

Company: Southern California Gas Company (U 904 G)/San Diego Gas & Electric
Company (U 902 M)
Proceeding: 2019 General Rate Case
Application: A.17-10-007/008 (cons.)
Exhibit: SCG-203/SDG&E-203

SOCALGAS/SDG&E

REBUTTAL TESTIMONY

**REBUTTAL TESTIMONY OF DAVID BARON AND DON WIDJAJA
(FUELING OUR FUTURE (FOF) POLICY)**

JUNE 18, 2018

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



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**SOCALGAS/SDG&E REBUTTAL TESTIMONY OF
DAVID BARON AND DON WIDJAJA
(FUELING OUR FUTURE (FOF) POLICY)**

I. SUMMARY OF DIFFERENCES

**Table DB/DW-1
Comparison of SoCalGas/SDG&E and Intervenors
TY 2019 Estimated Total FOF Impacts**

In Constant 2016 (\$000)	Test Year 2019
SoCalGas/SDG&E TOTAL	(\$68,991)
SOCALGAS	(\$42,760)
SDG&E	(\$26,231)
ORA – SoCalGas/SDG&E TOTAL	(\$68,991)
TURN – SoCalGas/SDG&E TOTAL	(\$68,991)

TURN also proposes a \$2.5 million reduction to base year 2016.¹

II. INTRODUCTION

This exhibit: (1) adopts the direct testimony of Hal Snyder and Randall Clark (Exhibit SCG-03-R/SDG&E-03-R) supporting the FOF policy² and (2) provides rebuttal testimony addressing the following testimony from other parties:

- The Office of Ratepayer Advocates (ORA), as submitted by Mr. Truman L. Burns (Exhibit ORA-04), dated April 13, 2018.³
- The Utility Reform Network (TURN), as submitted by Ms. Jennifer Dowdell (Exhibit TURN-08), dated May 14, 2018.

Please note that the fact that we may not have responded to every issue raised by others in this rebuttal testimony does not mean or imply that Southern California Gas Company/San Diego Gas & Electric Company (SoCalGas/SDG&E or the Companies) agree with the proposal

¹ May 14, 2018, Prepared Direct Testimony of Jennifer Dowdell, Addressing the Fueling Our Future (FOF) Policy Proposals of San Diego Gas and Electric Company and Southern California Gas Company Related to the 2019 Test Year General Rate Case, on behalf of TURN, Ex. TURN-08 (Ex. TURN-08 (Dowdell)) at 10, fn. 38.

² December 2017, Revised Direct Testimony of Hal Snyder and Randall Clark, Ex. SCG-03-R/SDG&E-03-R (Snyder/Clark, adopted by Baron/Widjaja) (Ex. SCG-03-R/SDG&E-03-R (Baron/Widjaja)).

³ April 13, 2018, ORA Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2019 General Rate Case, Fueling Our Future (FOF) Policy, Ex. ORA-04 (Ex. ORA-04 (Burns)).

1 or contention made by these other parties. The forecasts contained in SoCalGas/SDG&E's direct
2 testimony, performed at the project level, are based on sound estimates of its revenue
3 requirements at the time of testimony preparation.

4 The FOF program falls under the umbrella of continuous improvement activities, which
5 are embedded in the SoCalGas and SDG&E cultures. Both utilities have a history of developing
6 and implementing continuous improvement programs. During an 18-week period in 2016,
7 ongoing continuous improvement efforts were supplemented by a third-party consulting firm,
8 EHS Partners, who provided incremental resources, reusable tools, and a framework to help
9 identify, evaluate and prioritize initiatives. EHS, whose engagement ended in 2016, was funded
10 by Sempra Energy. The culmination of these efforts was a transparent, detailed list of over 450
11 approved ideas to be implemented over twelve quarters between late 2016 and third quarter
12 2019. Despite the portfolio of initiatives being dynamic, such that actual timing and/or savings
13 outlooks may change over time, the test year (TY) 2019 GRC reflects a total commitment of
14 \$68.99 million, comprised of \$42.76 million for SoCalGas and \$26.23 million for SDG&E.
15 Notably, without the FOF planning phase in 2016, these TY 2019 GRC savings would not
16 materialize. Savings generated from FOF are passed through to ratepayers in the form of
17 revenue requirement reductions. Ratepayers also benefit from continued operating excellence
18 that delivers clean, safe and reliable energy to better the lives of our customers and communities
19 now and in the future.

