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Commissioner : Ferron
ALJ : Wong
Witness : Godson Ezekwo



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
General Rate Case
Test Year 2012**

**SDG&E Gas Engineering
Operation & Maintenance Expenses**

San Francisco, California
September 1, 2011

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1 **GAS ENGINEERING**
2 **OPERATION AND MAINTENANCE EXPENSES**

3 **I. INTRODUCTION**

4 This exhibit presents the analyses and recommendations of the Division of
5 Ratepayer Advocates (DRA) regarding San Diego Gas & Electric Company's
6 (SDG&E) shared and non-shared gas engineering operation and maintenance
7 (O&M) expenses.

8 The expenses include gas engineering, transmission pipeline integrity
9 management, distribution pipeline integrity management and public awareness.

10 Table 9-4 at the end of this exhibit compares DRA's estimates to SDG&E's
11 request for O&M expenses in Test Year (TY) 2012 by account, broken down into
12 labor, non-labor and other dollars.

13 **II. SUMMARY OF RECOMMENDATIONS**

14 Table 4-1 compares DRA's recommended gas engineering O&M expenses
15 with SDG&E's proposed estimates for TY 2012. DRA recommends the Commission
16 adopt \$4,082,000 for Gas Engineering O&M for TY 2012; rather than SDG&E's
17 request of \$11,869,000.¹

18 **Table 9**
19 **Gas Engineering O&M Expenses**
20 **DRA/SDG&E Comparison for TY 2012**
21 **(In Thousands of 2009 Dollars)**

Description (a)	DRA Recommended (b)	SDG&E Proposed (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E (e=d/b)
Gas Engineering O&M	\$4,082	\$11,869	\$7,787	190.8%

¹ Exh. SDG&E-4, p. RKS-10.

1 **III. DISCUSSION/ANALYSIS OF O&M EXPENSES**

2 Gas Engineering O&M expenses consist of four accounts (1EN000.000,
3 1EN001.000, 1EN002.000, and 1EN003.000). SDG&E is requesting total O&M
4 expenses of \$11,869,000 for TY 2012 which includes \$700,000 for Account
5 1EN000.000 (Gas Engineering), \$7.3 million for Account 1EN001.000 (Pipeline
6 Integrity Management – Transmission), \$3.4 million for Account 1EN002.000
7 (Pipeline Integrity Management – Distribution) and \$457,000 for Account
8 1EN003.000 (Public Awareness).

9 **A. Account 1EN000.000: Gas Engineering**

10 The Gas Engineering work group is a consolidation of the associated
11 activities which provide engineering and supervision support to the distribution and
12 transmission operations of SDG&E. Support activities include GIS, mapping and
13 database support as well as project and construction management. This work group
14 captures the labor and non-labor expenses associated with these activities.

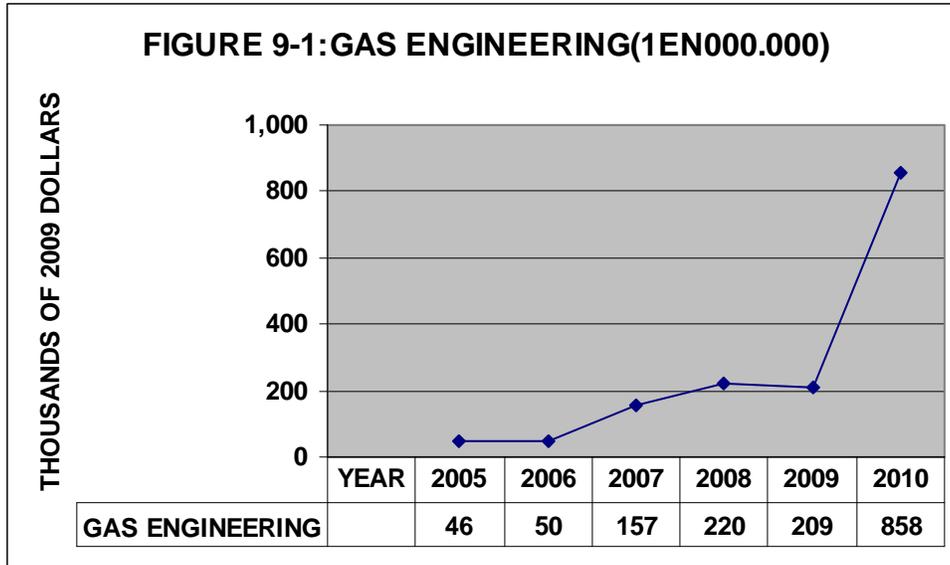
15 For this account, SDG&E shows a recorded 2009 base year figure of
16 \$209,000 and forecasts an incremental increase of \$491,000 resulting in a TY 2012
17 expense of \$700,000 (in 2009 dollars).²

18 SDG&E provided historical (2005 through 2009)³ O&M expenses for this
19 account. In an April 11, 2011 email, SDG&E provided the 2010 recorded amount of
20 \$858,000, which is higher than their 2010 forecast of \$700,000. Figure 9-1 shows
21 the historical trend of this account from 2005-2010.

