the
15 revenue requirement and other models. The GRC forecasts are developed at a point in time with
16 anticipated work levels at the time of filing. When significant new programs begin in the middle
17 of a GRC cycle, costs increase above the levels anticipated in the GRC, and the majority of
18 overheads will vary with the increased work created by the WMP programs. For example, if
19 SDG&E undergrounds more electrical equipment than was assumed and adopted in the GRC,
20 additional engineering-related costs to design such work will likely be incurred, resulting in
21 incremental indirect or overhead costs. When SDG&E filed its 2019 GRC, the WMP program
22 was not yet contemplated. Once the WMP program came into existence, activities relating to the

¹⁴ A17.10.007 (Cons.) SCG-34-2R/SDG&E-32-2R see JV-8.

1 WMP program could be recorded in the WMPMA for potential recovery to the extent that they
2 exceed the amounts that were authorized in the 2019 GRC.

3 **1. SDG&E’s Methodology Properly Identifies Incremental Indirect**
4 **Costs**

5 Cal Advocates’ criticism of SDG&E’s methodology for identifying incremental indirect
6 costs is unfounded. Cal Advocates claims that SDG&E’s process of loading direct costs before
7 removing authorized costs allows SDG&E to collect overhead for costs that may later be found
8 to be non-incremental and recommends instead that indirect costs only be loaded to the amounts
9 that are determined to be incremental.¹⁵ But SDG&E’s process ultimately results in
10 identification of the same incremental indirect costs as would be identified by Cal Advocates’
11 process.

12 SDG&E utilizes its accounting system monthly to calculate the appropriate amount of
13 overhead costs that are loaded onto the direct costs. SDG&E’s accounting system does not
14 contain authorized costs; therefore, it is not possible to use the accounting system to first deduct
15 the amounts authorized from the actual direct costs before then calculating the overheads on just
16 the incremental direct costs. SDG&E’s approach was instead to record in the WMPMAs the
17 fully loaded authorized amounts to then compare to the fully loaded actual costs to arrive at the
18 incremental amount. If SDG&E’s accounting system did contain the fully loaded authorized
19 costs, the comparison to the fully loaded actual costs would arrive at the same amount of
20 incremental costs as contained in this filing.

¹⁵ Cal Advocates’ Report on SDG&E’s Submission and Supplemental Testimony Supporting its Track 2 Request to Authorize Recovery of Incremental Wildfire Mitigation Costs Incurred from 2019-2022, Indirect Costs (Leah Rassam) (June 14, 2024) (Ex. CA-04 (Rassam)) at 5.

1 **2. Labor-Related Overhead Costs Are Incremental**

2 Cal Advocates’ recommendation that the Commission deny SDG&E rate recovery for all
3 labor-related overhead as already recovered through authorized GRC revenues relies on the same
4 false premise as its recommendation on the denial of straight-time labor costs and additionally
5 reflects a misunderstanding of many of the overhead categories.¹⁶

6 In requesting the denial of over \$280 million in “labor-related” overhead costs, Cal
7 Advocates mistakenly assumes that all of the overhead categories reflected in Table 4-5 of CA-
8 04 are directly tied to the hiring of new full-time employees.¹⁷ While a few overhead categories
9 such as payroll tax, pension & benefits, incentive compensation, vacation & sick, and workers’
10 compensation are tied to the hiring of new employees, the remainder of the categories are not
11 and may increase with additional workload regardless of whether new employees are hired.

12 These other overhead categories include costs from external third-parties performing
13 services for SDG&E, such as engineering, department overheads and contract administration.
14 The engineering overhead, for example, contains the cost of third-party planners, designers and
15 engineers that SDG&E engages to supplement its workforce when work levels increase, as in the
16 case of WMP capital projects. The department overhead contains the cost of third-party electric
17 construction and operations supervision and administration personnel SDG&E uses to
18 supplement its workforce when work levels increase as with the WMP. Similarly, the contract
19 administration overhead contains the cost of third-party field construction advisor personnel
20 SDG&E uses to supplement its workforce.

21 Some of the overhead categories also include employee labor associated with engineers,
22 department overheads, contract administration, administrative and general and warehouse

¹⁶ *Id.* at 5-8.

¹⁷ *Id.*

1 employees who direct charge into an overhead pool. These SDG&E employees direct charge
2 their labor to an overhead pool for time that is not attributable to a single capital project. These
3 costs are then loaded onto capital projects where the support of these groups benefits the project
4 but was not directly charged to the project. The authorization of capital funding by the
5 Commission previously discussed in Section III(A)(1) also applies to this labor; therefore, these
6 overhead costs are also incremental to the 2019 GRC.

7 Moreover, as explained in Jonathan Woldemariam’s Rebuttal Testimony¹⁸ and in Section
8 III(A)(1) above, SDG&E hired a substantial number of additional full-time employees to cover
9 the increased workload of the WMP projects. With these employee increases, labor-related
10 overheads such as payroll tax, vacation & sick, pension & benefits, incentive compensation, and
11 workers’ compensation will also increase.

12 As explained in my Revised Direct Testimony, SDG&E includes the fully loaded
13 authorized amounts for the WMP related activities authorized in the 2019 GRC in the WMPMA,
14 which includes the authorized direct labor and associated overheads.¹⁹ Therefore SDG&E also
15 included the actual direct labor and associated overhead costs in the WMPMA to determine the
16 incremental overhead costs included in its request for recovery.

17 **3. Exempt Materials Overhead Costs Were Incremental**

18 Cal Advocates recommends that \$9.560 million in exempt materials overhead be
19 removed from SDG&E’s incremental costs based on the mistaken understanding that all exempt
20 materials overhead is covered by SDG&E’s 2019 GRC funding, is “not for any WMP specific
21 activity and is for materials that would be available for other utility use even if wildfire costs

¹⁸ Woldemariam Rebuttal at 21-24.

¹⁹ Ex. SDG&E-T2-02R (Gentes) at 4-6, 9-10.

1 were not incurred.”²⁰ In fact, however, SDG&E’s request for recovery included only exempt
2 materials overhead related to WMP activities not contemplated in GRC funding.

3 The exempt materials overhead capture costs associated with bulk type materials that are
4 not individually inventoried or managed by the warehouses. These materials include items like
5 nuts, bolts, filters, clamps, paint, batteries and couplings which are restocked directly onto the
6 service trucks as needed. The amount of this overhead that was included in the 2019 GRC
7 related to normal operation levels and the activities and projects that ultimately became part of
8 the WMP that were included in the 2019 GRC.

9 The quantity of exempt materials used increased, however, due to the increased work
10 activities of the WMP program beyond those contemplated by and included in the 2019 GRC.
11 The 2019 GRC thus did not include the increased costs related to the exempt materials used in
12 these activities. Accordingly, SDG&E properly calculated the incremental cost of the exempt
13 materials by including in the WMPMAs the GRC authorized funding of exempt materials that
14 related to WMP activities, and the actual fully loaded cost of WMP activities, such that the
15 amount that actual costs exceeded the authorized is the incremental amount sought in this filing.

16 **C. SDG&E Properly Accounted for Any GRC Underspend**

17 Cal Advocates incorrectly argues that SDG&E failed to account for several areas of
18 allegedly unspent GRC funding in its request for recovery. It claims that SDG&E’s overall
19 incremental costs should be reduced by these amounts of underspend.²¹

²⁰ Ex. CA-04 (Rassam) at 9.

²¹ Cal Advocates’ Report on SDG&E’s Submission and Supplemental Testimony Supporting its Track 2 Request to Authorize Recovery of Incremental Wildfire Mitigation Costs Incurred from 2019-2022, Incremental Costs (Brandon Benitez) (June 14, 2024) (Ex. CA-05 (Benitez)) at 3-6.

