ORA DATA REQUEST
ORA-SDGE-025-TCR
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: NOVEMBER 17, 2017
DATE RESPONDED: DECEMBER 6, 2017

Exhibit Reference: SDG&E-14, Chapter 4.I., page 68
SDG&E Witness: Alan F. Colton
Subject: Overhead Pools, Engineering, Overall questions, part 2

1. Referring to Ex. SDG&E-14 page AFC-68, please explain the difference between "collectible and non-collectible jobs."

SDG&E Response 1:

- Collectible jobs – SDG&E performs and incurs the costs for capital construction jobs on behalf of a 3rd party which subsequently is paid for (a portion or all of the costs) by the 3rd party. Amounts collected are a direct reduction of fully loaded capital expenditures prior to being added to rate base.
- Non-collectible jobs – SDG&E performs and incurs the costs for capital construction jobs to provide utility services to its customers. Upon completion, the fully loaded capital expenditures are added to rate base.

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2. Referring to Ex. SDG&E-14 page AFC-68, are the "three other major categories described above…" 1) electric distribution; 2) the distribution portion of the electric substation projects; and 3) "related activities?" If not, please list the "three other major categories" referenced.

SDG&E Response 2:

Yes, the "three other major categories described above…" are related to the overall increases in projected work for 1) the entire Electric Distribution area and 2) the distribution portion of the Electric Substation projects and 3) related activities, respectively.

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3. List all "related activities" referenced in Question 2 above, and describe them.

SDG&E Response 3:

Local Engineering activities are required to see a project from inception to completion. Typical related activities include as described in testimony on page AFC-69 and AFC-70. Typical related activities include:

- Communicating with internal and external customers to collect information necessary to prepare a work order package for construction;
- Performing load and sizing studies to determine the design characteristics to apply to a construction project;
- Developing a design for the construction project that meets the customer needs for service and the overall system design requirements. This design identifies the material, labor and equipment requirements necessary to complete the construction project;
- Coordination of the permitting and rights of way requirements;
- Preparing cost estimates according to the line extension rules and presenting these estimates to the internal or external customer for their approval;
- Preparing contracts and processing fees for new business construction projects; and
- Preparing work order packages and transmitting them to the internal and external groups.

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4. Is it correct that the forecast increase in budget codes 901 and 904 are proportional to the increases to the forecasts of the "three other major categories" referenced in Question 2 above? If not, please explain.

SDG&E Response 4:

Correct. Please see the accompanying file "ORA-SDGE-025-TCR OH Pools Supporting Tables.xlsx", with additional detail to support the supplemental workpaper SDG&E-14-CWP/Witness: A. Colton pages 394-396 to budget codes 901 and 904.

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5. Referring to Ex. SDG&E-14 page AFC-68, define "a standards-based business," the other types of business at SDG&E, and why this distinction is relevant to the forecast of overhead pools.

SDG&E Response 5:

In the past, distribution design has predominantly been standards and codes-based and not necessarily engineered to account for site specific data. An example would be rather than designing only for established and standard wind zone criteria as has been general industry practice, designs are now utilizing the more conservative of either the established standard wind zone criteria or the wind speed data that is now available and is more specific to each site. Previously, when a new facility or new electrical infrastructure was needed, an engineering "standards" book could be referenced to guide in the engineering decision making for suitable design and construction of facilitates. More recently, in addition to the "standards" book, detailed engineering utilizing site specific and generally more conservative data is being conducted for new facilities and for rebuilding electric infrastructure due to the increased focus on risk reduction and regulation changes. This increased need for reliance on detailed engineering and design on the distribution system (and decreased reliance on "standards-based" system design) has led to increased facility designs and expenditures in overhead pools.

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6. There appears to be an inconsistency in the scope of work included in budget codes 901 and 904 in SDG&E's testimony. Ex. SDG&E-14 page AFC-68 states that "Examples of costs included in this category are engineering capacity studies, reliability analysis and preliminary design work." ORA interprets this statement as meaning that detailed design work and engineering/planning support for approved projects is not included in codes 901 and 904. However, Ex. SDG&E-14 pages AFC-70 and AFC-71 each state "Local Engineering activities are required to see a project from inception to completion." Other statements in this section of testimony also suggest that project specific engineering is included in budget codes 901 and 904. Please clarify if project specific engineering is included in budget codes 901 and 904, explain how SDG&E determines the allocation of recorded expenditures between budget codes 901 and 904 and project specific budget codes, and provide any SDG&E standards, procedures, or other documents that define this distinction.

SDG&E Response 6:

Both budget codes 901 and budget code 904 do incur engineering capacity studies, reliability analysis and design work. What delineates these two categories is the type of or work completed. For budget code 901 – Local Engineering Electric Distribution Pool is the collection of all work completed under FERC accounts 364-365-397. Whereas budget code 904 – Local Engineering – Substation Pool is the collection of all work completed under FERC accounts 352 & 353 and 361 & 362.

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7. Ex. SDG&E-14 page AFC-70 states that "These capital overhead pool forecast values are referenced in the Rate Base testimony of Craig Gentes in Exhibit SDG&E-33, under budget code 901." The same statement on page AFC-71 refers to budget code 904. ORA reviewed Ex. SDG&E-33 and found references to Ex. SDG&E-14, for example on pages RCG-9 and RCG-15, but no information regarding how these overhead expenditures are applied. Please provide specific page and/or cell references to SDG&E testimony, workpapers, and/or the RO model that show where and how these overhead expenditures are applied.

SDG&E Response 7:

The application of overheads is processed within the Results of Operations (RO). Please refer to file and tabs listed below to follow that process through the RO model:

Filename: rbSDGEDataInputi
Tabs: 'Overheads' and 'CapExOH Total'

Once in the file noted above, you can click on the link(s) highlighted below, which will take you directly to the appropriate tabs.