CFC-SEU DATA REQUEST-003
SOCALGAS- SDG&E 2019 GRC – A.17-11-007/8
SEU RESPONSE
DATE RECEIVED: FEBRUARY 12, 2018
DATE RESPONDED: MARCH 1, 2018

1. SCG-22, Table DW-2, shows calculated "Fuel of the Future" (FOF) costs and benefits:

TABLE DW-2
Supply Management & Logistics Department FOF Costs/Benefits

SDG&E (In 2016 $)	TY 2019 Estimated Labor (000s)	TY 2019 Estimated Non-Labor (000s)	TY 2019 Estimated Total (000s)
Procurement Benefit Costs to Achieve	120	203	323
SM&L Costs to Achieve	0	14	14
SM&L Benefits	-643	-146	-789
Total	**-523**	**71**	**-452**

SoCalGas (In 2016 $)	TY 2019 Estimated Labor (000s)	TY 2019 Estimated Non-Labor (000s)	TY 2019 Estimated Total (000s)
Procurement Benefit Costs to Achieve	361	203	564
SM&L Costs to Achieve	0	14	14
SM&L Benefits	-635	-316	-951
Total	**-274**	**-99**	**-373**

Fot both SDG&E and SoCalGas 2019, the Non-Labor figures are $203K. For Labor, SDG&E is $120K, whereas SoCalGas is three times higher, at $361K.

a. What accounts for the differential ratio for Labor/Non-Labor expenditures, between the two companies? Please explain.

Utilities Response 1:

a. Non-labor expenditures for Fueling Our Future are expected to be split 50-50 between SDG&E and SoCalGas because they were anticipated to benefit the two Companies equally. Labor is projected to be allocated 25% to SDG&E and 75% to SoCalGas as more resources are expected to be needed at to SCG to better align the Supply Management organization between the two Companies.

2. SCG-22, page DW-4, describes the forecast method used for the department's TY2019 estimates:

> "Supply Management & Logistics' TY 2019 forecast was developed using a five-year historical average methodology. A five-year historical average represents a reasonable basis to estimate operational needs for TY 2019 because Supply Management & Logistics' costs are generally prone to fluctuations due to changes in work activities, which impact staffing levels, purchased service costs, and other factors."
>
> a. Please show the total dollar value of procured goods and services, for each of SDG&E and SoCalGas, for the most recent five years available

Utilities Response 2:

Supply Management & Logistics Incurred Costs In 2016 $ (000's) Adjusted-Recorded					
Company	**2012**	**2013**	**2014**	**2015**	**2016**
SDG&E	15,504	14,009	13,912	13,631	13,930
SoCalGas	18,606	19,595	18,876	19,383	17,551

3. SCG-22, Table DW-3 shows calculated Fuel of the Future procurement benefits:

TABLE DW-3 Company-Wide FOF Procurement Benefits (Sponsored by Supply Management & Logistics)			
Procurement Benefits (In 2016 $)	**2016 Adjusted-Recorded (000s)**	**TY 2019 Estimated (000s)**	**Change (000s)**
SDG&E	0	-897	-897
SoCalGas	0	-4,059	-4,059
Total O&M Procurement Benefits	**0**	**-4,956**	**-4,956**

a. For SDG&E, the forecast benefit is $900K, whereas for SoCalGas the forecast is considerably higher, at $4,095K. For SoCalGas, what are the expected procurements that account for the majority of the estimated 2019 benefit? Please explain.

Utilities Response 3:

a. The benefits depicted in Table DW-3 are on behalf of other departments throughout both of the Companies and will not be realized within Supply Management & Logistics. Other witnesses with significant forecasted benefits are also sponsoring their own portions. For the sake of administrative ease, all of the remaining benefits are being reflected above. The difference between the benefits depicted in Table DW-3 for SDG&E and SoCalGas is due in part to the fact the two Companies differ in size and annual procurement spend and therefore differ in projected benefits.

