

Company: San Diego Gas & Electric Company (U902M)  
Proceeding: 2016 General Rate Case  
Application: A.14-11-003  
Exhibit: SDG&E-216

**SDG&E**

**REBUTTAL TESTIMONY OF CARMEN L. HERRERA**

**(FLEET SERVICES)**

June 2015

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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**SDG&E REBUTTAL TESTIMONY OF CARMEN L. HERRERA**  
**(FLEET SERVICES)**

**I. SUMMARY OF DIFFERENCES**

<b>TOTAL O&amp;M - Constant 2013 (\$000)</b>			
	<b>Base Year 2013</b>	<b>Test Year 2016</b>	<b>Change</b>
SDG&E	30,655	41,085	10,430
ORA	30,655	34,879	4,224
TURN	30,655	35,173	4,518

**II. INTRODUCTION**

**A. ORA**

Office of Ratepayer Advocates (ORA) issued its report on Fleet Services on April 24, 2015.<sup>1</sup> The following is a summary of ORA's position(s). ORA is recommending \$34.879 million for Non-Shared O&M expenses for Fleet Services which is \$6.206 million less than SDG&E's forecast.<sup>2</sup> ORA's recommendation is broken into 3 major categories:

1. ORA is recommending \$13.782 million for Fleet Services' Ownership Costs which is \$4.467 million or 25 percent less than SDG&E's forecast for TY 2016.<sup>3</sup>
2. ORA is recommending \$19.136 million<sup>4</sup> for Maintenance Operations Costs which is \$1.739 or 8 percent less than SDG&E's forecast for TY 2016.
3. SDG&E is requesting \$1.961million for TY 2016 which is an increase of \$79,000 or 4 percent above 2013 recorded expenses for Fleet Management. ORA does not oppose SDG&E's request for this category.<sup>5</sup>

**B. The Utility Reform Network (TURN)**

The Utility Reform Network (TURN) served its intervener testimony on May 15, 2015. In their testimony, TURN states that there are three problems with the SDG&E's assertions and forecasts regarding fleet ownership costs. TURN believes that SDG&E's forecasts: (1) did not provide any life-cycle analysis for the Commission to rely on for its vehicle replacements; (2) offer little support for the numbers they project; and, (3) the total stock of utility vehicles vary

<sup>1</sup> ORA-14, Chia, Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2016 General Rate Case, Supply Management & Supplier Diversity, Fleet Services, Real Estate, Land Services & Facilities, and Environmental Services, April 24, 2015.

<sup>2</sup> Ex. ORA-14, p.1.

<sup>3</sup> Ex. ORA-14, p. 11.

<sup>4</sup> Ex. ORA-14, p. 17.

<sup>5</sup> Ex. ORA-14,p.21.

1 without trend over the 2009-2014 period. TURN is recommending the Commission adopt a 6  
 2 year average for SDG&E for its Amortization, Interest forecast, and Salvage forecast. TURN  
 3 recommends a \$12.3 million for SDG&E's Fleet Ownership Cost forecasts which is \$5.9 million  
 4 lower than SDG&E's original request. The total recommendation is broken into four major  
 5 categories:

- 6 1. TURN is recommending \$11.053 million for the Amortization forecast which is  
 7 \$3.77 million or 25 percent less than SDG&E's forecast for TY 2016.
- 8 2. TURN is recommending \$1.024 million for Interest forecast which is \$1.574 million  
 9 or 61 percent less than SDG&E's forecast for TY 2016.
- 10 3. TURN is recommending vehicle salvage proceeds of \$910,000 for TY 2016 which is  
 11 \$210,000 or 30 percent more than SDG&E's forecast.
- 12 4. TURN is recommending \$1.170 million for License Fees Forecast which is \$358,000  
 13 or 23 percent less than SDG&E's forecast for TY 2016.

14 **III. REBUTTAL TO PARTIES' O&M PROPOSALS**

15 **A. Non-Shared Services O&M**

<b>NON-SHARED O&amp;M - Constant 2013 (\$000)</b>			
	<b>Base Year 2013</b>	<b>Test Year 2016</b>	<b>Change</b>
SDG&E	30,655	41,085	10,430
ORA	30,655	34,879	4,224
TURN	30,655	35,173	4,518

16 **1. Ownership Costs**

17 **a. ORA**

18 ORA takes issue with the Test Year O&M forecast for Ownership Costs, which are  
 19 separated into four categories: Amortization, Interest, Salvage, and License Fees.

