**Exhibit Reference:** SDG&E-14-R and SDG&E-15-R **SDG&E Witness:** Alan F. Colton and William H. Speer **Subject:** Capital Projects with O&M Expenses

### Please provide the following:

1. Regarding 4 kV Modernization, BC 626, Ex. SDG&E-15-R, p. WHS-53, states "The O&M component of this capital project was estimated at 5%. The O&M to capital split is based off of actuals from similar projects SDG&E has completed." Regarding this project:

a. Provide the accounting codes used by SDG&E staff to record time spent working on the capital portion of 4 kV Modernization work in a substation.

b. Provide the accounting codes used by SDG&E staff to record time spent working on the O&M portion of 4 kV Modernization work in a substation.

c. Provide the accounting codes used by SDG&E staff to record time spent working on the capital portion of 4 kV Modernization work on a distribution circuit.

d. Provide the accounting codes used by SDG&E staff to record time spent working on the O&M portion of 4 kV Modernization work on a distribution circuit.

e. Explain why 4 kV modernization projects have an O&M component.

f. Provide a list of all tasks or materials that are classified as O&M in 4 kV modernization projects.

g. Explain how SDG&E staff are informed which work to record as capital versus O&M.

h. Provide the project cost data used by SDG&E to determine the 5% O&M to capital split.

i. Explain why the evaluation in subpart h above is applicable to future 4 kV modernization work, and provide supporting data and analyses if available.

#### SDG&E Response 01:

- a. Capital Budget Code 17269 is being used for 4kV Modernization. Specific Work Orders have not yet been created.
- b. The Capital Budget Code 17269 being used for 4kV Modernization will, in accounting reconciliation, allocate a fraction of costs to O&M to be determined by the work order profile for that activity. Specific Work Orders have not yet been created.

#### **SDG&E Response 01:-Continued**

Similar projects have used O&M accounts FE58300 (overhead line expenses), FE58400 (underground line expenses) and FE59400 (maintenance of lines.)

- c. Capital Budget Code 17269 is being used for 4kV Modernization. Specific Work Orders have not yet been created.
- d. The Capital Budget Code 17269 being used for 4kV Modernization will, in accounting reconciliation, allocate a fraction of costs to O&M to be determined by the work order profile for that activity. Specific Work Orders have not yet been created. Similar projects have used O&M accounts FE58300 (overhead line expenses), FE58400 (underground line expenses) and FE59400 (maintenance of lines.)
- e. 4kV Modernization efforts that will address overhead systems include O&M costs associated with minor units of property with their associated construction labor. In addition to minor units of property, underground 4kV to 12 kV cutover projects include the additional O&M expense of adjusting existing 4kV transformer tap settings to the required 12 kV setting.
- f. An example of the tasks that may be associated with 4kV modernization projects is listed below. The O&M component of these tasks will include minor units of property associated with the construction labor.

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LOC TAG	WRK   F-C MU ID S	  AU ID	DESCRIPTION/CONSTRUCTION NOTES	QTY   RQD	  UM	WRK  RSP	MTL  RSP	TIM  TRT	STANDARD   PAGE	CREW    TYPE	EST HRS	 
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	I-N	  1-3SLB	   1-3 IN DB 90 D 36 IN R BEND SLURRY ENC	   6	  EA	   U 	   U 	   S	  3373.2	3-WF3	0.3	
	I-N	REG600	REGULATOR 1 PHASE PAD-MOUNT 600 AMP	3 	EA	U   U	י ן ע	S	 	2WF3	0.7	÷
	I-N CCT9	1	CONN CONFIG 600A T9 (SWI)	6 	EA	'   U 	U   U	S	4181.16	2WF3	3.0	ģ.
	I-N	I TG-E-R	TRENCH GRD WIRE W/RODS (EQUIP/SWI/HH)	   3	EA	U   U	U   U	S	4510.2	3SWF3	0.6	;
	I-N	1"PE	1 IN POLYETHYLENE CONDUIT	   38 	  FT	   U 	   U	S	3373.1	3-WF3	0.3	 
	I-N	1EB3SL	1-3 IN EB CONDUIT SLURRY ENCASED	   124	FT	   U 	U	S	3376.1	3-WF3	1.7	ģ.
	I-N	1-3SLC	1-3 IN DB 11.25 D 25 FT R SLURRY ENC	   6	EA	י ן ע	U	S	3372.2	3-WF3	0.5	j.
	I - N   	P-1000   	CABLE AL PECN-PEJ 3-1/C 1000 UN-TPLX	165   	FT     	U   	U     	S	4002.2   	2WF3    CADOL   0-CAB	4.5 1.5 1.5	
	I-N	  GR-MAT	GROUND MAT (PER LOCATION) I & R	   3	  EA	   U	   U 	S	 	2WF3	0.6	   
	I-N	PER-GR	PERSONAL GROUNDS (PER PHASE) I & R	3 	EA	U	U	S	 	2WF3	0.5	    
	I-N	HI-POT	HIGH POT CABLE (PER PHASE)	   6	EA	U	י   ע	S	 	2WF3	2.4	:
	I - N	PHAZ-C	PHASE CABLE (PER PHASE)	3	EA	U	U	S S		2WF3	0.8	;