4. SCG-22, Page DW-13 describes Material Traceability:

> "Material Traceability is required to improve inventory management and keep up with new regulations....In order to meet the material traceability regulatory requirements of "traceable, verifiable, and complete records," pipes and materials ideally should be centrally managed in one facility. Barcoding, scanning and location tracking of materials will be required. Our current facilities are at full capacity; therefore, new space is required."
>
> a. Please explain what regulations are referred to in the quotation, and provide copies of relevant sections of the applicable regulations, if possible.

Utilities Response 4:

a. As set forth in footnote 4 at page DW-13 of SCG-22, the two relevant regulations are 49 CFR 192.63 (Marking of Materials) and Public Utilities Code Section 958(c)(2). These regulations mandate the maintenance of "traceable, verifiable and complete records that are readily available." To be readily available, all records have to be managed in SAP and all materials in SAP are required to be inventory managed to be SOX compliant.

The link to 49 CFR 192.63 is set forth below:

https://www.gpo.gov/fdsys/granule/CFR-2005-title49-vol3/CFR-2005-title49-vol3-sec192-63

The link to Public Utilities Code Section 958(c)(2) also is set forth below:

https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PUC&division=1.&title=&part=1.&chapter=4.5.&article=2

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5. SCG-22, Page DW-13 discusses warehousing storage space:

> "At SoCalGas, an additional eight acres of warehousing storage space is needed to accommodate large diameter materials, and ten additional employees will be required to manage the increased warehousing demands totaling $0.783 million. Included in the Fleet and Facilities testimony of Carmen Herrera (Ex. SCG-23) is the capital forecast of $18.75 million to add/expand this warehouse space."
>
> SCG-23, page CLH-42, states that...
>
> "SoCalGas must also make facility renovations at the Pico Rivera, Anaheim, Chatsworth and Compton bases as well adding a new logistics warehouse. Renovations are also needed at Monterey Park due to Gas Control's relocation."
>
> a. Please show how the proposed $18.75 million capital budget is allocated between the renovations to existing facilties, and the new logistics warehouse

Utilities Response 5:

The $18.75 million capital budget referenced in SCG-22, page DW-13 for a new logistics warehouse is not allocated between renovations to existing facilities and the new logistics warehouse. This capital budget is proposed only for the logistics warehouse project. Please see the capital workpapers of Carmen L. Herrera, Exhibit SCG-23-CWP, pages 13 – 22 (653B – Facility Renovations).

6. Commenting on storage practices, SCG-22, page DW-13, explains that...

> "Materials are currently physically located at other company facilities, third-party logistics provider warehouses, and various lay down yards across our service territory with no systematic visibility. In order to meet the material traceability regulatory requirements of "traceable, verifiable, and complete records," pipes and materials ideally should be centrally managed in one facility. Barcoding, scanning and location tracking of materials will be required. Our current facilities are at full capacity; therefore, new space is required."

a. Once the new warehouse facility is available, what annual savings (if any) will SoCalGas realize by no longer requiring third-party-provided warehousing? Please explain.

b. At what point did (or will) SCG's existing facilities reach full capacity? Please explain.

Utilities Response 6:

a. It is unclear whether the question of "savings" is referring to financial/cost saving or operational/logistical savings. As mentioned in testimony and quoted in the question above, the decision to centrally manage materials in one facility is for more than just cost savings. This warehouse will allow for better traceability and records management among other things. Because of the need for more inventory space, SoCalGas has contracted with a third party warehouse firm to manage some of our inventory and store some of our materials at other locations. The agreement with this third party is in place as a remediation effort to allow for time to build the warehouse described in testimony. Once built, that third-party agreement will end. In addition to satisfying regulatory requirements for Material Traceability, the new warehouse will benefit SoCalGas by having one location and inventory system. Financially, the third party solution will cost up to $2 million per year, which would be the savings SoCalGas will realize once the warehouse is operational. That additional $2 million per year is not requested in this case.

b. The existing Pico facility reached full capacity in Q4 2017 when we started to absorb inventory left behind from the Advanced Meter Project. We currently have certain materials staged in the yard that should be staged in the warehouse because we exceeded full capacity.