1 As an initial matter, SDG&E did not underspend in four of the five categories listed by
2 Cal Advocates. SDG&E's only actual area of underspend was in Data Governance.²²

3 Moreover, SDG&E's method of calculating incremental costs already factors for any
4 underspend. SDG&E agrees with Cal Advocates that any unspent wildfire-related GRC funding
5 should be used to offset the incrementality of work in other categories, and SDG&E's method of
6 calculation ensures that. As explained in my Revised Direct Testimony, SDG&E captures the
7 costs related to WMP activities and subtracts the amounts authorized in the 2019 GRC related to
8 these activities.²³ To the extent that any such activity was underspent, SDG&E's method
9 includes this underspend as a reduction of the request in this filing. SDG&E's approach to
10 calculating the incremental costs thus already includes the "negative numbers" as requested by
11 Cal Advocates. Both SDG&E's and Cal Advocates' calculation method will result in the same
12 total amount if both use the same authorized and actual cost levels.

13 **D. SDG&E Did Not Underspend its Total 2019 GRC Authorized Amounts**

14 Cal Advocates states that "...in some instances SDG&E did not fully utilize the GRC
15 imputed adopted funding or overspend its 2019 GRC decision imputed adopted funding for its
16 WMP activities as SDG&E claimed."²⁴ SDG&E recognizes that it may need to re-prioritize
17 funding to address critical matters that arise during the GRC cycle. The Commission has
18 explicitly recognized that "new programs or projects may come up, others may be cancelled, and
19 there may be reprioritization. This process is expected and is necessary for the utility to manage
20 its operations in a safe and reliable manner."²⁵

²² Revised Prepared Direct Testimony of Jonathan Woldemariam on Behalf of SDG&E, Chapter 1 (Track 2 – Wildfire) (February 9, 2024) at 7, Table JW-1.

²³ Ex. SDG&E-T2-02R (Gentes) at 12-13.

²⁴ Ex. CA-05 (Benitez) at 4 (citation omitted).

²⁵ D.11-05-018 at 27.

1 It is for these reasons that “utilit[ies] [are] allowed the flexibility to reprioritize the
2 authorized funds in order to ensure safe and reliable operations.”²⁶ Reprioritizing spending also
3 allows utilities to “[r]espond to immediate or short-term crises outside of the RAMP and GRC
4 process,”²⁷ in accordance with Commission directives. As the Commission has stated, “RAMP
5 and GRCs...are not designed to addresses immediate needs; the utilities have responsibility for
6 addressing safety regardless of the GRC cycle.”²⁸ Accordingly, SDG&E re-prioritizes its
7 spending as needed and reports the incurred spending in its annual Risk Spending Accountability
8 Reporting. Reprioritization is captured in variances, which are explained in the annual RSAR
9 filing and which may be attributable to a variety of causes. Many variances included in the
10 report are driven, at least in part, by the pressures created by safely and reliably managing a
11 utility in California, including (but not limited to) the WMP.

12 The 2023 RSAR filing contains a cumulative view of SDG&E’s capital and O&M
13 spending including the years applicable in Track 2 of the GRC (2019 through 2022). In the
14 RSAR, each of SDG&E’s lines of businesses that contain GRC spending for safety, reliability,
15 and maintenance report actual spending as compared to authorized. While there are specific
16 instances of certain workpapers being underspent, in totality, SDG&E spent more than it was
17 authorized even when excluding WMP activities.

²⁶ Energy Division, Safety-Related Spending Accountability Report for Southern California Edison (May 2017) (Safety Report) at 10, available at https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/safety/scesafety-relatedspending.pdf; *see also*, Resolution E-4464 (May 10, 2012) at 7 (“Under GRC ratemaking, the utilities are given an authorized revenue requirement to manage various parts of their utility business. Recognizing that the utilities may need to re-prioritize spending and spend more or less in a particular area of their business, the Commission affords them substantial flexibility to decide how much to spend in any particular area.”).

²⁷ D.18-04-016 at 6, (citing D.16-08-018 at 151-152).

²⁸ D.18-12-014 at 35.

1 **IV. SDG&E PROPERLY ACCOUNTED FOR ERNST & YOUNG’S FINDINGS**

2 **A. Extrapolation**

3 E&Y identified items totaling approximately \$0.8 million (extrapolated to \$2.6 million)
4 that were not properly evidenced for inclusion in the WMPMAs. While Cal Advocates and
5 UCAN recommend the removal of the fully extrapolated amount,²⁹ SDG&E’s accounting
6 practice, as explained in my Revised Direct Testimony, is to only book known accounting
7 adjustments, not extrapolated amounts.³⁰ When SDG&E discovers an accounting error and
8 knows the amount of that error, only the known error is recorded. Extrapolating a known error is
9 not used to record an adjustment in the accounting records. Accordingly, SDG&E acted in
10 accordance with accounting protocols in booking the known accounting adjustment rather than
11 the extrapolated amount.

12 **B. Employee Expenses**

13 E&Y additionally identified approximately \$26,000 in employee expenses that Cal
14 Advocates recommends be extrapolated to \$80,000 and removed from SDG&E’s incremental
15 costs.³¹ Removal of these expenses, however, would be inconsistent with SDG&E’s inclusion of
16 costs in the WMPMAs. The \$26,000 of sampled employee costs relate to charges for employee
17 recognition and gift cards. SDG&E included the authorized amounts of this type of cost in the
18 WMPMAs that were included in the 2019 GRC authorized revenues; therefore, including the
19 actual costs of this type related to WMP activities in the WMPMAs is appropriate. The \$26,000
20 reflects the amount by which the actual costs exceeded the authorized amount and thus are
21 incremental.

²⁹ Ex. CA-04 (Rassam) at 12; Testimony of Mark Fulmer on Behalf of UCAN Concerning SDG&E’s 2024 GRC-Track 2: Wildfire Mitigation Plan Costs and Cost Recovery (June 14, 2024) at 4-6.

³⁰ Ex. SDG&E-T2-02R (Gentes) at 16.

³¹ Ex. CA-04 (Rassam) at 12-14, Table 4-9.

1 **C. Transmission Costs**

2 E&Y identified approximately \$745,000 for exclusion as work related to transmission
3 assets rather than distribution assets, which Cal Advocates recommends be extrapolated to
4 \$9.128 million.³² Cal Advocates' proposed adjustment related to E&Y's transmission findings
5 ignores the expanded procedures E&Y performed to address transmission costs and, unlike
6 E&Y's analysis, is not supported by statistically valid methods.

7 To identify the \$745,000, E&Y's Qualitative Economics and Statistics team, staffed with
8 PhDs in mathematics and statistics, designed the sampling methodology and performed the
9 appropriate extrapolations using statistically valid methods. As noted in the E&Y report, E&Y
10 performed additional testing to address the risk of transmission costs potentially included in the
11 population.³³ Specifically, E&Y performed targeted searches over the entire WMP population to
12 identify transactions potentially related to transmission.

13 E&Y gathered support explaining that certain orders are split between generation,
14 transmission and distribution, and those orders are tracked and settled based on predetermined
15 allocations. From the sample tested, E&Y noted that SDG&E followed those predetermined
16 allocations for the vast majority of transactions. E&Y did identify a handful of transactions with
17 transmission costs inappropriately included and recommended adjusting for these costs, which
18 SDG&E did. SDG&E thus properly accounted for the transmission-related costs identified in the
19 E&Y report, and no extrapolation is warranted.

³² Ex. CA-02 (Quam) at 12.

³³ Ex. SDG&E-T2-02R (Gentes) at Appendix 8.

