

TURN DATA REQUEST-039
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: MARCH 29, 2018
DATE RESPONDED: APRIL 12, 2018

1. Please provide the following information about the FOF engagement contract with EHS Partners (ESH) referenced on page HDS/RC-3:

- a. The duration of the contract with ESH, including start and stop dates, if applicable;
- b. The total amount paid by Sempra Energy to ESH to date;
- c. The total amount billed by ESH each month since the inception of the contract, and total payments to-date;
- d. The total hours billed by ESH to date on FOF projects focused on each of the following: (i) SDG&E, (ii) SoCalGas, and (iii) Shared programs for SoCalGas and SDG&E. Include in your response a breakdown of hours billed by ESH staff level.
- e. The total ESH contract amount billed to-date by month for work on FOF projects focused on each of the following: (i) SDG&E, (ii) SoCalGas, and (iii) Shared programs for SoCalGas and SDG&E;

Utility Response 01:

1a. The EHS contract began on April 15, 2016 and concluded on or around November 16, 2016.

The information in this response is confidential and protected materials pursuant to PUC Section 583, GO 66-C/D and D.17-09-023.

1b. SoCalGas and SDG&E object to this question on the grounds that it is outside the scope of and not relevant to this proceeding because, as stated in Exhibit SCG-03-R/SDG&E-03-R (p. 3, lines 13-14), “None of the costs of EHS were allocated to SoCalGas or SDG&E as the costs were retained 100% at the Sempra Energy corporate center.” Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows: Sempra Energy paid [REDACTED] over the contract term. The FOF engagement benefited the entire family of Sempra Companies, not only the California Regulated Utilities – SDG&E and SoCalGas.

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Utility Response 01 Continued:

1c. Subject to the objection set forth above in response to Question 1b, SoCalGas and SDG&E respond as follows. See table below.

Payment	
Date	Amount
May-16	[REDACTED]
Jun-16	[REDACTED]
Jul-16	[REDACTED]
Aug-16	[REDACTED]
Sep-16	[REDACTED]
Nov-16	[REDACTED]
Jan-17	[REDACTED]
Mar-17	[REDACTED]
Total	[REDACTED]

1d. Subject to the objection set forth above in response to Question 1b, SoCalGas and SDG&E respond as follows. Not applicable. EHS did not bill by the hour.

1e. Subject to the objection set forth above in response to Question 1b, SoCalGas and SDG&E respond as follows. Not applicable. EHS didn't bill by project work specific to any business units. The fee was based on [REDACTED]

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2. Please answer the following questions regarding the Sempra employees who participated in the FOF Project Phase and/or the FOF Implementation Phase as Group Leaders, Associate Group Leaders, Catalyst Team Members, Catalyst Team Associates, Core Team Members, and Steering Committee members, as described on pages HCS/RC-3 – HCS/RC-4:

a. How have Sempra employees involved in the FOF effort accounted for their time on the project? Please separately answer this question for employees of SoCalGas, SDG&E, and the Corporate Center, or indicate if your answer applies to all three. To the extent that time accounting has been different for the FOF Project Phase than for the FOF Implementation Phase, please explain both.

b. Assuming Sempra employees have been tracking their time on FOF, please provide the following information for each Sempra Utility (SDG&E and SoCalGas) and the Corporate Center. If the questions are not applicable to the Corporate Center please also indicate specifically if this is because there were no hours/costs/individual employees involved or if there is some other reason why the questions are not applicable.

i. The total number of hours and associated costs charged to FOF by Witness Area;

ii. The number of FTEs charging time to FOF by Witness Area; and

iii. The number of individual employees charging time to FOF by Witness Area.

c. Assuming Sempra employees have been tracking their time on FOF, please provide the following information for each Sempra Utility (SDG&E and SoCalGas) and the Corporate Center. If the questions are not applicable to the Corporate Center please also indicate specifically if this is because there were no hours/costs/individual employees involved or if there is some other reason why the questions are not applicable.

i. An allocation of charges, hours, actual number of individual employees (as opposed to FTEs) to each Witness Area by organizational level (e.g., Director, Manager, etc.); and

ii. An allocation of the charges, hours, FTEs actual number of individual employees (as opposed to FTEs) to each Witness Area by FOF role (e.g., Group Leaders, Catalyst Team Members, etc.).