1 **Amortization** - Amortization is further separated into five categories, three of which  
2 ORA opposes.

<b>SDG&amp;E &amp; ORA Fleet Amortization Forecast (In Thousands of Dollars)</b>	<b>ORA 2016</b>	<b>SDG&amp;E 2016</b>
Current Fleet	\$ 6,622	\$ 6,622
Fleet Replacements 2014 through 2016	\$ 4,503	\$ 6,822
Incremental Fleet for Business Needs	\$ 313	\$ 474
Diesel Particulate Filter Retrofits/Replacements	\$ 364	\$ 364
Alternative Fuel Vehicles	\$ 357	\$ 541
<b>Total</b>	<b>\$ 12,159</b>	<b>\$ 14,823</b>

3 SDG&E forecasts \$7.837 million for other fleet amortization costs for TY 2016,  
4 including Fleet Replacements 2014 through 2016; Incremental Fleet for Business Needs; and  
5 Alternative Fleet Vehicles. ORA is recommending \$5.172 million which is \$2.665 million or 34  
6 percent less than SDG&E's forecast for TY 2016 amortization cost.<sup>6</sup> ORA reached its  
7 recommendation by deriving a percentage value from the number of 2014 vehicles acquisitions  
8 and compared that to the number of vehicles forecasted, and then applied this proportion to the  
9 three categories it opposed. SDG&E acquired 205 of the 311 vehicles it had forecasted in 2014,  
10 which was 66% of the total fleet units it forecasted for Fleet Replacements and Incremental Fleet  
11 for Business Needs. ORA used that 66% figure to forecast the TY 2016 amortization costs for  
12 the three categories of fleet purchases: (1) Fleet Replacements 2014 through 2016; (2)  
13 Incremental Fleet for Business Needs; and (3) Alternative Fuel Vehicles.

14 SDG&E is forecasting fleet amortization to be \$14.823 million in TY 2016 which is  
15 \$5.568 million or 60 percent above 2013 expense.<sup>7</sup> SDG&E derived its forecast based on  
16 individual vehicle lease schedules. The cost associated with lease amortization for 2014 through  
17 2016 is based on year-end 2013 actual vehicles under lease financing plus the planned  
18 replacement vehicles scheduled each year and requested incremental vehicle additions each year.  
19 The increase in amortization costs in 2016 is due primarily to increasing lease balances of  
20 replacement vehicles following the required replacement lifecycles and the requests for  
21 incremental vehicles required by other SDG&E business units.<sup>8</sup> Additionally, the added increase

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<sup>6</sup> Ex. ORA-14, p. 14.

<sup>7</sup> Ex. SDG&E-16, p. CLH-4.

<sup>8</sup> Ex. SDG&E-16, p. CLH-6.

1 to SDG&E's lease balances are rising due to SDG&E's committed planned purchases of  
2 Alternate Fuel Vehicles (AFV) as well the overall increased purchase price of the vehicles.  
3 Further, on February 27, 2015, AB 857<sup>9</sup> was introduced into the California State Legislature to  
4 support investment in the NGV Heavy Duty Truck market. AB 857 (Perea) addresses the need  
5 to increase funding for deployment of zero- and near-zero emission heavy-duty trucks, which  
6 includes natural gas trucks. AB 857 provides a tremendous opportunity to increase and  
7 accelerate the adoption of alternative fuels (such as CNG) in the transportation sector.

8 SDG&E disagrees with ORA's methodology of applying its derived proportion of  
9 vehicles purchased in 2014 to forecasted purchases. Fleet assets continue to age and will have to  
10 be replaced to ensure the safe and reliable operation of the fleet. Older vehicles will become  
11 obsolete with limited and increasingly expensive options to repair and maintain them as  
12 replacement parts are no longer available or become very costly. ORA's method of applying a  
13 percentage to derive its forecast recommendation does not consider the merits of the individual  
14 vehicle needs, and SDG&E recommends its discrete incremental method as a preferred means to  
15 estimate that future expense. Limiting the expense to a proportion based on 2014 acquisitions  
16 would hinder Fleet's ability to acquire new vehicles to consistently serve our customers. It  
17 should be noted that the fleet does not consist solely of passenger cars and light trucks, but also  
18 of vehicle-mounted work equipment, self-propelled work equipment, off-highway construction  
19 equipment, and many specialized pieces of utility-specific equipment such as aerial lifts,  
20 hydraulic cranes and custom-built crew and tool trucks. Limiting SDG&E's ability to incorporate  
21 new technologies and tools associated with vehicles leads to antiquated equipment. ORA's  
22 recommendation would not factor in the accumulation of amortization costs that will exist for  
23 replacement vehicles acquired from 2014 to 2016. Amortization costs are expensed rather than  
24 capitalized. By applying its percentage to TY 2016, ORA's methodology would permit SDG&E  
25 to acquire only two-thirds of its replacement vehicles for each of its GRC cycle years, 2016  
26 through 2018, which would not meet the requirements of the workforce. SDG&E supports its  
27 forecast as a preferred method to forecast the adequate funding needed for its vehicle fleet in  
28 2016.<sup>10</sup>