20 Both ORA and TURN are in agreement that the Commission should accept SoCalGas'
21 and SDG&E's TY 2019 FOF savings. However, while applauding the utilities' efforts and
22 recommending that the TY 2019 savings be accepted, TURN argues that utility staff costs over
23 the 18-week planning phase in 2016 should be quantified and removed from the test year
24 because they should be considered "one-time costs." As explained in more detail below,
25 SoCalGas and SDG&E disagree with TURN's assertion because our employees are engaged in
26 continuous improvement efforts on an ongoing basis.

1 **A. ORA**

2 ORA issued its report on Fueling our Future on April 13, 2018.⁴ ORA states that it does
3 not oppose SCG/SDG&E’s forecast TY 2019 FOF net benefits.⁵

4 **B. TURN**

5 TURN submitted testimony on May 14, 2018.⁶ The following is a summary of
6 TURN’s position(s):

- 7 • The Commission should accept the \$69.105 million in estimated FOF
8 initiative savings as a reduction of revenue requirement to be passed
9 through to ratepayers.⁷
- 10 • The Commission should ... insist that all SDG&E and SCG costs
11 associated with FOF Project Phase be identified for transparency.⁸
- 12 • The Commission should ... [a]djust base year revenues downward by the
13 amount of the FOF Project Phase costs identified, as these one-time costs
14 represent significant base year work by SDG&E and SCG staff that will
15 not be repeated as part of the ordinary course of business going forward.⁹

⁴ See Ex. ORA-04 (Burns).

⁵ *Id.* at 1 and 5-6. In the course of its review, ORA examined a couple of examples (one from each company) of the backup documentation supporting the utilities’ cost savings and found that backup to be “problematic.” *Id.* at 3-4. In discovery, SoCalGas and SDG&E provided ORA with a list of each approved FOF initiative and idea to be implemented, a short idea description, the cost to implement, ongoing costs and benefits, estimated net savings, and expected completion date. SoCalGas and SDG&E believe they provided an appropriate level of support, but, as noted in the discussion section below, SoCalGas and SDG&E are committed to the savings amounts identified in the direct testimony, whether or not the savings ultimately are actually realized.

⁶ See Ex. TURN-08 (Dowdell).

⁷ *Id.* at 6:12-13. SoCalGas and SDG&E note that Ex. TURN-08 (Dowdell) references the forecasted savings in the original October 6, 2017 submittal of SoCalGas/SDG&E direct testimony (Ex. SCG-03/SDG&E-03 (Snyder/Clark)); however, \$69.105 million was subsequently updated to \$68.991 million in SoCalGas/SDG&E’s December 2017 update filing (Ex. SCG-03-R/SDG&E-03-R (Snyder/Clark)).

⁸ Ex. TURN-08 (Dowdell) at 6:16-17.

⁹ *Id.* at 6:18-21.

1 **III. REBUTTAL TO PARTIES' PROPOSALS**

2 **A. ORA**

3 **1. ORA Does Not Oppose SoCalGas' and SDG&E's FOF TY 2019**
4 **Forecast**

5 ORA states that:

6 ORA cannot conclude that SCG and SDG&E are on track to achieve their forecast
7 TY 2019 FOF savings, but notes that SCG/SDG&E are committed to their TY
8 2019 FOF savings.¹⁰

9 In SoCalGas and SDG&E's direct testimony, the Companies acknowledged that "it is
10 possible that some of the approved FOF ideas will not move forward to implementation."¹¹
11 However, the Companies also have committed to the savings they identified in the direct
12 testimony, whether or not the savings are realized. Thus, whether or not the Companies are fully
13 on track to achieve their forecasted savings is not relevant.

