

ORA DATA REQUEST
ORA-SDGE-092-MCL
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: JANUARY 17, 2018
DATE RESPONDED: JANUARY 31, 2018

Exhibit Reference: SDG&E-05, SDG&E-05 WP

SDG&E Witness: Various

Subject: Gas System Integrity Non-Shared Costs

Please provide the following:

1. In reference to Ex. SDG&E-05-WP, page 2, Summary of Non-Shared Services Workpapers, please provide 2017 Labor and Non-labor recorded data for Asset Management, Pipeline Safety & Compliance and Damage Prevention.

SDG&E Response 01:

2017 financial information will not be available until after SDG&E makes its 10-K filing with the SEC in early 2018. It is currently expected that SDG&E will provide the adjusted recorded 2017 financial information to ORA in March 2018.

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2. In reference to SDG&E-05-WP, page 14, Work-paper 1SI002.000 – Pipeline Safety & Compliance, for year 2016 Adjusted recorded, there is Labor \$26,000, Non-labor \$5,000 and FTE charge of 0.3.

a. Provide position title(s), hiring dates of the FTE or FTEs for the 2016 charge of the 0.3 and show a breakdown and time calculations of the Labor charge for \$26,000.

b. Provide a detailed and itemized list of Non-labor expenses for year 2016, total of \$5,000.

SDG&E Response 02:

a. The position title was an Engineer II, with a hiring date of February 28, 2015. The Labor charge for \$26,000 was based off a 30% calculation of the base salary.

Labor Expenses	2016	
	Amount	FTE
Salary	\$ 22,681.48	0.270

b. The table below is a detailed and itemized list of Non-Labor expenses rounded to the nearest thousand.

Non-Labor Expenses	\$ 4,528.12
Travel Expenses	\$ 2,612.91
Materials	\$ 15.51
Services	\$ 574.71
Misc	\$ 664.75
Communication	\$ 660.24

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3. In reference to SDG&E-05-WP, page 14, Work-paper 1SI002.000 – Pipeline Safety & Compliance, for year 2019 Adjusted Forecast, there is Labor \$101,000, Non-labor \$4,000 and FTE charge of 1.0. Provide position title(s), hiring dates of the FTE or FTEs for 2019 for the FTE 1.0. Provide breakdown calculations of the Labor anticipated of \$101,000.

SDG&E Response 03:

The position title is a Pipeline Safety and Compliance Advisor, expected to be hired in the beginning of 2019. The calculation of the Labor anticipated was based on the average (or mid-range) of the pay band for the position.

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4. In reference to SDG&E-05 WP, page 14, The Labor-Base YR Rec Forecast Explanations for both Labor and Non-Labor states that: “As the foundation for future labor expense requirements, the base year method was selected. This forecasting methodology serves to more accurately represent this work group. However, new State regulations and enhancements are emerging and thus requiring additional staffing and resources to comply. These incremental costs have been identified and added to the base year.”

Explain and provide detailed and supporting documentation for the expected activity, or projects, etc., for new State regulations and enhancements SDG&E anticipates and identifies to have in year 2019 that requires additional staffing and additional resources.

SDG&E Response 04:

General Order (GO) 112-F was the most recent update to state regulations effective January 1, 2017. The recent changes are as follows:

- GO 112-F added in section 105 - Definitions the definition of “Public Attention means any event that escalates to a level that initiates calls/complaints concerning a common safety concern being submitted to an Operator from 10 or more individuals or organizations. This can include, for example, large scale reports of the smell of gas by customers in the vicinity of an Operator’s gas facilities. Public Attention criterion does not necessarily include an individual, or a crowd of persons, watching work being performed on company facilities.”

Adding this definition as 10 or more individuals reporting an event changed the already existing language under 122.2 2. Incidents which have either attracted public attention or have been given significant news media coverage, that are suspected to involve natural gas and/or propane (LPG) gas, which occur in the vicinity of the Operator's facilities; regardless of whether or not the Operator's facilities are involved.