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<sup>9</sup> [http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201520160AB857](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB857).

<sup>10</sup>

1           **Interest** - ORA is recommending \$1.715 million for interest cost for TY 2016 which is  
2 \$883,000 or 34 percent less than SDG&E's forecast. ORA again recommends using the 66% of  
3 the fleet units that SDG&E purchased out of the fleet units forecasted in 2014 to forecast the TY  
4 2016 interest expense.

5           ORA has applied the same methodology of using 2014 acquisitions as the basis for 2016  
6 interest costs. Interest costs in each forecast year are based on monthly outstanding balances  
7 multiplied by the London Interbank Offered Rate ("LIBOR") contained in the Global Insight  
8 Forecast for the payment month, then summed for the year.<sup>11</sup> SDG&E disagrees with ORA's  
9 methodology as it would unfairly apply the 66% factor to the entirety of interest costs including  
10 those predating the forecast years, also ignoring the accumulated lease balances remaining in  
11 2016 from the acquisitions made between 2014 and 2016. This is the reason SDG&E used a  
12 zero-based forecast to more accurately predict costs based on standard replacement of vehicles.  
13 ORA's methodology would result in an inaccurate value, and assumes that the sum total of all  
14 vehicle lease balances will be 34 percent less than forecasted in TY 2016.

15           **Salvage** - ORA is recommending vehicle salvage proceeds of \$1.100 million for TY  
16 2016 which is \$400,000 or 57 percent more than SDG&E's forecast. ORA recommends using  
17 the three-year average (2012 to 2014) of recorded total vehicle salvage proceeds to forecast TY  
18 2016 vehicle salvage proceeds.<sup>12</sup> Salvage proceeds offset other costs, therefore an over-  
19 estimation of salvage proceeds leads to an increase of fleet expenses.

20           Though ORA acknowledges that the number of units salvaged is related to forecasted  
21 number of vehicle replacements,<sup>13</sup> it severs the relationship between vehicles acquired and  
22 vehicles salvaged by recommending a 3-year average using 2014. ORA departs from the  
23 methodology it used to recommend amortization and interest expenses, in this case choosing to  
24 include 2014 in an average calculation stating that it is 87 percent higher than that recorded in  
25 2013.<sup>14</sup> SDG&E points out that 2014 was an anomalous year for salvage credits due to the  
26 increased and disproportionate number of medium duty and heavy duty trucks that were retired  
27 and salvaged to comply with California Air Resources Board regulations requiring the reduction

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<sup>11</sup> Ex. SDG&E-16, p. CLH-7.

<sup>12</sup> Ex. ORA-14, p. 15.

<sup>13</sup> Ex. ORA-14, p. 16.

<sup>14</sup> Ex. ORA-14, p. 16.

1 of diesel emissions by retrofitting or replacing diesel vehicles and off-road equipment in 2013.<sup>15</sup>  
2 Additionally, ORA's method appears to presume that year-end vehicle counts closely correlate  
3 with the same number of vehicles salvaged in that year, in some cases where SDG&E reduced its  
4 fleet size it appears that SDG&E salvaged more vehicles than it replaced.<sup>16</sup> SDG&E points out  
5 that year-end counts are influenced heavily by the timing of new vehicle deliveries; the monthly  
6 fleet count varies appreciably as the timing of salvaged vehicle sales lags the incoming vehicle  
7 counts. SDG&E continues to support its zero-based forecast for Salvage to represent the more  
8 accurate reflection of salvage credits in 2016.