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7. Page 234 of SCG-26-CWP describes aspects of the "Paperless Initiatives" project:

"The Paperless Initiatives project consists of three initiatives to achieve savings via paperless promotion and enablement, as follows:

1. (Priority 3) 90 Day auto-enroll (6 months duration) Customers receive both ebill and paper bill with option to turn off paper bill at the end of 90 days. Customers are uncomfortable switching to paperless. They need the paper bill as a reminder to pay and are uncomfortable with new technology. Customer will receive both a paper bill and an electronic bill for 90 days. At the end of 90 days, customers will be able to opt in to electronic billing (paperless). If they do nothing, they will continue to receive their paper bill.
2. Paperless Electronic Late Notice Reduce paper, printing, postage expense by sending Late Notices by email to paperless customers (requires tariff rule and system changes).
3. My Account Enrollment Enablement via CIS
4. Increase paperless billing by sending customers a 'video' kit with paperless billling demo and other program info."

a. What proportion of SCG customers currently receive paper billing, and how has that figure changed over the last 6 years?

b. Aside from the paper documents identified in the quotation, what are the other major types of paper documents that the Paperless Initiative is intended to eliminate? Please explain.

Utilities Response 7:

Response a: Please see the table below for the proportion of paper bills for the 2012-2017 time period.

	2012	2013	2014	2015	2016	2017
Paper Bills	74.8%	71.7%	69.9%	67.0%	65.1%	62.3%
Paperless Bills	25.2%	28.3%	30.1%	33.0%	34.9%	37.7%

Utilities Response 7 Continued:

Response b: In addition to the document types identified in the quotation, this initiative also includes providing an electronic copy of the Home Energy Guide to customers. The Customer Service Representatives will offer electronic billing to all customers during the initial call to request gas service. If the customer accepts electronic billing, the customer will receive an email with instructions describing how to sign up for My Account along with a link to the electronic version of the Home Energy Guide.

8. Page 557 of SCG-26-CWP describes Operator Qualification & Training Process Automation:

> "OQ and Training currently operate on a paper based training system which generates 600,000 paper records per year and is inefficient and time consuming. The current system leaves many opportunities for data entry error, or grading inaccuracy due to its manual nature. OQ/Training are proposing adopting a vendor solution like the ones used by PG&E and Southwest Gas to automate training delivery and testing for OQ knowledge and performance tests as well as training core tests."
>
> It also notes that... "An electronic system would save more than 600K paper records per year."
>
> a. What financial savings are expected by eliminating the 600K paper records, per year? Please explain.

Utilities Response 8:

SoCalGas estimates the financial savings by eliminating the 600K paper records are as follows:

- Reduced student travel by 40% - Hotel + travel cost savings estimate of $160K/year.
- Reduced printing costs - reduce 90% of 600,000 pages per year – estimate $120K/year.
- Enhanced scheduling flexibility and timely delivery of training.
- Improved training effectiveness – focus on competency , not only compliance based

9. Page 573 of SCG-26-WP describes "RAMP - INCREMENTAL 84309 CPD PHASE

3." Amongst other things, it says that the proposed work will "Identify and resolve differences between SoCalGas and SDG&E management of gas compliance-related data and reporting."

a. Please (briefly) summarize the existing difference between SCG's and SDG&E's management of gas compliance data and reporting. Generally, which company's data management method does Sempra consider more effective, and why? Please comment.

Utilities Response 9:

SoCalGas and SDG&E have different processes in which data is captured and stored in work management systems, this is due to the legacy origin of these systems at the two utilities prior to merger. It is SoCalGas and SDG&E's objective to bring together the various data capture and reporting processes, adopting the best aspects of each, or perhaps adopting new reporting functions. At this time, each utility's process fulfills compliance requirements and neither is demonstrably more effective than the other.

