CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 4, 2018
DATE RESPONDED: MAY 1, 2018

1. Page 193 of SCG-26-CWP describes the project justification for Integrated Customer Data and Analytics:
"Upon implementation of this integrated data solution business units in scope will have the following opportunities to realize the following benefits: •Improved analytics around inaccurate bills, process billing, exceptions/resolutions (failed edits) with the opportunity to reduce the number of monthly billing exceptions •Increase in paperless billing rate •Provide segmentation analysis on propensity to pay, method of payment, channel preference, behavior score, number of collection notices; improve uncollectable rate and collection agency annual referral amounts •Improve target marketing effectiveness using customer segmentation •Ability to reduce analytics time to insights (and time to business value) by investing in Information Governance and Data Management, Analytics Governance and Advanced Analytics capabilities. Current estimates are 80% of super-user time spent integrating data because of lack of foundational capabilities."

a. Please explain the general impact of ICDA on reducing SCG's expenditures on paper.

b. Please explain the expected impact of ICDA on reducing SCG's expenditures on paper over the GRC term.

c. Please explain the expected impact of ICDA on reducing SCG's expenditures on labor over the GRC term.

d. Please explain the expected impact of ICDA on reducing the average time spent by customers resolving disputes with SCG by the end of the GRC term.

SoCalGas Response 01 (a-d):

See response to CFC-SEU-008 Question 3(d).

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
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2. SDG&E-01, page CAW-1, lists safety measures the company is undertaking. Amongst the measures described:
"We partnered with computer scientists to build a cutting-edge computer program to model wildfire ignition rates, growth potential and impact allowing us to prioritize fire hardening projects."

a. What savings has SDG&E realized as the result of the development of this computer program, particularly in regard to insurance expenses? Please explain.

SDG&E and SoCalGas Response 02:

SDG&E has not quantified the savings SDG&E has realized from the development of its Wildfire Risk Reduction Model (WRRM), but believes that the WRRM has been a very valuable tool in helping the company prioritize its wildfire risk mitigation. For more information about the WRRM, see SDG&E Exhibit 14-R (e.g., at pp. AFC 10-11) and SDG&E Exhibit 15-R (e.g., at p. WHS-82).

In terms of insurance expense, SDG&E believes that its wildfire risk mitigation activities, including the development of the WRRM, have helped SDG&E reduce its insurance expenses from what they might otherwise be, but SDG&E has not quantified the savings. In addition, liability insurance premiums are influenced by several factors, which include Sempra-specific factors, the global insurance marketplace, and changes in available insurance capacity. Significant worldwide insurance losses can negatively impact premiums. Generally, each insurance carrier uses proprietary models to calculate their required premiums for each specific insured.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
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3. SCG-26-CWP, page 580, discusses the 81452 Click Upgrade. The consequences of not upgrading are described as follows:
"By not upgrading, we put ourselves at risk for:
•Ongoing deterioration in the user community in our ability to delivery timely and quality services (enhancements, system performance) •Missed opportunities to realize previously declared (and new / additional) productivity gains •Additional vendor support costs and deterioration of providing enhancements to our existing version (additional uplift costs, potentially avoided customized maintenance costs)."

a. Please explain the total estimated productivity gain expected from the Click Upgrade program.

b. Please explain the "previously declared productivity gain" referred to, and include any observed variance between the originally expected productivity gain, and the productivity gain actually observed.

SoCalGas Response 03:

a. As part of the Click Upgrade project, there were many fixes and enhancements that were made targeting increased productivity. While it is difficult to estimate the hard savings from these improvements, however listed below are some of the large changes made during the upgrade:

- File attachment rewrite – Before the upgrade, there was a custom code to manage file attachments between SAP and Click. This code had many defects that the vendor couldn't fix. The entire process will be rewritten using new out-of-the-box functionality in the new version of Click. This will save large amounts of time for field crews, dispatchers, and clerks who no longer have to track down and resend missing files.
- Click Mobile Touch – The Electric crews will begin to use the new version of Click Mobile (Touch) on tablets instead of laptops. This will allow them to enter their data and take pictures in the field. Entering the data directly into the tablet saves the crews time from writing it down and entering the data later. Taking pictures and attaching them to the order on the tablet save the crews several minutes of composition for each picture taken.
- Fewer customizations – Some customizations in Click Schedule will be made into configurations in the new version.