9 **License Fees** - ORA is recommending \$1.008 million for TY 2016 which is \$520,000 or  
10 34 percent less than SDG&E's forecast for License Fees. ORA recommends using the 66% of  
11 the fleet units that SDG&E purchased out of the fleet units forecasted in 2014 to forecast the TY  
12 2016 license expense. ORA recommends authorizing 66% of the license expenses that SDG&E  
13 forecasts for 2016 which is \$1.008 million.<sup>17</sup>

14 SDG&E disagrees with ORA for similar reasons as with amortization and interest, where  
15 ORA has applied the same methodology of using 2014 acquisitions as the basis for 2016 license  
16 costs. Motor vehicle license fees in the State of California are comprised of three components:  
17 an annual registration fee and an annual weight fee, both of which are generally fixed for the life  
18 of the vehicle, and an annual vehicle license fee that uses a scalar factor of original vehicle sale  
19 price and renewal age to determine the annual renewal fee.<sup>18</sup> These fees must be paid on all  
20 vehicles within the fleet, including those that predate the new vehicle acquisitions represented in  
21 my testimony. SDG&E opposes ORA's methodology as it would unfairly apply the 66% factor  
22 to the entirety of license costs, disregarding the total number of vehicles that will exist in the  
23 fleet in 2016. ORA's methodology would presume that 34% of the fleet will no longer exist.  
24 For this reason, SDG&E recommends its zero-based forecast as the more accurate forecast.

#### 25 **b. TURN**

26 TURN takes issue with the Test Year O&M forecast for Ownership Costs, which are  
27 separated into four categories: Amortization, Interest, Salvage, and License Fees.

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<sup>15</sup> Ex. SDG&E-16, p. CLH-2.

<sup>16</sup> Ex. ORA-14, p. 16.

<sup>17</sup> Ex. ORA-14, p. 17.

<sup>18</sup> Ex. SDG&E-16-WP, p. 29.



1           **Amortization** - TURN is recommending \$11.053 million for the Amortization forecast  
2 which is \$3.77 million or 25 percent less than SDG&E's forecast for TY 2016. TURN asserts  
3 that SDG&E has not provided the commission with life-cycle analysis for the Commission to  
4 rely on. TURN believes that SDG&E has provided little support for the numbers SDG&E  
5 projects and therefore recommends adopting a six year average for Amortization<sup>19</sup>. This is  
6 questionable since SDG&E has responded to a variety of discovery requests from TURN in  
7 which TURN could request any additional support it felt necessary.<sup>20</sup> SDG&E also made  
8 available all public responses to ORA's data requests, which was available to TURN.  
9 Additionally, TURN asserts that SDG&E offers little to no support for the projected number of  
10 replacements in their forecast. To the contrary, SDG&E has provided supporting documentation  
11 for its vehicle forecast in their workpapers<sup>21</sup>. Further, TURN questions SDG&E's fleet vehicle  
12 count and the reasoning behind why the trend of vehicle count varies during the 2009-2014  
13 periods. Quite simply, the year-end count fluctuations are caused more by the timing of vehicle  
14 replacement deliveries versus sold vehicles departing the fleet.

15           As stated above, SDG&E is forecasting fleet amortization to be \$14.823 million in TY  
16 2016 which is \$5.568 million or 60 percent above 2013 expense. SDG&E derived its forecast  
17 based on each vehicle lease schedule. The cost associated with lease amortization for 2014  
18 through 2016 is based on year-end 2013 actual vehicles under lease financing plus the planned  
19 replacement vehicles scheduled each year and requested incremental vehicle additions each year.  
20 The vehicle replacement schedule is based on remaining economic life which is determined by  
21 lowest total cost of ownership and utility industry best practices in order to have safe and reliable  
22 working vehicles in SDG&E's fleet. The increase in amortization costs in 2016 is due primarily  
23 to increasing lease balances of new replacement vehicles following the required replacement  
24 lifecycles, the requests for incremental vehicles required by other SDG&E business units, as well  
25 as the increase in the number of Alternative Fuel Vehicles.

26           SDG&E disagrees with TURN's methodology of a six year average forecast. Fleet assets  
27 continue to age and will have to be replaced to ensure the safe and reliable operation of the fleet.  
28 Older vehicles will become obsolete with limited options to repair and maintain as replacement  
29 parts are no longer available, costly, or cost prohibitive to fabricate. Additionally, the

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<sup>19</sup> Prepared Testimony of Garrick F. Jones of behalf of TURN, p. 7.

<sup>20</sup> TURN-SDG&E-DR-9.