The compliance data and reporting referenced in the question was specifically for CA 955.5 (AB 1937) reporting requirements in compliance with the Natural Gas Pipeline Safety Act of 2011: school and hospital notification of nonemergency excavation or construction of gas pipelines.

10. Page 47 of SCG-22-WP describes Office Services activities and presents an associated budget, based on a five-year average methodology.

	In 2016$ (000) Incurred Costs							
	Adjusted-Recorded					Adjusted-Forecast		
Years	2012	2013	2014	2015	2016	2017	2018	2019
Labor	0	0	0	0	0	0	0	0
Non-Labor	3,087	3,117	2,984	2,876	2,486	2,909	2,909	2,909
NSE	0	0	0	0	0	0	0	0
Total	3,087	3,117	2,984	2,876	2,486	2,909	2,909	2,909
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The proposed figure for the years 2017 through 2019 is $2,909. For 2013 through 2016, the trend in the expenditures is monotonically decreasing.

a. In light of the consistently decreasing trend in the actuals since 2013, why does SoCalGas believe a flat, 5-year average represents the best representation of future costs? Please explain.

Utilities Response 10:

a. Costs are generally prone to fluctuations due to changes in work activities, which impact staffing levels, purchased service costs, and other factors. A five-year historical average reflects the variances in costs from year-to-year and represents a reasonable basis to estimate operational needs for TY 2019. Additionally, the five-year average was applied consistently throughout the Supply Management & Logistics at both Companies.

11. Page DW-16 of SCG-22 describes that...

"Although the forecast of infrastructure projects for the Companies is expected to increase over the next several years, the forecast for the Procurement/Category Management group function remains consistent with 2016 adjusted recorded levels."

Table DW-5 of SCG-22 shows that, while the total budget for Procurement/Category Management remains flat, there is a re-allocation between SCG and SDG&E of roughly $335K--the absolute value of the lesser of the two reported changes in Table DW-5.

TABLE DW-5

Non-Shared O&M Summary of Costs

SDG&E (In 2016 $)	**2016 Adjusted-Recorded (000s)**	**TY 2019 Estimated (000s)**	**Change (000s)**
Procurement/Category Management	1,945	1,568	-377
Inventory Management	4,689	5,039	350
Supplier Diversity	854	1,142	288
Office Services	2,185	2,229	44
Total Non-Shared O&M	**9,673**	**9,978**	**305**
SoCalGas (In 2016 $)	**2016 Adjusted-Recorded (000s)**	**TY 2019 Estimated (000s)**	**Change (000s)**
Procurement/Category Management	2,524	2,859	335
Inventory Management	11,361	13,342	1,981
Supplier Diversity	687	1,151	464
Office Services	2,486	2,910	424
Total Non-Shared O&M	**17,058**	**20,262**	**3,204**

a. What factors account for the apparent cost-shifting between the companies? Please explain.

Utilities Response 11:

a. The costs depicted in Table DW-5 reflect only the "Non-Shared" O&M requests for each of the Companies. The apparent reduction for Procurement/Category Management at SDG&E is because a significant portion of the TY 2019 request transitioned into "Shared" O&M. An offsetting request increase for SDG&E Procurement/Category Management can be seen in Table DW-6 of SCG-22.

12. Page JV-22 of SCG-34 describes that...

> "The increase from 2016 recorded to TY 2019 is primarily due to planned SDG&E assets having a higher percentage of shared asset support to SoCalGas and only minimal or no shared asset expense to Corporate Center or the unregulated affiliates."
>
> a. Please list and explain (briefly) the factors causing the higher percentage of shared asset support to SoCalGas.