# SDG&E Response 01:-Continued

	  I-N	 	   T-S-SU	   ELEC T-MAN SWITCHING -SWI SUBSTATION	2	EA	U	U	   S	 	T-MAN	0.6
	  I-N	 	   SUB-BM	   SUBSTRUCTURES (BOOM TRUCK ASSIST)	8	   HR	U	   U	   S	 	2BOOM	8.01
	  I-N	 	   PAD-BM	   PAD MOUNT EQUIP (BOOM TRUCK ASSIST)	8	   HR	U	   U	   S	1	2BOOM	8.0
	  I-N	 	  OP-SWI	OPERATE UG SWITCH (PER OPERATION)	2	EA	U	   U	I I S	1	2WF3	1.0
	  I-N	 	DN/E-S	   DELINEATION ST (EQUIPMENT) 400FT	1	EA	U	   U	   S		2WF3	1.2
	  I-N	 	  1DB5SL	1-5 IN DB CONDUIT SLURRY ENCASED	1 100	  FT	U	   U	   S	3376.1	3-WF3	1.4
		 	   	NOTE: BY-PASS				 		1		
	I – N + – – – –	   +	  PJ1000	   CABLE AL PECN-PEJ 3-1/C 1000 (TPLX)	140 +	FT	U	   U +	   S +	  4002.2	2WF3	4.5
+	 E NO			, DP001EML-REMOTE50-001	S.	AN I	DIEG	GA:	S AN	D ELECTRIC		
09/	13/1:	3 09:17		DPSS - DESIGN REVIEW	COPY	- st	JMMAI	RY				
PRO WOR	JECT K ORI	: 357832 DER:	2 JOB	:01 REV:0 TYPE: UD NAME: EDP DESIGN COS	T ESTI	MATI	NG U	JG		ST	ATUS: A	.CT
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LOC	WRK  F-C S	  MU ID	  AU ID	   DESCRIPTION/CONSTRUCTION NOTES	QTY   RQD	  UM	WRK RSP	MTL  RSP	TIM  TRT	STANDARD   PAGE	CREW    TYPE	EST   HRS
+	 I	 		1		I I					I CADOLI	1.51
	    _N	 	  1-5SLB	   1-5 IN DB 90 D 36 IN R BEND SLURRY ENC	   2	  EA	U	   U	   S	  3373.2	0-CAB   3-WF3	1.5
	  I-N   	   	   BH04XH   	   MACH DIG TRENCH 4 FT DEEP BACKHOE   	   224   	  FT  	U	   U 	   S   	  G7453   	  C-BC    C-BH    3SWF4	 11.2  11.2  22.4
	  I-N	 	  REM-4 <b>'</b>	   TRENCH SPOIL 4 FT DEPTH	   224	   FT	U	   U	   S	 	  C-DT	 26.9
	  I-N		  SLR-18	   BACKFILL SLURRY 18 IN WIDE X 12 IN DEEP	   672	   FT	U	   U	   S	  G7409	3-WF3	1.3
	  I-N 	   	  BKF-1' 	   BACKFILL TRENCH 1 FOOT DEEP 	   224 	   FT 	U	   U 	   S 	   	3-WF3   C-BC	1.1  1.1
+	I-N	   	5"СР-В	CP BEND SCH 80 5 IN (SLURRY ENC)	2	EA	U	U	S	4204.3	3-WF3	0.1
	I-N       	1000NL       	GDSTUD   T1000L   5"R-LA   5G1000	CP NONFORC 12KV 3-1000 W/TWO HOLE LUG GROUNDING STUD CABLE TERMINAL NONPORCELAIN W/LUG 1000AL CP RISER 5 IN - ON LADDER ARMS CP GRIP 5 IN (1000 KCMIL)	2   6   6   2   2	EA   EA   EA   EA   EA   EA	U	U U U U U U U U	S   S   S   S   S	4242.2 4111.2 4204.1 4204.3	2WF3    0-2BT   2-MAN  	7.8  7.8  1.0  
+ 003 1.0	I-N  D214	   4400	LN-S/U	LANE CLOSURE URBAN STREET	1	EA	U	U	S	I	3-WF3	
13 2.4	 1-1  I-N  313·	   -2	   DN/C-S	   DELINEATION ST (CABLE/CONNECTION) 400FT	2	  EA	U	   U	   S		  2WF3	
31	 3-3			2/22 איז דעק איז		 דער	17	1				
8.0	131.	- 4	1 2423BP	1 3423 BOX FAD FOR FME 9/10/11 SWITCH	ı ∠	LA	U	I U	13	19429.1		
0.8	  131·	- 8 -	1	1	1	I   I			1	1	J = AE 4	
13	  -9  I-N  131·	 -10	X3423	'   EXCAVATE 3423 BOX PAD 73" X 78" X 32"	2	EA	U	U U	S	3423.1	3SWF3	

