

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-016
Exhibit: SDG&E-33-R-E

REVISED
PREPARED DIRECT TESTIMONY OF
RAJAN AGARWAL
(ADMINISTRATIVE AND GENERAL)

ERRATA

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2023

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APPENDICES

Appendix A – Glossary of Terms

SUMMARY

San Diego Gas & Electric Company's (SDG&E or the Company) forecasted Test Year (TY) 2024 request for Administrative and General (A&G) is \$41.89 million as compared to 2021 adjusted recorded of \$38.87 million for an increase of \$3.02 million. Collectively, the Accounting and Finance, Legal, Regulatory Affairs, and Community Relations costs are known as A&G costs. The A&G costs included in this request are gross direct operations and maintenance (O&M) costs prior to any reassignments. The following testimony supports the forecast of costs related to accounting functions including internal controls, meeting regulatory and legal requirements, managing third-party claims and payments, and supporting internal clients and external stakeholders. This testimony also forecasts the Franchise Fee expense and provides business justification for three information technology (IT) capital projects.

TY 2024 Summary of Total O&M Costs

ADMINISTRATIVE AND GENERAL (In 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Total Non-Shared Services	28,443	30,117	1,674
Total Shared Services	10,420	11,767	1,347
Total O&M	38,863	41,884	3,021

Summary of Franchise Fees

ADMINISTRATIVE AND GENERAL (In 2021 \$)	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated TY2024 (000s)
Franchise Fees	77,957	82,391	93,791

Summary of IT Capital Project Costs

ADMINISTRATIVE AND GENERAL (In 2021\$)	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated TY2024 (000s)
IT Capital Projects	1,799	1,265	1,265

1 **REVISED PREPARED DIRECT TESTIMONY OF**
2 **RAJAN AGARWAL**
3 **(ADMINISTRATIVE AND GENERAL)**
4

5 **I. INTRODUCTION**

6 **A. Summary of Administrative and General Costs and Activities**

7 A&G divisions are responsible for the Company’s accounting, financial planning and
8 analysis, legal and claims, regulatory analysis and case management, and community relations
9 functions. These functions are necessary to support the electric and natural gas operational
10 activities that serve our customers and other key external stakeholders. A&G costs consist
11 primarily of labor costs for full-time equivalents (FTEs), associated non-labor costs, and the
12 payment of third-party claims against the Company. The total costs of these divisions include
13 both shared and non-shared service costs. Certain departments and groups within these divisions
14 are considered shared service functions in which services are performed by SDG&E on behalf of
15 Southern California Gas Company (SoCalGas) and Sempra Energy Corporate Center (Sempra or
16 Corporate Center). The costs of the shared departments or groups are based upon the amount of
17 services provided and allocated to SoCalGas and Corporate Center. The allocation
18 methodologies for each division’s department or group are described in the work papers. The
19 shared services percentages are presented in my shared services workpapers. A&G departments
20 and groups that perform all functions solely for SDG&E are known as non-shared. Non-shared
21 costs are retained within SDG&E.

22 In general, expenses attributable to Utility operations are above-the-line and recoverable
23 in rates. Consistent with Commission requirements, certain SDG&E costs are borne solely by
24 shareholders. Those costs include below-the-line (BTL) costs and other non-recoverable
25 expenses (*e.g.*, Senate Bill (SB) 901) as determined by the Commission. Examples of such
26 expenses include: (1) political activities; (2) political contributions and memberships; (3)
27 charitable contributions; (4) penalties; and (5) other activities not attributable to Utility
28 operations.

29 In this General Rate Case (GRC) Application, SDG&E has made adjustments to
30 determine the appropriate amount of BTL and other non-recoverable expenses to be excluded
31 from this GRC. Adjustments have been reflected in my workpapers (*See Exhibit SDG&E 33-*
32 *WP*).

My testimony supports the TY 2024 forecasts for O&M costs for both non-shared and shared services, franchise fee expense, and the business justification for IT capital project costs for the forecast years 2022, 2023, and 2024 associated with the A&G area for SDG&E. Table RA-1 and Table RA-2 summarize my sponsored costs and Table RA-3 summarizes the IT capital project costs for which I sponsor the business justification.

**TABLE RA-1
Test Year 2024 Summary of Total O&M Costs**

ADMINISTRATIVE AND GENERAL (In 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Total Non-Shared Services	28,443	30,117	1,674
Total Shared Services	10,420	11,767	1,347
Total O&M	38,863	41,884	3,021

ADMINISTRATIVE AND GENERAL (In 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
A. Accounting and Finance Division	15,452	16,311	859
B. Legal Division	14,566	15,511	945
C. Regulatory Affairs Division	7,915	8,634	719
D. Community Relations	930	1,428	498
Total O&M	38,863	41,884	3,021

**TABLE RA-2
Summary of Franchise Fees**

ADMINISTRATIVE AND GENERAL (In 2021 \$)	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated TY2024 (000s)
Franchise Fees	77,957	82,391	93,791

**TABLE RA-3
Summary of IT Capital Project Costs**

ADMINISTRATIVE AND GENERAL (in 2021\$)	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated TY2024 (000s)
IT Capital Projects	1,799	1,265	1,265

B. Support To and From Other Witnesses

My testimony also references the testimony and workpapers of several other witnesses, either in support of their testimony or as referential support for mine. Those witnesses are Derick Cooper (Exhibit SDG&E-27, Corporate Center – General Administration), Jason

1 Kupfersmid (Exhibit SDG&E-43, Regulatory Accounts), Dennis Gaughan (Exhibit SDG&E-28,
2 Corporate Center – Insurance), and William J. Exon (Exhibit SDG&E-25 Chapter 2, Information
3 Technology).

4 **C. Organization of Testimony**

5 My testimony is organized as follows:

- 6 • Safety Culture
- 7 • Accounting and Finance
- 8 • Legal
- 9 • Regulatory Affairs
- 10 • Community Relations
- 11 • Franchise Fees
- 12 • Business Justification for IT Capital Projects
- 13 • Conclusion
- 14 • Witness Qualifications

15 **II. SAFETY CULTURE**

16 The Accounting and Finance, Legal, and Regulatory Affairs divisions, and Community
17 Relations department for SDG&E support and foster SDG&E’s safety culture. Included in my
18 testimony are a few specific examples of activities, efforts, and initiatives that are undertaken or
19 proposed that will further develop, implement, and support the safety culture at SDG&E.

- 20 • In managing the claims process, the Claims Department conducts loss control and
21 prevention activities intended to prevent and reduce accidents, which mitigate
22 utility operational expenses, reduce customer costs, and promote public safety.
- 23 • The Regulatory and Legal areas of SDG&E advise management and operational
24 groups on new rules, regulations, tariffs, initiatives, and investigations at the
25 regulatory agencies. Some of these regulations and issues are safety-related or
26 have safety-related impacts.
- 27 • The Financial & Business Planning area incorporates safety and reliability into
28 the resource allocation and budgeting process and tracks the spend for the
29 California Public Utilities Commission (CPUC) requirements for the annual Risk
30 Spending Accountability Report (RSAR).

- Finally, Community Relations builds and maintains relationships with key stakeholders, communities, and customer organizations to provide clear and transparent communication as well as to educate stakeholders, customers, and the public on safety-related issues.

III. ACCOUNTING AND FINANCE DIVISION

A. Introduction

The Accounting and Finance division consists of the following departments, which are described in greater detail below:

- Vice President (VP) – Controller & Chief Accounting Officer (CAO)
- Accounting Operations
- Utility Accounting
- Financial & Business Planning
- Business Innovations & Systems and Financial Systems Client Support

Over the past five years, the Accounting and Finance division has experienced fluctuating costs associated with the services it provides. The forecasting approach for the Accounting and Finance division is consistent with SDG&E’s intent to manage the division’s responsibilities and workforce in aggregate to meet the growing needs of the Company. While individual departments and groups experience variances compared to prior years, it is the overall request for the Accounting and Finance division that should be the focus. The Accounting and Finance division expects increased cost pressures in the future to implement and manage more rigorous accounting procedures and standards, implement the necessary tools to file new regulatory financial accountability reports, respond to various audits, and other accounting and regulatory initiatives issued by the Securities Exchange Commission (SEC), CPUC, Federal Energy Regulatory Commission (FERC), and the other prominent accounting or regulatory governing bodies.

Accounting and Finance division O&M costs are both shared and non-shared and summarized in Table RA-4. Shared costs are referred to herein as USS (for utility shared services) and non-shared costs are referred to as NSS (for non-shared services).

B. Summary of Accounting and Finance Division Request between Shared and Non-Shared Costs

**TABLE RA-4
Summary of Accounting and Finance Division
Shared and Non-Shared Costs**

A. ACCOUNTING AND FINANCE DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
1. VP – Controller & CAO	417	0	417	419	0	419	2	0	2
2. Accounting Operations	3,489	1,452	4,941	3,312	1,410	4,722	-177	-42	-219
3. Utility Accounting	1,278	1,516	2,794	1,573	1,702	3,275	295	186	481
4. Financial & Business Planning	5,882	0	5,882	6,374	0	6,374	492	0	492
5. Business Innovations & Systems and Financial Systems Client Support	679	739	1,418	724	797	1,521	45	58	103
Total O&M	11,745	3,707	15,452	12,402	3,909	16,311	657	202	859

C. Vice President – Controller & Chief Accounting Officer (CAO)

TABLE RA-5
Summary of VP – Controller & CAO
Non-Shared Costs

A. ACCOUNTING AND FINANCE DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
1. VP – Controller & CAO	417	0	417	419	0	419	2	0	2

1. Description of Costs and Underlying Activities

The VP – Controller & CAO oversees the accounting, financial reporting, financial planning, budgeting, and treasury management functions for SDG&E. This department is also responsible for certifying various financial reports as required by law, evaluating the effectiveness of SDG&E’s internal controls over financial reporting, reviewing monthly and quarterly financial statements, including regulatory filings, and providing guidance and establishing financial targets. In preparation of this testimony, the Company has removed nonallowable expenses.

The O&M costs for this department are non-shared and are represented in Table RA-5.

2. Forecast Method

A five-year adjusted average (2017-2021) was used for forecasting the VP – Controller & CAO costs. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year-to-year variability, including the cyclical nature of certain costs, for the VP – Controller & CAO, which provides essential compliance governance oversight, and other support to SDG&E’s business. This methodology has been consistently applied for this department in prior SDG&E GRCs.

3. Cost Drivers

The cost drivers for this department include:

- Costs related to expert witnesses for various regulatory proceedings (e.g., Cost of Capital).

- Retention of professional services to assist in review of data prior to regulatory filings.
- External audit fees for engagements on various agreed upon procedures and regulatory filings, such as FERC Form 1 and CPUC General Order (GO)-77.
- Administrative assistance to support the VP – Controller & CAO.
- Other miscellaneous non-labor expenses related to training, catering, travel, office supplies, and employee recognition.

D. Accounting Operations

**TABLE RA-6
Summary of Accounting Operations
Shared and Non-Shared Costs**

A. ACCOUNTING AND FINANCE DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
2. Accounting Operations	3,489	1,452	4,941	3,312	1,410	4,722	-177	-42	-219

1. Description of Costs and Underlying Activities

The Accounting Operations department analyzes, records, and maintains the operational accounting books and records for SDG&E. This department is comprised of the following groups: Asset & Project Accounting (A&PA), Accounts Payable (AP), and Affiliate Billing & Costing (ABC). More information about each group is provided below.

a. Asset & Project Accounting (A&PA)

A&PA is responsible for the accounting of SDG&E’s rate base, operational transactions, new business, fixed asset management, asset retirement obligations, and billable projects. In particular, this group oversees the accounting transactions for work orders (*i.e.* issuing, monitoring, and reporting); transferring construction work in progress (CWIP) into rate base; analyzing and developing asset classes; preparing depreciation life studies; calculating depreciation expense; forecasting plant additions; accounting for plant retirements; developing and monitoring capitalization policies; general ledger account reconciliations; and performing internal control test procedures prescribed by the Sarbanes-Oxley Act (SOX). A&PA is also responsible for providing accounting guidance, such as classification of expenses between capital

1 versus O&M, FERC account assignments, allocation of overhead rates, gathering of information,
2 and analytical support for data requests.

3 Included in this group are labor costs associated with the Management Accounting and
4 Finance Rotational Program (MARF). The MARF costs are comprised of labor for new
5 accounting and finance employees, hired from colleges, that rotate annually to three different
6 positions within the Accounting and Finance division to develop their understanding of the
7 Company and the various accounting and finance functions.