SoCalGas Response 03:Continued

- Enhanced Delivery Time – Along with the upgrade, the development will be brought in-house. This will allow the support team to make quicker changes with better quality control and improved system stability. The end-users can also receive many more regular enhancement updates than possible in the previous version.

b. The previously stated productivity gain referred to expected gains with the original implementation of ClickSchedule and ClickMobile, which included streamlining of the built-in manual processes. That manual process experienced technical issues that delayed implementation due to the 'Crew Teaming Board' function not being able to support certain business and technical requirements, such as not displaying previous days' schedules, inability to display non-availabilityof engineers or the identity of the foreman. Instead, working with the vendor it was identified that these issues would be resolved with a newer software version that would reduce some of the manual processes, allowing for field data collection and more rapid software updates.

Some of those gains weren't realized until the new version was implemented. Those gains include entering data in the field and more rapid software updates. Additionally, there is a manual procedure in place where crews are assembled using spreadsheets and data manually entered into Click. The 'Crew Teaming Board' from Click would have streamlined the manual process. However, it couldn't be implemented due to both technical and business process issues.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 4, 2018
DATE RESPONDED: MAY 1, 2018

4. SCG-26-CWP, page 709, discusses the Gas GIS 2017-2019 project. The Project Justification states as follows:

"This project represents the Capital activities that support requested DIMP and TIMP O&M activities. The project includes technical and functional application solutions to support DIMP, PSEP, TIMP and SIMP to ensure company meets regulatory compliance and reporting requirements. Benefits are ability to demonstrate compliance, complete regulatory reporting and cost avoidance."

a. Please describe the costs that are expected to be avoided, and the estimated annual value of those avoided costs.

SoCalGas Response 04:

a. The costs that are expected to be avoided are the cost of resources. New regulatory compliance and reporting requirements add upward pressure on resource budgets. The technical and functional application solutions under this project will provide additional productivity enhancements and enable shifting of existing resources to new compliance and regulatory reporting related tasks, reducing the need for new hires by 1.5 FTEs.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 4, 2018
DATE RESPONDED: MAY 1, 2018

5. SCG-26, page CRO-20, discusses the role of business cases in IT Capital forecasting: "Once funding is approved by the Central Business Planning group for a concept, a complete business case must be prepared and approved before work begins. Business cases are developed jointly by representative(s) from the sponsoring IT department, the sponsoring business department (when applicable), and the IT Project Management Office (IT PMO)...The business representatives are primarily responsible for confirming the business requirements, calculating the business benefits, and ensuring that the proposed solution meets the business objectives."

a. Please explain the types of business benefit categories that typically factor into the IT capital business cases.

b. For the IT capital projects proposed for execution during the GRC term, what are the total estimated business benefits, by category of benefit? Please explain, and provide a table showing the top 10 projects, based on expected total business benefits.

SoCalGas Response 05:

a. Only hard dollar benefits (e.g., FTE reductions, decreases in software licensing fees, postage savings due to paperless adoption) are included in IT capital business cases. Soft dollar or avoided costs are not considered.

b. A centralized repository of benefits is not available. Forecasts submitted in testimony or workpapers would have included any benefits anticipated as a result of project implementation.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 4, 2018
DATE RESPONDED: MAY 1, 2018

6. SCG-26-CWP, page 292, discusses the SCG Fleet Fuel Management Phase II project. The Project Justification says as follows:

"System will optimize vehicle maintenance by providing accurate odometer readings (vehicle mileage), live diagnostic information and provide tracking of our increasing green fleet inventory. System will upgrade existing Fuel Islands to provide Ethernet/WiFi connectivity for increased reliability as well as provide added security by requiring an employee ID badge. The Proposed system presents $10MM in O&M cost avoidance compared to next best available system."

a. Please explain the calculated $10M in O&M savings.

SoCalGas Response 06:

SoCalGas clarifies that the term used in SCG-23-CWP, page 292 is “O&M cost avoidance”, not “O&M savings” as identified by CFC above. The system selected for SCG Fleet Fuel Management Phase II at the time of this forecast was $10MM less expensive than the next best available option. The calculations priced out each available system, inclusive of ten years of maintenance; when comparing the available systems, the selected option presented the stated $10MM cost avoidance figured quoted in SCG-26-CWP, page 292.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 4, 2018
DATE RESPONDED: MAY 1, 2018

7. SCG-26, Table CRO-15, shows proposed IT capital expenditures:

TABLE CRO-15
Capital Expenditures Summary of Costs

INFORMATION TECHNOLOGY (In 2016 $)			
Categories of Management	**Estimated 2017 (000s)**	**Estimated 2018 (000s)**	**Estimated 2019 (000s)**
A. Controller, Reg Affrs, Legal	847	1,192	1,123
B. CS – Field	6,838	5,040	3,472
C. CS – Information	4,464	6,510	12,483
D. CS - Office Operations	13,190	12,412	23,663
E. Gas System Operations	3,401	3,806	4,771
F. Fleet Services	502	2,387	7,601
G. IT	50,879	73,648	81,227
H. Procurement	2,201	270	0
I. Gas System Integrity	34,970	38,000	36,223
J. HR	300	491	791
K. Supply Management	2,657	2,547	0
L. AM Infrastructure	0	1,768	4,815
M. Corporate	2,404	427	0
Total	**122,653**	**148,498**	**176,169**

a. Please provide a table showing the opening capital balances (YE 2016) for the accounts/categories shown.