Utilities Response 12:

Please refer to SCG-34-WP-R/SDG&E-32-WP-R, WP-39 (San Diego Gas & Electric, Forecasted Shared Asset Projects). Witness areas provide capital forecasts for assets projected to be in-service by the test year and determine allocations based on the projected utilization of each specific asset. For facilities assets, space utilitzation studies were leveraged as the predominant determinant. For IT assets, projected asset usage and number of users were leveraged as the predominant determinants. The result is that for proposed shared asset projects in this rate case, SoCalGas is the predominant sharing affiliate, with little to no sharing for Sempra Corporate Center or the unregulated affiliates. Therefore, as proposed shared assets are capitalized, the sharing of asset depreciation will increase the impact of the asset depreciation cost billed to SoCalGas relative to other affiliates. For details of total cost of assets and their depreciation expense, please refer to testimony of SDG&E depreciation witness Matt Vanderbilt (Ex. SDG&E-34).

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13. In SCG-34, Table JV-1, on page JV-7, shows Business Unit Charge Ups (BUCUs), for 2016 through 2019:

TABLE JV-1
CORPORATE CENTER BUSINESS UNIT CHARGE UP (BUCU)

Business Unit	2016 BUCU %	2017 BUCU %	2018 BUCU %	2019 BUCU %
SDG&E	31.16%	31.92%	32.35%	32.21%
SoCalGas	33.19%	37.57%	38.30%	38.30%
Unreg Affiliates	35.65%	30.51%	29.35%	29.49%
CorpCtr (Retained)	0.00%	0.00%	0.00%	0.00%

a. What three factors most contributed to the reduction in the BUCUs to Unregulated Affiliates, from 2016 to 2019? Please explain.

Utilities Response 13:

The BUCU factors are provided by Sempra Corporate Center, and the details can be found in the work papers supporting the testimony of Corporate Center witness Mia DeMontigny (Ex. SDG&E-26/SCG-28). The three factors most contributing to the reduction of the allocation percentages to the Unregulated Affiliates, from 2016 to 2019 are:

1. Starting in 2017, the transfer-in of employees from SDG&E/SoCalGas to Sempra Corporate Center within the new CIO, Corporate Systems, and Security department. The allocation methodology for these employees is based on total Sempra Corporate Center and related affiliates FTEs, which is heavily weighted to SoCalGas versus the Unregulated businesses.
2. The increase in the Corporate Center multi-factor (4-factor) allocation to SoCalGas, primarily from an increase in three of the factors (operating revenues, operating expenses, and gross non-current assets) relative to the other business units.
3. Decrease in FTEs in other Sempra Corporate Center functions that utilize more causal/beneficial allocation methodologies, resulting in a summary of costs more evenly distributed to all Sempra Corporate Center related affiliates.

14. In SCG-29, The Summary table on page NKC-ii shows figures for allocations to SDG&E, SoCalGas, and an associated total:

SUMMARY

O&M (Shared)	2016 ($000's)	2019 ($000's)	Change ($000's)
SDG&E Allocations	107,362	126,270	18,908
SoCalGas Allocations	36,183	38,560	2,377
Total Utilities	143,545	164,830	21,285

a. Please confirm that the figures are for total insurance expenditures--i.e., for all forms of insurance procured by SCG and SDG&E.

Utilities Response 14:

The figures set forth above from the Summary table at p. NKC-ii of Exhibit SCG-29/SDG&E-27 represent the amount of insurance costs SoCalGas and SDG&E are requesting in this GRC proceeding with a few exceptions. For example, in Exhibit SDG&E-16, SDG&E is separately forecasting insurance costs for the Otay Mesa Energy Center because SDG&E does not yet own this facility but expects to in the future. In addition, on limited occasions, SoCalGas or SDG&E may request recovery of insurance costs in other (non-GRC) proceedings. For example, in A.16-09-005, SoCalGas is requesting recovery of previously-incurred insurance costs associated with execution of certain Phase 1A Pipeline Safety Enhancement Plan (PSEP) projects.