STATE OF CALIFORNIA Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

October 18, 2018

Mr. Dan Skopec
Vice President, Regulatory Affairs
SDG&E and SoCalGas
8330 Century Park Court, CP33C
San Diego, CA 92123-1530

Dear Mr. Skopec:

The California Public Utilities Commission (CPUC or Commission) received the 2014-2015 Interim Spending Accountability Report of San Diego Gas & Electric Co. (SDG&E) and Southern California Gas Co. (SoCalGas) on June 30, 2017 and the 2016 Interim Spending Accountability Report on October 6, 2017. This letter serves as the response of the Commission's Energy Division which confirms compliance of SDG&E and SoCalGas (collectively, referred to as "Utilities") with Commission Decision No. (D.) 16-06-054, Ordering Paragraphs (O.P.) 11.a.i, 11.b, and 11.c, and recommends improvements for subsequent reports.

BACKGROUND

The Commission issued D.16-06-054 on July 1, 2016 to address the Utilities' Test Year 2016 General Rate Case and related matters. O.P. 11.a.i directed the Utilities to

> "…file on an interim basis a limited version of the two accountability reports specified in [D.]14-12-0[2]5. [The Utilities] shall each file a Spending Accountability Report with the Docket Office, and serve a notice of availability of such report as directed in this decision, within one year from the issuance date of today's decision. The Spending Accountability Report shall compare Test Year 2016 authorized spending to actual 2014 and 2015 spending on a limited set of risk mitigation projects as discussed in this decision and in Exhibit 23, and to propose a methodology for reporting and comparing the projected versus actual benefits of its risk mitigation activities."

O.P. 11.b ordered

> "A second Spending Accountability Report shall be filed and served within two years from the issuance of today's decision, which is to include actual 2016 spending."

In addition, O.P. 11.c directed the Utilities to

> "…discuss the format of these reports with the Safety and Enforcement Division and the Energy Division on the format of such reports before the due dates of these reports."

CONCLUSION

The Energy Division reviewed the Interim Spending Accountability Reports and, to the extent consistent with its authority, finds the Utilities to have followed the Commission orders above. The reports were timely filed. The 2014-2015 report compares authorized spending to actual 2014 and 2015 spending on the set of risk mitigation projects discussed in D.16-06-054.[1] The 2016 does the same for 2016 spending.

[1] D.16-06-054 at 39 – 41.

The reports include a methodology to report and compare the projected versus actual benefits of its risk mitigation activities. Finally, the Utilities discussed the format of the reports with the Safety and Enforcement Division and the Energy Division in meetings that were held on March 6 and May 25, 2017 as well as in supplemental discussions held prior to the due dates of the reports. The Utilities made the appropriate improvements in their 2016 report as recommended by the Energy Division.

Interim Risk Spending Accountability Report for 2017

The Energy Division directs the Utilities to each file an Interim Risk Spending Accountability Report for the 2017 reporting period by December 31, 2018. The Utilities shall serve these reports on the service list of the 2016 GRC proceedings (A.14-11-003 et al.). The reports shall include the following information:

1) A list of all programs[2] authorized or in effect during 2017 that were associated with a safety or reliability risk category[3] as well as programs associated with a maintenance[4] activity.

2) The authorized and actual spending for 2017 and the difference in dollars (actual less authorized) and in percent (actual less authorized, divided by authorized).

3) Along with the difference, please provide:
   a. A description of each program,
   b. The location in the 2016 GRC testimony where the program is described,
   c. The location in the 2019 GRC testimony where the program is described,
   d. A list of projects that were canceled or deferred within each program,
   e. A list of projects which were not presented in the 2016 GRC but were taken up,
   f. If applicable, the balancing or memorandum account where the spending for each program is recorded, the 2017 end-of-year balance, and the disposition of any request for cost recovery.

4) A detailed explanation of the difference for programs that satisfy the following criteria:
   - SDG&E – Electric:
     - Expense: A difference of at least $5 million, or a percentage difference of at least 20% subject to a minimum difference of $2.5 million.
     - Capital: A difference of at least $10 million, or a percentage difference of at least 20% subject to a minimum difference of $5 million.
   - SDG&E – Gas:
     - Expense: A difference of at least $2.5 million, or a percentage difference of at least 20% subject to a minimum difference of $0.5 million.
     - Capital: A difference of at least $5 million, or a percentage difference of at least 20% subject to a minimum difference of $1 million.
   - SoCal Gas:
     - Expense: A difference of at least $5 million, or a percentage difference of at least 20% subject to a minimum difference of $1 million.

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[2] Programs are defined as workpaper categories for expense items (e.g. 1ED011.000 – Electric Regional Operations) and as budget codes for capital expenditures (e.g. 13247 – FiRM-Phases 1 & 2).
[3] Categories include, but are not limited to: (1) Infrastructure Integrity, Physical Security and Environmental; (2) Cyber Security and Customer Data Privacy; (3) Wildfires; (4) System Reliability; and (5) Public & Employee Safety, Disaster Recovery.
[4] Associated with expensed and capitalized work related to Federal Energy Regulatory Commission Accounts 510-515, 528-532, 541-545, 551-554, 568-574, 576, 590-598, and 935.