<sup>21</sup> Workpapers to Prepared Direct Testimony of Carmen L. Herrera.

1 acquisition of Alternative Fuel Vehicles to “green” the fleet to reduce greenhouse gas emissions  
2 is included in SDG&E’s forecasts. In 2005, changes in California law expanded the definition of  
3 ratepayer interest; indeed, effective January 1, 2006, PUC section 740.8 was modified to require  
4 that health and environmental benefits, greenhouse gas emission reductions, and increasing  
5 alternative fuel use be among the interests of ratepayers to be considered by the Commission in  
6 evaluating utility programs <sup>22</sup>. The legislature’s definition of “ratepayer interest” along with the  
7 recent issuance of the LCFS (“Low Carbon Fuel Standard”) Executive Order and passage of  
8 legislation discussed above makes it abundantly clear that the goal of the State is to aggressively  
9 promote the use of alternative transportation fuels to achieve its environmental goals. SDG&E’s  
10 request in this application provides for an increased capability for its fleet to support the growth  
11 of low emission vehicles in the State which generates incremental revenue to the benefit of all  
12 ratepayers and provides environmental and health benefits that are clearly consistent with §  
13 740.8.

14 SDG&E disagrees with TURN’s methodology of a six year average forecast as TURN  
15 has chosen to ignore SDG&E’s cost drivers in its originally filed forecast. If TURN’s request for  
16 a six year average is granted, it would hinder Fleet’s ability to acquire new vehicles to  
17 consistently serve our customers and provide safe and reliable service to ratepayers. TURN’s  
18 methodology is inaccurate and doesn’t factor in the accumulation of amortization costs that will  
19 exist for replacement vehicles acquired from 2014 to 2016. However, SDG&E agrees with  
20 TURN’s assessment regarding SDG&E Customer Service Field operations forecasting a need for  
21 15 incremental vehicles, but incremental vehicles are not mentioned once in the supporting  
22 testimony, Exhibit SDG&E-10<sup>23</sup>. Initial estimates for the incremental vehicle needs changed and  
23 were not reflected in Fleet’s testimony. SDG&E supports a reduction to its original TY 2016  
24 forecast of \$65,000 for amortization. SDG&E’s revised forecast of \$14.758 million for  
25 amortization is sound and will ensure adequate funding for its vehicle needs in 2016.

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<sup>22</sup> “As used in Section 740.3, ‘interests’ of ratepayers, short- or long-term, mean direct benefits that are specific to ratepayers in the form of safer, more reliable, or less costly gas or electrical service, consistent with Section 451, and activities that benefit ratepayers and that promote energy efficiency, reduction of health and environmental impacts from air pollution, and greenhouse gas emissions related to electricity and natural gas production and use, and increased use of alternative fuels.” California Public Utilities Code § 740.8.

<sup>23</sup> TURN Direct Testimony, Jones, p. 8.

1           **Interest & Salvage-** TURN is recommending \$1.024 million for interest cost for TY  
2 2016 which is \$1.574 million or 61 percent less than SDG&E’s forecast. TURN is also  
3 recommending vehicle salvage proceeds of \$910,000 for TY 2016 which is \$210,000 or 30  
4 percent more than SDG&E’s forecast. TURN suggests using a six year average to forecast the  
5 TY 2016 interest expense and salvage proceeds. As described above, interest costs in each  
6 forecast year are based on monthly outstanding balances multiplied by the London Interbank  
7 Offered Rate (“LIBOR”) contained in the Global Insight Forecast for the payment month, then  
8 summed for the year. SDG&E opposes TURN’s methodology to apply a six year average for  
9 2016 as it ignores the accumulated existing lease balances in 2016 from the current fleet and  
10 vehicle acquisitions made between 2014 through 2016, as well as the forecasted increase in  
11 interest rates. This is the reason SDG&E used a zero-based forecast to more accurately predict  
12 costs based on standard replacement of vehicles. TURN’s methodology is inaccurate and  
13 assumes that the sum total of all vehicle lease balances will be 61 percent less than forecasted in  
14 TY 2016. However, as discussed above, SDG&E supports reducing its interest forecast by  
15 \$11,000 accounting for 15 incremental vehicles making SDG&E’s 2016 forecast for interest  
16 \$2.587 million. Further, SDG&E takes issue with TURN’s six year average methodology for  
17 Salvage as 2014 was an anomalous year for salvage credits due to the increased and  
18 disproportionate number of medium duty and heavy duty trucks salvaged to comply with  
19 California Air Resources Board regulations requiring the reduction of diesel emissions by  
20 retrofitting or replacing diesel vehicles and off-road equipment in 2013. SDG&E does not  
21 anticipate reducing the fleet size to increase its salvage returns to meet TURN’s recommendation  
22 and continues to assert that its zero-based forecast for Salvage represents the most accurate  
23 reflection of credits in 2016.