8 A&PA is comprised of Plant Accounting, Financial & Rate Base Services, and Billable
9 Project Accounting & Sundry Services (BPA & SS). More information about each subgroup is
10 provided below.

11 **i. Plant Accounting**

12 The Plant Accounting group is responsible for the accounting of the full life cycle of
13 SDG&E's fixed assets. These responsibilities include providing guidance to the organization on
14 classification of capital expenses and management of a variety of plant-in-service processes. A
15 core component of the plant accounting process is the creation of capital project work orders,
16 which requires the group to support various departments and project teams across the Company
17 for accurate accounting under both FERC and Generally Accepted Accounting Principles
18 (GAAP). The group monitors and reports on the recording of project costs and status updates to
19 comply with GAAP, FERC regulatory requirements, and internal policies and procedures. This
20 group is also responsible for capital additions, which is the timely recording of transfers of
21 completed projects from CWIP to plant.

22 In addition, Plant Accounting monitors and reports on capital project authorizations for
23 compliance with SDG&E's internal policies and procedures. The group calculates and records
24 Allowance for Funds Used during Construction (AFUDC) to work orders on a monthly basis.
25 The group manages the recording and reporting processes for financing and operating leases.
26 Finally, all quarterly and annual business controls and SOX testing processes for the Accounting
27 Operations department are coordinated through Plant Accounting to comply with the Company's
28 accounting and regulatory policies and procedures.

29 **ii. Financial & Rate Base Services**

30 The Financial & Rate Base Services group is responsible for preparing depreciation life
31 studies (including applicable Iowa curves, average service life, and future net salvage rate of

1 assets by account and class), calculating depreciation and amortization expense, tracking
2 accumulated depreciation including cost of removal, accounting for asset retirement obligations,
3 account reconciliations, tracking all components of rate base, and computing the capital-related
4 costs for capital balancing and memorandum accounts. There are two areas of testimony under
5 this Application that is supported by this team: the Depreciation testimony and the Rate Base
6 testimony.¹

7 **iii. Billable Project Accounting & Sundry Services**
8 **(BPA & SS)**

9 The BPA & SS group is responsible for line extension billings, sundry products, services
10 billings, and damage claims billings. BPA & SS issues invoices to third parties for products,
11 services, customer advances for construction, and damage claims that result in revenues, or
12 reductions to expense/capital. BPA & SS conducts ongoing compliance review and training for
13 Sundry business management to guide compliance with regulatory policy and procedures, as
14 well as monitors and performs quarterly and annual SOX testing of controls. BPA & SS
15 performs monthly analysis and creates reports for management to aid in the supervision of
16 financial activities. Lastly, BPA & SS coordinates and reviews the sundry revenues and expense
17 reporting for each business area in preparation for the non-tariffed products and services annual
18 report to the CPUC.

19 **b. Accounts Payable (AP)**

20 The AP group is responsible for timely and accurate processing and accounting for
21 payments of all invoices related to materials and services procured by SDG&E and Corporate
22 Center. AP is responsible for verifying invoices and ensuring appropriate authorization. This
23 group provides an AP helpline to assist with payment resolution and status. AP also maintains
24 the vendor master records and documentation in accordance with cybersecurity protocols. AP
25 performs several daily audits in addition to SOX testing of controls to comply with procedures
26 and policies. AP also provides company-wide invoice approval training with a focus on invoice
27 review requirements and payment controls. Additional responsibilities include monthly invoice
28 accruals for financial and regulatory reporting and processing of employee expense

¹ See the Direct Testimony of Steven P. Dais (Ex. SDG&E-35 (Rate Base)) and the Direct Testimony of Dane A. Watson (Ex. SDG&E-36 (Depreciation)).

1 reimbursements. AP is responsible for the annual Internal Revenue Service filing of Form 1099
2 and Form 1042 for reportable non-employee and contractor payments.

3 **c. Affiliate Billing & Costing (ABC)**

4 The ABC group is responsible for managing cost allocation accounting according to
5 SDG&E's policy and procedures. This group sets the overhead rates and administers the cost
6 allocations and overhead distributions of all cost categories (O&M, capital, and billings to
7 affiliates). This group works closely with both the Affiliate Compliance and Internal Audit
8 departments to comply with all regulatory decisions affecting inter-company transactions and
9 accounting requirements. ABC also supports internal management reporting and forecasting,
10 performance monitoring, accurate project cost estimations for regulatory filings, and provides
11 historical data for compliance reporting and audits.

12 **2. Forecast Method**

13 A five-year adjusted average (2017-2021) was used for forecasting the Accounting
14 Operations' costs. The five-year average (2017-2021) was adjusted by \$216,000 in labor and
15 \$7,000 in non-labor to add back the full-year impact for 2.3 FTEs vacant during this period.
16 These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-
17 year average best represents a reasonable estimate of annual costs when considering year-to-year
18 variability, including the cyclical nature of certain costs, for Accounting Operations, which
19 provides essential accounting for SDG&E's fixed assets and other related functions, compliance
20 governance, oversight of controls, and other support. This methodology has been consistently
21 applied for this department in prior SDG&E GRCs.

22 **3. Cost Drivers**

23 The responsibilities of the Accounting Operations department described above are
24 necessary to comply with financial, regulatory, and operational requirements. The costs of this
25 department are primarily labor driven and fluctuate depending upon CPUC regulatory requests or
26 policy directives impacting the Company's operations, assets, or investments. The accurate and
27 timely recording of capital expenditures, classification of capital costs, setting depreciation rates,
28 computation of rate base, timely payment of all invoices, and other activities are critical
29 requirements of GAAP and regulatory guidelines. The Company's books and records are
30 audited by various regulatory agencies for compliance with GAAP and regulatory guidelines.

31

E. Utility Accounting

**TABLE RA-7
Summary of Utility Accounting
Shared and Non-Shared Costs**

A. ACCOUNTING AND FINANCE DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
3. Utility Accounting	1,278	1,516	2,794	1,573	1,702	3,275	295	186	481

1. Description of Costs and Underlying Activities

The Utility Accounting department’s primary role is the proper accounting and reporting of financial information for management and various regulatory bodies, in compliance with rules and regulations, and establishing and maintaining accounting policies and controls for SDG&E. This department is comprised of the following groups: Financial Accounting, Regulatory Reporting, Regulatory Accounts, and Accounting Research & Business Controls, all of which are under the oversight of the Assistant Controller. More information about each group is provided below.

a. Assistant Controller

The Assistant Controller is responsible for overseeing all the accounting functions for SDG&E. This group is responsible for overseeing and providing guidance to Accounting Operations, Financial Accounting, Regulatory Reporting, Regulatory Accounts, and Accounting Research & Business Controls groups. This position oversees the preparation of financial statements and supporting schedules, in compliance with rules of various regulatory bodies (SEC, CPUC, FERC, etc.), research of new transactions and accounting standards, account analyses, and compliance with SOX and internal policies. This is a shared service due to the support it provides for combined information technology (IT) SOX controls reporting for SDG&E and SoCalGas.

b. Financial Accounting

The Financial Accounting group is a shared group responsible for the timely month-end accounting close and general maintenance of SDG&E’s general ledger, recording of transactions, preparing financial statements, and reporting of monthly, quarterly, and year-end financial results

1 of SDG&E. It also provides limited accounting, systems, and other support services to
2 Corporate Center. The group is responsible for accounting of transactions in accordance with
3 GAAP, SEC regulations, and the regulatory reporting mandates of the CPUC and FERC. The
4 following is a non-exhaustive, more specific description of the responsibilities performed by
5 Financial Accounting:

- 6 • Recording of journal entries.
- 7 • Accuracy and integrity of the recorded financial data through analysis and
8 reconciliations.
- 9 • Compiling and reporting of financial statements and other accounting information
10 for the SEC and other regulatory bodies.
- 11 • Preparing financial reports for management.
- 12 • Coordinating, testing, and executing financial statement internal controls
13 prescribed by SOX regulations.
- 14 • Providing expertise and guidance on proper accounting treatment of various
15 operating activities (*e.g.*, assessment of variable interest entity consolidation
16 relating to electric power supply contracts and investments).
- 17 • Implementing new accounting standards.
- 18 • Coordinating the audit of the Company's financial statements and other audits.

19 c. Regulatory Reporting

20 The Regulatory Reporting group is responsible for the set-up, tracking, and monitoring of
21 the accounting for all regulatory accounts to comply with GAAP, SEC regulations, and
22 regulatory mandates by the CPUC and FERC. In addition, the group is responsible for the
23 accounting implementation of the GRC, Annual Regulatory Account Update filings, rate
24 implementations, and other proceedings and decisions that affect balancing accounts,
25 memorandum accounts, or tracking accounts. This includes monthly revenue accounting and
26 reporting of the amount billed to ratepayers in accordance with GAAP and SEC requirements
27 and recorded to the correct regulatory accounts based on mandates by the CPUC and FERC.
28 This group provides responses to auditors and intervenors, which may include the Energy
29 Division, internal and external auditors, the Board of Equalization, and others.

30 The Regulatory Reporting group is also responsible for multiple regulatory filings to the
31 CPUC, FERC, U.S. Energy Information Administration, and California Energy Commission

1 (CEC), along with the franchise fees calculation and payments to multiple jurisdictions within
2 the SDG&E territory. The following is a non-exhaustive, more specific description of
3 responsibilities performed by this group:

- 4 • Recording of journal entries.
- 5 • Accuracy and integrity of the recorded financial data for revenue and for
6 balancing and memorandum accounts through analysis and account
7 reconciliations.
- 8 • Compiling and reporting of revenue and regulatory accounts for financial
9 statements and other accounting information for the SEC and other regulatory
10 bodies.
- 11 • Coordinating, testing, and executing internal controls prescribed by SOX
12 regulations.
- 13 • Providing expertise and guidance on proper accounting treatment of various
14 operating activities relating to revenue and regulatory accounts.
- 15 • Implementing new accounting standards and regulations that impact revenue or
16 regulatory accounts.
- 17 • Coordinating audits relating to revenue and regulatory accounts.
- 18 • Accounting and payments of franchise fees.

19 **d. Regulatory Accounts**

20 The Regulatory Accounts group is responsible for the development, implementation, and
21 analysis of regulatory balancing accounts, regulatory memorandum accounts, and other cost
22 recovery and ratemaking mechanisms. This group works with other stakeholders in the
23 Company to comply with the advice letters, preliminary statements, applications, and other
24 proceedings. This includes overseeing the regulatory accounts approved in current tariffs. The
25 Regulatory Accounts group also serves as a liaison with regulatory agencies as well as
26 Regulatory Reporting and other departments to maintain regulatory accounting compliance with
27 CPUC directives and financial accounting standards. The following is a non-exhaustive, more
28 specific description of responsibilities performed by Regulatory Accounts:

- 29 • Accuracy and integrity of the recorded financial data for balancing, memorandum,
30 and tracking accounts.

- 1 • Other reporting preparation and analysis for regulatory accounts to other
- 2 stakeholders, including the CPUC.
- 3 • Preparing cash flow projections of regulatory accounts to assist in cash flow
- 4 planning.
- 5 • Preparing and reviewing the regulatory accounts to file accurate regulatory update
- 6 filings for Electric, Gas, and Public Purpose Program accounts.
- 7 • Coordinating audits regarding regulatory accounts, such as the Energy Resources
- 8 Recovery Account (ERRA) compliance and others.

9 **e. Accounting Research & Business Controls**

10 The Accounting Research & Business Controls group is responsible for technical
11 accounting reviews and research related to new transactions and accounting standards,
12 documenting and maintaining updated documentation of SDG&E accounting approaches, review
13 of SEC financial filings, and coordination and management of SDG&E's compliance with SOX
14 and internal policies. The following is a non-exhaustive, more specific description of
15 responsibilities performed by this group:

- 16 • Perform the accounting review of significant contracts, for accounting
- 17 conclusions related to these contracts.
- 18 • Review of new and proposed accounting standards issued by the Financial
- 19 Accounting Standards Board (FASB), SEC, and associated guidance issued by
- 20 accounting firms and industry sources. Coordination of the implementation of
- 21 accounting and disclosure changes required by these standards.
- 22 • Provide disclosure information for quarterly and annual SEC financial reports.
- 23 • Coordination of the annual update process for SDG&E internal policies.
- 24 • Provide guidance on the application of internal accounting and finance policies,
- 25 including those covering capitalization and lease accounting.
- 26 • Manage the SOX process, including annual scoping, quarterly SOX attestation,
- 27 internal controls testing, reporting on the status of SDG&E's SOX compliance to
- 28 management and external auditors, and providing annual training to management
- 29 responsible for the SOX internal controls.