    - Capital: A difference of at least $10 million, or a percentage difference of at least 20% subject to a minimum difference of $2 million.
- SDG&E/SoCal Gas Shared:
    - Expense: A difference of at least $5 million, or a percentage difference of at least 20% subject to a minimum difference of $1 million.
    - Capital: A difference of at least $10 million, or a percentage difference of at least 20% subject to a minimum difference of $2 million.

5) The total company authorized spending for 2017 categorized into expensed and capital programs.

Each report shall group programs by the following categories as presented in A.14-11-003 et al.:
- For SDG&E: Gas Distribution[5], Gas Transmission[6], Electric Generation[7], Electric Distribution[8], and Other[9].
- For SoCal Gas: Gas Distribution[10], Gas Transmission[11], Gas Storage[12], Gas Procurement[13], and Other[14].
- Within each category, the programs should be separated into expenses and capital expenditures.

Attached to this letter are a potential outline for the "interim" report (Attachment A) and an example of a table layout (Attachment B) to guide the preparation of the report. For more details, please see the staff reports on PG&E and SCE prepared in response to the Commission's 2016 update to the Safety Action Plan available on the Commission's website at http://www.cpuc.ca.gov/General.aspx?id=6442454550.

Please contact Michael Zelazo of the Electric Costs Section at michael.zelazo@cpuc.ca.gov or (916) 327-6797 or Kevin Flaherty of the Natural Gas Section at kevin.flaherty@cpuc.ca.gov or (415) 703-3842 if you have any questions.

Sincerely,

Edward Randolph

Edward Randolph, Director

Energy Division

Cc: Melissa Hovsepian, Counsel for Sempra Utilities
Laura M. Earl, Counsel for Sempra Utilities
Jamie York, Regulatory Case Manager, Sempra Utilities
Kelly Hart, GRC Case Manager, Sempra Utilities
Dorothy Duda, Branch Manager, Market Structure, Costs and Natural Gas Branch

5 A.14-11-003 Exhibits SDG&E-4, SDG&E-6, and SDG&E-7.
6 *Ibid*. Exh. SDG&E-5.
7 *Ibid*. Exhs. SDG&E-8, SDG&E-11, and SDG&E-12.
8 *Ibid*. Exhs. SDG&E-9 and SDG&E-10.
9 *Ibid*. Exhs. SDG&E-2, SDG&E-3, and SDG&E-13 through SDG&E-26.
10 A.14-11-004 Exhs. SCG-3, SCG-4, SCG-7, and SCG-8.
11 *Ibid*. Exh. SCG-5.
12 *Ibid*. Exh. SCG-6.
13 *Ibid*. Exh. SCG-9.
14 *Ibid*. Exhs. SCG-2, and SCG-10 through SCG-25.

Franz Cheng, Supervisor, Electric Costs Section
Jean Spencer, Supervisor, Natural Gas Section
Kevin Flaherty, Analyst, Natural Gas Section
Michael Zelazo., Electric Costs Section

ATTACHMENT A

SDG&E/SoCal Gas 2017 "Interim" Risk Spending Accountability Report Outline

1. Introduction
    a. Background
    b. GRC Cycles of the Utilities
    c. Determination of safety, reliability and maintenance-related programs.
    d. Derivation of Authorized Dollars
2. SDG&E
    a. Gas Distribution
        i. Expense
            1. List of programs, actual, authorized, and spending difference
                a. Include the information requested in Item 3 of the Energy Division letter.
            2. First program selected for explanation
                a. Explanation
            3. Next program selected for explanation
                a. Explanation
            4. Etc.
        ii. Capital
            1. Same as above.
    b. Gas Transmission
    c. Electric Generation
    d. Electric Distribution
    e. Other
3. SoCal Gas
    a. Gas Distribution
    b. Gas Transmission
    c. Gas Storage
    d. Gas Procurement
    e. Other
4. Glossary

ATTACHMENT B

SDG&E/SoCal Gas 2017 "Interim" Risk Spending Accountability Report Table Example

SDG&E-Electric: Expense

Program	Authorized ($000)	Actual ($000)	Difference ($000)	Difference (%)
1ED004.000 - Electric Distribution Operations				
1ED021.000 - Vegetation Management (Pole Brushing)				
1ED021.001 - Vegetation Management (Tree Trimming)				

SDG&E-Electric: Capital

Program	Authorized ($000)	Actual ($000)	Difference ($000)	Difference (%)
229 - Corrective Maintenance Program				
13247 - Fire Risk Mitigation (FiRM) - Phases 1 and 2				
14247 - Fire Risk Mitigation (FiRM) - Phase 3				