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² Exh. SDG&E-4 workpapers, p. 6.

³ Exh. SDG&E-4 workpapers, p. 5.



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2 DRA accepts SDG&E’s forecasted expense of \$700,000 for TY 2012 because
 3 the expense has been increasing over the last five years as exemplified by Figure 9-
 4 1 above.

5 **B. Accounts 1EN001.000: Pipeline Integrity - Transmission**

6 This account includes costs associated with the development, management
 7 and support of the Pipeline Integrity Program and Integrity Management Plan.
 8 Support activities include data collection, analysis, management, and reporting;
 9 assessment planning; integrity assessment and project management.

10 For this account, SDG&E shows a recorded 2009 base year figure of
 11 \$747,000 and forecasts an incremental increase of \$6,592,000 resulting in a TY
 12 2012 expense of \$7,339,000 (in 2009 dollars).⁴

13 SDG&E provided historical (2005 through 2009)⁵ O&M expenses for this
 14 account. In an April 11, 2011 email, SDG&E provided the 2010 recorded amount of
 15 \$1,067,000, which is substantially lower than SDG&E’s 2010 forecasted amount of
 16 \$7,339,000.

⁴ Exh. SDG&E-4 workpapers, p. 12.

⁵ Exh. SDG&E-4 workpapers, p. 12.

1 DRA recommends that SDG&E's TY 2012 proposed expense of \$7,339,000
2 be reduced to \$1,082,000. This recommendation is derived by increasing the 2010
3 recorded expense by a system annual growth rate of 0.7% per year.⁶ DRA's
4 forecast methodology is more reasonable than SDG&E's method because it utilizes
5 the more recent 2010 recorded data. SDG&E's forecast methodology was
6 determined by forecasting a sizable incremental increase in expenditure to the 2009
7 base year.⁷ Table 9-2 on page 6 shows how DRA derived its TY 2012 forecast.

8 **C. Accounts 1EN002.000: Pipeline Integrity - Distribution**

9 This account includes costs associated with DOT mandated Distribution
10 Integrity Management Program (DIMP) rules set forth in 49 CFR. Primarily, the
11 activities will focus on generating and enhancing knowledge of the piping system
12 (location, materials, data retention, analysis, etc.); threat identification and mitigation;
13 evaluation, rank and addressing risk; damage prevention; leakage prevention and
14 mitigation; and reporting, etc.

15 For this account, SDG&E shows a recorded 2009 base year figure of
16 \$1,159,000 and forecasts an incremental increase of \$2,214,000, resulting in a TY
17 expense of \$3,373,000 (in 2009 dollars).⁸

18 SDG&E provided historical (2005 through 2009)⁹ O&M expenses for this
19 account. In an April 11, 2011 email, SDG&E provided the 2010 recorded amount of
20 \$2,149,000, which is lower than SDG&E's 2010 forecasted amount of \$3,373,000.

21 DRA recommends that SDG&E's TY 2012 proposed expense of \$3,373,000
22 be reduced to \$2,179,000. This recommendation is derived by increasing the 2010
23 recorded expense by a system annual growth rate of 0.7% per year.¹⁰ DRA's
24 forecast methodology is more reasonable than SDG&E's method because it utilizes

⁶ Exh. DRA-3.

⁷ Exh. SDG&E-4 workpapers, p. 13.

⁸ Exh. SDG&E-4 workpapers, p. 23.

⁹ Exh. SDG&E-4 workpapers, p. 12.

¹⁰ Exh. DRA-3.

1 the more recent 2010 recorded data. SDG&E's forecast methodology was
2 determined by forecasting a sizable incremental increase in expenditure to the 2009
3 base year.¹¹ Table 9-2 on page 6 shows how DRA derived its TY 2012 forecast.

4 **D. Account 1EN003.000: Public Awareness**

5 This account includes the cost of labor, materials, and other expenses
6 incurred in association with SDG&E's mandated Public Awareness Program. As
7 required by DOT ruling, SDG&E must develop and implement a formal plan which
8 increases the amount of Public Awareness communications.

9 For this account, SDG&E shows a recorded 2009 base year figure of \$73,000
10 and forecasts an incremental increase of \$384,000 resulting in a TY expense of
11 \$457,000 (in 2009 dollars).¹²

12 SDG&E provided historical (2005 through 2009)¹³ O&M expenses for this
13 account. In an April 11, 2011 email, SDG&E provided the 2010 recorded amount of
14 \$119,000, which is much lower than SDG&E's 2010 forecasted amount of \$457,000.

15 DRA recommends that SDG&E's TY 2012 proposed expense of \$457,000 be
16 reduced to \$121,000. This recommendation is derived by increasing the 2010
17 recorded expense by a system annual growth rate of 0.7% per year.¹⁴ DRA's
18 forecast methodology is more reasonable than SDG&E's method because it utilizes
19 the more recent 2010 recorded data. SDG&E's forecast methodology was
20 determined by forecasting a sizable incremental increase in expenditures to the
21 2009 base year.¹⁵ Table 9-2 on page 6 shows how DRA derived its TY 2012
22 forecast.
23
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¹¹ Exh. SDG&E-4 workpapers, p. 24.