30 The Accounting Research & Business Controls group works closely with Corporate
31 Center and SoCalGas for consistent interpretation and application of GAAP accounting and

1 reporting. The portion of the department’s SOX compliance coordination related to general IT
2 controls is performed as a shared service for SDG&E and SoCalGas.

3 **2. Forecast Method**

4 A five-year adjusted average (2017-2021) was used for forecasting the Utility
5 Accounting costs. The five-year average (2017-2021) was adjusted by \$25,000 in labor and
6 \$1,000 in non-labor to add back the full-year impact for 0.2 FTEs vacant during this period.
7 These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-
8 year average best represents a reasonable estimate of annual costs when considering year-to-year
9 variability, including the cyclical nature of certain costs, for SDG&E’s Utility Accounting
10 functions, which provides essential compliance governance, oversight, and other support. This
11 methodology has been consistently applied for this department in prior SDG&E GRCs.

12 **3. Cost Drivers**

13 The cost drivers for the Utility Accounting department are primarily labor costs. As
14 changes occur in accounting and regulatory reporting standards, this department is responsible
15 for implementing and complying with the new standards. This department is also responsible for
16 reviewing advice letters and preliminary statements, and implementation of the new balancing
17 and memorandum accounts.

18 I am requesting \$222,000 in labor and \$6,000 in non-labor for two Senior Accountants.
19 One Senior Accountant is needed to manage the incremental work due to the increasing number
20 and complexities of regulatory balancing and memorandum accounts. With increasing
21 complexity, more involvement is required in the regulatory process to analyze that the incurred
22 expenditure is accurate, the accounting process complies with the regulatory decisions, and the
23 regulatory accounts are processed timely and accurately. A second Senior Accountant is needed
24 for the incremental work due to the transfer of the Franchise Fee accounting workload from the
25 tax department at Corporate Center to Regulatory Reporting. The new function within the
26 Utility Accounting department requires the preparation, calculation, and timely payment of
27 franchise fees for each jurisdiction in SDG&E’s territory. The responsibility for the Franchise
28 Fee witness and testimony has also transitioned under this group.

F. Financial & Business Planning

**TABLE RA-8
Summary of Financial & Business Planning
Non-Shared Costs**

A. ACCOUNTING AND FINANCE DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
4. Financial & Business Planning	5,882	0	5,882	6,374	0	6,374	492	0	492

1. Description of Costs and Underlying Activities

The Financial & Business Planning department develops the financial plans, oversees the budgeting for O&M and capital budgets, monitors financial performance, and performs all cash flow forecasting and Treasury functions. The department includes the following three groups:

- Financial Planning
- Business Planning
- Financial & Strategic Analysis

a. Financial Planning

The Financial Planning group is responsible for developing, measuring, and reporting the financial performance targets and results of SDG&E to internal management and other stakeholders. This group directs the planning, development, and preparation of SDG&E's financial plan, budgets, forecasts, and outlooks including balance sheet, income statement and cash flow statement. The group sets financial targets and consolidates the budgets of all the areas of the Company and prepares and leads executive briefings to report on the Company's performance to facilitate decision making.

Responsibilities include compiling various inputs to develop financial plans, implementing and maintaining annual capital and O&M budgets, and developing reports and presentations for communication of financial results to management and other stakeholders. These results are measured and reported monthly. In addition, the Financial Planning group develops, analyzes, and implements strategies to optimize all aspects of debt issuances (debt

1 term, timing of debt issuance and amount of debt issuance), dividend payments and equity
2 infusions. Responsibilities also include:

- 3 • Forecasting and analyzing short-term and long-term cash flows.
- 4 • Assessing the financial markets for conditions to minimize financing costs.
- 5 • Analyzing adequate levels of liquidity to finance the Company's operations at the
6 lowest rates possible for customers.
- 7 • Serving as witnesses and support members for the Cost of Capital, GRC, and debt
8 financing proceedings.
- 9 • Performing compliance functions in support of debt and dividend issuances.

10 **b. Business Planning**

11 The Business Planning group provides budget, accounting, and financial support at the
12 division level across SDG&E. The group provides financial resources to support each division
13 relative to financial consulting, project costing, new products/services development planning,
14 process improvement, and performance measurement support and analysis. Business Planning
15 directs the development, monitoring, and reporting of all the division's budgets within the
16 Company and supports the Company's strategic decision-making and performance measurement
17 activities, cost planning, and analysis at the division level.

18 This group is responsible for the budgeting process and incorporates safety and reliability
19 into the resource allocation process and makes sure the budget process deploys resources
20 effectively in the manner intended. The group provides accounting support for cost center
21 maintenance, verifies internal work orders are established consistent with Company policies and
22 accounting rules, and transactions are properly recorded. The group provides substantial support
23 with the data collection and preparation of the annual Risk Spending Accountability Report
24 (RSAR). The Business Planning personnel also provide financial support to regulatory
25 proceedings and other compliance filings impacting their assigned division, including support for
26 GRC proceedings as lead and support planners, which includes developing the forecast and
27 writing testimony. Other examples include supporting the Wildfire Mitigation Plan filing, cost
28 forecasts, and data requests from the CPUC.

29 **c. Financial & Strategic Analysis**

30 The Financial & Strategic Analysis group directs and oversees the financial modeling and
31 advisory services for SDG&E's internal clients. The group leads performance of financial and

1 business analysis and research for strategic investments and initiatives, and review of business
2 cases for new capital investments that mitigate risks and enhance operational effectiveness. In
3 addition, the group develops, updates, and maintains the revenue requirement/ratemaking model
4 for incremental projects and internal analysis, supports key regulatory filings, and participates as
5 a Company witness in proceedings before the CPUC.

6 Financial & Strategic Analysis conducts financial modeling and analysis to support
7 business cases and financial plans for incremental capital projects. In the financial modeling
8 area, the group develops and analyzes the calculation of revenue requirements in support of
9 significant regulatory filings, including testifying before the CPUC on the assumptions and
10 methodologies supporting the proposed revenue requirements. The group maintains the financial
11 evaluation model that is utilized Company-wide, thereby applying consistent economic,
12 regulatory, and financial assumptions in the evaluation of SDG&E's capital projects. In
13 addition, the group supports capital projects by performing short and long-term financial analysis
14 and evaluation of project viability by incorporating current and evolving economic assumptions,
15 regulatory compliance measures, and accounting standards into relevant financial models. In
16 support of the internal financial planning process, the group is responsible for the development
17 of pro forma financial statements for SDG&E's incremental projects. The group also provides
18 strategic guidance and performs financial due diligence on new proposals and regulatory filings.

19 **2. Forecast Method**

20 A base year forecast was used for forecasting the Financial & Business Planning costs.
21 The base year forecast was adjusted by \$145,000 in labor and \$4,000 in non-labor to add back
22 the full-year impact for 1.3 FTEs vacant during this period. These expenses will be included in
23 the TY 2024 revenue requirement as forecasted. Per the 2019 GRC Decision (D.)19-09-051, the
24 charging methodology for this department changed from allocating a portion of the A&G costs
25 directly to capital to all costs being charged to A&G with capital allocations done indirectly.
26 Therefore, the base year is the most representative year to use as a basis for the forecast as a
27 portion of costs attributable to this area were previously charged directly to projects.

28 **3. Cost Drivers**

29 The costs of the Financial & Business Planning department are primarily labor driven and
30 fluctuate depending upon the strategic plan of the Company, the Company's capital program,
31 new initiatives, new accounting guidance, regulatory requests, and policy directives impacting

the Company’s operations. The business planning group works closely with the operating divisions to provide budget, accounting, and financial support of department programs and initiatives. Therefore, as the overall number and complexity of capital programs grow, the business planners track and report on an increasing number of projects, and larger amounts of dollars. In addition, as regulatory requirements continue to grow, the Business Planning group’s assistance with additional data requests and support in connection with regulatory proceedings has also increased.

I am requesting \$334,000 in labor and \$9,000 in non-labor for three incremental Senior Business Analyst FTEs to support increased O&M and Capital Planning activities, the large increase in capital projects and increasing reporting requirements. These additional FTEs are needed to provide financial support and analysis related to the increased capital projects and O&M initiatives, and to comply with CPUC RSAR reporting requirements for accountability reporting. The RSAR reporting requirements include reporting authorized GRC funding versus actual results for all safety, reliability and/or maintenance activities, which includes risks identified in the Risk Assessment Mitigation Phase (RAMP) filing. The ability to track the authorized GRC funds and actual results in our accounting system will require system enhancements to accomplish continuing increases in reporting requirements. Additional labor will be dedicated to system enhancements, tracking, and reporting of the financial accountability to the CPUC.

G. Business Innovations & Systems and Financial Systems Client Support

**TABLE RA-9
Summary of Business Innovations & Systems and Financial Systems Client Support
Shared and Non-Shared Costs**

A. ACCOUNTING AND FINANCE DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
5. Business Innovations & Systems and Financial Systems Client Support	679	739	1,418	724	797	1,521	45	58	103

1 **1. Description of Costs and Underlying Activities**

2 The Business Innovations & Systems and Financial Systems Client Support department
3 includes two groups: Business Innovations & Systems and Financial Systems Client Support.
4 More information about each group is provided below.

5 **a. Business Innovations & Systems**

6 The Business Innovations & Systems group includes two sub-groups, Business
7 Innovations and Financial Planning Systems.

8 **i. Business Innovations**

9 Business Innovations provides business process optimization and technology support to
10 the SDG&E Accounting and Finance division relating to company-wide O&M costs. This sub-
11 group’s role is to identify efficiencies that can be achieved by process and/or technology
12 changes, automation of processes, and to help implement those changes. This sub-group also
13 administers the system that facilitates O&M planning.

14 **ii. Financial Planning Systems**

15 The Financial Planning Systems sub-group provides full application support relating to
16 capital-related functions. This sub-group provides support to both SDG&E and SoCalGas. The
17 capital planning system is a licensed product that provides an efficient planning and tracking tool
18 for capital projects for both companies. The sub-group’s responsibilities include design and
19 development of new capabilities and reports, administration of ongoing activities,
20 troubleshooting of any issues, as well as data validation and governance.

21 **b. Financial Systems Client Support**

22 The Financial Systems Client Support group provides financial system support including
23 training, system reporting, upgrades and improvements to the SDG&E Accounting and Finance
24 division. This group’s role is to monitor the financial systems for accurate recording and
25 reporting of financial transactions and to support the control testing under SOX. The Financial
26 Systems Client Support group also assists in gathering data for regulatory filings, data responses
27 and analytics.

28 **2. Forecast Method**

29 A five-year adjusted average (2017-2021) was used for forecasting the Business
30 Innovations and Financial Systems Client Support costs; however, a three-year average (2019-
31 2021) was used for the Financial Planning Systems sub-group. Collectively, these averages were

1 adjusted by \$39,000 in labor and \$2,000 in non-labor to add back the full-year impact for 0.4
2 FTEs vacant during these periods. These expenses will be included in the TY 2024 revenue
3 requirement as forecasted. The five-year average best represents a reasonable estimate of annual
4 costs when considering year-to-year variability, including the cyclical nature of certain costs, for
5 the Business Innovations and Financial Systems Client Support groups, which provide critical
6 financial systems support, technology enhancements to increase productivity, compliance
7 governance, oversight of controls, and other support. This methodology has been consistently
8 applied for these groups in prior SDG&E GRCs. The three-year average best represents a
9 reasonable estimate of annual costs the Financial Planning Systems sub-group because this
10 function moved from Corporate Center to SDG&E in 2019, and the three-year average similarly
11 represents a reasonable estimate of annual costs when considering year-to-year variability,
12 including the cyclical nature of certain costs, for the Financial Planning Systems sub-group,
13 which, among other support, provides support to the financial planning applications used by
14 SDG&E and SoCalGas.

15 **3. Cost Drivers**

16 The costs of the Business Innovations & Systems group are primarily driven by both
17 labor and the business need for software licenses. The group administers financial planning
18 systems and the cost of associated software licenses, which are based on the number of licensed
19 users. The capital planning system was implemented at SDG&E and SoCalGas in 2019, and the
20 number of licensed users has steadily increased over time with the roll out of the planning tool.