14 **B. TURN**

15 **1. The Commission Should Accept the Companies' FOF Savings as a**
16 **Reduction of the Revenue Requirement to be Passed Through to**
17 **Ratepayers¹²**

18 TURN states that:

19 Sempra should be lauded for its diligence and effort in identifying many relatively
20 small operational actions it is able to implement by 2019 that will reduce costs to
21 ratepayers.¹³

22 SoCalGas and SDG&E appreciate that TURN recognizes the merit of the FOF initiative
23 and their recommendation to accept the FOF savings amount as requested.

¹⁰ Ex. ORA-04 (Burns) at 4:23-25.

¹¹ Exhibit SCG-03-R/SDG&E-03-R (Snyder/Clark) at 6:6-7.

¹² SoCalGas and SDG&E note that Ex. TURN-08 (Dowdell) references the forecasted savings in the original October 6, 2017 submittal of SoCalGas/SDG&E direct testimony (Ex. SCG-03/SDG&E-03 (Snyder/Clark); however, \$69.105 million was subsequently updated to \$68.991 million in SoCalGas/SDG&E's December 2017 update filing (Ex. SCG-03-R/SDG&E-03-R (Snyder Clark).

¹³ Ex. TURN-08 (Dowdell) at 7:1-3. Internal citation omitted.

1 **2. Identification of SDG&E and SoCalGas Costs Associated with the**
2 **FOF Project Phase**

3 TURN asserts that:

4 The FOF Project Phase ended in September 2016, meaning that labor and other
5 utility resources were being used for at least 18 weeks prior with their associated
6 base year costs undocumented. These resources were being used outside the
7 normal course of utility business.¹⁴

8 The Companies did not separately track the 18-week project phase costs during 2016.
9 More importantly, the employees who supported FOF were exempt employees who continued to
10 support their current roles and responsibilities at least in part during the 18 weeks of FOF Project
11 Phase. Work that was not completed by FOF team members was not deferred, but redistributed
12 to other employees within the organization.

13 In addition, the project phase was necessary for FOF idea generation and the eventual
14 approval of selective ideas for implementation. Without the project ideation and idea assessment
15 phase, the \$68.99 million of utility cost savings would not have been possible.

16 **3. The Adjustment of Base Year Revenues**

17 TURN makes the following assertions:

18 The Commission should ... [a]djust 2016 base year revenues downward by the
19 amount of the FOF Project Phase costs identified, as these one-time costs
20 represent significant base year work by SDG&E and SCG staff that will not be
21 repeated as part of the ordinary course of business going forward.¹⁵

22 **a. TURN's Assertion that the FOF Initiative is a One-Time Effort**
23 **in Base Year 2016 is Not Accurate**

24 The FOF program comes under the umbrella of continuous improvement activities, which
25 is embedded in the SoCalGas and SDG&E cultures. The cost associated with employees who
26 participate in continuous improvement projects should not be regarded as one-time costs. If
27 there were any incremental costs associated with the FOF effort, those were the costs associated
28 with the engagement of the third-party consultant (EHS), but, as SoCalGas and SDG&E
29 explained in their direct testimony, none of EHS' costs were allocated to SoCalGas or SDG&E.¹⁶

¹⁴ Ex. TURN-08 (Dowdell) at 8:21-23. TURN estimates these internal costs to be in the range of \$2.5 million. *Id.* At 10, fn. 38.

¹⁵ Ex. TURN-08 (Dowdell) at 6:11 and 6:18-21.

¹⁶ Ex. SCG-03-R/SDG&E-03-R (Snyder/Clark) at 3.

1 **b. SoCalGas’ and SDG&E’s FOF Efforts are Part of the**
2 **Companies’ Normal Course of Business**

3 FOF, while impacting many Sempra Energy organizations, has several precedents for its
4 scale, scope and duration relative to the ordinary course of continuous improvement. For
5 SoCalGas, examples include a simplified payment process to better enable customers to
6 complete transactions in the channels of their choice. For SDG&E, continuous improvement
7 activities include adding new functionality to its Interactive Voice Response system, and its
8 website and mobile applications. Project teams formed for the purpose of process improvement
9 are formed on a regular basis. Most project team members will dedicate a portion of their time
10 to a project team. Many SoCalGas and SDG&E professional staff personnel participate on
11 multiple project teams.