# **SDG&E Response 01:-Continued**

						I	I	I	I	I	1	C-BH	
5.0	131-	-11											
	  I-N		  TG-E-W	   TRENCH GRD WIRE W/O RODS (EQUIP/SWI/H	H)	   2	  EA	U	U	   S	  4510.1	  3SWF3	 0.4
	  I-N		  GDWIRE	   GROUND WIRE 2-7 STR CU		   2	  EA	U	U	   S	  4512.5	  3-AF4	0.61
	  I-N		  4-5SLB	   4-5 IN DB 90 D 36 IN R BEND SLURRY EN	С	2	EA	U	U	S	  3373.2	3-WF3	0.4
	  I-N		  1-3SLB	   1-3 IN DB 90 D 36 IN R BEND SLURRY EN	С	2	EA	U	U	S	3373.2	3-WF3	0.1
	  I-N		  PME-10	   SWI AIR BREAK DF 600A 4WAY		2	EA	U	U	S	 	2WF3	1.0
	  I-N	CC-P90	1	CONN CONFIG 600A P90 (SWI)		24	EA	U	U	S	  4181.20	2WF3	12.4
	I-N		  OP-SWI	   OPERATE UG SWITCH (PER OPERATION)		4	EA	U	U	I I S	 	2WF3	2.0
+ PAG 09/  PRO WOR	E NO 13/13 JECT: K ORI	5 3 09:17 . 35783 DER:	2 JOB	DP001EML-REMOTE50-001 DPSS - DESIGN :01 REV:0 TYPE: UD NAME: EDP DES	REVIEW	SZ COPY -  T ESTIN	AN I - SU 	DIEGO JMMAH ING U	D GAS RY JG	5 ANI	D ELECTRIC		
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+	I - N	 !	PHAZ-C	PHASE CABLE (PER PHASE)		24	EA	U	U	S	I	2WF3	6.01
	  I-N		  HI-POT	   HIGH POT CABLE (PER PHASE)		24	EA	U	U	   S	1	  2WF3	9.61
	++	+	+	+		+	++		+	+	+	++	

- g. SDG&E's capitalization policy determines that new additions of plant, property and equipment that have a useful life of more than one year are to be capitalized. New additions include any costs incurred to construct, install and/or prepare plant, property, and equipment for its intended use. The purpose of capitalizing these costs (as opposed to charging them to operation and maintenance (O&M) expense) is to allocate (depreciate or amortize) the total costs over the life of the capital asset. SDG&E determines whether projects are capital or O&M at the beginning of a project according to the capitalization policy, and time and material charged to the project work order is based on the work order profile for that activity.
- h. Overhead 4kV modernization work is estimated to incur 3% O&M costs associated with minor units of property, which are not individually identified capital assets but on which work must be performed in completion of the project. This includes such work as reconfiguring existing conduit and spreading of existing overhead conductors. For underground 4kV modernization work, up to 7% O&M expenses may be incurred due the additional need for field labor to adjust existing 4kV transformer tap settings to the required 12kV setting. Combining overhead and underground cutover activities, SDG&E estimates an average of 5% O&M for the total program

# **SDG&E Response 01:-Continued**

i. The evaluation above is applicable to future work as these tasks such as pole replacements, cable replacement, and transformer installation are repeatable tasks that SDG&E has been performing regularly for many years.