¹² Exh. SDG&E-4 workpapers, p. 45.

¹³ Exh. SDG&E-4 workpapers, p. 45.

¹⁴ Exh. DRA-3.

¹⁵ Exh. SDG&E-4 workpapers, p. 46.

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Table 9-2
DRA's Forecast of Gas Engineering O&M Accounts 1EN001.000, 1EN002.000, and
1EN003.000
(In Thousands of 2009 Dollars)

ACCOUNT	2010	Add 0.7% Growth	2011	Add 0.7% Growth	TY 2012
1EN001.000	1067	7.5	1074.5	7.5	1082
1EN002.000	2149	15	2164	15	2179
1EN003.000	119	0.8	119.8	.8	121

5 **IV. DISCUSSION/ANALYSIS OF SHARED SERVICES**

6 As shown in Table 9-3 below, the first set of shared services expenses is
7 associated with General Engineering support and consists of two cost centers: Gas
8 Engineering Codes and Standards (2100-3563), and Operations Technology-GIS
9 (2100-3669). The last category of work is the Billed-in expense (Cost Center 2100-
10 8920) from SoCalGas. SDG&E is requesting total O&M Shared Services expenses
11 of \$1,881,000¹⁶ for TY 2012. See Table 9-3.

12 Gas Engineering Codes and Standards (Cost Center 2100-3563) supports
13 the development and integration of gas standards for both SoCalGas and SDG&E.
14 Gas standards are policies that ensure the two utilities are meeting their regulatory
15 obligations.

16 SoCalGas recorded base year cost for this cost center is \$10,000 and
17 forecasted cost for TY 2012 is \$11,000.¹⁷ DRA accepts SDG&E's TY 2012
18 expenditures of \$11,000 for this cost center. See Table 9-3.

19 Operations Technology (Cost Center 2100-3669) provides operations
20 technology applications and field hardware support for the benefit of Gas Distribution
21 and Gas Transmission organizations at both SoCalGas and SDG&E.

¹⁶ Exh. SDG&E-4, p. RKS-31.

¹⁷ Exh. SDG&E-4, p. RKS-31.

1 SoCalGas' recorded base year cost for this cost center is \$5,000 and
 2 forecasted cost for TY 2012 is \$11,000. DRA accepts SDG&E's TY 2012
 3 expenditures of \$11,000 for this cost center. See Table 9-3.

4 SoCalGas Expense Billed Into SDG&E (Cost Center 2100-8920) represents
 5 the expense associated with the shared-service support received by SDG&E from
 6 SoCalGas.

7 SoCalGas recorded base year cost for this cost center is \$1,342,000 and
 8 forecasted cost for TY 2012 is \$1,859,000. DRA accepts SDG&E's TY 2012
 9 expenditures of \$1,859,000 for this cost center. See Table 9-3.

10 **Table 9-3**
 11 **O&M Shared Services**
 12 **(Thousands of 2009 dollars)**

ENGINEERING			
Categories of Management	2009 Adjusted Recorded	TY 2012 Estimated	Change
Codes and Standards (2100-3563)	10	11	1
Operations Technology (2100-3669)	5	11	6
USS Billed-in from SoCalGas (2100-8920)	1,342	1,859	517
Total O&M Shared Services	1,357	1,881	524

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TABLE 9-4
SAN DIEGO GAS & ELECTRIC COMPANY
2012 GAS ENGINEERING
OPERATION & MAINTENANCE EXPENSES
(THOUSANDS OF 2009 DOLLARS)

Description	DRA (A)	SDG&E (B)	SDG&E Exceeds DRA (C=B-A)	SDG&E Exceeds DRA (D=C/A)
Gas Engineering(1EN000.000)				
Labor	206	206	0	N/A
Non-Labor	494	494	0	N/A
Other	0	0	0	N/A
Total	700	700	0	N/A
Pipeline Integrity Management - Transmission(1EN001.000)				
Labor	76	517	441	580.3%
Non-Labor	1,006	6,822	5,816	578.1%
Other	0	0	0	N/A
Total	1,082	7,339	6,257	578.3%
Pipeline Integrity Management - Distribution(1EN002.000)				
Labor	399	617	218	54.6%
Non-Labor	1,780	2,756	976	54.8%
Other	0	0	0	N/A
Total	2,179	3,373	1,194	54.8%
Public Awareness(1EN003.000)				
Labor	3	12	9	300.0%
Non-Labor	118	445	327	277.1%
Other	0	0	0	N/A
Total	121	457	336	277.7%
Total Labor	684	1,352	668	97.7%
Total Non-Labor	3,398	10,517	7,119	209.5%
Total Other	0	0	0	N/A
Total O&M	4,082	11,869	7,787	190.8%

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