SDG&E and SoCalGas Response 07:

7a. The table below shows the YE 2016 capital balances for the categories in the SCG-26, Table CRO-15 shown above.

Categories of Management	YE 2016 Balance
A. Controller, Reg Affrs, Legal	1,830
B. CS - Field	3,499
C. CS - Information	4,247
D. CS - Office Ops	3,955
E. Gas System Operations	8,774
F. Fleet Services	3,558
G. IT	27,069
H. Procurement	307
I. Gas System Integrity	20,313
J. HR	0
K. Supply Management	5,546
L. AM Infrastructure	0
M. Corporate	0
Total	**79,099**

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 4, 2018
DATE RESPONDED: MAY 1, 2018

8. SCG-36-WP, page 3, presents a list of rate base assets, including seven rows for Computer Hardware and Software:

ACCOUNT NUMBER	DESCRIPTION	RECORDED GROSS PLANT AS OF 12/31/16	ESTIMATED FUTURE NET SALVAGE %	ESTIMATED FUTURE NET SALVAGE AMOUNT	RECORDED DEPRECIATION RESERVE AS OF 12/31/16	NET BALANCE
	GENERAL PLANT BUILDING					
390.00	STRUCTURES & IMPROVEMENTS	201,401	(15)	(30,210)	186,901	44,710
	CAPITAL TOOLS					
394.13/394.20	SHOP & GARAGE EQUIPMENT	9,595	0	0	4,511	5,084
394.19	LARGE PORTABLE TOOLS	52,425	0	0	20,345	32,080
396.10	CONSTRUCTION EQUIPMENT	12	25	3	(3)	12
	TOTAL CAPITAL TOOLS	62,032		3	24,852	37,176
	COMPUTER HARDWARE & SOFTWARE					
391.20	COMPUTER HARDWARE	173,918	0	0	101,733	72,186
391.30	SOFTWARE DEV. 3-year avg. service life	21,986	0	0	9,796	12,190
391.35	SOFTWARE DEV. 5-year avg. service life	87,078	0	0	61,405	25,673
391.40	SOFTWARE DEV. 6-year avg. service life	241,466	0	0	67,291	174,175
391.50	SOFTWARE DEV. 10-year avg. service life	372,843	0	0	173,262	199,581
391.55	SOFTWARE DEV. 15-year avg. service life	5,526	0	0	1,749	3,777
391.60	SOFTWARE DEV. 20-year avg. service life	0	0	0	0	0
	TOTAL COMPUTER HARDWARE & SOFTWARE	902,817		0	415,235	487,582

In contrast, the 2016 GRC application presented the following table:

ASSET ID	ACCOUNT NUMBER	DESCRIPTION	RECORDED GROSS PLANT AS OF 12/31/13	ESTIMATED FUTURE NET SALVAGE %	ESTIMATED FUTURE NET SALVAGE AMOUNT	RECORDED DEPRECIATION RESERVE AS OF 12/31/13	NET BALANCE
		GENERAL PLANT BUILDING					
120	390.00	STRUCTURES & IMPROVEMENTS	182,426	(25)	(45,606)	153,701	74,332
		CAPITAL TOOLS					
	392	TRANSPORTATION EQUIPMENT	408	5	20	75	312
	394.19	LARGE PORTABLE TOOLS	42,689	0	0	19,261	23,428
	396.10	CONSTRUCTION EQUIPMENT	12	25	3	(11)	20
130		TOTAL CAPITAL TOOLS	43,109		23	19,325	23,760
		COMPUTER HARDWARE & SOFTWARE					
200	391.20	COMPUTER HARDWARE	163,129	0	0	77,348	85,781
210	391.30	SOFTWARE DEV. 3 year avg. service life	17,762	0	0	6,844	10,918
220	391.40	SOFTWARE DEV. 6 year avg. service life	75,747	0	0	33,389	42,358
230	391.50	SOFTWARE DEV. 10 year avg. service life	344,768	0	0	64,086	280,683
235	391.55	SOFTWARE DEV. 15 year avg. service life	5,526	0	0	621	4,905
240	391.60	SOFTWARE DEV. 20 year avg. service life	65,397	0	0	58,629	6,768
		TOTAL COMPUTER HARDWARE & SOFTWARE	672,328		0	240,915	431,413

a. Please describe the nature of the assets recorded in account 391.40.