21 The costs of the Financial Systems Client Support group are primarily labor driven and
22 fluctuate depending upon new accounting guidance, regulatory requests, and policy directives
23 impacting the Company's operations.

24 I am requesting \$100,000 in incremental non-labor for 150 additional software licenses
25 for the capital planning system. These additional licenses are needed to support an increasing
26 number of users throughout SDG&E and SoCalGas.

27 **IV. LEGAL DIVISION**

28 **A. Introduction**

29 The Legal division consists of the following departments, which will be described in
30 greater detail below:

- 31 • General Counsel

- Regulatory Law
- Federal Regulatory Law, Policy & Compliance
- Litigation and Wildfire Mitigation
- Commercial Law
- Environmental & Real Estate Law
- Ethics & Workplace Culture
- Claims
 - Claims Payments and Recovery Costs

The Legal division is headed by a Senior Vice President (SVP) & General Counsel, who oversees and manages legal matters for SDG&E with the support of personnel in five disciplines of law. SDG&E’s Legal division also includes the Ethics & Workplace Culture group, the Claims department, and a staff of legal research attorneys, paralegals, and administrative assistants. The costs of this division include labor, the associated non-labor costs, and the payments and recovery costs of third-party claims. In preparation of this testimony, the Company has removed costs for political, civic, and related activities, and other nonallowable expenses. O&M costs of the Legal division are non-shared and are summarized in Table RA-10.

B. Summary of Legal Division Request for Non-Shared Costs

**TABLE RA-10
Summary of the Legal Division
Non-Shared Costs**

B. LEGAL DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. General Counsel	10,335	10,540	205
2. Claims	1,053	1,259	206
3. Claims Payments and Recovery Costs	3,178	3,712	534
Total O&M	14,566	15,511	945

C. General Counsel

**TABLE RA-11
Summary of General Counsel
Non-Shared Costs**

B. LEGAL DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. General Counsel	10,335	10,540	205

1 **1. Description of Costs and Underlying Activities**

2 The General Counsel manages SDG&E’s legal matters, issues and risks and advises
3 senior management and the Board of Directors on matters impacting the Company. The General
4 Counsel department represents the Company on legal matters pertaining to SDG&E described
5 specifically in the sections below.

6 **a. Regulatory Law**

7 The Regulatory Law group represents SDG&E in regulatory proceedings (*e.g.*, rate
8 setting, rulemakings, applications, investigations and complaints) at the CPUC, CEC, Office of
9 Energy Infrastructure Safety (OEIS), Nuclear Regulatory Agency, and other state and local
10 regulatory bodies as needed.² This group also provides legal guidance to management and
11 operational groups on new and existing rules, regulations, tariffs, rate issues, initiatives, and
12 compliance matters involving the foregoing regulatory agencies. Regulatory attorneys also
13 contribute to legislative analysis and other legal matters (*e.g.*, litigation and commercial)
14 involving questions of regulatory law or which overlap with regulatory proceedings.

15 The volume and complexity of the Regulatory Law group’s workload has changed due to
16 a significant number of new energy-related laws and rapidly evolving energy policy. In
17 particular, an active California Legislature and Governor in the areas of climate change, clean
18 energy goals, greenhouse gas (GHG) reduction, transportation electrification, and wildfire
19 management have resulted in a wide variety of new laws. These new laws, in turn, have resulted
20 in new proceedings at the agencies who regulate SDG&E, including the CPUC. In addition to
21 activity driven by new legislation, the CPUC has developed its own initiatives to address many
22 of the same areas, including utility risk assessment, safety, rate reform (including on-going Net
23 Energy Metering, and Power Charge Indifference Adjustment-related proceedings), procurement
24 (including renewable energy and battery storage), and distributed energy resources (DER), all of
25 which have resulted in new regulatory demands and compliance mandates. New proceedings,
26 for example, include: Rulemaking to Develop Safety Culture Assessments for Electric and
27 Natural Gas Utilities (R.21-10-001), Rulemaking to Modernize the Electric Grid for a High DER

² It should be noted that the Regulatory Law group discussed in this section is distinct from the Federal Regulatory Law group, which handles FERC and other federal agency-related matters and is described in a different section of this testimony. The Regulatory Law group’s main focus is CPUC proceedings, but also includes matters before other regulatory bodies at state and local levels.

1 Future (R.21-06-017), Rulemaking to Implement Senate Bill 520 and Address Other Matters
2 Related to Provider of Last Resort (R.21-03-011), Rulemaking Regarding Broadband
3 Infrastructure Deployment and to Support Service Providers in the State of California (R.20-09-
4 001), and Rulemaking to Revise GO 156 (Supplier Diversity) (R.21-03-010).

5 In addition to new and more complex proceedings, the Regulatory Law group is also
6 facing increased demands due to the expansion of Community Choice Aggregators (CCAs) in
7 SDG&E's service territory. In 2017, when SDG&E filed its most recent GRC application for
8 TY 2019, it did not have any CCAs operating in its service territory. For this TY 2024 GRC, on
9 the other hand, CCA activity has increased dramatically and is expected to increase over time.
10 The CCAs represent a new category of parties who participate in a wide variety of regulatory
11 proceedings. For example, in proceedings related to the ERRRA (including forecast, compliance,
12 and trigger proceedings) and rate design, CCAs have taken a very active role. Such engagement
13 by new parties representing new regulatory issues and concerns has created increased demands
14 on the department.

15 With new initiatives and emerging issues, compliance requirements follow and involve
16 advocacy, advice, and counsel by Regulatory Law attorneys. These new proceedings are in
17 addition to recurring proceedings such as the GRC, cost of capital, electric and natural gas
18 commodity filings, and typical cost allocation/rate design, among others.

19 **b. Federal Regulatory Law, Policy & Compliance**

20 The Federal Regulatory Law, Policy & Compliance group is comprised of three sub-
21 groups, which together provide legal and compliance support and guidance to management and
22 operational groups on new and existing rules, regulations, tariffs, rate issues, initiatives,
23 rulemakings, complaints, and investigations involving federal energy regulatory
24 agencies. Previously, the functions performed by this group were performed under the
25 Regulatory Law group and the Risk Management group, but in 2019, the Regulatory Law group
26 and the Risk Management group were reorganized to create a new group focused on federal
27 regulatory and compliance matters due to increasing demand in legal and compliance related
28 areas. These matters are distinct from the primarily California state and local regulatory matters
29 handled by the Regulatory Law group. This distinction and rising volume of federal-related
30 matters and issues faced by SDG&E justified creation of a new group under separate

1 management focused on its unique issues, including issues that overlap with CPUC-jurisdictional
2 matters.

3 As noted above, the Federal Regulatory Law, Policy & Compliance group is comprised
4 of three sub-groups. The Legal group supports SDG&E in regulatory proceedings at FERC and
5 other federal regulators, such as the U.S. Department of Energy and Commodity Futures Trading
6 Commission, and contributes to other legal matters (*e.g.*, litigation and commercial) with a
7 federal regulatory basis or implication. In addition, as resource needs arise, members of the
8 Legal group provide support for SDG&E in regulatory proceedings at the CPUC. Second, the
9 Federal Reliability Compliance group provides compliance guidance to management and
10 operational groups regarding electric reliability standards promulgated by the North American
11 Electric Reliability Corporation. Finally, the Federal Regulatory Compliance group provides
12 compliance guidance to management and operational groups regarding various federal regulatory
13 compliance obligations, which include, among others, the standards of conduct and the
14 compliance obligations associated with SDG&E's electric market-based rate authorization.

15 **c. Litigation and Wildfire Mitigation**

16 The Litigation and Wildfire Mitigation Law group represents SDG&E in civil litigation
17 proceedings, ranging from the defense of personal injury and property damage lawsuits to more
18 complex commercial, environmental, and business litigation. Company litigation matters are
19 largely handled by the Company litigation attorneys, from initial filing through the trial
20 completion, while outside counsel is used where appropriate, including where specialized
21 expertise is required or where additional resources are needed. This group also manages legal
22 issues related to wildfire mitigation, including representing the Company in regulatory
23 proceedings before the CPUC and the OEIS.

24 **d. Commercial Law**

25 The Commercial Law group provides legal counsel and support on all SDG&E business-
26 related matters. Commercial Law handles the legal aspects of business transactions of all types,
27 including drafting and negotiating contracts for the procurement of goods and services,
28 development and construction of new SDG&E assets, maintenance and services for existing
29 SDG&E assets, energy procurement, utility system interconnections, licensing, intellectual
30 property, technology matters, and customer programs. The Commercial Law group provides

1 legal advice and counseling to SDG&E on a wide variety of matters, including the Company's
2 rights and obligations under existing agreements and compliance with applicable laws.

3 The Commercial Law group's work is increasing in complexity and volume. One of the
4 principal drivers of the increased workload for the Commercial Law group include many new
5 reliability energy procurement solicitations that lead to the drafting, negotiation and execution of
6 long-term, large dollar value contracts with energy project developers, primarily energy storage
7 projects. These contracts, in the still relatively new energy storage space, are time-intensive and
8 complex. In addition, the Commercial Law group is negotiating significant new contracts related
9 to SDG&E's strategic undergrounding program and other wildfire management-related projects,
10 while continuing to provide legal counsel on the numerous substantial contracts required to keep
11 SDG&E's electric and gas system safe and reliable.

12 **e. Environmental & Real Estate Law**

13 The Environmental & Real Estate Law group provides comprehensive legal counseling
14 on environmental and real estate matters. These matters include complying with federal, state,
15 and local laws and obtaining environmental approvals and property rights for construction,
16 operations, and maintenance of electric and natural gas infrastructure and other Company
17 facilities.

18 This group represents the Company in environmental and real estate transactions,
19 litigation with public and private entities, and in proceedings before agencies with jurisdiction
20 over air quality, cultural and historic resources, greenhouse gas emissions, hazardous materials
21 and waste, infrastructure siting, real property and land rights, species protection, and water
22 quality. This group also advises and represents the Company in regulatory proceedings that
23 require environmental review and approval by the CPUC or other agencies, such as proceedings
24 for capital projects and pipeline integrity work.

25 All these projects help to advance federal, state, and regional policies to increase housing
26 and transit options, modernize aging public infrastructure, and to address and adapt to climate
27 change. To help advance these important policies, SDG&E seeks to process these requests as
28 quickly as possible while protecting its ratepayers' investments in real property and land rights.

29 **f. Ethics & Workplace Culture**

30 The Ethics & Workplace Culture group, under the direction of the Assistant General
31 Counsel of Ethics & Workplace Culture, is responsible for the investigation and appropriate

1 handling of, and follow through on, all concerns raised to the Sempra Ethics & Compliance
2 Helpline that involve any SDG&E employee, contractor, or customer. Any such concerns raised
3 to a mandatory reporter (including Company attorneys and officers, as well as Human
4 Resources, and management) are added to the Helpline case management system and assigned
5 for investigation and follow through following the same protocols. The department was formed
6 in 2021 to efficiently and cost effectively conduct workplace investigations and to comply with
7 all applicable state and federal laws and regulations, as well as to support SDG&E's workplace
8 culture and compliance with policies.

9 Prior to 2021, Helpline investigations were conducted by Human Resource Advisors,
10 Labor Relations Advisors, and corporate internal audit and security as an addition to their regular
11 workloads. However, due to a significant increase in call volume and the resulting increase in
12 response times, the Ethics & Workplace Culture group was created, and the work was
13 consolidated into a dedicated group staffed by two workplace investigators. External resources
14 also provide supplemental investigation services to effectively handle the increasing number of
15 helpline concerns raised. SDG&E case volume has increased 62% since pre-pandemic. The
16 increase in call volume has resulted in large part from greater awareness of, and confidence in,
17 the Helpline process and efforts to emphasize the Company's speak-up culture.

18 In addition to leading the workplace investigation function, the Assistant General
19 Counsel – Ethics & Workplace Culture partners with SDG&E's Risk Management and
20 Compliance department on its activities to promote a culture of compliance. This work includes
21 planning compliance town halls, developing and delivering training, presenting at SDG&E
22 management meetings, and creating materials for use by department leaders in discussions with
23 their teams.

