

**ORA DATA REQUEST
ORA-SDGE-069-TCR
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 22, 2017
DATE RESPONDED: JANUARY 11, 2018**

Exhibit Reference: SDG&E-14
SDG&E Witness: Alan F. Colton
Subject: Indirect costs for T&D projects

Please provide the following:

1. SDG&E's response to data request ORA-SDGE-016-TCR included a confidential Work Order Authorization (WOA) form for budget code 11256. The WOA form indicates that indirect costs (\$3.080 million) exceed direct costs (\$2.444 million).

- a. The WOA includes forecast costs. Is it typical for indirect costs to exceed direct costs using recorded costs?
- b. Is it typical for indirect costs to exceed direct costs for all budget codes where a zero-based forecast method is used?
- c. Is it typical for indirect costs to exceed direct costs for capital T&D project generally? If not, what is the typical ratio of indirect costs to direct costs?
- d. Describe the types of capital T&D projects for which indirect costs typically exceed 50% of direct costs.

SDG&E Response 1:

- a. Indirect costs may or may not exceed direct costs, depending on the project.
- b. See response to a. The indirect costs for the zero-based forecast projects are based on the applicable planning overhead rates and the type of work being performed. Please refer to attachment "ORA-SDGE-069-TCR-October 2016 Planning Overhead Rates Confidential.pdf" for types of indirect rates. The overhead rate information highlighted in yellow in the document is **Confidential Pursuant to P.U. Code Section 583 & General Order 66-C/D and D.16-08-024**, and is accompanied by supporting declaration.
- c. See response to a and attachment "October 2016 Planning Overhead Rates_Confidential.pdf" provided with this response to DR ORA-SDG&E-069-TCR. The overhead rate information highlighted in yellow in the document is **Confidential Pursuant to P.U. Code Section 583 & General Order 66-C/D and D.16-08-024**, and is accompanied by supporting declaration.
- d. Company labor indirects (consisting of multiple types of indirects applied per company labor dollars) normally has a rate that exceeds 50% of direct costs. Therefore, any capital T&D project with significantly more company labor costs than any other cost will more than likely have an indirect cost amount exceeding 50% of direct costs.

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2. SDG&E’s response to data request ORA-SDGE-016-TCR included a **confidential** Work Order Authorization (WOA) form for budget code 11256. Describe the categories of indirect costs listed in the WOA.

SDG&E Response 2:

Please refer to attachment “ORA-SDGE-069-TCR-October 2016 Planning Overhead Rates Confidential.pdf”, provided with this response to DR ORA-SDG&E-069-TCR. The overhead rate information highlighted in yellow in the document is **Confidential Pursuant to P.U. Code Section 583 & General Order 66-C/D and D.16-08-024**, and is accompanied by supporting declaration.

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3. SDG&E’s response to data request ORA-SDGE-016-TCR included a confidential Work Order Authorization (WOA) form for budget code 11256. Provide a table that includes the following for each indirect line item in the WOA:

- a. Indirect cost rate,
- b. Basis the indirect cost rate is applied to,
- c. Calculations that confirm the total values shown in the WOA are the product of items a and b above,
- d. If the total values shown in the WOA are not the product of items a and b above, provide calculations supporting the WOA values and a narrative description of how the indirect costs are applied.
- e. The exhibit and chapter of SDG&E testimony that describes the indirect costs and includes a forecast for the costs,
- f. The budget code associated with the indirect cost.

SDG&E Response 3:

- a. Please refer to attachment “ORA-SDGE-069-TCR-October 2016 Planning Overhead Rates Confidential.pdf”, provided with this response to DR ORA-SDG&E-069-TCR. The overhead rate information highlighted in yellow in the document is **Confidential Pursuant to P.U. Code Section 583 & General Order 66-C/D and D.16-08-024**, and is accompanied by supporting declaration.
- b. Please refer to attachment “ORA-SDGE-069-TCR-October 2016 Planning Overhead Rates Confidential.pdf”, provided with this response to DR ORA-SDG&E-069-TCR. The overhead rate information highlighted in yellow in the document is **Confidential Pursuant to P.U. Code Section 583 & General Order 66-C/D and D.16-08-024**, and is accompanied by supporting declaration.
- c. The work order authorization form is created from a template that contains the calculations, with indirect costs being periodically updated. Accompanying this response is the file “ORA-SDGe-69-TCR-WOA template.xlsx.”, the current template used to create Work Order Authorizations. These templates are used to create the single WOA and are most often discarded after that WOA is created as a pdf for signatures and are not kept in a central repository or database. However, the values shown in the work order are the product of items a and b, above.
- d. Please see response above to 3c.
- e. The forecast included in Alan F. Colton’s testimony for each budget code represents direct costs only. The forecasted indirect costs are allocated to capital projects within the RO model during ratebase modeling.

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SDG&E Response 3 Continued:

- f. In SDG&E-14, the budget codes 009010-Local Engineering Pool – ED Pool, 009040-Local Engineering Pool – Substation Pool, 009050-Department Overhead Pool and 00906A-Contract Administration Pool are associated with indirect costs. These are used in ratebase modeling and applied to the direct project costs.

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4. SDG&E's response to data request ORA-SDGE-016-TCR included a confidential Work Order Authorization (WOA) form for budget code 11256. Are the indirect costs listed in the WOA applied to every capital T&D project? If not, please explain.

SDG&E Response 4:

No, the indirect costs are applied based on the specific work performed on a given project.

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5. Are the indirect cost rates provided in response to Question 3a above constant for all capital T&D projects? If not, please explain.

SDG&E Response 5:

No, the indirect rates are updated monthly.