1 **V. SDG&E REQUESTED COSTS FROM THE APPROPRIATE TIME PERIOD**

2 **A. SDG&E Properly Included Costs Relating to Capital Projects Placed into**
3 **Service May 30, 2019 – December 31, 2022**

4 Cal Advocates recommends the totality of capital overhead from January 1, 2019 to May
5 30, 2019 be removed from SDG&E's incremental costs, because this proceeding examines costs
6 from May 30, 2019, through December 2022.³⁴ This recommendation, however, ignores
7 SDG&E's established practice regarding the timing of funding of capital assets.

8 The longstanding practice that SDG&E uses in its GRCs is capital assets (including the
9 project's capital expenditures) that go into service by the test year are included in the revenue
10 requirement request. Using the Test Year 2019 GRC as an example, a capital asset that started
11 construction in February 2018 and was forecasted to be completed and placed into service in
12 February 2019 would be included at its full cost in the 2019 GRC cycle. It would not have been
13 allowed to have been placed into the preceding 2016 GRC, as it was still under construction
14 during that 2016-2018 cycle and was not used and useful (i.e., placed into service). In following
15 with this practice, SDG&E has included in the WMPMA the capital-related costs of WMP
16 capital projects placed into service May 30, 2019 to December 31, 2022 in this Track 2 filing.
17 SDG&E excluded from the WMPMA's capital projects that were placed into service prior to May
18 30, 2019.

19 **B. SDG&E's Request Supports the Inclusion of Ongoing Capital Costs for**
20 **2023-2027**

21 Cal Advocates and SBUA oppose the inclusion of ongoing capital costs for 2023-2027 in
22 this proceeding. Cal Advocates and SBUA misunderstand SDG&E's request and fail to

³⁴ Ex. CA-04 (Rassam) at 9-10.

1 recognize that the reasonableness of these costs is tied to the reasonableness of capital assets that
2 are already being reviewed in this proceeding.³⁵

3 Utility ratemaking in California spreads capital-related costs over the useful life of the
4 underlying asset. A majority of the costs being reviewed in this proceeding are long-lived assets.
5 By following longstanding California ratemaking practice, should the Commission find the costs
6 at issue in this Track 2 just and reasonable, SDG&E will collect a revenue requirement
7 associated with such costs for many years, even decades. Therefore, while a given capital
8 expenditure is used and useful or placed into service during the time period associated with
9 Track 2 (May 30, 2019 to December 31, 2022), the revenue requirement for that specific asset
10 will be collected in rates through this GRC cycle (i.e., 2027) and beyond.

11 In particular, SDG&E is seeking these forecasted ongoing capital-related costs consistent
12 with how capital investment costs are incurred during construction, but the recovery of the
13 capital-related revenue requirement is then collected over the life of the asset. This process is
14 also consistent with what the Commission recently ordered for Pacific Gas and Electric
15 Company with respect to balances recorded to memorandum accounts pending a reasonableness
16 review.³⁶ The capital expenditures related to WMP assets placed into service from May 30, 2019
17 to December 31, 2022 are included in this filing to be reviewed for reasonableness and
18 incrementality. The forecasted ongoing capital-related costs for 2023-2027 stem from these
19 assets subject to review in this proceeding; these are not new costs or new assets, but rather is the
20 ongoing revenue requirement. Because these capital costs are subject to review by the parties to

³⁵ Ex. SBUA-01 (Strauss) at 11; Ex. CA-04 (Rassam) at 15-16.

³⁶ See A.21-06-021, *Proposed Decision on Test Year 2023 GRC for PG&E* (Sept. 13, 2021) at 759 (finding that PG&E cannot seek the ongoing revenue requirement in its Track 1 GRC for costs in its wildfire mitigation accounts that are the subject of a separate reasonableness review); See A.21-06-021, *Alternate Proposed Decision on Test Year 2023 GRC for PG&E* (Sept. 13, 2021) at 773 (same).

1 this proceeding (and have already been reviewed by E&Y), a separate future proceeding is not
2 necessary. If any inputs to the revenue requirement calculation change from the amounts that
3 SDG&E requested, such as the rate of return, federal, or state tax rates, SDG&E can re-run the
4 capital-related revenue requirement calculation.

5 **C. SDG&E Will Address Cost Savings from Undergrounding for 2023-2027 in**
6 **Separate Proceedings**

7 Cal Advocates recommends that \$15.431 million be adjusted from SDG&E's incremental
8 cost request to reflect the accrual of cost savings from undergrounding for the five years from
9 2023 through 2027 based on the principle of intergenerational equity.³⁷ Cal Advocates'
10 recommendation ignores the fact that the costs herein have already been incurred. This means
11 that the costs recorded to the WMPMAs are the actual costs that reflect any cost efficiencies that
12 SDG&E was able to achieve.

13 Cal Advocates' recommendation further ignores that these cost savings are already
14 accounted for in other proceedings. Cost savings from undergrounding relating to PSPS,
15 vegetation management, and asset inspection/replacement for the year 2023, and the comparison
16 of 2023 authorized costs to the actual costs, will be addressed in SDG&E's Track 3 filing. For
17 the years 2024 to 2027, these costs were already forecast at a lower level in Track 1 for the 2024
18 GRC period. Since the cost savings for 2023 to 2027 will be addressed via separate proceedings,
19 they should not be included in this Track 2 proceeding.

³⁷ Ex. CA-02 (Quam) at 17.

1 **VI. CONCLUSION**

2 For the foregoing reasons, Cal Advocates', UCAN's and SBUA's recommended
3 reductions to SDG&E's request for recovery are without merit and should be rejected. This
4 concludes my rebuttal testimony.

Appendix 1

Data Request Number: PAO-SDGE-301-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 12/7/2023

Date Responded: 1/19/2024

Referring to SDG&E's prepared testimony, Chapter 1, p. JW-7, please provide the following documentation to support SDG&E's request to recover costs for the ten MWP work categories listed in SDG&E's testimony. Please provide the following for both O&M and capital expenditures for each work category listed:

1. Please review the attached excel sheet containing the ten cost categories listed on p. JW-7. Please provide the details requested, and any additional relevant information, in the excel sheets provided for each work category total. Please provide line itemization for each individual cost that was included for each work category.

SDG&E Response 1:

SDG&E objects to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that the burden, expense, and intrusiveness of this request clearly outweigh the likelihood that the information sought will lead to the discovery of admissible evidence. The requested information includes tens of thousands of costs and approximately 500,000 line items when sorted by internal order and cost center. Each of those lines, in turn, may include several individual transactions, resulting in millions of lines of data. The volume of information requested is overly burdensome to produce in the timeframe requested.

SDG&E is providing the cost detail for capital and O&M costs recorded to its WMPMA, which includes correlation to the WMP work categorization currently reflected in SDG&E's SAP system. SDG&E proposes that Cal Advocates review the cost detail provided and identify areas where SDG&E can provide samples of the line-item detail. SDG&E can produce transactional level data at a reasonable quantity for any areas where Cal Advocates requests additional detail.

Subject to and without waiving the foregoing objection, SDG&E responds as follows:

Please see following attachments:

PAO-SDGE-301_ATTCH_1_Q1 (WMP Capital Direct Costs),

PAO-SDGE-301_ATTCH_2_Q1 (WMP Capital Indirect Costs),

PAO-SDGE-301_ATTCH_3_Q1 (WMP O&M Direct Costs), and

PAO-SDGE-301_ATTCH_4_Q1 (WMP O&M Indirect Costs)

These attachments provide capital and O&M cost detail by WMP work categories. These attachments reflect all recorded costs related to the WMP work categories through December 31, 2022. Please note that providing the line itemization would result in millions of lines of data. SDG&E also notes that during the review of the data included

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Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 12/7/2023

Date Responded: 1/19/2024

SDG&E Response 1 Continued:

in this data request response, SDG&E identified non-material discrepancies related to the presentation of costs by WMP category with Tables 3 and 4 of the Direct Testimony of Craig Gentes. SDG&E continues to evaluate and may seek to correct these discrepancies at the next available opportunity.