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Utility Response 02:

2a. Sempra employees did not separately track their time spent on the project. This also applied to SDG&E and SoCalGas employees.

2b. See response to Question 2a. above.

2c. See response to Question 2a. above.

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3. Regarding the explanation on page HDS/RC-7 that the TY 2019 impacts of FOF shown in Table HS/RC-1 and Table HS/RC-2 “reflect the full annual run rate of expected ratepayer benefits net of ongoing costs to achieve”:

a. Please expand Table HS/RC-1 and HS/RC-2 to provide both the “gross” expected ratepayer benefits and the ongoing costs to achieve those benefits by Witness Area.

b. To the extent that the gross expected benefits for each Witness Area, provided in your response to subpart (a), minus the ongoing costs to achieve those benefits, also provided in your response to subpart (a), equals anything other than the amounts shown in Table HS/RC-1 and HS/RC-2 in the column with the header of “TY 2019 2016\$ (\$000)”, please explain how Sempra derived the net benefits provided in these two tables.

c. Please confirm that the TY 2019 GRC impacts provided in these tables includes O&M net savings only, as suggested on page HDS/RC-7.

Utility Response 03:

3a. See Excel file attachment: TURN-SEU-039 Q3 Attachment. The GRC witness teams did not separate “gross” expected ratepayer benefits from the ongoing costs to achieve those benefits, so that level of detail is not available. The attachment only separates the one-time O&M Implementation Costs in the column labeled (A) from the Net Ongoing O&M Benefits shown in the column labeled (B).

3b. Not applicable.

3c. Yes. As stated on page HDS/RC-7 and also in the attachment provided in response to Question 3a above, only anticipated net O&M impacts are represented.

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4. On page HDS/RC-7, Sempra explains that “positive capital impacts” from FOF “were assumed to be re-invested in the business” and that “[w]ithout the projected FOF capital avoided costs, SoCalGas and SDG&E would have needed to forecast additional capital spending.” Regarding this assertion:

- a. Please provide the total FOF capital avoided costs projected to result from FOF for each utility, SDG&E and SoCalGas, and by Witness area, (i) for the time period at issue in this GRC, and (ii) for any years thereafter, if projected by SDG&E and/or SoCalGas. If convenient, please provide this information in tables similar to Table HS/RC-1 and HS/RC-2.
- b. Please provide the ongoing costs for each utility by Witness Area associated with achieving the capital avoided costs identified in your response to subpart (a). Indicate whether these ongoing costs are O&M or capital, and whether they are included in SDG&E’s or SoCalGas’s GRC request in any way (and if so, where). If convenient, please provide this information in tables similar to Table HS/RC-1 and HS/RC-2.
- c. How much additional capital spending would SoCalGas and SDG&E have needed to forecast in this GRC, but for FOF? Provide your answer by utility by Witness Area. If convenient, please provide this information in tables similar to Table HS/RC-1 and HS/RC-2.

Utility Response 04:

4a. Operating under the assumption that positive capital impacts were re-invested in the business, capital avoided costs projected to result from FOF were not quantified. As stated in the testimony, positive capital impacts were assumed to be re-invested in the business to fund incremental strategic and base projects.

4b. See response to Question 4a above.

4c. See response to Question 4a above.

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5. Regarding statement on page HDS/RC-3 that Catalyst Team Members were selected as FOF full-time project participations:

a. For each utility, provide a listing and explanation of the work by Witness Area that was deferred because employees were deployed to the FOF effort as Catalyst Team Members and Catalyst Team Associates. Clarify whether each type of work listed in your response is expense or capital.

b. Please explain how SDG&E's and SoCalGas's test year forecast for each Witness Area accounts for the deferred costs resulting from the FOF deployment, if any, identified in response to subpart (a).