12 **IV. CONCLUSION**

13 To summarize, FOF falls under the umbrella of continuous improvement, embedded in
14 the SoCalGas and SDG&E cultures. The costs associated with employees who participate in
15 continuous improvement projects should not be regarded as one-time costs. Whether supporting
16 FOF activities or other continuous improvement initiatives, this is the job of SoCalGas and
17 SDG&E staff on an ongoing basis. A third party was engaged for the project planning phase to
18 provide incremental and dedicated resources, as well as a framework, repeatable processes and
19 flexible tools to help identify, evaluate and prioritize idea implementation. SoCalGas and
20 SDG&E provided an explicit summary of the over 450 approved ideas to implement between
21 late 2016 and 2019. SoCalGas and SDG&E have committed to TY 2019 cost savings of a
22 combined \$68.99 million FOF savings. These savings reduce the GRC TY 2019 revenue
23 requirement, and will help fund incremental strategic and base projects that modernize our
24 infrastructure, with an emphasis on ensuring safety and enhancing reliability. FOF savings
25 returned to ratepayers would not even be possible if not for the FOF planning activities that led
26 to these savings. ORA does not oppose either SoCalGas’ or SDG&E’s forecast. Similarly,
27 TURN supports the combined \$68.99 million FOF savings as a reduction of revenue requirement
28 to be passed through to ratepayers. To claim that utility employee resources called upon during
29 the planning phase of FOF should be considered as out of the ordinary course of utility business
30 ignores the continuous improvement commitment and culture embedded at both SoCalGas and

1 | SDG&E, which continues on an ongoing basis. We request that the \$68.99 million savings in
2 | TY 2019 be accepted, without any base year adjustment.

3 | This concludes our prepared rebuttal testimony.

1 **V. WITNESS QUALIFICATIONS**

2 **David Baron**

3 My name is David Baron. I assumed sponsorship of this area from Hal D. Snyder. My
4 business address is 555 West Fifth Street, Los Angeles, California 90013. I am employed by
5 SoCalGas as the Manager of Performance Management & Organizational Strategy. In this
6 position, I am responsible for providing the strategic direction and management in the areas of
7 Advanced Analytics, Enterprise Change Management, Workforce Planning, and Continuous
8 Improvement. I have been employed at SoCalGas since 2012, and I have held my current
9 position since November 2016.

10 I hold a Bachelor of Science degree in Actuarial Science from Purdue University, and
11 Masters degrees in Statistics, Operations Research, and Business Administration, all from
12 DePaul University.

13 I have not previously testified before the Commission.

14 **Don Widjaja**

15 My name is Don Widjaja. I assumed sponsorship of this area from Randall Clark.
16 My business address is 8330 Century Park Court, San Diego, California 92123-1530. I am
17 employed by SDG&E as the Director of Financial Planning and Regulatory Accounts. I have
18 been in this position since May 2017 and my current responsibilities include the development,
19 implementation and analysis of SDG&E's financial planning and budget process, as well as
20 overseeing the development, analysis, and implementation of financing strategies, revenue
21 requirements, regulatory accounts, and cost recovery mechanisms. Prior to this, I was the
22 Quantitative Risk and Controls Manager in the Risk Management Department where I was
23 responsible for providing risk assessment on energy procurement activities, major projects and
24 new business initiatives.

25 Prior to joining SDG&E, I worked at Credit Suisse and Ameren Corporation.

26 I hold a Masters of Business Administration from Washington University in St Louis
27 with an emphasis in finance, and a Bachelor of Science degree in Chemical Engineering from
28 Purdue University.

29 I have previously testified before this Commission.

APPENDIX A – GLOSSARY OF TERMS

EHS	Third-Party Consultant
FOF	Fueling Our Future
ORA	Office of Ratepayer Advocates
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
TURN	The Utility Reform Network
TY	Test Year