121 reported events were due to the Public Attention criteria alone.

- GO 112-F also added new reporting criteria in section 122.2 3. Incidents where the failure of a pressure relieving and limiting stations, or any other unplanned event, results in pipeline system pressure exceeding its established Maximum Allowable Operating Pressure (MAOP) plus the allowable build up set forth in 49 CFR § 192.201. and 122.2 4. Incidents in which an under-pressure condition, caused by the failure of any pressure controlling device, or any other unplanned event other than excavation related damage, results in any part of the gas pipeline system losing service or being shut-down.

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SDG&E Response 04 Continued:

In 2018, we anticipate an increase in construction site visits/inspections from the Safety and Enforcement Division (SED), in which the Pipeline Safety and Compliance Advisor will facilitate formal scheduled audits of various organizations and conduct incident investigations. Please refer to Ex. SDG&E-05, pages OR-17 – OR-18.

In addition, the Advisor position will also oversee and facilitate SDG&E's compliance with all Department of Transportation (DOT) and CPUC pipeline safety regulations, including working with CPUC's SED, DOT's Office of Pipeline Safety, California Inter-Utility Work Group, Gas Transmission, and Distribution Regions (and other parties).

The Advisor will act as a liaison with CPUC SED and PHMSA/DOT Office of Pipeline Safety to maintain consistency and negotiate resolution to potential findings of non-compliance.

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5. In reference to Ex. SDG&E-05, page OR19 – OR-22, Damage Prevention and Public Awareness:

- a. Provide month and year SDG&E developed and implemented the federally mandated Public Awareness Program.
- b. SDG&E utilizes multiple channels of communication for Damage Prevention and Public Awareness Program and requests for TY 2019 a total of \$725,000 for Nonlabor expenses. Provide a list of all advertising and medium of communication SDG&E plans to use for this program including a list of contractors included in the forecast.
- c. Explain the difference of the current Damage Prevention and Public Awareness Program SDG&E has and explain the new enhancements, new approach, channels of information or initiative SDG&E plans to use and implement for this program in relation to the \$725,000 SDG&E's request for this program.

SDG&E Response 05:

- a. SDG&E first developed and implemented the Public Awareness Program in December 2004.
- b. SDG&E plans to utilize the following:
 - Asian Print Campaign handled by vendor, Intertrend, an Asian ad agency. Print ads would be displayed in ethnic newspapers and journals such as San Diego Chinese Tribune, Tieng Viet San Diego, Asian Journal San Diego, and the Filipino Press.
 - Refresh of the SDG&E pipeline safety videos and implementation of a new digital campaign. Digital media includes the use of an ad buying platform that enables marketers and agencies to run efficient cross-channel advertising campaigns of every scale so that it maximizes reach and drives traffic to SDG&E's Safety landing webpage. This could also be customized to specific ethnic groups and languages. Platforms would include Google, Facebook, and Instagram.
 - Community partnerships could include partnerships with news stations, print publications, One-Call Center, etc. This could also include television and radio media that utilize both terrestrial and streaming audio. This campaign could leverage the influence of on-air DJ personalities and their social media platforms to further educate target audiences on safety tips. This medium could also include partnering with the lead Spanish radio station and use a mix of station formats to maximize audience reach.
 - Community Relations sponsorships could include advertising for pipeline safety and Dig Alert messaging.

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SDG&E Response 05 Continued:

- c. The current SDG&E Damage Prevention & Public Awareness Program contains the required communications and research effectiveness studies recommended by API 1162. Besides a print ad campaign that targets the Asian audience, there are currently no other platforms utilized to outreach to the required stakeholders. Currently, bill inserts, Asian print campaign and Dig Alert messaging on various printed materials used to communicate pipeline safety are the tactics used to promote pipeline safety messaging. In addition, SDG&E's current funding only allows for minimum messaging that is recommended in AP 1162. The effectiveness studies are surveys with the required stakeholders to understand their recall of our messaging. These studies are required every 4 years but if we could do it more often, we would have current data to help us make any necessary changes to our messaging based on the results.