Utility Response 05:

5a. Work that was not completed by Catalyst Team Members themselves was not deferred, but redistributed to other employees within the organization.

5b. See response to Question 5a above.

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6. Regarding the statement on page HDS/RC-5 that “The EHS Fulcrum ‘financial impact’ for an idea or group of ideas under FOF is not a comparable financial metric for purposes of this GRC,” please provide numerical examples showing how you valued the FOF financial impact for GRC purposes for the following:

- a. FOF projects assumed for GRC purposes to provide multi-year expense savings (projects that result in saving over several years);
- b. FOF projects assumed for GRC purposes to provide single-year expense savings (project that result in savings only in one year);
- c. FOF projects assumed for GRC purposes to provide multi-year capital savings;
- d. FOF projects assumed for GRC purposes to provide FOF projects providing single-year capital savings.

Utility Response 06:

6a. Please see the table below. As described on page HDS/RC-7, certain adjustments were necessary to form the basis of the TY 2019 GRC figures. The particular initiative identified in the table below did not have any labor overheads to remove and the costs to achieve were assumed to be non-O&M.

Financial Impact Summary in Fulcrum			Financial Impact Summary in GRC		
PE Impact	0	Personnel Expense (annualized, recurring O&M)	Labor Impact	0	Personnel Expense (annualized, recurring O&M)
Ongoing NPE Impact	270	Non-Personnel Expense (annualized, recurring O&M)	Non-Labor Impact	270	Non-Personnel Expense (annualized, recurring O&M)
¼ One Time Implementation Cost (Non-IT)	-9	Cost or Benefit (4-year spread Non-IT)	Net O&M GRC Impact	270	
¼ IT Implementation Cost	0	Cost or Benefit (4-year spread IT)	* Note: The expected implementation was 4Q2017, so the witness reflected 25% in 2017		
Net Fulcrum Financial Impact	261				

As an example, these specific amounts can be found in the GRC workpapers in Exhibit SDG&E-16-WP, pages 6-7. The entries represent forecast adjustments in each year 2017, 2018, and 2019. The 2019 entry is shown below.

2019 FOF-Ongoing 0 -270 0 -270 0.0 1-Sided Adj KMANUEL20161129125518283

Explanation: FOF Idea #1470 Reduce water consumption by improving cooling tower chemical control.

6b. See response to Question 6a above. In addition, FOF projects assumed for GRC purposes did not treat single-year expense savings any differently from multi-year projects.

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Utility Response 06 Continued:

6c. See response to Question 4 above.

6d. See response to Question 4 above.

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7. In applying the Fulcrum formula for ranking projects, as described on page HDS/RC-7, is there a systematic tendency for either capital or expense projects to indicate a higher pre-tax financial impact? If so, please explain why.

Utility Response 07:

No. As described on page HDS/RC-5 beginning at line 8: The project phase used a standardized formula for valuing the pre-tax “financial impact” of each idea within the EHS Proprietary Software called Fulcrum.

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8. For the “over 450 approved ideas for SoCalGas and SDG&E, targeted for implementation before year-end 2019,” that are mentioned on page HDS/RC-7, please provide the breakdown between expense projects, capital projects, and projects with capital and expense elements.

Utility Response 08:

The reference to “over 450 approved ideas for SoCalGas and SDG&E, targeted for implementation before year-end 2019,” that are mentioned on page HDC/RC-7 are the O&M – related ideas that have been included in the TY 2019 GRC. Approximately 122 of these projects have one-time capital related elements (capital implementation costs).

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9. What is SCG/SDG&E's proposal should FOF deliver greater saving in 2019 or during the 2019 GRC cycle than the amounts projected in Table HS/RC-1 and Table HS/RC-2?

Utility Response 09:

SoCalGas and SDG&E do not anticipate that there will be a greater amount of savings than set forth in our testimonies. Notwithstanding this, SoCalGas and SDG&E have committed to \$42.8M and \$26.2M in net O&M savings whether or not they are achieved.