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Date Received: 12/7/2023

Date Responded: 1/19/2024

2. For each line item listed in the excel sheet, please provide documentation to support the itemized costs for each category. Please provide invoices, receipts, or other supporting evidence for each line-item expense for each category.

SDG&E Response 2:

Please see SDG&E's Objections and response to Question 1 above.

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Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 12/7/2023

Date Responded: 1/19/2024

3. Please provide the total cost for labor that was included in each category. Please provide data for the total labor cost, how it was calculated, and how the labor was split between straight time, over time and double time labor costs. Please include documentation regarding any new employees SDG&E hired, the dates employees were hired, and the cost included for each work category.

SDG&E Response 3:

SDG&E objects to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure to the extent that the burden, expense, and intrusiveness of this request clearly outweigh the likelihood that the information sought will lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

Please see attachments PAO-SDGE-301_ATTCH_1_Q3 (WMP Capital Labor) and PAO-SDGE-301_ATTCH_2_Q3 (WMP O&M Labor), which provide capital and O&M labor cost detail by WMP work categories. These schedules reflect all recorded labor costs related to the WMP work categories through December 31, 2022.

Data Request Number: PAO-SDGE-301-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 12/7/2023

Date Responded: 1/19/2024

4. For each work category please provide documentation for total Overhead Costs. Did SDG&E incur any additional overhead costs that are included in any of the work categories?

SDG&E Response 4:

SDG&E objects to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure to the extent that the burden, expense, and intrusiveness of this request clearly outweigh the likelihood that the information sought will lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

Please see attachments PAO-SDGE-301_ATTCH_2_Q1 (WMP Capital Indirect Costs) and PAO-SDGE-301_ATTCH_4_Q1 (WMP O&M Indirect Costs), which provide capital and O&M indirect cost detail by WMP work categories. These schedules reflect all recorded indirect costs through December 31, 2022.

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody, or control of SDG&E.
9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create documents that do not currently exist.

10. SDG&E objects generally to each request that calls for information that contains trade secrets, is privileged or otherwise entitled to confidential protection by reference to statutory protection. SDG&E objects to providing such information absent an appropriate protective order.

II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

Data Request Number: PAO-SDGE-304-LRS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

1. SDG&E mentions a \$3.7 million overcollection recorded to the Gas WMPMA for the period May 30, 2019, to December 31, 2022.

a. Please identify the reason for SDG&E's overcollection.

SDG&E Response 1a:

Please refer to Appendix 4 in Craig Gentes's direct testimony which shows the monthly activity recorded to the Gas WMPMA. This overcollection was primarily caused by \$7,897,102 of software development credits that were recorded to the Gas WMPMA as the qualified software development assets were placed in service during the period 5/30/2019 to 12/31/2022. Without these software development credits the Gas WMPMA would have been in an under collected position for the period.

Data Request Number: PAO-SDGE-304-LRS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

Question 1-Continued

b. How does SDG&E plan to refund ratepayers for this overcollection? If the utility is not planning to pay back this money, please provide a reason as to why.

SDG&E Response 1b:

The \$3.7 million overcollection exists as of 12/31/2022 as explained SDG&E's response to Question 1a above. The overcollection represents a specific moment in time, but with the anticipation of not having a Track 2 final decision until the latter half of 2024, the first opportunity to adjust gas rates will not be until 1/1/2025, at which time this overcollection is expected to become an under collection as shown in Appendix 6 in Craig Gentes's testimony. SDG&E's intention is to let this under collection accumulate and then in 2025 seek recovery of the balance associated with 5/30/2019 to 12/31/2025 cumulative under collection using traditional ratemaking (i.e. 2019-2025 gas balances totaling \$12 million for 2025 rate impact, 2026 gas balances of \$3.2 million for 2026 rate impact, 2027 gas balances of \$1.7 million for 2027 rate impact), as described in the direct testimony of Valerie Bille, page VB-27, line 6. Then each year after collect the remaining under collections of 2026 and 2027 over each one-year period.

Data Request Number: PAO-SDGE-304-LRS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

2. Please list what cost categories are included in “overhead costs.”

a. Please include the amounts for each cost category that SDG&E was awarded in the 2019 GRC, and that SCE forecasted in the 2024 GRC.

SDG&E Response 2a:

As discussed with Cal Advocates, SDG&E will be providing its response to Question 2(a) on February 8, 2024.

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Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

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Date Received: 1/22/2024

Date Responded: 02/05/2024

Question 2-Continued

b. How were the overhead costs applied to the WMPMA costs calculated? If they were not based on GRC-funded amounts, please explain.

SDG&E Response 2b:

The loading of overhead costs is performed on a monthly basis using overhead rates which are applied on eligible direct costs charged to capital and O&M orders. SDG&E maintains several overhead cost pools for indirect costs such as AFUDC, engineering, employee benefits, incentive compensation, administrative & general support, etc. At each financial month-end, all eligible direct costs are identified, and the related overhead rate calculations are performed, and the resulting overhead costs are loaded to individual orders.

The overheads applied to the authorized direct WMPMA costs were calculated based upon the amounts approved in the 2019 GRC.

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Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

Question 2-Continued

c. Why does SDG&E request overhead costs be applied to both capital and O&M direct costs?

SDG&E Response 2c:

Certain overheads are applied to all labor costs regardless of whether those labor costs are accounted for as capital or O&M. These labor-related overhead costs include employee benefits, incentive compensation, payroll taxes, contract administration, shop order, small tools, and purchasing and warehouse. Other overheads are applied for capital work only. These include engineering, department overheads, and administrative & general support.

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Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

Question 2-Continued

d. Are overhead costs applied to ongoing capital from 2023 through 2027?

SDG&E Response 2d:

No, overheads are not applied to the on-going capital costs from 2023 through 2027. The appropriate capital overheads are only applied to the appropriate direct capital expenditures during the construction phase of an asset. Once an asset is completed and all direct costs of the construction have been recorded no more overheads are applied to the asset. The ongoing capital-related costs for 2023 through 2027 are associated with the depreciation of the asset while it is in service.

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Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

3. Were any specific activities included in this Track 2 subject to a reasonableness review during the 2024 GRC?

SDG&E Response 3:

No, none of the specific capital expenditures nor O&M activities were subject to a reasonableness during the 2024 GRC. SDG&E's Track 2 testimony supports activities and costs incurred from 2019-2022 and the revenue requirement associated with those activities from 2023-2027. SDG&E's TY-2024 GRC supports the company's future forecasts from 2024-2027.

Additionally, as illustrated in Table 7 of Craig Gentes's testimony, \$751 million of capital expenditures and O&M was approved in SDG&E's 2019 GRC and has already been found reasonable by the Commission in D.19-09-051 and are not within the scope of the current reasonableness review.

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Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

Question 3-Continued

a. How are the ongoing capital costs for 2023 to 2027 related to the above activities?

SDG&E Response 3a:

SDG&E objects to the request on the grounds that it is vague and ambiguous with respect to the term “above activities.” Subject to and without waiving the foregoing objection, SDG&E responds as follows:

The ongoing capital costs requested in this Track 2 filing only relate to WMP capital projects that were placed in service by 12/31/2022. None of these capital project activities were forecasted and requested in the 2024 GRC.