2. Regarding Distribution Circuit Reliability Construction, BC 93240, and specifically bridged cutout switch replacements, Ex. SDG&E-15-CWP, p. 35 indicates that cost per switch of \$40,000, 90% of which is capital and 10% of which is O&M expense. Regarding this project:

a. Is it correct that SDG&E's O&M forecast assumes that a switch costs \$40,000, and that 10% of the cost is considered O&M? If not, please explain.

b. Describe a bridged cutout switch in terms of its normal function(s) and location(s) in the distribution system.

c. Describe the known issues with bridged cutout switches that are leading SDG&E to replace them, and provide supporting data and analyses if available.

d. Provide the number of bridged cutout switches SDG&E has replaced to date.

e. Provide the number of bridged cutout switches SDG&E plans to replace.

f. Provide the number of bridged cutout switches SDG&E does not plan to replace.

g. Provide the accounting codes used by SDG&E staff to record time spent working on the capital portion of bridged cutout switch replacement projects.

h. Provide the accounting codes used by SDG&E staff to record time spent working on the O&M portion of bridged cutout switch replacement projects.

i. Explain why bridged cutout switch replacement projects have an O&M component.

j. Provide a list of all tasks or materials that are classified as O&M in bridged cutout switch replacement projects.

k. Explain how SDG&E staff are informed which work to record as capital versus O&M.

1. Provide the project cost data used by SDG&E to determine the O&M to capital split, consistent with SDG&E's response to subpart a above.

m. Explain why the evaluation in subpart l above is applicable to future bridged cutout switch replacements, and provide supporting data and analyses if available.

#### SDG&E Response 02:

- a. The \$40,000 cost is inclusive of the cost of the switch as well as the labor required to install the switch. 10% of this total cost is considered O&M.
- b. Bridged cutout switches are used as an isolating device in lieu of a fused cutout switch. The fuse is omitted for purposes of coordinating with upstream relaying devices. They are placed on the circuit to improve reliability by limiting the number of customers affected by a fault on the circuit.
- c. Cutout switches are bridged (fuses are removed and replaced with a solid blade) when the fuse is unable to properly coordinate with other relaying devices (e.g. fault interrupting switches) on the circuit. This results in increased outage exposure for the customers downstream of these devices. Over time, these switches experience aging, particularly in high-corrosion areas. In order to prevent failures, unnecessary delays in outage restoration, and to improve sectionalizing opportunities across the system (outage resilience), SDG&E seeks to strategically replace the highest risk bridged cutout switches over the next several years.
- d. No bridged cutout switches have yet been replaced as part of this program.
- e. SDG&E plans to replace 1,572 bridged cutout switches.
- f. SDG&E does not plan to replace 524 bridged cutout switches.
- g. Bridged cutout switch replacements will be part of Capital Budget Code 17261. No specific work orders have been created.
- h. Bridged cutout switch replacements will be part of Budget Code 17261, which will, in accounting reconciliation, allocate a fraction of costs to O&M to be determined by the work order profile for that activity. No specific work orders have been created.
- i. O&M costs associated with bridged cutout switch replacements will include minor units of property associated with the construction labor.
- j. An example of the tasks that may be associated with bridged cutout switch replacements is listed below. The O&M component of these tasks will include minor units of property associated with the construction labor.

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WRK  LOC F-C MU ID TAGS	  AU ID		DESCRIPTION/C	ONSTRUCTION	NOTES		QTY RQD	   UM	WRK RSP	MTL   RSP	TIM   TRT	STANDARD PAGE	CREW  TYPE	E   F	IST   IRS	
+		-				- 1 -										
001 I-N  0.6 P110008	DS-SUE	B  ELECT	TRBLMAN/ASST	SUBSTATION	SWITCHING		2	2   EA	U	U	S		T-MAN			
	1	I								I						
239-T1-630																
I-N  0.4 630-1R	COVER	PROTE	CTIVE COVERUP-	PER VOLT LEV	/EL-TO 3/0		1	EA	U	U	S		1-WF4			