24           **License Fees -** TURN is recommending \$1.170 million for License Fees Forecast which  
25 is \$358,000 or 23 percent less than SDG&E’s forecast for TY 2016. TURN recommends using a  
26 six year average of License Fees as a percentage of Amortization expense, 10.6%, to forecast the  
27 TY 2016 license expense. SDG&E disagrees with TURN because motor vehicle license fees in  
28 the State of California are comprised of three components: an annual registration fee and an  
29 annual weight fee, both of which are generally fixed for the life of the vehicle, and an annual  
30 vehicle license fee that uses a scalar factor of original vehicle sale price and renewal age to  
31 determine the annual renewal fee. These fees must be paid on all vehicles within the fleet.

1 SDG&E opposes TURN's methodology as it assumes costs will remain constant and ignores the  
2 total number of vehicles that will exist in the fleet in 2016 as well as the increased cost impacts  
3 of new replacements and alternative fuel vehicles. For this reason, SDG&E recommends its  
4 zero-based forecast as the most accurate forecast.

## 5 **2. Maintenance Operations**

### 6 **a. ORA**

7 ORA takes issue with the Test Year O&M forecast for Maintenance costs, which are  
8 separated into two categories: Vehicle Servicing & Repairs and Automotive Fuels.

9 **Vehicle Servicing & Repairs** - ORA is recommending \$12.443 million for Vehicle  
10 Servicing and Repairs which is \$1.230 million or nine percent less than SDG&E's request for  
11 TY 2016. ORA uses the base year 2013 amount for Vehicle Servicing and Repairs, and then  
12 makes the following adjustments to forecast TY 2016 expenses: Costs for Incremental Vehicles,  
13 Additional Fleet Service Attendant, Portable Diesel Engines Airborne Toxic Measures, and  
14 Backup Sensors and Backup Cameras.<sup>24</sup>

15 Costs for Incremental Vehicles - ORA opposes the \$174,000 of incremental costs to  
16 service 16 additional vehicles.<sup>25</sup> This appears to be based on a misunderstanding that the fleet is  
17 shrinking and growing based on a year-end vehicle count, and makes the argument that vehicle  
18 servicing costs were lower in 2013 versus 2011 when the year-end vehicle count was higher in  
19 2011.<sup>26</sup> ORA's method appears to presume that all vehicle servicing costs are dependent on the  
20 number of vehicles at year-end, a presumption to which SDG&E respectfully disagrees. In an  
21 apparently contradictory move, while ORA applies its 66% factor to the amortization cost for  
22 incremental vehicles, it then disallows 100% of the forecasted cost to maintain them. SDG&E  
23 recommends that its forecast to maintain the vehicle fleet is reasonable and should be adopted by  
24 the Commission<sup>27</sup>.

25 Additional Fleet Service Attendant - ORA agrees with SDG&E's forecast for this cost  
26 category. The Commission should adopt SDG&E's forecast as reasonable.

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<sup>24</sup> Ex. ORA-14, pp. 18-20.

<sup>25</sup> Ex. ORA-14, p. 19.

<sup>26</sup> See discussion regarding salvage costs above.

<sup>27</sup> See above for relevant discussion in Section III, b. TURN, Amortization, Intrest.

1 Portable Diesel Engines ATCM - ORA forecasts \$230,000 for the costs to retrofit or  
2 replace three units to comply with the Portable Diesel Engines Airborne Toxic Measures. ORA  
3 normalized the total cost of \$700,000 to retrofit or replace the three units over the three-year  
4 GRC cycle (2016-2018) since this is a one-time expense.<sup>28</sup>

5 Compliance is required by 2017 when additional compliant engines for retrofits may be  
6 certified. ORA's amortization of those expenses would require SDG&E to spread those retrofits,  
7 completing them through the period 2016-2018. SDG&E believes a more prudent approach, as  
8 shown in my workpapers<sup>29</sup>, would be to complete those retrofits in 2016 to minimize the risk of  
9 non-compliance with the mandate. A reduction in costs would limit the funds available in 2016  
10 to complete those retrofits and put SDG&E in jeopardy of fines and penalties. SDG&E supports  
11 that its forecast is more reasonable and should be adopted.