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Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

4. Why are taxes on rate base included in the costs from 2019 to 2022?

SDG&E Response 4:

SDG&E objects to this request to the extent it seeks information already publicly available on SDG&E's website and in the testimony supporting this proceeding. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

Return on rate base is taxable income to SDG&E, which is subject to income taxes. Per the CPUC approved preliminary statements for the electric and gas WMPMAs that are provided in Appendix 1 and 2 of Craig Gentes's direct testimony, these taxes are identified to be recorded in the Accounting Procedures at 4a.

Data Request Number: PAO-SDGE-304-LRS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

Question 4-Continued

a. How were these taxes calculated? Are they actual taxes paid or at a statutory rate?

SDG&E Response 4a:

SDG&E objects to this request to the extent it seeks information already publicly available on SDG&E's website and in the testimony supporting this proceeding. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

The return on rate base is adjusted for certain federal and state tax adjustments (e.g., depreciation and property taxes). This results in income within the WMPMA account that is subject to tax at the applicable statutory tax rate.

The applicable statutory tax rate is applied to taxable income within the WMPMA account.

Data Request Number: PAO-SDGE-304-LRS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

5. Please identify all labor and non-labor costs related to the hiring of new employees in the Wildfire & Climate Science division.

SDG&E Response 5:

SDG&E objects to the request on the grounds that it is overly broad and vague and ambiguous. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

Within the Wildfire & Climate Science division, SDG&E hired an additional thirty-five full-time internal employees between 2019 and 2022. The labor costs presented below represent the additional direct labor costs associated with those new employees. The non-labor costs presented below reflect the costs associated contract labor and with materials, travel, and other expenses associated with these new employees. All costs presented are O&M direct costs.

	2019	2020	2021	2022	Total
Labor	60,860.58	1,467,153.14	1,990,537.25	2,765,437.62	6,283,988.59
Non-Labor	216,221.19	689,447.03	3,664,429.91	1,482,894.43	6,052,992.56
Total	277,081.77	2,156,600.17	5,654,967.16	4,248,332.05	12,336,981.15

Data Request Number: PAO-SDGE-304-LRS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

6. Were taxes, interest, and overhead costs (including the V&S loader) included in the analysis done by Ernst & Young or did they only evaluate direct costs in the WMPMAs?

SDG&E Response 6:

The costs that were provided to E&Y to audit were the direct costs incurred associated with the capital expenditures and O&M costs for the years 2019 through 2022. These costs did not include the taxes, interest nor overhead costs other than AFUDC.

Data Request Number: PAO-SDGE-304-LRS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 1/22/2024

Date Responded: 02/05/2024

Question 6-Continued

a. Why was the \$0.8 million that Ernst and Young found to be unreasonable extrapolated to \$2.6 million?

SDG&E Response 6a:

SDG&E objects to the request on the grounds that is vague and ambiguous, and calls for speculation. SDG&E's response is limited to its knowledge and it cannot speak directly to the reasoning of E&Y. E&Y's report speaks for itself. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

As described in E&Y's Report, contained in Appendix 8 of Craig Gentes's testimony, E&Y's analysis included selecting transactions for testing based on the results of data analytics, industry knowledge, and other risks. The remainder of the population not selected for targeted sampling was subject to statistical sampling. See Appendix A in the E&Y report for further detail on the sample design and extrapolation.

Certain errors identified during testing could be isolated based on specific attributes. E&Y identified errors totaling \$816,415 in the sample that contained attributes indicative of costs that fell outside the scope of the filing. E&Y searched the entire population for these attributes and removed all costs that had the same characteristics, to estimate a potential error totaling \$2,054,191 in the entire population.

Errors identified during the testing of the statistical sample were extrapolated to reflect the estimated error in the entire population. As these errors did not have unique characteristics which could be queried to find similar instances within the population, E&Y used a statistical methodology to quantify the total likely error amount of similar occurrences in the population. E&Y identified \$13,354 of errors within the statistical sample that were extrapolated to \$505,891 using the statistical methodology described in Appendix A of the E&Y report.

This extrapolation of known errors into a similar population of transactions estimates the potential amount of error that could exist, but may not reflect actual errors.

Data Request Number: PAO-SDGE-310-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 2/28/2024

Date Responded: 3/22/2024

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody, or control of SDG&E.
9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create documents that do not currently exist. 2 10. SDG&E objects generally to each request that calls for information that contains trade secrets, is privileged or otherwise entitled to confidential protection by reference to statutory protection. SDG&E objects to providing such information absent an appropriate protective order.

Data Request Number: PAO-SDGE-310-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 2/28/2024

Date Responded: 3/22/2024

II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

Data Request Number: PAO-SDGE-310-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 2/28/2024

Date Responded: 3/22/2024

Please provide the following:

1. Referring to SDG&E's prepared testimony, Chapter 1, p. JW-7, regarding historic authorized O&M and capital expenses, please provide SDG&E's comprehensive spending for 2019-2022 for O&M and capital expenditures. Please provide the data requested, and any additional relevant information that details expense totals, by year, for each work project included in the ten WMP categories. Please review the attached Excel spreadsheet, "PubAdv-SDG&E-CQU-310.xls," and provide line itemization for each category from 2019-2022.

SDG&E Response 1:

SDG&E objects to the request to the extent it is vague and ambiguous, namely with respect to the phrase "comprehensive spending." Additionally, SDG&E objects to the request to the extent it is overly broad and unduly burdensome, and duplicative of other requests. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

Please see SDG&E's response to data request PAO-SDGE-301, Question 1.

Also, please see the following attachments:

PAO-SDGE-310_ATTCH_1_Q1 (WMP Capital Orders)

PAO-SDGE-310_ATTCH_2_Q1 (WMP O&M Orders)

These attachments provide capital and O&M order detail by WMP work categories and by year. These attachments reflect all recorded costs related to the WMP work categories through December 31, 2022.

Data Request Number: PAO-SDGE-310-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 2/28/2024

Date Responded: 3/22/2024

2. Referring to the data provided by SDG&E in the response PAO-SDGE-301-CQU, Q. 1:
 - a. Please provide additional supporting data for any line-item O&M or capital expense over \$0.5 million that has the CE Description “SRV-CONSULTING-OTHER” or “SRV-CONTRACTORS-CONSULTING”.

SDG&E Response 2a:

SDG&E objects to the request to the extent it is vague and ambiguous, namely with respect to the phrase “additional supporting data.” Additionally, SDG&E objects to the request to the extent it is overly broad and unduly burdensome, and seeks information related to costs that may not have been recorded to SDG&E’s WMPMA and are not a part of SDG&E’s Track 2 request. Certain expenses and invoices may be in part recorded to the WMPMA and in part related to other SDG&E operations, including transmission costs subject to FERC jurisdiction. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

Please see the following attachments:

PAO-SDGE-310-CQU_ATTCH 3_Q2_Capital

PAO-SDGE-310-CQU_ATTCH 4_Q2_OM

These attachments provide supporting data for line-item capital and O&M expense over \$0.5 million with the CE Description “SRV-CONSULTING-OTHER” or “SRV-CONTRACTORS-CONSULTING”.

Data Request Number: PAO-SDGE-310-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 2/28/2024

Date Responded: 3/22/2024

Question 2 - Continued

- b. Please provide detailed and dated invoices supporting these expenses, in addition to descriptions of the type of work that was provided and when it was completed.