24 **g. Administrative Staff**

25 SDG&E's General Counsel administrative staff includes legal research attorneys,
26 paralegals, and administrative assistants. Legal research attorneys are licensed practitioners who
27 support the department on an array of matters, provide legal research and writing, and provide
28 regulatory and litigation support (*e.g.*, depositions and court appearances). Paralegals engage in
29 a variety of tasks, including organization of filings, legal research, monitoring agency activities
30 and proceedings, developing administrative records, creating and managing databases, tracking
31 and marking exhibits at hearings, researching testimony, and receiving and responding to

1 thousands of third-party subpoenas. In addition, paralegals identify and collaborate with internal
2 witnesses to collect relevant documentation for judicial and administrative proceedings involving
3 CPUC and other agency permitting, agency investigations and enforcement actions, and
4 administrative appeals. Administrative Assistants provide general administrative support as well
5 as specialized support depending on practice areas. They are required to be knowledgeable and
6 proficient in civil and regulatory rules, practices, and procedures, as well as constantly enhance
7 their skills as technologies and business practices change.

8 **h. Outside Counsel**

9 SDG&E uses outside counsel for certain matters that require special skills or for
10 workload support. SDG&E's General Counsel department supervises the work performed by
11 outside legal firms. Costs relating to the outside legal firms are not included in my testimony.
12 The Corporate Center law department, in consultation with SDG&E, coordinates retention and
13 oversight of outside firms on behalf of the Company, as described in the Direct Testimony of
14 Derick Cooper (Ex. SDG&E-27).

15 **2. Forecast Method**

16 A five-year adjusted average (2017-2021) was used for forecasting the General Counsel
17 costs. The five-year average (2017-2021) was adjusted by \$310,000 in labor and \$7,000 in non-
18 labor to add back the full-year impact for 2.2 FTEs, which includes both vacant positions during
19 this period as well as the addition of the Ethics & Workplace Culture group created in 2021. In
20 addition, the five-year average was adjusted by \$44,000 in non-labor for travel-related activities
21 as the amount in the five-year average is understated because of travel curtailment due to
22 COVID-19 pandemic restrictions. Travel is expected to return as travel and meeting restrictions
23 abate. This adjustment is based upon the three-year average (2017-2019) for travel costs. These
24 expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year
25 average best represents a reasonable estimate of annual costs when considering year-to-year
26 variability, including the cyclical nature of certain costs, for SDG&E's General Counsel
27 department, which provides essential compliance governance, oversight, and other support. This
28 methodology has been consistently applied for this department in prior SDG&E GRCs.

29 **3. Cost Drivers**

30 The General Counsel department provides many services and has experienced a large
31 increase in the workload due to various changes and developments in the business and regulatory

1 areas. The volume and complexity of regulatory work has been impacted by new regulatory
2 requirements and the expansion of proceedings requiring legal staffing. The following is a non-
3 exhaustive list of activities for which the General Counsel department is responsible:

- 4 • Managing the regulatory law aspects of recurring CPUC proceedings such as
5 GRCs, ERRAs, low-income programs, cost of capital applications, capital project
6 applications, electric and natural gas commodity filings, demand response,
7 resource adequacy, energy efficiency programs, resource planning, and cost
8 allocation/rate design proceedings.
- 9 • Managing regulatory law aspects of newer CPUC proceedings, such as those
10 dealing with clean energy goals, GHG reduction, transportation electrification,
11 wildfire management, San Onofre Nuclear Generating Station decommissioning,
12 safety culture, risk assessment, rate reform, provider of last resort, DER, and
13 affordability.
- 14 • Managing regulatory law aspects concerning significant new CCA procurement in
15 the service territory and CCA participation in related proceedings.
- 16 • Managing the legal aspects of electric commodity matters, generator
17 interconnections, and reliability standards development.
- 18 • Providing compliance guidance to management and operational groups regarding
19 electric reliability standards, as well as guidance regarding various federal
20 regulatory compliance obligations, such as the transmission provider standards of
21 conduct and the compliance obligations associated with SDG&E's electric
22 market-based rate authorization.
- 23 • Managing civil litigation proceedings, ranging from the defense of personal injury
24 and property damage lawsuits to more complex commercial, environmental, and
25 business litigation.
- 26 • Managing wildfire-related proceedings and legal issues.
- 27 • Providing legal guidance on business transactions including drafting and
28 negotiating contracts for procurement of goods and services, development and
29 construction of new SDG&E assets, maintenance and services for existing
30 SDG&E assets, energy procurement, utility system interconnections, licensing,
31 intellectual property and technology matters, and customer programs.

- 1 • Reviewing and advising the Company on existing and new rules, regulations,
2 tariffs, rate issues, initiatives, and compliance matters.
- 3 • Obtaining environmental approvals and property rights for construction,
4 operations, and maintenance of electric and natural gas infrastructure and other
5 Company facilities.
- 6 • Representing the Company in environmental and real estate transactions,
7 litigation with public and private entities, and in proceedings before agencies with
8 jurisdiction over air quality, cultural and historic resources, greenhouse gas
9 emissions, hazardous materials and waste, infrastructure siting, real property and
10 land rights, species protection, and water quality.
- 11 • Responding to ethics and compliance helpline activity and conducting related
12 workplace investigations, and compliance work.
- 13 • Managing and supervising the work of outside legal firms hired to represent the
14 Company in select legal matters.

15 For activities stated above, I am requesting \$444,000 in labor and \$6,000 in non-labor for
16 two Senior Counsel FTEs for the Regulatory Law group to meet the increasing workload
17 demands and to enhance responsiveness to the CPUC and other regulatory agencies. To
18 continue to meet the increasing demands, additional attorneys are needed.

19 Due to an increasing volume of commercial legal work and time constraints, and the need
20 for special expertise, I am requesting \$111,000 in labor and \$3,000 in non-labor for one Senior
21 Paralegal FTE in the Commercial Law group to efficiently assist with the increasing workload of
22 senior attorneys.

23 I am requesting \$126,000 in labor and \$3,000 in non-labor for one incremental
24 Investigator FTE to handle the increased workload and call volumes in the Ethics & Workplace
25 Culture group.

1 **D. Claims and Claims Payments and Recovery Costs**

2 **TABLE RA-12**
3 **Summary of the Claims and Claims Payments and Recovery Costs**
4 **Non-Shared Costs**

B. LEGAL DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
2. Claims	1,053	1,259	206
3. Claims Payments and Recovery Costs	3,178	3,712	534

5 **1. Description of Costs and Underlying Activities**

6 The Claims department is responsible for the investigation, processing, recovery of and
7 payment for all third-party property damage, along with general liability, motor vehicle accident
8 and bodily injury claims for SDG&E. Responsibilities include conducting investigations, 24/7
9 on-call response, taking witness statements, adjusting claims, inspecting property and physical
10 damages, preparing claims reports, preserving evidence, documenting facts into the claims
11 management system, determining Company liability, coordinating and recovering claims from
12 insurance, and settlement/collection from the responsible party. The department also conducts
13 loss prevention activities designed to protect assets, prevent and reduce accidents, which mitigate
14 utility operational expenses, reduce customer costs, and promote public safety. The following is
15 a non-exhaustive list of issues the Claims department processes and manages:

- 16 • Claims paid to third parties.
- 17 • The defense and settlement of claims and cases.
- 18 • The engagement and management of outside experts to provide expert opinion
19 and forensic analysis.
- 20 • Recovery of claims from insurance companies.
- 21 • Seek compensation for damages to SDG&E property, facilities, equipment,
22 systems, and accident costs by at-fault responsible third parties. This work
23 transitioned to SDG&E from SoCalGas in 2020.

24 The Claims department processes claims paid to third parties related to property damage,
25 business income losses, and bodily injury claims. Before any third-party claim is paid, research
26 and analysis are performed to validate that the claim is legitimate, and the claim has been
27 properly valued.

1 The Company maintains non-wildfire excess liability insurance for certain third-party
2 claims against the Company. This coverage is in excess of self-insured retention limits. In an
3 event where there are multiple claims of covered damages caused by the same occurrence, the
4 utility would be liable for only one self-insured retention. Any fees or expenses for a covered
5 claim in excess of the self-insured retention are covered by the insurance policy.

6 The Company's trend of litigation and claims does not necessarily predict the future. To
7 predict and plan for claim payments to third parties for TY 2024 is difficult because of the
8 nature, volatility, and unpredictability of events. Historically, SDG&E has seen the Claims
9 expense vary significantly from one year to the next. While SDG&E manages its operations to
10 mitigate the impact of third-party claims, the exposure to claims will always be an expected risk
11 to the Company, given the nature of its business, and the large presence of property, assets, and
12 resources throughout SDG&E's service territory.

13 In 2020, the Claims department began administering the SDG&E recovery claims. This
14 additional function increased the number of claims being administered. These claims are
15 complex, and it is time intensive to complete all investigation and analysis work ahead of billing.
16 Total processed claims increased by 25% from 2017 to 2021.

17 **2. Forecast Method**

18 A five-year adjusted average (2017-2021) was used for forecasting the Claims and
19 Claims Payments and Recovery costs. The five-year average (2017-2021) was adjusted by
20 \$89,000 in labor and \$2,000 in non-labor to add back the full-year impact for 0.8 FTEs vacant
21 during this period. These expenses will be included in the TY 2024 revenue requirement as
22 forecasted. The five-year average best represents a reasonable estimate of annual costs when
23 considering year-to-year variability, including the cyclical nature of certain costs, for SDG&E's
24 Claims and Claims Payments and Recovery functions, which provide essential compliance
25 governance, oversight, and other support. This methodology has been consistently applied for
26 this department in prior SDG&E GRCs.

27 **3. Cost Drivers**

28 The Claims department conducts all investigations into third party damage claims,
29 determines liability, settlement, and collection of claims from the responsible party. The Claims
30 department documents all incidents, retaining experts (as needed) and taking the other necessary

1 steps to investigate any potential liability. SDG&E adjusters are cross trained to adjust liability,
2 bodily injury, motor vehicle accident, and third-party damage/recovery claims.

3 I am requesting \$111,000 in labor and \$3,000 in non-labor for one incremental
4 Investigator FTE to support the administration of the increased claims volume and complexity.

5 **E. FERC Account 925 Costs – Third-Party Claims Memorandum Account**
6 **(TPCMA)**

7 Despite increasing efforts by SDG&E to manage its operations to prevent third-party
8 related claims, it remains difficult to predict incidents that are outside of SDG&E's control.
9 Wildfires, for example, are a type of event that may occur due to exacerbated drought conditions,
10 climate change, severe Santa Ana wind events, and other factors outside the control of SDG&E.
11 California's laws regarding wildfire liability, particularly inverse condemnation with its strict
12 liability standard, make it likely that plaintiffs will file claims against local utilities when
13 wildfires or other events occur. Under inverse condemnation, a public entity is held to be strictly
14 liable for property damage when its facilities are a cause of the damage, irrespective of fault and
15 even where its facilities may be merely one of several concurrent causes. The policy rationale
16 for inverse condemnation is that public utilities (extended by California courts to include
17 investor-owned utilities) can spread costs through taxation or rates.

18 SDG&E was granted a Liability Insurance Premium Balancing Account (LIPBA) in the
19 2019 GRC (D.19-09-051) to balance the cost of liability insurance, including wildfire insurance.³
20 However, there can be significant shortfalls for SDG&E when comparing the dollar amount of
21 claims paid against the amount of available insurance. This is due to a multitude of factors,
22 including the difficulty of predicting the exact amount of insurance the Company will require at
23 any given time and the inevitable tradeoff between price and the level of coverage due in part to
24 the limited number of insurance carriers willing to provide liability insurance for utilities
25 (particularly utilities with California wildfire exposure). Please see the Corporate Center –
26 Insurance testimony of Dennis Gaughan for detail (Ex. SDG&E-28).

³ D.19-09-051 at 533-536 and 777-778 (Ordering Paragraph 8).

1 Third-party claims, including wildfire-related, are expressly within the scope of FERC
2 account 925 costs.⁴ Pursuant to the Code of Federal Regulations, Title 18, Uniform System of
3 Accounts, Account 925, Injuries and Damages,⁵ is defined as follows:

4 “(A) This account shall include the cost of insurance or reserve accruals to protect the
5 utility against claims of employees or others, losses of such character not covered by
6 insurance, and expenses incurred in settlement of injuries and damage claims. For Major
7 utilities, it shall also include the cost of labor and related supplies and expenses incurred
8 in injuries and damages activities.

9 (B) Reimbursements from insurance companies or others for expenses charged hereto on
10 account of injuries and damages and insurance dividends or refunds shall be credited to
11 this account.

12 ITEMS

13 ...2. Losses not covered by insurance or reserve accruals on account of injuries and
14 damages to employees or others and damages to the property of others.

15 ...4. Payments of awards to claimants for court costs and attorney’s services....”