Enhancements would also include a media campaign that would generate awareness and drive traffic to the Safety landing page on the SDG&E website. "Call 811" would be the key messaging to a variety of ethnic segments such as Hispanic, Chinese, Filipino, Vietnamese, and Korean audiences. Media tactics would include television, radio, digital media, and print ads.

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6. In reference to SDG&E-05-WP, pg. 20:

- a. Explain and provide supportive documentation to substantiate the decrease for years 2012 to 2016 for non-labor expense for Damage Prevention and Public Awareness.
- b. Provide a breakdown and calculations of \$120,000 non-labor for Damage Prevention and Public Awareness for year 2016.
- c. Provide a breakdown and calculations of \$725,000 non-labor for Damage Prevention and Public Awareness for year 2019.

SDG&E Response 06:

- a. The decrease for non-labor expenses for years 2012 to 2016 was due to decreased spending in the areas of market research, advertising and marketing, printing and graphics, customer events participation, and promotional items. Please see the table below.

Non-Labor Expenses	2012	2013	2014	2015	2016
Misc	\$2,000	\$2,000	\$3,106	\$179	\$2,187
Employee Expenses	\$207			\$0	
Market Research	\$79,299	\$80,650	\$62,150	\$24,950	\$12,360
Material Safety Event	\$33,627	\$18,289	\$10,232	\$6,360	\$7,842
Marketing and Advertising Services	\$220,608	\$158,579	\$149,536	\$134,701	\$102,442
Grand Total	\$335,741	\$259,518	\$225,023	\$166,190	\$124,831

- b. The breakdown and calculations of \$120,000 non-labor for Damage Prevention and Public Awareness for year 2016 consist of the following:
 - Customer Communications - \$87,676
 - Research - \$12,360
 - Excavator meetings - \$15,970
 - Mailing lists - \$6,505
 - Dues & Contributions - \$2,320
- c. The breakdown and calculations of \$725,000 non-labor for Damage Prevention and Public Awareness for year 2019 consist of the following:
 - Customer Communications – \$550,000
 - Research – \$100,000
 - Excavator meetings – \$15,000
 - Mailing lists – \$50,000
 - Dues & Contributions - \$10,000

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7. In reference to Ex. SDG&E-05, pg. OR-iii, SDG&E states that: “In preparing the Test Year (TY) 2019 General Rate Case (GRC) for this testimony, I reviewed historical spending levels and developed an assessment of future needs. Because of the mature nature of the activities that I am sponsoring, most of my forecasts rely upon a five-year (2012 through 2016) average. The five-year average was chosen because it best represents future expenses and because it captures the fluctuations that my witness area can experience.”

Provide a list of the categories, detailed and supporting documentation including the five year historical spending levels SDG&E relied on to arrive to each of the categories totals for Gas System Integrity for test year (TY) 2019.

SDG&E Response 07:

Please see the workpaper exhibit SDG&E-05-WP. Workpapers are organized in uniform fashion. In the following description, the page numbers will refer to the first workpaper for the category ‘Asset Management,’ which is Gas Contractor Controls. For each workpaper group (a collection of one or more cost centers):

1. Summary of the category forecast (p3);
2. Start of the section for Gas Contractor Controls (p4);
3. Description, forecast methodologies used, and summary table of historical costs and forecast (p5-6);
4. Adjustments to the forecast (p7-8);
5. Adjustments to historical data (p9-10); and
6. RAMP information (p11).

Each workpaper group within each category of work consists of these sections, with the page length varying depending on the content. The information requested can be found in these workpaper sections. In particular, the historical spending information is found in the section numbered above as 3, as well as in the section numbered above as 5. Additionally, each workpaper volume contains an index and a grand summary at the beginning of the volume.