SDG&E Response 2b:

SDG&E objects to the request to the extent it is vague and ambiguous, namely with respect to the phrase “additional supporting data.” Additionally, SDG&E objects to the request to the extent it is overly broad and unduly burdensome, and seeks information related to costs that may not have been recorded to SDG&E’s WMPMA and are not a part of SDG&E’s Track 2 request. Certain expenses and invoices may be in part recorded to the WMPMA and in part related to other SDG&E operations, including transmission costs subject to FERC jurisdiction. Subject to and without waiving the foregoing objections, SDG&E responds as follows:

SDG&E utilizes the Cost Element (CE) Description “SRV-CONSULTING-OTHER" AND “SRV-CONTRACTORS-CONSULTING" generally to capture work scope performed by contractors. This cost element is utilized for line items over \$0.5 million in the following projects and additional regarding the type of work performed is listed by budget code and or order number below. Detailed and dated invoices are provided within the attachments referenced in SDG&E’s response to Question 2a above. As certain costs were ongoing over time, the dates on the invoices reflect the period during which the work was performed.

Capital Costs

1. Budget 20248 – Drone Assessments
 - a. Costs within the program are related to the corrective work associated with pole replacements identified by drone inspections.
2. Budget 22256 – Early Fault Detection
 - a. Costs are associated with the licensing of the iPredict software, which analyzes the data associated with the early fault detection sensors.
3. Budget 20240 – Meteorology Supercomputer Replacements
 - a. Costs are associated with the purchase of new computing infrastructure to run weather models.
4. Budget 20890 – Communication Practices – PSPS Mobile App and ENS
 - a. Costs are associated with updates to PSPS Mobile App to enhance functionality related to Access and Functional Needs and multi-language customers.
5. Budget CNF MSUP – Cleveland National Forest Project
 - a. Costs are associated with the construction monitoring of overhead system hardening work performed within Cleveland National Forest.
6. Budget 20284 – Overhead System Traditional Hardening
 - a. Costs are associated with overhead system hardening work.

Data Request Number: PAO-SDGE-310-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 2/28/2024

Date Responded: 3/22/2024

Question 2 - Continued

O&M Costs

1. Order 7110101 – Fuel Management
 - a. Costs are associated with the performance of the fuels management scope of work.
2. Order 7110103 – FMCA WMP Implementation
 - a. Costs are associated with generator maintenance associated with backup power generators utilized during PSPS de-energizations.
3. Order 7111405 – Customer Resiliency Programs
 - a. Costs are associated with generator maintenance associated with backup power generators and Community Resource Center backup power utilized during PSPS de-energizations.
4. Order 7111443 – Drone Assessment Program (Repair)
 - a. Costs are associated with the O&M related repairs of corrective actions identified by drone inspections.
5. Order 7116780 – Drone Assessment Program
 - a. Costs are associated with performing drone inspections of infrastructure in the HFTD.
6. Order 7124943 – Whole House Gen.
 - a. Costs are associated with implementing the Fixed Backup Power initiative.
7. Order 7129047 – Drone Assessment Prog. (T2)
 - a. Costs are associated with performing drone inspections of infrastructure in the HFTD.
8. Order 7133280 – WMP LiDAR Inspections of Distribution Lines
 - a. Costs are associated with the LiDAR capture of HFTD distribution circuits.
9. Order 7145667 – WMP OM Fuels Modification
 - a. Costs are associated with performing the fuels management work.

Data Request Number: PAO-SDGE-313-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 3/8/2024

Date Responded: 3/22/2024

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody, or control of SDG&E.
9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create documents that do not currently exist. 2 10. SDG&E objects generally to each request that calls for information that contains trade secrets, is privileged or otherwise entitled to confidential protection by reference to statutory protection. SDG&E objects to providing such information absent an appropriate protective order.

Data Request Number: PAO-SDGE-313-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 3/8/2024

Date Responded: 3/22/2024

II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

Data Request Number: PAO-SDGE-313-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 3/8/2024

Date Responded: 3/22/2024

1. Please review the attached Excel spreadsheets, “PubAdv-SDG&E-CQU-313 O&M.xls” and “PubAdv-SDG&E-CQU-313 Capital.xls” which are excerpted from PAO-SDGE-301-CQU, Q. 1, and provide documentation to support each line item listed for O&M and capital expenditures.

a. Please provide invoices, contracts, purchase orders, reimbursement paperwork, supporting documentation from vendors, and any other documentation to clearly support each line item.

SDG&E Response 1a:

SDG&E objects to the request to the extent it is vague and ambiguous, specifically with respect to the term “documentation to support.” SDG&E further objects to the request on the grounds it is unduly broad and overly burdensome. In reviewing the attachments, “PubAdv-SDG&E-CQU-313 O&M.xls” and “PubAdv-SDG&E-CQU-313 Capital.xls,” the sampled items make up approximately 90%-93% of the total O&M and Capital direct costs in SDG&E’s Track 2 request. Each row represents 4-year totals. The line itemization of these items would result in millions of lines of transactional-level data and would require several months to compile. In addition to being an unreasonably burdensome request for SDG&E, production of such a large dataset would be unwieldy for review by Cal Advocates in the timeframe of the proceeding and is unlikely to result in the production of admissible evidence.

For comparison, Ernst & Young (E&Y) performed an independent analysis of SDG&E’s \$2.2 billion in wildfire mitigation capital expenditures and O&M costs incurred from 2019-2022. E&Y reviewed \$405 million or 18% of the \$2,213 million population of costs. They also selected 248 items or 0.14% from a sampling population of 180,387 items.

SDG&E is amenable to providing a requested representative sample of these items, similar to that produced to E&Y and that produced to Cal Advocates in Track 1 of the 2024 General Rate Case.¹ Also, please refer to DR 310-CQU Question 2 as an example of where Public Advocates sampled a specific area, i.e., Consulting-Other and Contracting-Consulting Costs greater than \$500k, and SDG&E produced data and support at a granular level of detail (e.g., invoices, etc.).

¹ Exhibit CA-19, Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2024 General Rate Case - Financial Examination, Miscellaneous Revenues, and Regulatory Accounts, page 17.

Data Request Number: PAO-SDGE-313-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 3/8/2024

Date Responded: 3/22/2024

Question - Continued

b. Each supporting invoice, contract, purchase order, reimbursement paperwork, documentation from a vendor, and other documentation should be clearly labeled to identify the relevant transactional line item supported.

SDG&E Response 1b:

Please see SDG&E's response to Question 1a above.

Data Request Number: PAO-SDGE-313-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 3/8/2024

Date Responded: 3/22/2024

Please see SDG&E's response to Question 1a above.

Question - Continued

c. For each line item, clearly indicate in its supporting documentation(s) the services/work rendered, the precise location where the services/work were rendered, and the transactional amount.

SDG&E Response 1c:

Please see SDG&E's response to Question 1a above. SDG&E further objects to the request to the extent it would require SDG&E to perform additional analysis that do not currently exist with respect to the "precise location" where work was performed, would be unduly burdensome and potentially impossible to generate, and unlikely to lead to the production of admissible evidence.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/19/2024

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody, or control of SDG&E.
9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create documents that do not currently exist.
10. SDG&E objects generally to each request that calls for information that contains trade secrets, is privileged or otherwise entitled to confidential protection by reference to statutory protection. SDG&E objects to providing such information absent an appropriate protective order.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/19/2024

II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/19/2024

1. Referring to SDG&E's response to PAO-SDGE-310, Q. 2, Worksheet #4, invoices provided by SDG&E do not match the line-item totals for O&M expenses. Supporting invoices do not include a breakdown of expense totals. Please respond to the following regarding this incongruence:
 - a. For each instance where the invoices do not match, please provide an explanation and further support that documents the expenses for work performed or services provided, and how it relates to wildfire mitigation activities.
 - b. Please include the breakdown between transmission and distribution expenses if it is not already clearly indicated on each invoice.
 - c. Please include whether the work was completed within a HFTD or within other areas, and the breakdown of costs if work was completed in both.
 - d. Please provide calculation spreadsheets with working formulas, including underlying invoices, in addition to any further support that documents how each line-item amount was calculated from the invoices. e. If a spreadsheet with formulas is not provided by SDG&E, please explain how O&M expense values were calculated.