16
17 In light of the difference between third-party related claims to be paid versus the amount
18 of available insurance at any given time, in this testimony, SDG&E is proposing continuation of
19 the two-way memorandum account, named the Third-Party Claims Memorandum Account
20 (TPCMA), to track the difference between the revenue requirement approved in this GRC for
21 third party-related claims payments and the actual expenses net of all recoveries. This
22 memorandum account was approved in D.19-09-051. The memorandum account is necessary
23 due to the difficulty of predicting the number of claims and amounts resulting through resolution
24 of the claims. The account protects both SDG&E and customers against the exposure to
25 expenses that are predicated on a five-year history of events but may actually differ dramatically
26 from such a forecast. As such, the TPCMA is a reasonable approach to managing the claims and

⁴ See, e.g., D.00-02-046, which stated that Account 925 “includes amounts charged for uninsured losses, the costs of liability insurance premiums, the costs of claims and suits for injuries and property damages.”

⁵ The CPUC has adopted FERC’s Uniform System of Accounts pursuant to Public Utilities Code Section 793.

1 should be approved in this proceeding. Please see the Regulatory Accounts testimony of Jason
2 Kupfersmid (Ex. SDG&E-43) for details on the TPCMA.

3 **V. REGULATORY AFFAIRS DIVISION**

4 **A. Introduction**

5 The Regulatory Affairs division provides regulatory case management, regulatory agency
6 relations management, oversight, regulatory strategy and policy formulation, legislative analysis
7 and implementation coordination, tariff administration, and numerous compliance services for
8 the Company. Regulatory Affairs works closely with various government and regulatory
9 agencies, including the CPUC, FERC, California Independent System Operator (CAISO), CEC,
10 California Air Resources Board (CARB), and OEIS. This testimony does not seek recovery of
11 the cost associated with the State Governmental Affairs department, which is responsible for
12 providing legislative advocacy for the utilities and ratepayers.

13 Regulatory Affairs is comprised of both non-shared and shared services between SDG&E
14 and SoCalGas. The Regulatory Affairs division consists of the following departments, which
15 will be described in greater detail below:

- 16 • SVP – State Government Affairs & Chief Regulatory Officer (CRO)
- 17 • Policy & Proceedings
- 18 • Strategic Planning
- 19 • GRC & Revenue Requirements
- 20 • San Francisco Operations
- 21 • Regulatory Policy & Legislative Analysis

22 All O&M costs of the Regulatory Affairs division are separated between shared and non-
23 shared and summarized in Table RA-13.

B. Summary of Regulatory Affairs Division Request between Shared and Non-Shared Costs

TABLE RA-13

Summary of the Regulatory Affairs Division Shared and Non-Shared Costs

C. REGULATORY AFFAIRS DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
1. SVP – State Government Affairs & CRO	0	421	421	0	524	524	0	103	103
2. Policy & Proceedings and Strategic Planning	2,120	3,007	5,127	1,908	3,386	5,294	-212	379	167
3. GRC & Revenue Requirements	0	1,601	1,601	0	1,770	1,770	0	169	169
4. San Francisco Operations	0	595	595	0	811	811	0	216	216
5. Regulatory Policy & Legislative Analysis	0	171	171	0	235	235	0	64	64
Total O&M	2,120	5,795	7,915	1,908	6,726	8,634	-212	931	719

C. Senior Vice President – State Government Affairs & Chief Regulatory Officer

TABLE RA-14

Summary of SVP – State Government Affairs & CRO Shared Costs

C. REGULATORY AFFAIRS DIVISION (In 2021\$)	2021 Adjusted-Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
1. SVP – State Government Affairs & CRO	0	421	421	0	524	524	0	103	103

1. Description of Costs and Underlying Activities

The SVP – State Government Affairs & CRO department includes the SVP and administrative assistant in charge of Regulatory Affairs. This department engages both state and federal agencies, such as the CPUC, CEC, CAISO and FERC. The primary activities of this

1 department involve interactions with these agencies at the highest levels. This department
2 performs a multitude of activities including, but not limited to:

- 3 • Maintaining ongoing dialogue with the various regulatory agencies regarding
4 major regulatory priorities, such as safety and enforcement, information and data
5 requests, compliance reviews, audits, policy, and planning.
- 6 • Communicating and explaining the Company’s positions on key issues and
7 matters that are of interest to the agency.
- 8 • Communicating and responding to the leadership of the key departments within
9 the CPUC, such as the CPUC Commissioners and their advisory staff, Energy
10 Division, Safety and Enforcement Division, and the Public Advocates Office,
11 regarding key issues and developments.
- 12 • Responding to regulatory agency directives, inquiries, and requests.

13 All costs of the SVP – State Government Affairs & CRO department are shared O&M
14 costs. In preparation of this testimony, the Company has removed costs for political, civic, and
15 related activities, and other nonallowable expenses. Table RA-14 summarizes the costs, and the
16 details of the shared allocations can be found in the supporting work papers.

17 **2. Forecast Method**

18 A five-year adjusted average (2017-2021) was used for forecasting the SVP – State
19 Government Affairs & CRO costs. These expenses will be included in the TY 2024 revenue
20 requirement as forecasted. The five-year average best represents a reasonable estimate of annual
21 costs when considering year-to-year variability, including the cyclical nature of certain costs, for
22 SDG&E’s SVP – State Government Affairs & CRO functions, which provide essential
23 compliance governance, oversight, and other support. This methodology has been consistently
24 applied for this department in prior SDG&E GRCs.

25 **3. Cost Drivers**

26 The SVP – State Government Affairs & CRO department costs are primarily driven by
27 regulatory agency activity, priorities, and mandates. The needs of the agencies and the number
28 of activities may fluctuate from year to year and affect the direct engagement with key regulatory
29 personnel and decision makers. These direct interactions are crucial for the success of the
30 Company and regulatory agencies in addressing initiatives and mandates.

D. Policy & Proceedings and Strategic Planning

**TABLE RA-15
Summary of Policy & Proceedings and Strategic Planning
Shared and Non-hared Costs**

C. REGULATORY AFFAIRS DIVISION (In 2021\$)	2021 Adjusted- Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
2. Policy & Proceedings and Strategic Planning	2,120	3,007	5,127	1,908	3,386	5,294	-212	379	167

1. Description of Costs and Underlying Activities

a. Policy & Proceedings

The Policy & Proceedings department performs all the activities related to management of regulatory proceedings, tariffs, advice letters, and related compliance. There are two primary areas within this department that perform these functions:

- Case Management
- Tariffs and Compliance

i. Case Management

The Case Management group oversees SDG&E’s proceedings and initiatives conducted by state and federal regulatory authorities, including the CPUC, CAISO and FERC.

The Case Management group also coordinates the SDG&E subject matter experts and support needed to effectively participate in proceedings before the state and federal regulatory agencies. The subject matter of these proceedings touches every aspect of the Company’s operations, services, objectives, and obligations. The relevant subject matter areas include safety, reliability, energy resource procurement, climate goals and mandates, environmental policy, grid modernization, demand forecasts, cost allocation, rates, customer services, customer programs, support for vulnerable customer populations, critical infrastructure (electric and gas), and nuclear decommissioning. In performing this function, the regulatory case manager or policy manager leads the subject matter experts and support teams through every aspect of the proceeding beginning with the initial filing, through the final decision, and subsequent implementation and compliance requirements. The case manager or policy manager is closely involved with the development of the policy, analysis, testimony, and the legal work product

1 generated for a regulatory proceeding. The case manager or policy manager's responsibilities
2 also include assisting the legal group in preparing the subject matter experts involved in the
3 proceeding. In preparation of this testimony, the Company has removed costs for political, civic,
4 and related activities, and other nonallowable expenses.

5 **ii. Tariff and Compliance**

6 The Tariff and Compliance group primarily oversees and manages the Company's tariff
7 schedules and several related compliance responsibilities. This includes the coordination and
8 timely submission of required reports, meeting various legal requirements (e.g., GO reporting
9 requirements), complying with specific regulatory directives, and responding to regulatory
10 agency requests for information (i.e., data requests). The most common filings submitted to the
11 CPUC include revisions of the tariff schedules, compliance filings for various regulatory
12 directives, and advice letter filings.

13 **b. Strategic Planning**

14 The Strategic Planning department supports and facilitates the implementation of
15 strategies intended to deliver the best value for customers and financial stability for the utility.
16 The group analyzes the availability and economics associated with new technologies and market
17 trends. This group also leads the GHG study that was published in April 2022. The strategic
18 planning function assists management in developing the tools necessary to help employees focus
19 on meeting the changing needs and desires of customers in a cost-effective manner and
20 communicates to stakeholders the initiatives of the Company. In preparation of this testimony,
21 the Company has removed costs for political, civic, and related activities, and other nonallowable
22 expenses.

23 All of the Policy & Proceedings and Strategic Planning's costs are O&M and are
24 summarized in Table RA-15 above.

25 **2. Forecast Method**

26 A five-year adjusted average (2017-2021) was used for forecasting the Policy &
27 Proceedings and Strategic Planning departments' costs. The five-year average (2017-2021) was
28 adjusted by \$318,000 in labor and \$8,000 in non-labor to add back the full-year impact for 2.6
29 FTEs vacant during this period. These expenses will be included in the TY 2024 revenue
30 requirement as forecasted. In addition, the five-year average was adjusted by \$39,000 in non-
31 labor for travel-related activities as the amount in the five-year average is understated because of

1 travel curtailment due to COVID-19 pandemic restrictions. Travel is expected to return as travel
2 and meeting restrictions abate. This adjustment is based upon the three-year average (2017-
3 2019) for travel costs. These expenses will be included in the TY 2024 revenue requirement as
4 forecasted. The five-year average best represents a reasonable estimate of annual costs when
5 considering year-to-year variability, including the cyclical nature of certain costs, for SDG&E's
6 Policy & Proceedings and Strategic Planning, which provides essential compliance governance,
7 oversight, and other support. This methodology has been consistently applied for this
8 department in prior SDG&E GRCs.

9 **3. Cost Drivers**

10 The Policy & Proceedings department supports multiple activities to analyze, respond,
11 and comply with regulatory agencies' mandates and initiatives. California is a leader in
12 advancing energy policy. Over the years, this department has experienced a significant increase
13 in workload due to the evolving energy policy at the regulatory and legislative level. In some
14 cases, the policies are new and complex. The following is a non-exhaustive list of factors that
15 have impacted the Company's cost request:

- 16 • California's increasing focus on the energy industry, energy policy, and achieving
17 its ambitious climate goals place an extraordinary burden on the regulator and, in
18 turn, the regulatory process.
- 19 • As a result, the number of regulatory proceedings continues to increase
20 significantly. For example, the CPUC currently has approximately 50 active
21 rulemaking proceedings where the Company is a required participant
22 (respondent). These proceedings are critical to the regulator and the Company
23 must participate accordingly.
- 24 • The regulatory process is lengthier, and more dynamic, demanding, and resource
25 intensive. It also increasingly involves both settlement discussions and litigation,
26 requiring management of both tracks to a resolution.
- 27 • Participation by stakeholders and special interest groups continues to increase,
28 with numerous parties participating in rulemaking proceedings, roughly double
29 the level of participation in the past.
- 30 • Regulators have employed a more collaborative process, involving an increasing
31 number of working groups, workshops and other public meetings, where the

1 utility is typically asked to be the primary lead or support the collaborative effort,
2 and thereby develop proposals and build consensus.

- 3 • Lastly, the regulator is requiring more reporting by the utility and must
4 necessarily request that it provide extensive information so that it can adequately
5 meet its oversight responsibilities. This places an increasing burden on the
6 Regulatory Affairs department, in its effort to provide the CPUC with the
7 information it needs.

8 I am requesting \$252,000 in labor and \$6,000 in non-labor for two Project Managers.
9 One Project Manager in Case Management and one in Tariff and Compliance to process and
10 manage the increase in workload given the increased requirements and expectations of the
11 regulators, as described above.

12 The Strategic Planning department supports multiple activities to analyze, respond, and
13 comply with regulatory agencies. Over the years, this group has experienced an increase in
14 workload due to California’s evolving energy policy at the regulatory and legislative level.
15 These issues often involve emerging, complex, and urgent matters that will continue to evolve
16 over time. I am requesting \$87,000 in non-Labor to reflect the full cost of the GHG emissions
17 study in the forecast.