12 Backup Sensors and Backup Cameras – SDG&E's fleet has 674 vehicles on which a  
13 backup sensor is to be mounted, and 1,713 vehicles on which backup cameras are to be mounted.  
14 Original estimates for these devices were approximately \$250 per sensor and approximately  
15 \$900 per camera. As installation progressed SDG&E found that the sensors would cost  
16 approximately \$300 each, and cameras approximately \$600 each. These values were  
17 communicated to ORA in response to a data request, which is included in the Appendix<sup>30</sup>. The  
18 values shown in my workpapers indicate our original request at a total of  
19  $(1,050 \times \$250) + (1,500 \times \$900) = \$1.613$  million, to be spread evenly over the forecast years of  
20 2014-2016, or \$538,000 per year. SDG&E's revised estimates, as indicated in that data request,  
21 total \$1.230 million, or \$410k per year. All the backup sensors have been installed in 2014,  
22 leaving the 1,713 backup cameras at \$600 each, a total of \$1.028 million.

23 ORA is recommending incremental funding of \$171,000 for the equipment and  
24 installation costs of the backup cameras.<sup>31</sup> ORA's method disregards SDG&E's methodology in  
25 which SDG&E divides the costs of the backup cameras and backup sensors evenly over the 3  
26 years 2014-2016<sup>32</sup>. ORA apparently focuses on the response to the data request and assumes an

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<sup>28</sup> Ex. ORA-14, p. 19.

<sup>29</sup> Ex. SDG&E-16-WP p. 39, see the adjustment for 2016 addressing "Portable Diesel Engines Airborne Toxic Control Measures (ATCM).

<sup>30</sup> ORA-SDG&E-DR-017-SWC, Question 6.

<sup>31</sup> Ex. ORA-14, p. 20.

<sup>32</sup> Ex. SDG&E-16-WP at page 38, the cameras and sensors are included in the forecast line item that totals \$538k.

1 even split between 2015 and 2016, then further splits the 2016 remainder again over the 3 GRC  
2 cycle 2016-2018. Over the 3-year period this would leave Fleet with half of the funds necessary.

3 SDG&E recommends that its total request of \$1.230 million be adopted to permit  
4 installation of the backup cameras on the appropriate fleet vehicles. With this component value  
5 in mind, SDG&E also acknowledges that the original forecast value for the estimated cost of the  
6 installation of sensors and cameras can be reduced from the \$538k per year shown in my  
7 workpapers to the adjusted value of \$410k for each year 2014-2016 as discussed above.

8 **Automotive Fuel** - ORA is recommending \$6.693million which is the 2013 base year  
9 recorded expense. ORA believes this is reasonable and bases this on their impression that the  
10 fleet size decreased from 2013 to 2014, SDG&E's recorded lower fuel expense in 2014  
11 compared to the prior two years, and that SDG&E is growing its AFV fleet.<sup>33</sup>

12 As stated in previous rebuttal testimony above, the fleet is neither shrinking nor growing  
13 as ORA suggests. Fuel prices have fluctuated significantly over the last decade and SDG&E sees  
14 no reason to think that the fluctuating nature will cease. Additionally, while SDG&E will be  
15 growing its AFV fleet, the majority of those vehicles will not arrive until after 2016 so their  
16 increased fuel economy will have minimal effect on fuel costs in 2016. SDG&E feels that using  
17 its 3-year historical average represents a better estimate of the coming 3 year GRC cycle rather  
18 than relying on the base year cost, the lowest of the prior 3 years.

### 19 **3. Fleet Management**

#### 20 **a. ORA**

21 ORA agreed with SDG&E's forecast for this cost category. The Commission should  
22 adopt SDG&E's forecast as reasonable.

### 23 **IV. CONCLUSION**

24 To summarize, Fleet Services is an integral part of SDG&E's ability to provide service to  
25 its customers and respond to routine and emergency situations. SDG&E's forecasts were  
26 developed using reasonable forecasts and known cost drivers. ORA methodologies focus  
27 primarily on deriving 2016 forecasts without considering the merits of individual programs or  
28 operational needs. ORA's recommendations would hinder this vital utility service function and  
29 leave it vulnerable to the effects of underfunding, which directly impacts the company's ability  
30 to provide operations and customer services safely and to meet its compliance obligations.