# SDG&E Response 02:-Continued

	I-N		  MDPOLE	   MACHINE DIG POLE HOLE - HWY DIGGER	1	EA	U	U	   S	l	1-MD2	1.2
	  I-N		  SP2	   set pole 45 thru 55	1	  EA	U	U U	   S	1	  1-WF4	0.51
	  I-N		  50'1SW	50'1 STEEL POLE WEATHERING	1	  EA	U	U	   S	  354.4		
	   I – N		   6ADF	CROSSARM, 12FT, 6 POSITION D.E.A FIBERGL	2	EA	U	U	   S	1380	1-WF4	0.6
	   I – N		   6DE	6-12KV DE NON-PORCELAIN	1	EA	U	U	   S	1750.4	1-WF4	0.6
	  I-N		  IPCN1	INSUL POLY CLAMP TOP, NYLON JAW 1" PIN	3	EA	U	U I	   S	1750.2		
	   I – N		  CWA636	WIRE,636 STR.,POLYTHYLENE COVERED	30	  FT	U	U	   S	  719		
	  I-N		  DE636	636 ACSR DE STRAIN CLAMP	6	EA	U	U I	   S	  741		
	   I – N		  WC636	W/C 636 AL TO 636	6	EA	U	U	   S	1784	1-WF4	1.2
	   I – N		  WCS636	WEDGE CONNECTOR STIRRUP FOR #636 ACSR	3	EA	U	U	   S	  788	1-WF4	0.6
	   I – N		LCH	LARGE CONNECTOR LABOR - HOT	9	EA	U	ן 1 ט	   S	1	1-WF4	1.8
	   I – N		  CT500C	500 CU COMPRESSION TERMINAL	6	EA	U	U U	   S	1795		
	   I – N	   SRNOVA	   (EXPL)	  630A NOVA SERVICE RESTORER - FORM 6	1	EA			   S	1 1271	1-WF4	8.7
	 	1	BOND8	#8 BOND CU   BUSHING COVERS (2) TRANSFORMER -HOT/COLD	30	FT	UU	1	I S	11630	I - EM2	22.01
	l	Ì	BS4	#4 B.STR	10	FT	U	i i	S	715	i i	i
			D900	900 AMP HOOK STICK HS SWI	6	EA	U	1	S	1442		
			FLEX1	FLEXABLE CONDUIT 1 INCH	6	FT	U		S	1271		
	1	1	IIDSW	1 12KV IICUTNING ADDESTED W/COVED	3	LA		1	10	11218		1
	1	1	INOUNCD	12RV LIGHINING ARRESIER W/COVER	1 1			1	10	1124/		1
	1	1	I POLYA	#4 POLYETHYLENE COVER COPPER WIRE	1 110	1571		1	1 5	11630	1 1	
		1	I PTBRKT	SERVICE RESTORER P/T MOUNTING BRACKET	1 1	IEAI	U	i	IS	11271	1 1	i
	I	1	PVC-1+	1 1/2" X 10' SCHED 40 PVC	1 2	IEA	Ū	i	I S	614.2	i i	i
		1	PVC3/4	3/4" X 10' SCHED 40 PVC	1 3	IEAI	Ū	i -	I S	1330.3	· ·	i i
	I	1	SRPT	SERVICE RESTORER POTENTIAL TRANSFORMER	1 1	IEA	Ū	i	I S	1271	· ·	i
		i	TESTRC	TEST AND ENERGIZE OH SERVICE RESTORER	i 1	EA	U	i	S		i i	i
	l	Ì	THW12	#12 THW - BLACK	40	FT	U	i	S	716	i i	i
		i.	THW12W	#12 THW - WHITE	40	FT	U	Í.	S	l.	1 1	Í.
		1	IVSTRIP	VISIBILITY STRIP/DELINEATOR - NAIL ON	1	SE	U	1	I S	1217	1 1	
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#### SDG&E Response 02:-Continued

|I-N| |J12LH | JUMPER LABOR - 12KV 4/0 & ABOVE HOT | 3|EA| U | U | S | |1-WF4| 0.9|

- k. SDG&E's capitalization policy determines that new additions of plant, property and equipment that have a useful life of more than one year are to be capitalized. New additions include any costs incurred to construct, install and/or prepare plant, property, and equipment for its intended use. The purpose of capitalizing these costs (as opposed to charging them to operation and maintenance (O&M) expense) is to allocate (depreciate or amortize) the total costs over the life of the capital asset. SDG&E determines whether projects are capital or O&M at the beginning of a project according to the capitalization policy, and time and material charged to the project work order is based on the work order profile for that activity.
- 1. The \$40,000 cost is inclusive of the cost of the switch as well as the labor required to install the switch. This includes approximately \$26,000 for the cost of the switch and \$14,000 for labor to install the switch, of which \$4,000 is considered O&M.
- m. The evaluation above is applicable to future work as these tasks are repeatable and similar to other tasks that SDG&E has been performing regularly.