

**ORA DATA REQUEST  
ORA-SDGE-155-TCR  
SDG&E 2019 GRC – A.17-10-007  
SDG&E RESPONSE  
DATE RECEIVED: MARCH 9, 2018  
DATE RESPONDED: MARCH 28, 2018**

**Data Request No:** ORA-SDGE-155-TCR

**Exhibit Reference:** SDG&E-14

**SDG&E Witness:** Alan F. Colton

**Subject:** Planning Overhead Rates

1. Are overhead rates calculated monthly? If so, provide monthly overhead rate sheets for June and December of 2012-2017. If the December 2017 rate sheet is not available, provide the most recent monthly rate sheet for 2017.

**SDG&E Response 01:**

Yes, overhead rates are reviewed every month and updated, when necessary. See Attachment A (ORA-SDG&E-155-TCR Q1 – Plan Rates each June & Dec 2012-2017), which contains **Confidential and Protected Materials Pursuant to P.U. Code Section 583 & General Order 66-D and D.17-09-023**, and accompanying Confidentiality Declaration.

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2. Are overhead rates calculated annually? If so, provide annual overhead rate sheets for 2012-2017 and indicate if they are for a calendar year or some other annual period.

**SDG&E Response 02:**

No, they are calculated monthly as shown in response 1.

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3. The data provided in SDG&E’s response provides overhead rates for October 2016. Is this the date that the rates were calculated based on overhead expenditures recorded in October 2016? If not, please explain. If so, would these rates be applied to November 2016 direct expenditures or some other time period? If not, please explain.

**SDG&E Response 03:**

Yes, “planning” overhead rates for October 2016 are published internally for use November 2016 (and are expected to provide a reasonable estimate for total cost of work that is started November 2016 and continued through the next 12-month period). There is not a fixed relationship for “planning” overhead rates and the actual overhead expenditures recorded in the month they are calculated. These rates are used only for internal budgeting and resourcing. “Planning” overhead rates do not necessarily match the final actual costs of overheads or the final overhead rates applied.

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4. Is the rate for “Engineering/ Elect Distribution” based on expenditures recorded to BC 901? If not, please explain.

**SDG&E Response 04:**

No – Rates were not used in the forecast for Engineering/Electric Distribution (the 901 pool). The forecast for the pool was based on 2016 capital expenditures and the historical relationship of Local Engineering – Electric Distribution Capital overhead to capital expenditures.

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5. Is the rate for “Engineering/ Elect Substation” based on expenditures recorded to BC 904? If not, please explain.

**SDG&E Response 05:**

No – Rates are not used in the forecast for Engineering/Electric Substation (the 904 pool). The forecast for the pool was based on 2016 capital expenditures and the historical relationship of Local Engineering Substation capital overhead to capital expenditures.

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6. Explain the basis for the “DOH Electric Distribution” rate, and how it differs from the “Engineering/ Elect Distribution” rate. Provide budget codes or other applicable accounting codes.

**SDG&E Response 06:**

All overhead rates function similarly, generally described as funding divided by applicable base equals overhead rate. Funding is unique for each overhead. Applicable base is also unique to the related overhead. Department Overhead (DOH) Electric Distribution is a separate overhead relating to the construction support activity (not actual field construction), such as field supervision, capital switching, dispatching, mapping and related work, and their supervisory and support areas. This activity generally occurs in SDG&E’s district operations centers rather than at the Century Park headquarters. A significant part of DOH Electric Distribution costs is directly assigned to O&M, and the remainder passed to the overhead process for capital overhead reassignment. DOH Electric Distribution contains no central engineering costs such as for engineering design. Engineering, by functional business area (Distribution, Substation, etc.), each have their own overhead and contain no DOH Electric Distribution costs.

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7. Assume a hypothetical electric distribution project with the following recorded expenditures in October 2016: direct company labor of \$500k; contract costs of \$500k; material costs of \$500k. Is it correct that “Engineering/ Elect Distribution” would add \$657.1k to the fully loaded project cost for October 2016 (\$1.0 million x 65.71%)? If not, please explain how the overhead rate is used relative to the “loading base” listed in the rate sheet.

**SDG&E Response 07:**

The “planning” overhead rates cannot be used to identify recorded expenditures and the actual total cost of work in a fiscal monthly period. The use of “planning” overhead rates mathematically simplifies the process of assigning estimated and highly summarized direct cost categories and provides a total estimated cost of performing work. The “loading base” listed in the rate sheet correlates to summarized direct cost categories used by planning groups to ensure they assign estimated costs at an appropriate level of detail to obtain a total estimated cost of work for the planning, budgeting and resourcing functions within the Company.