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<sup>33</sup> ORA-14, p. 21.

1 | SDG&E believes its forecast methods should be preferred and respectfully requests that its  
2 | funding request for Fleet Services be granted.

3 |       This concludes my prepared rebuttal testimony.

**APPENDIX TO**  
**SDG&E**  
**REBUTTAL TESTIMONY OF CARMEN L. HERRERA**  
**(FLEET SERVICES)**

**ORA-SDG&E-DR-017-SWC Q6**

**ORA-SDG&E-DR-017-SWC Q6 **AMENDED RESPONSE****



**ORA DATA REQUEST**  
**ORA-SDG&E-DR-017-SWC**  
**SDG&E 2016 GRC – A.14-11-003**  
**SDG&E RESPONSE**  
**DATE RECEIVED: DECEMBER 8, 2014**  
**DATE RESPONDED: DECEMBER 19, 2014**

**Exhibit Reference:** SDG&E-16

**Subject:** Fleet Services

**Please provide the following:**

6. In Exhibit SDG&E-16, page CLH-3, lines 20 to 22, SDG&E states, “Included in the Vehicle Servicing & Repair section of this testimony are costs for retrofitting the SDG&E fleet of over-the-road vehicles with backup cameras and backup sensors to try to help prevent the number of backup incidents.”
  - a. How many over-the-road vehicles require backup cameras and backup sensors?
  - b. How much does it cost to retrofit a vehicle with the backup cameras?
  - c. How much does it cost to retrofit a vehicle with the backup sensors?
  - d. Provide the number of over-the-road vehicles that have been retrofitted with backup cameras and backup sensors.
  - e. Does any of the new over-the-road vehicles that will be purchased during 2014 to 2016 already have backup cameras and backup sensors built in? How was this considered in the forecasts for the backup cameras and the backup sensors?

**SDG&E Response:**

- 6a. There are 1,713 over-the-road vehicles without backup cameras and 674 over-the-road without back sensors.
- 6b. Approximately \$600 per vehicle.
- 6c. Approximately \$600 per vehicle.
- 6d. All 674 backup sensor installations have been completed in 2014. SDG&E is currently in the process of awarding the contract for backup cameras.
- 6e. SDG&E does not design, spec, nor purchase vehicles with backup cameras or sensors except on a limited number of light duty vehicles which come standard. A premium of \$900 for backup cameras and sensors was added to each forecasted vehicle to account for the incremental costs of hardware and installation, which would be amortized over the life of the lease.

**ORA DATA REQUEST**  
**ORA-SDG&E-DR-017-SWC**  
**SDG&E 2016 GRC – A.14-11-003**  
**SDG&E RESPONSE**  
**AMENDED RESPONSE**  
**DATE RECEIVED: DECEMBER 8, 2014**  
**DATE RESPONDED: JANUARY 20, 2015**

**Exhibit Reference:** SDG&E-16

6. In Exhibit SDG&E-16, page CLH-3, lines 20 to 22, SDG&E states, “Included in the Vehicle Servicing & Repair section of this testimony are costs for retrofitting the SDG&E fleet of over-the-road vehicles with backup cameras and backup sensors to try to help prevent the number of backup incidents.”
- a. How many over-the-road vehicles require backup cameras and backup sensors?
  - b. How much does it cost to retrofit a vehicle with the backup cameras?
  - c. How much does it cost to retrofit a vehicle with the backup sensors?
  - d. Provide the number of over-the-road vehicles that have been retrofitted with backup cameras and backup sensors.
  - e. Does any of the new over-the-road vehicles that will be purchased during 2014 to 2016 already have backup cameras and backup sensors built in? How was this considered in the forecasts for the backup cameras and the backup sensors?

**SDG&E Amended Response to 6c:**

- 6a. There were 1,713 over-the-road vehicles that required backup cameras and 674 over-the-road that required backup sensors.
- 6b. It costs approximately \$600 per vehicle.
- 6c. It costs approximately \$300 per vehicle.
- 6d. All 674 backup sensor installations that were required have been completed in 2014. SDG&E is currently in the process of awarding the contract for backup cameras.
- 6e. SDG&E does not design, specify, nor purchase vehicles with backup cameras or sensors except on a limited number of light duty vehicles which come standard. A premium of \$900 for backup cameras and sensors was added to each forecasted vehicle to account for the incremental costs of hardware and installation, which would be amortized over the life of the lease.