SDG&E Response 1a-d:

Per discussions with the Public Advocates Office, SDG&E will respond to this question on April 25, 2024.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/19/2024

2. Referring to SDG&E's response to PAO-SDGE-310, Q. 2, Worksheet #3, expenditure totals are not supported by the invoices provided. Supporting invoices do not include the calculations for the "CPUC portion" that was identified in total costs. The journal entry spreadsheets provided by SDG&E contain hard entries rather than formulas calculating the breakdown of expenditure totals. Please respond to the following regarding this incongruence:
 - a. For each of the six invoice tabs included in this excel sheet, please provide an explanation and further support that documents the expenditures for work performed or services provided, and how it relates to wildfire mitigation activities.
 - b. Please include the breakdown between transmission and distribution expenses if it is not already clearly indicated on each invoice.
 - c. Please include whether the work was completed within a HFTD or within other areas, and the breakdown of costs if work was completed in both.
 - d. Please provide calculation spreadsheets with working formulas, including underlying invoices, in addition to any further support that documents how each line-item amount was calculated from the invoices.
 - e. If a spreadsheet with formulas is not provided by SDG&E, please explain how journal entry values were calculated.

SDG&E Response 2a-e:

Per discussions with the Public Advocates Office, SDG&E will respond to this question on April 25, 2024.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/19/2024

3. Referring to SDG&E's response to PAO-SDGE-313, Q. 1a, please answer the following questions:
 - a. What records did SDG&E prepare and maintain in preparation for filling this application if invoices are not available?
 - b. For the above records requested that SDG&E has not provided, please provide an explanation of how SDG&E calculated its request in this proceeding without having such documentation available.

SDG&E Response 3a-b:

Per email with the Public Advocates Office, SDG&E will respond to this question on April 25, 2024.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/19/2024

4. Referring to SDG&E's response to PAO-SDGE-310, Q. 2, Worksheet #4, please review the attached invoice examples titled "Invoice_DRM_CONFIDENTIAL" and "Invoice_KP_CONFIDENTIAL" and answer the following questions for all invoices:
 - a. Line-item expenses and total cost values are missing from many of the invoices sent by SDG&E. Did SDG&E alter any invoices included in data responses sent by SDG&E or remove expense totals from documents?

SDG&E Response 4a:

No. This information was redacted by the vendor. These redacted contract rates are between the prime contractor (Burns and McDonnell) and subcontractors (DR McNatty and KP Environmental). The non-redacted information provides the contract rate between Burns and McDonnell and SDG&E.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/19/2024

Question 4 - Continued

- b. If so, please explain SDG&E's reasoning for removing these totals from the confidential data provided to the Public Advocates Office.

SDG&E Response 4b:

Not applicable. Please see SDG&E's response to Question 4a above.

Data Request Number: PAO-SDGE-321-CQU

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC_Track 2

Publish To: Public Advocates Office

Date Received: 4/4/2024

Date Responded: 4/25/2024

I. GENERAL OBJECTIONS

1. SDG&E objects generally to each request to the extent that it seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine. No information protected by such privileges will be knowingly disclosed.
2. SDG&E objects generally to each request that is overly broad and unduly burdensome. As part of this objection, SDG&E objects to discovery requests that seek “all documents” or “each and every document” and similarly worded requests on the grounds that such requests are unreasonably cumulative and duplicative, fail to identify with specificity the information or material sought, and create an unreasonable burden compared to the likelihood of such requests leading to the discovery of admissible evidence. Notwithstanding this objection, SDG&E will produce all relevant, non-privileged information not otherwise objected to that it is able to locate after reasonable inquiry.
3. SDG&E objects generally to each request to the extent that the request is vague, unintelligible, or fails to identify with sufficient particularity the information or documents requested and, thus, is not susceptible to response at this time.
4. SDG&E objects generally to each request that: (1) asks for a legal conclusion to be drawn or legal research to be conducted on the grounds that such requests are not designed to elicit facts and, thus, violate the principles underlying discovery; (2) requires SDG&E to do legal research or perform additional analyses to respond to the request; or (3) seeks access to counsel’s legal research, analyses or theories.
5. SDG&E objects generally to each request to the extent it seeks information or documents that are not reasonably calculated to lead to the discovery of admissible evidence.
6. SDG&E objects generally to each request to the extent that it is unreasonably duplicative or cumulative of other requests.
7. SDG&E objects generally to each request to the extent that it would require SDG&E to search its files for matters of public record such as filings, testimony, transcripts, decisions, orders, reports or other information, whether available in the public domain or through FERC or CPUC sources.
8. SDG&E objects generally to each request to the extent that it seeks information or documents that are not in the possession, custody, or control of SDG&E.
9. SDG&E objects generally to each request to the extent that the request would impose an undue burden on SDG&E by requiring it to perform studies, analyses or calculations or to create documents that do not currently exist. 2 10. SDG&E objects generally to each request that calls for information that contains trade secrets, is privileged or otherwise entitled to confidential protection by reference to statutory protection. SDG&E objects to providing such information absent an appropriate protective order.

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II. EXPRESS RESERVATIONS

1. No response, objection, limitation or lack thereof, set forth in these responses and objections shall be deemed an admission or representation by SDG&E as to the existence or nonexistence of the requested information or that any such information is relevant or admissible.
2. SDG&E reserves the right to modify or supplement its responses and objections to each request, and the provision of any information pursuant to any request is not a waiver of that right.
3. SDG&E reserves the right to rely, at any time, upon subsequently discovered information.
4. These responses are made solely for the purpose of this proceeding and for no other purpose.

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1. Referring to SDG&E's response to PAO-SDGE-310, Q. 2, Worksheet #4, invoices provided by SDG&E do not match the line-item totals for O&M expenses. Supporting invoices do not include a breakdown of expense totals. Please respond to the following regarding this incongruence:
 - a. For each instance where the invoices do not match, please provide an explanation and further support that documents the expenses for work performed or services provided, and how it relates to wildfire mitigation activities.
 - b. Please include the breakdown between transmission and distribution expenses if it is not already clearly indicated on each invoice.
 - c. Please include whether the work was completed within a HFTD or within other areas, and the breakdown of costs if work was completed in both.
 - d. Please provide calculation spreadsheets with working formulas, including underlying invoices, in addition to any further support that documents how each line-item amount was calculated from the invoices.
 - e. If a spreadsheet with formulas is not provided by SDG&E, please explain how O&M expense values were calculated.

SDG&E Response 1a-e:

Please see attachment PAO-SDGE-321_ATTCH_Q1_OM_CONFIDENTIAL for responses to parts a-d in each of the three tabs. All invoices are from the Drone Assessment of Distribution Infrastructure Program (DIAR). From what was submitted in PAO-SDGE-310, SDG&E found 17 invoices that were not fully allocated to a WMP O&M order listed in each tab. Sixteen of the invoices are from vendor Burns & McDonnell Engineering Co and one is from HiLine Nation, LLC.

The accounting distribution for all 16 Burns & McDonnell invoices are provided by Burns & McDonnell. Burns & McDonnell was directed to allocate the cost based on the 4 categories:

1. Flights/Assessments (WMP O&M),
2. Engineering/Repairs (WMP O&M),
3. Pole Replacements (Electric Distribution 99.38%, FERC 0.62%)
4. Technology Development (WMP Capital – Common Plant).