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8. In reference to SDG&E-05-WP, pg. 29 states that: “Codes and Standards help the two utilities meet their regulatory obligations and allow for information exchange to enhance public and employee safety. The CPUC annually audits both companies and their gas standards. The cost reflects the non-labor support needed to manage and provide consistency across both companies with respect to the gas standards, and to prepare documentation and perform follow-up work resulting from CPUC audits.”
- a. Provide the allocation percentages between both companies for Code Standards and Records.
 - b. Explain the difference of the current SDG&E’s Codes Standards and Records Activities and management and explain the new enhancements, new approach, or initiative SDG&E plans to use or implement in relation to the \$600,000 SDG&E’s request. Provide a breakdown and supporting documentation of SDG&E’s request of \$600,000 for (TY) test year 2019.

SDG&E Response 08:

- a. The percentage allocation is as follows:
 - SDG&E- 13%
 - SoCalGas- 87%
- b. While there are several current and planned information technology (IT) applications and enhancements to support records management, SDG&E proposes an initiative to further digitize its records. SDG&E’s records have evolved over the life of the operational assets, and transferring existing paper records to an electronic format (digitization) is one aspect of modernizing SDG&E’s records. In addition to digitization, SDG&E’s initiative will also add search capability and traceability functionality to IT applications, which will help efficiently and effectively identify specific attributes related to operational assets, as increasingly required by regulatory compliance standards. Please refer to Ex. SDG&E-05, pages OR-10-11, 24.

SDG&E has identified IT solutions to support the modernization effort. The intent of these projects is to leverage existing investments in information technology while providing improved functionality to address operational needs in the records management area.

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9. In reference to Codes Standards and Records (Cost Center 2100-3563), pg. OR-23, SDG&E states that: “This cost center supports the development and integration of Gas Standards for both SoCalGas and SDG&E... The cost reflects the labor support to manage and provide consistency across both companies with respect to the Gas Standards, and to prepare documentation and perform follow-up implementation post-SED audits.”
- a. Provide the labor and non-labor totals and calculations for this cost center for the past five years (2012-2016) and recorded 2017.
 - b. Provide total costs for CPUC audits for the past five years (2012 through 2016), recorded 2017 and allocated costs for both SDG&E and SoCalGas.

SDG&E Response 09:

- a. A report showing the five years of adjusted-recorded historical spend and the three years of forecasts has been provided to Clayton Tang on Dec. 1 in the file ‘MDR General Requirements Item 17 SDGE/SCG 5-Yr Hist w Fcst.xlsx’ and updated on Jan. 25. This information is obtained as a specifically-created database extract for O&M and many capital budgets, and is provided in tabular format as an Excel spreadsheet, although as previously indicated, it consists of values and contains no formulae.

2017 financial information will not be available until after SDG&E makes its 10-K filing with the SEC in early 2018. It is currently expected that SDG&E will provide the adjusted recorded 2017 financial information to ORA in March 2018.

- b. The costs provided in the response to Question 9.a represent the total aggregated costs for the Codes, Standards and Records cost center activities; further differentiation as to document preparation and follow-up activities related to SED audits is not available.

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10. In reference to SDG&E-05, pg. OR-23, OR-24, Shared Services, Codes and Standards:

- a. Explain, list and provide documentation on the newly inaugurated functions SDG&E accounts for Code and Standards.
- b. The forecast methodology SDG&E uses is the Zero-based approach for non-labor expenses. Provide a breakdown list and supportive documentation for the expected activity for this category in the test year 2019.

SDG&E Response 10:

- a. The newly inaugurated functions SDG&E accounts for Code and Standards is to digitize its records and add search capability and traceability functionality. Please see the response to Question 8.b above.
- b. The one expected activity for this category in the test year 2019 is the IT application for records management digitization that also enables search capability and traceability, as described in SDG&E-05 on pages OR-23 and OR-24, and proposed in SDG&E's RAMP Report, Chapter SDG&E-13 Records Management.