18 The primary objective of the GHG emissions study is to determine optimal methods for
19 achieving several regulatory and policy goals, most notably California’s 40% emissions
20 reduction goal by 2030 and carbon neutrality by 2045. Related to this, SDG&E published the
21 first iteration of its GHG emissions study, titled “The Path to Net Zero | A Decarbonization
22 Roadmap for California” (Roadmap) in April 2022 to learn more about how best to achieve these
23 goals – what must be done and when. The GHG emissions study represented an opportunity for
24 SDG&E to contribute to the evolving body of decarbonization research, while gaining new
25 insights for both the State and the SDG&E service area. Notably, SDG&E’s recently published
26 Roadmap differs from other studies in that it incorporates the industry standard for electric
27 reliability through 2045 and identifies impacts specific to our service territory.

E. GRC & Revenue Requirements

**TABLE RA-16
Summary of GRC & Revenue Requirements
Shared Costs**

C. REGULATORY AFFAIRS DIVISION (In 2021\$)	2021 Adjusted- Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
3. GRC & Revenue Requirements	0	1,601	1,601	0	1,770	1,770	0	169	169

1. Description of Costs and Underlying Activities

The GRC & Revenue Requirements department is a shared department that is responsible for the management and coordination of SDG&E’s and SoCalGas’s major revenue requirement proceedings before the CPUC. Major proceedings managed by this department include the GRC, including the immediate TY 2024 case, the Cost of Capital proceeding, RAMP, Safety Model Assessment Proceeding (S-MAP), and other cost recovery-related applications. In addition to these critical proceedings, this department supports various reports filed at the CPUC, including the RSAR and Safety Performance Metrics Report (SPMR). These proceedings involve significant undertakings due to the considerable size, scope, and duration of the proceedings. Costs directly related to the electric transmission business are not included in this request and are recovered through electric transmission rates regulated by the FERC.

Beyond procedural management of the cases, the GRC & Revenue Requirements group:

- Oversees and coordinates the Company’s GRC forecasting efforts, and, in conjunction with Legal, development of witness testimony and discovery responses, evidentiary hearings, and RSAR and SPMR filings.
- Develops and maintains GRC database software and oversees the Regulatory Management System (RMS).
- Coordinates and responds to numerous intervenors and CPUC inquiries.
- Participates in and facilitates workshops at the CPUC.
- Provides detailed analysis of utility revenues, expenses, and investments in plants and equipment to appropriately establish revenue requirements for SDG&E and SoCalGas.

- Evaluates CPUC decisions and directives, and communicates the compliance obligations, including GRC authorized revenue, to the broader organization.

The O&M costs of the GRC & Revenue Requirements department are shared and are summarized in Table RA-16.

2. Forecast Method

A five-year adjusted average (2017-2021) was used for forecasting the GRC & Revenue Requirements costs. The five-year average (2017-2021) was adjusted by \$194,000 in labor and \$5,000 in non-labor to add back the full-year impact for 1.6 FTEs vacant during this period. These expenses will be included in the TY 2024 revenue requirement as forecasted. In addition, the five-year average was adjusted by \$24,000 in non-labor for travel-related activities as the amount in the five-year average is understated because of travel curtailment due to COVID-19 pandemic restrictions. Travel is expected to return as travel and meeting restrictions abate. This adjustment is based upon the three-year average (2017-2019) for travel costs. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year-to-year variability, including the cyclical nature of certain costs, for SDG&E's GRC & Revenue Requirements, which provides essential compliance governance, oversight, and other support. This methodology has been consistently applied for this department in prior SDG&E GRCs.

3. Cost Drivers

The responsibilities of the GRC & Revenue Requirements department have increased because of new regulatory requirements. Since the last GRC filing, this department has managed the RAMP and S-MAP filings as well as the new RSAR and SPMR reporting requirements in collaboration with the CPUC and others. Thus, the GRC cycle now involves multiple intensive proceedings and two accountability reporting requirements:

- The S-MAP, which currently has multiple phases and multiple tracks within each phase, including technical working groups that require significant time and participation.
- The RAMP report and application requirement, which is filed one year prior to each GRC.
- The GRC application, which continues to increase in complexity.
- Annual RSARs.

- Annual SPMRs, for which the scope was recently revised and expanded by D.21-11-009 to include numerous new reportable safety performance metrics.

All of the above proceedings have increased in complexity in recent years. For example, the CPUC’s addition of the RAMP phase to the GRC process requires SDG&E to use a prescribed quantitative risk methodology that adds significant technical regulatory requirements to its GRC presentation, compared to the risk methods relied upon in SDG&E’s prior GRCs. The RAMP report and application process also includes additional steps, including a public workshop prior to submission, as well as more granular analysis with the introduction of tranches. Also, in scope of the open S-MAP (R.20-07-013) is to consider a timeline and requirements for an additional accountability report, the Risk Mitigation Accountability Report.⁶ Another accountability reporting requirement will continue to require time and resources for this group.

In addition to the above processes and proceedings, the GRC & Revenue Requirement department manages an increasing number of filings that are typically related to the GRC. Examples of these additional filings include SDG&E’s Tree Trimming Balancing Account application,⁷ LIPBA advice letter submission,⁸ and an advice letter to comply with the equity rate base exclusion provisions of Assembly Bill 1054.⁹

F. San Francisco Operations

**TABLE RA-17
Summary of San Francisco Operations
Shared Costs**

C. REGULATORY AFFAIRS DIVISION (In 2021\$)	2021 Adjusted- Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
4. San Francisco Operations	0	595	595	0	811	811	0	216	216

⁶ R.20-07-013, Assigned Commissioner’s Scoping Memo and Ruling (November 2, 2020) at 8.

⁷ See Application (A.) 20-07-003.

⁸ SDG&E Advice Letter 3638-E / 2922-G (November 9, 2020).

⁹ SDG&E Advice Letter 3488-E, 3488-E-A, 3488-E-B. Approved in Resolution E-5071.

1 **1. Description of Costs and Underlying Activities**

2 The San Francisco Operations is a shared department that is responsible for managing the
3 Company’s direct relations with CPUC Commissioners, Commissioner Advisors, and all of the
4 CPUC’s various divisions. Its primary responsibility is to provide a single point of contact so
5 that the interface with the CPUC is managed seamlessly and in a manner that is fully responsive
6 to the directives and needs of the Commission. The San Francisco Operations also provides a
7 single point of contact within the Company so that our various departments are fully informed
8 regarding regulatory communications with the Commission and appropriate communications
9 protocol and conduct (*e.g.*, *ex parte* communication). In preparation of this testimony, the
10 Company has removed costs for political, civic, and related activities, and other nonallowable
11 expenses.

12 **2. Forecast Method**

13 A five-year adjusted average (2017-2021) was used for forecasting the San Francisco
14 Operations costs. The five-year average (2017-2021) was adjusted by \$14,000 in non-labor for
15 travel-related activities as the amount in the five-year average is understated because of travel
16 curtailment due to COVID-19 pandemic restrictions. Travel is expected to return as travel and
17 meeting restrictions abate. This adjustment is based upon the three-year average (2017-2019) for
18 travel costs. These expenses will be included in the TY 2024 revenue requirement as forecasted.
19 The five-year average best represents a reasonable estimate of annual costs when considering
20 year-to-year variability, including the cyclical nature of certain costs, for SDG&E’s San
21 Francisco Operations, which provides essential compliance governance, oversight, and other
22 support. This methodology has been consistently applied for this department in prior SDG&E
23 GRCs.

24 **3. Cost Drivers**

25 San Francisco Operations is made up of several Regulatory Relations Managers that have
26 an assigned area of coverage for the regulatory activities at the CPUC, as well as directly
27 supporting the various regulatory proceedings that are ongoing at the CPUC. While the role of
28 the Regulatory Relations Manager is different than the Case Manager, it is similarly impacted by
29 the significant increase in CPUC activity that occurs each year. The Regulatory Relations
30 Manager is heavily involved in the Case Managers’ work of effectively coordinating company
31 participation in various state and federal regulatory proceedings, provides creation of strategy for

1 communication with decision makers, and is a universal liaison with all departments in the
 2 regulatory agencies and the Company.

3 As mentioned previously, state regulatory agencies are relying on more direct and
 4 continuous interaction with the utility. This translates to a much greater demand for responses to
 5 questions, requests for data and information, and direct dialogue regarding critical issues and
 6 developments. Recent examples of this trend include the interaction and activity in areas such as
 7 wildfire safety, emergency response, reliability and potential system outages, operational status
 8 during periods of stress (e.g., the COVID-19 pandemic), and greater multi-agency coordination
 9 regarding all of these matters.

10 I am requesting \$126,000 in labor and \$3,000 in non-labor for one Regulatory Manager
 11 FTE, due to the increased regulatory activity and case load at the CPUC.

12 **G. Regulatory Policy & Legislative Analysis**

13 **TABLE RA-18**
 14 **Summary of Regulatory Policy & Legislative Analysis**
 15 **Shared Costs**

C. REGULATORY AFFAIRS DIVISION (In 2021\$)	2021 Adjusted- Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
5. Regulatory Policy & Legislative Analysis	0	171	171	0	235	235	0	64	64

16 **1. Description of Costs and Underlying Activities**

17 The Regulatory Policy & Legislative Analysis department examines California legislative
 18 issues and recommends actions that permit the utilities to provide clean, affordable, and reliable
 19 service, while balancing the various needs of customers and the State’s policy objectives. The
 20 duties include reviewing proposed legislation, identifying operational and policy issues,
 21 consulting with subject matter experts, recommending positions and responses, and developing
 22 recommendations for future legislative activities and policies. Additionally, this department
 23 provides business advice and guidance for compliance with recently passed laws and for
 24 implementing new laws. In preparation of this testimony, the Company has removed costs for
 25 political, civic, and related activities, and other nonallowable expenses.

1 **2. Forecast Method**

2 A five-year adjusted average (2017-2021) was used for forecasting the Regulatory Policy
3 & Legislative Analysis costs. These expenses will be included in the TY 2024 revenue
4 requirement as forecasted. The five-year average best represents a reasonable estimate of annual
5 costs when considering year-to-year variability, including the cyclical nature of certain costs, for
6 SDG&E’s Regulatory Policy & Legislative Analysis department, which provides essential
7 compliance governance, oversight, and other support. This methodology has been consistently
8 applied for this department in prior SDG&E GRCs.

9 **3. Cost Drivers**

10 The cost drivers for Regulatory Policy & Legislative Analysis are primarily labor costs.
11 The department’s activities serve to protect the interests of customers by providing specific
12 input, developed through internal and external analysis on policy, regulatory and legislative
13 approaches to educate policymakers on electric and gas utility operations, the use of energy by
14 our customers, and to support regulatory agencies in achieving state environmental goals in the
15 most cost-effective manner. CARB, CEC, CPUC and regional air districts benefit from our
16 participation, including attendance at meetings and workshops, evaluation of technologies and
17 monitoring systems, preparation of comments, and education of customers and policymakers.
18 Likewise, the department provides strategic guidance to the Company and its leadership on these
19 matters, as SDG&E advances efforts to reduce its GHG emissions and those of its customers.

20 **VI. COMMUNITY RELATIONS**

21 **A. Introduction**

22 The costs under the Community Relations department are separated between shared and
23 non-shared and summarized in Table RA-19.

B. Summary of Community Relations Request between Shared and Non-Shared Costs.

**TABLE RA-19
Summary of Community Relations
Shared and Non-Shared Costs**

D. COMMUNITY RELATIONS (In 2021\$)	2021 Adjusted- Recorded (000s)			TY2024 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
1. Community Relations	12	918	930	296	1,132	1,428	284	214	498
Total O&M	12	918	930	296	1,132	1,428	284	214	498

C. Community Relations

1. Description of Costs and Underlying Activities

The Community Relations department is the primary liaison between SDG&E and nonprofit community-based organizations (CBOs), and local communities. The Community Relations department develops relationships with these groups to facilitate the promotion of SDG&E’s customer programs and services. The Community Relations department engages these organizations in Company programs, providing charitable support, and linking them with energy efficiency products and programs to save energy and money. In preparation of this testimony, the Company has removed costs for political, civic, and related activities, and other nonallowable expenses.

The Community Relations charitable giving programs are specifically designed to support hard-to-reach, underserved, historically disadvantaged and low-income populations in demographically diverse communities. The Community Relations staff is responsible for aligning with non-profit organizations to educate their constituencies regarding the Company’s customer programs and services.