b. Please explain the reason(s) for the significant increase in assets recorded in account 391.40, for 2019 as compared to 2016.

c. Does the elimination of assets in account 391.60 mean Sempra no longer expects any software assets to realize a 20-year (or more) service life? Please comment, including Sempra's experience with the maximum actual service life of its software assets.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 4, 2018
DATE RESPONDED: MAY 1, 2018

SoCalGas Response 08:

8a. The assets recorded in account 391.40 include applications that support the computer software utilized by customers, employees and vendor partners, and computing infrastructure from middleware, production control, operating systems and other low-level software systems. These assets may be mandated or required to ensure safe and reliable service to our customers, to run SoCalGas' operations, satisfy regulatory requirements, and meet the continued growth of business demands.

8b. Please see the response to Question 8(a) above. For more information regarding the capital projects supporting the increase in the 2019 GRC as compared to the 2016 GRC, please refer to the 2016 GRC direct testimony of Christopher R. Olmsted (Exhibit SCG-18R) and the 2016 GRC capital workpapers of Garry Yee (Exhibit SCG-26-R-CWP) at pages 288-332. The forecast years presented in the 2016 GRC aligns with the increase in account 391.40.

8c. The assets in account 391.60 were not eliminated but became fully amortized in 2016. The table shown in Exhibit SCG-36-R, page 3 (above) is for calculation of depreciation rates/expense and only assets not fully amortized are presented. Fully amortized assets have a net plant balance of zero and do not generate amortization (depreciation) expense. SoCalGas does not forecast any new plant additions for account 391.60 in this 2019 GRC. As of December 2016, the maximum asset life of software is 20 years.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
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9. SCG-18, page CRO-2, discusses IT cost forecast methodology:
"...the level of support provided by the IT Division continues to grow as capital projects are implemented since projects that drive benefits and efficiencies within business units often create increased workload within the IT Division that would not have been reflected in our historical costs."

a. Generally, have Sempra IT investments led to a need for more FTEs, fewer FTEs, or has there been no discernible relationship between IT investments and the number of required FTEs? Please comment.

SDG&E and SoCalGas Response 09:

a. To clarify, the quote above is not from "SCG-18, page CRO-2," but from "SCG-26, page CRO-6." We do anticipate an increase FTEs due to our proposed capital portfolio. The forecasts can be found in testimony on tables CRO-9, CRO-10, CRO-13 and CRO-14. The workpapers associated with these forecasts depict whether the increases are for labor, which translates to FTEs, or non-labor.

CFC DATA REQUEST
CFC-Sempra-2019 #13
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
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10. SCG-26, page CRO-20, describes the IT business case process:

"Once funding is approved by the Central Business Planning group for a concept, a complete business case must be prepared and approved before work begins. Business cases are developed jointly by representative(s) from the sponsoring IT department, the sponsoring business department (when applicable), and the IT Project Management Office (IT PMO). Others may be added to the team as required. • The sponsoring IT department is primarily responsible for defining the project scope, identifying the technical approach, and generating the basis of estimate for the capital costs and ongoing O&M support costs. • The business representatives are primarily responsible for confirming the business requirements, calculating the business benefits, and ensuring that the proposed solution meets the business objectives. • The IT PMO ensures that the templates are completed correctly, that the budgets are calculated and characterized correctly, and that the proposed scope is consistent with policy. A near final draft of the business case is provided to Information Security for review and comment."

a. Please explain how Sempra evaluates IT business cases, in terms of assessing their hindsight accuracy. In particular, i) how have expected costs compared to actual costs, ii) how have expected benefits compared to actual benefits, and iii) what level of accuracy is anticipated for each estimate category (costs and benefits), for the forecasts contained in the business cases?

SoCalGas Response 10:

a.i) Costs are reviewed on a monthly basis. Any deviations from budgets are tracked via change orders and reviewed with project sponsors, who consist of managers and directors from IT and sponsoring business unit(s). If costs are projected to exceed (or underrun) budget by 10%, then re-authorizations are required, which require VP approval.

a.ii) Benefits can result in various forms – cost savings, cost avoidance, improved productivity, improved morale, etc. Although there is not a standardized way of tracking benefits realized, any business cases that include hard dollar savings are factored into budget plans for upcoming years.

a.iii) Cost estimates typically include a contingency factor as part of the overall budget. In general, the contingency budgets run from 5 – 10% and are reviewed and approved as part of the business case approval process. Use of the funds are tracked via change requests. Benefit forecasts do not include contingency.