Burns & McDonnell tracked their internal team and contractors' time based on scope performed on the Drones Assessment program then would report tracked cost to the categories provided by SDG&E. For overall support, like program management and project controls, Burns & McDonnell split those costs based upon each invoices time among the four categories above. These invoices are then reviewed and approved by the relevant SDG&E employees.

The HiLine invoice was split between Transmission and Distribution for drone inspections of infrastructure in the HFTD. The invoice clearly states which line item is for Transmission and the payment reflects that.

All work associated with these invoices was performed within the HFTD.

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Again, please note that transmission costs were excluded from SDG&E's Track 2 cost recovery request. As such, the invoices contain a higher level of costs than what SDG&E is asking to recover in this submission.

2. Referring to SDG&E's response to PAO-SDGE-310, Q. 2, Worksheet #3, expenditure totals are not supported by the invoices provided. Supporting invoices do not include the calculations for the "CPUC portion" that was identified in total costs. The journal entry spreadsheets provided by SDG&E contain hard entries rather than formulas calculating the breakdown of expenditure totals. Please respond to the following regarding this incongruence:
 - a. For each of the six invoice tabs included in this excel sheet, please provide an explanation and further support that documents the expenditures for work performed or services provided, and how it relates to wildfire mitigation activities.
 - b. Please include the breakdown between transmission and distribution expenses if it is not already clearly indicated on each invoice.
 - c. Please include whether the work was completed within a HFTD or within other areas, and the breakdown of costs if work was completed in both.
 - d. Please provide calculation spreadsheets with working formulas, including underlying invoices, in addition to any further support that documents how each line-item amount was calculated from the invoices.
 - e. If a spreadsheet with formulas is not provided by SDG&E, please explain how journal entry values were calculated.

SDG&E Response 2a-e:

Please see attachment PAO-SDGE-321_ATTCH_Q2_Capital_CONFIDENTIAL for responses to parts a-e. These are addressed in each of the attachment's six tabs. From what was submitted in PAO-SDGE-310, SDG&E provided a breakdown of the distribution and transmission expenses for each invoice or journal entry. For the DIAR (tab: 20248), CNF (tab: CNF), and Overhead System Traditional Hardening (tab: 20284) costs, the accounting distribution is driven by accounting rules that determine the scope of distribution and transmission work for the projects. The costs for the new meteorology computing infrastructure (tab: 20240) and PSPS mobile application costs (tab: 20890) are associated with common plant assets. These common plant assets have a distribution and transmission split that is developed annually per the FERC "labor ratio" based on labor statistics taken from the annual FERC Form 1 filing, as provided for per FERC rules. Similarly, the costs for the early fault detection software (tab: 22256) are associated with electric general plant assets. The distribution and transmission split for that category are also updated annually based on the FERC labor ratio from labor statistics taken from the annual FERC Form filing.

Again, please note that transmission costs were excluded from SDG&E's Track 2 cost recovery request. As such, the invoices contain a higher level of costs than what SDG&E is asking to recover in this submission.

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3. Referring to SDG&E's response to PAO-SDGE-313, Q. 1a, please answer the following questions:
 - a. What records did SDG&E prepare and maintain in preparation for filling this application if invoices are not available?

SDG&E Response 3a:

SDG&E objects for the reasons contained in general objection numbers 2 and 3. Subject to and without waiving those objections,

SDG&E never asserted that invoices are not available, contrary to the premise of the question. Invoices are available. SDG&E maintains detailed records both in transaction level detail and copies of invoices to support transactions. SDG&E uses accounting tracking markers in its financial systems such as internal orders, cost centers, budget codes, accounts to track costs for activities such as costs recordable to the WMPMA. The unique tracking markers are communicated to the employees, contractors and vendors working on WMPMA related activities and the costs can then be accumulated for the Track 2 filing.

Instead, in response, PAO-SDGE-313, Q. 1a, SDG&E objected to the request on the grounds that it was unduly broad and overly burdensome. In reviewing the attachments, "PubAdv-SDG&E-CQU-313 O&M.xls" and "PubAdv-SDG&E-CQU-313 Capital.xls," the Public Advocates' requested items make up approximately 90%-93% of the total O&M and Capital direct costs in SDG&E's Track 2 request. Each row represents 4-year totals. The line itemization of these items would result in millions of lines of transactional-level data and would require several months to compile. In addition to being an unreasonably burdensome request for SDG&E, production of such a large dataset would be unwieldy for review by Cal Advocates in the timeframe of the proceeding and is unlikely to result in the production of admissible evidence.

SDG&E thus requested in response to PAO-SDGE-313 that Cal Advocates request a representative sample of invoices consistent with generally accepted auditing practices, similar to that produced to E&Y and that produced to Cal Advocates in Track 1 of the 2024 General Rate Case. Also, please refer to DR 310-CQU Question 2 as an example of where Public Advocates sampled a specific area, i.e., Consulting-Other and Contracting-Consulting Costs greater than \$500k, and SDG&E produced data and support at a granular level of detail (e.g., invoices, etc.).

Given that Cal Advocates did not make a sample request in response, SDG&E is providing here the top 2 invoices-related or cost adjustment transactions for the sampled items in attachments, "PubAdv-SDG&E-CQU-313 O&M.xls" and "PubAdv-SDG&E-CQU-313 Capital.xls." That is, SDG&E is providing invoices-related or cost adjustment transaction support based on the following criteria:

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Question 3a - Continued

Capital: Filtered the 4-year totals in Column G further for amounts greater than \$2.5M, then compiled the top 2 invoices-related or cost adjustment transactions for each row, where applicable. See attachments:

PAO-SDGE-321_ATTCH 1_Q3,
PAO-SDGE-321_ATTCH 2_Q3_CONFIDENTIAL,
PAO-SDGE-321_ATTCH 3_Q3_CONFIDENTIAL,
PAO-SDGE-321_ATTCH 4_Q3_CONFIDENTIAL,
PAO-SDGE-321_ATTCH 5_Q3_CONFIDENTIAL, and
PAO-SDGE-321_ATTCH 6_Q3_CONFIDENTIAL

O&M: Filtered the 4-year totals in Column G further for amounts greater than \$0.5M, then compiled the top 2 invoices-related or cost adjustment transactions for each row, where applicable. See attachment "PAO-SDGE-321_ATTCH 7_Q3 CONFIDENTIAL"

Similar to Questions 1 and 2 above, the invoices may not directly align with the line items selected as the invoices may include activity associated with non-WMP internal orders or costs allocated to transmission. SDG&E provided a breakdown for the different amounts where readily available. Again, if the invoices do not directly align, that is because the invoices add up to a greater amount than SDG&E is requesting to recover from its WMPMA.

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Question 3 - Continued

- b. For the above records requested that SDG&E has not provided, please provide an explanation of how SDG&E calculated its request in this proceeding without having such documentation available.

SDG&E Response 3b:

SDG&E objects for the reasons contained in general objection number 3. Subject to and without waiving that objection, as noted in SDG&E's response to Question 3a above, SDG&E never claimed that it did not have such documentation available. Again, SDG&E maintains detailed records both in transaction level detail and copies of invoices to support transactions, including transactions within the Wildfire Mitigation Plan Memorandum Account (WMPMA), from which SDG&E calculated its request. SDG&E uses accounting tracking markers in its financial systems such as internal orders, cost centers, budget codes, accounts to track costs for activities such as costs recordable to the WMPMA. The unique tracking markers are communicated to the employees, contractors and vendors working on WMPMA related activities and the costs can then be accumulated for the Track 2 filing. Instead, SDG&E requested that Cal Advocates provide a request for a representative sample, consistent with accepted auditing procedures. As detailed above, given that Cal Advocates did not make such a request, SDG&E is providing a subset of invoices as described in response to 3a.