The Community Relations department is also responsible for increasing employee engagement and volunteerism in the communities the Company serves and encouraging employees to participate on local non-profit boards of directors for community leadership. The Community Relations department also provides grants to local organizations. All of the grant making activities require coordinating, accounting, and tracking in a centralized grant tracking system to comply with state and federal laws and tax requirements.

1 The Community Relations department also organizes meetings between SDG&E and its
2 Community Advisory Council, which addresses various community issues and involves giving
3 events, emergency preparedness summits, and other events.

4 An example of the relationships formed by the Community Relations department is in the
5 areas of public safety and emergency preparedness. Through alliances with Fire Safety
6 Councils, 2-1-1 San Diego, the American Red Cross, the Burn Institute, police and fire agencies,
7 Deaf Community Services, the Inter-Tribal Long Term Recovery Foundation, and Community
8 Emergency Response Teams, Community Relations is able to improve emergency preparedness
9 and safety coordination across many communities. This work also includes educating customers
10 on preventive measures such as the Vegetation Management programs, Call Before You Dig
11 service, and Electric and Natural Gas Safety programs.

12 In the environmental space, Community Relations works with organizations aligned with
13 clean-air and climate change projects to inform communities about the importance of clean air
14 and renewable energy. These groups include, but are not limited to, the Climate Science
15 Alliance, I Love A Clean San Diego, and WILD Coast.

16 In the workforce space, Community Relations engages with organizations to develop
17 future workforce skills through programs such as science, technology, engineering, and
18 mathematics programs. Community Relations also works with organizations such as the Barrio
19 Logan College Institute, League of Amazing Programmers, and local robotics programs at Boys
20 & Girls Clubs to promote these and other programs.

21 **2. Forecast Method**

22 A five-year adjusted average (2017-2021) was used for forecasting the Community
23 Relations costs. The five-year average (2017-2021) was adjusted by \$68,000 in labor and \$2,000
24 in non-labor to add back the full-year impact for 0.7 FTEs vacant during this period. These
25 expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year
26 average best represents a reasonable estimate of annual costs when considering year-to-year
27 variability, including the cyclical nature of certain costs, for SDG&E's Community Relations
28 department, which provides essential compliance governance, oversight, and other support. This
29 methodology has been consistently applied for this department in prior SDG&E GRCs.

1 **3. Cost Drivers**

2 The Community Relations department performs a fundamental service to customers by
3 disseminating news and information, and facilitating development of programs, or infrastructure
4 upgrades that affect customers. The cost drivers behind this forecast are the personnel and
5 materials necessary for communicating safety and reliability programs for projects that are in
6 construction or soon to be in construction. These functions are critical for communicating to
7 media, external stakeholders, and other important stakeholders, including non-profit
8 organizations with diverse and often underserved communities. Communication is vital for
9 safety messages and regulatory changes that impact the community.

10 I am requesting \$97,000 in labor and \$3,000 in non-labor for one Communications Lead
11 FTE. This additional FTE will be responsible for creating, managing, and executing short and
12 long-term strategic communication campaigns, designed to promote SDG&E customer
13 programs, philanthropic giving, and employee engagement to our non-profit partners and CBOs.
14 This role includes research, writing, and editing content for use on digital platforms, executive
15 reports, presentations, strategic plans, and external communications.

16 **VII. FRANCHISE FEES**

17 **A. Introduction**

18 The purpose of this section is to provide background and analysis for SDG&E’s
19 Franchise Fees as estimated for TY 2024.

20 **B. Summary of Franchise Fees**

21 Table SDG&E RA-20 below provides the Franchise Fees as estimated for TY 2024.

22 **TABLE RA-20**
23 **Summary of Franchise Fees**

Franchise Fees (In 2021\$)	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated TY2024 (000s)
Electric Distribution	58,767	62,034	71,862
Electric Generation	7,614	7,822	8,110
Gas Distribution	11,576	12,535	13,819

24 **1. Description of Underlying Costs**

25 Franchise fees are payments made to counties and incorporated cities pursuant to local
26 ordinances granting a franchise to the Company to place utility property in the public rights of
27 way. These facilities include poles, wires, conduits, and appurtenances for transmitting and
28

1 distributing electricity, and pipes and appurtenances for transmitting and distributing gas.
2 Franchise fees attributable to revenues not included in this Application, such as commodity
3 revenues, are excluded from the above franchise fee calculations. As of March 2022, SDG&E
4 had franchise fee agreements with 28 taxing jurisdictions.

5 Franchises are calculated using two formulas: (1) the “Broughton Act” formula, and (2)
6 the “Percent of Gross Receipts” formula. The Broughton Act formula, as prescribed by CPUC
7 guidelines, is calculated based upon the summarized receipts within each city or county as
8 allocated by electric pole line and gas pipeline mileage in their public rights of way, and the
9 applicable franchise fee rate pursuant to the franchise fee ordinance. The Percent of Gross
10 Receipts formula is calculated based upon the summarized receipts within each city or county,
11 and the applicable franchise fee rate pursuant to the franchise fee ordinance.

12 The franchise agreement with each taxing authority specifies which of the above methods
13 SDG&E will use to determine its franchise fee liability. The majority of agreements require that
14 the franchise fee be calculated under both methods with SDG&E paying the higher of the two
15 calculated fees. The remaining agreements specify that only the Broughton Act or the Percent of
16 Gross Receipts method be used.

17 **2. Forecast Method**

18 The total payments to all taxing authorities were summed and divided by total receipts to
19 arrive at system-wide franchise fee factors for electric and gas. The system-wide franchise fee
20 factors for the most recent five years were then averaged to yield forecasted average franchise
21 fee factors for TY 2024. The average electric franchise fee factor for TY 2024 is projected to be
22 3.4573% based on the trend from actual 2017-2021 franchise fees. The average gas franchise fee
23 factor for TY 2024 is projected to be 2.1027%, likewise based on the trend from actual 2017-
24 2021 franchise fees.¹⁰ The estimated franchise fees for 2022-2024 were determined by applying
25 3.4753% to forecasted electric base margin and 2.1027% to forecasted gas base margin as
26 presented by other witnesses in their direct testimonies.

¹⁰ The forecast methodology used to estimate the franchise fee factor does not reflect ongoing or upcoming negotiations with local jurisdictions, the results of which may be implemented during this GRC cycle.

1 **3. Cost Drivers**

2 As noted above, the change in franchise fee expense from 2021 to 2024 results from
3 changes in base margin as presented by other witnesses in their direct testimonies.

4 **VIII. IT CAPITAL PROJECTS**

5 **A. Introduction**

6 This testimony sponsors three IT capital projects that are necessary for operating the
7 SDG&E Claims and Regulatory Affairs groups. This section identifies these capital projects and
8 provides a business rationale for each project. The estimated capital expense requests are
9 included in the testimony and capital workpapers of Mr. William J. Exon (Exs. SDG&E-25 and
10 SDG&E-25-CWP). Table RA-21 captures the capital project forecast for 2022, 2023, and 2024.

11 **B. Summary of IT Capital Project Costs**

12 **TABLE RA-21**
13 **Summary of IT Capital Project Costs**

A&G				
IT CAPITAL PROJECT COSTS (In 2021 \$)				
IT Capital Workpaper Number	Project Name	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated TY2024 (000s)
00921A	GRC & Regulatory Management System - Phase 3	\$1,310	\$1,265	\$1,265
00921J	Claims Management	\$237	\$0	\$0
00921K	Electric Damages Optimization	\$252	\$0	\$0
	Total	\$1,799	\$1,265	\$1,265

14 **1. GRC & Regulatory Management System – Phase 3**

15 The forecast for GRC & Regulatory Management System (RMS) Phase 3 for 2022, 2023,
16 and 2024 is \$1,310,000, \$1,265,004, and \$1,265,004, respectively. The purpose of this project is
17 to implement and deploy a new centralized and comprehensive document management solution.
18 This project consists of continuous solutions for tracking inbound and outbound discovery,
19 regulatory document management, auto-classification, and integrated compliance tracking. This
20 solution will enable more efficient and timely processes for the increasing volume of regulatory
21 documents. The details regarding the GRC & RMS Phase 3 project costs can be found in Mr.
22 Exon’s capital workpapers (Ex. SDG&E-25-CWP, 00921A).
23

1 **2. SDG&E Claims Management**

2 The forecast for the SDG&E Claims Management System for 2022 is \$237,523. The
3 purpose of this project is to replace the current application with an enhanced solution that meets
4 new client-driven requirements and has modern technological capabilities, including flexible
5 web and mobile interfaces, integration with other systems, enhanced workflow capabilities, data
6 analytics, and robotics. A new solution will be able to support voluminous claims requests that
7 may arise from a major incident. This will be a shared asset with SoCalGas. The details
8 regarding the SDG&E Claims Management project costs can be found in Mr. Exon’s capital
9 workpapers (Ex. SDG&E-25-CWP, 00921J).

10 **3. Electric Damages Optimization**

11 The forecast for the Electric Damages Optimization for 2022 is \$251,782. The purpose
12 of this project is to digitize the current paper property damage reports and expedite hand off to a
13 supervisor or manager for review as well as trigger a notification to the Claims department of the
14 existence of a potential claim. Timely handoff to the Claims department and Accounting
15 Operations will allow for faster invoicing and collections for damage claims. The details
16 regarding the GRC & RMS Phase 3 project costs can be found in Mr. Exon’s capital workpapers
17 (Ex. SDG&E-25-CWP, 00921K).

18 **IX. CONCLUSION**

19 SDG&E requests that the Commission adopt the O&M TY 2024 forecasts, franchise fee
20 expense forecast, and IT capital projects presented in this testimony. SDG&E’s TY 2024 A&G
21 forecasts were carefully developed and scrutinized to reflect a prudent level of funding needed
22 for the critical functions and activities to take place during this GRC term. The amounts
23 requested for A&G are necessary to meet the needs of utility operations, compliance and
24 governance. Further, the A&G divisions work to comply with accounting rules, manage budgets
25 and related systems, and integrating the needs and requirements of important external legal,
26 regulatory, and community stakeholders, which includes creating effective regulations, laws, and
27 relationships to improve safety of the electric and natural gas systems. The franchise fees
28 expense reflects the forecast of payments that will be made to counties and incorporated cities
29 pursuant to local ordinances granting a franchise to the Company to place utility property in the
30 public rights of way.

31 This concludes my prepared direct testimony.

1 **X. WITNESS QUALIFICATIONS**

2 My name is Rajan Agarwal. I am the Assistant Controller of SDG&E. My business
3 address is 8330 Century Park Court, San Diego, California 92123. I have been employed by
4 SDG&E and Sempra Energy since 1998. In addition to my current position, I have held various
5 accounting and finance positions at SDG&E and Sempra Energy. Some of those positions
6 include Director of Accounting-Texas Utility, Director of Tax Accounts, Financial Planning
7 Manager, Cost Accounting Manager, and Utility Accounting Manager. I have previously
8 testified before this Commission.

APPENDIX A

Glossary of Terms

APPENDIX A – Glossary of Terms

A&G – Administrative and General
A&PA – Asset & Project Accounting
ABC – Affiliate Billing & Costing
AP – Accounts Payable
BPA & SS – Billable Project Accounting & Sundry Services
CAISO – California Independent System Operator
CAO – Chief Accounting Officer
CARB – California Air Resources Board
CBO – community-based organizations
CCA – Community Choice Aggregators
CEC – California Energy Commission
CPUC – California Public Utilities Commission
CRO – Chief Regulatory Officer
CWIP – construction work in progress
DER – distributed energy resources
ERRA – Energy Resources Recovery Account
FERC – Federal Energy Regulatory Commission
FTE – Full-Time Equivalent
GAAP – Generally Accepted Accounting Principles
GHG – greenhouse gas
GO – General Order
GRC – General Rate Case
IT – information technology
LIPBA – Liability Insurance Premium Balancing Account
MARF – Management Accounting and Finance Rotational Program
NSS – non-shared services
O&M – operations and maintenance
OEIS – Office of Energy Infrastructure Safety
RAMP – Risk Assessment Mitigation Phase
RMS – Regulatory Management System

RSAR – Risk Spending Accountability Report
SDG&E – San Diego Gas & Electric Company
SEC – Securities Exchange Commission
S-MAP – Safety Model Assessment Proceeding
SoCalGas – Southern California Gas Company
SOX – The Sarbanes-Oxley Act
SPMR – Safety Performance Metrics Report
SVP – senior vice president
TPCMA – Third-Party Claims Memorandum Account
TY – Test Year
USS – utility shared services
VP – vice president