

# ATTACHMENT A:

## Staff Risk Spending Accountability Review

The California Public Utilities Commission's (CPUC) Energy Division (ED) reviewed the 2020 Risk Spending Accountability Report (RSAR) of the Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (combined as Sempra or Utility) filed on March 30, 2021. ED conducted a review to provide the CPUC and parties to the GRC with information that may be useful in the GRC and other proceedings and "alert the Commission and other parties about a utility's risk mitigation activities and spending."<sup>5</sup>

### BACKGROUND

In December 2014, the CPUC issued Decision (D.)14-12-025, which directed the investor-owned utilities under its jurisdiction to prepare annual reports comparing authorized and actual spending on risk mitigation projects and explain any discrepancies. Upon submission, ED Staff would review the reports and identify any spending patterns of concern with respect to the provision of safe and reliable gas and electric service.

In April 2019, the CPUC issued D.19-04-020, Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance Metrics for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multi-Jurisdictional Utilities (Phase Two Decision) and provided the utilities with specific direction in complying with the reporting requirements of the new risk-based decision-making framework.

This 2020 RSAR addressed the first attrition year of the 2019 GRC cycle authorized in D.19-09-051<sup>6</sup> in the General Rate Case (GRC) Application (A.)17-10-007 and A.17-10-008. Sempra's 2020 RSAR follows the reporting framework set forth in D.19-04-020.

### REPORTING REQUIREMENTS

D.19-04-020 directed utilities to provide descriptions and an explanation of any variance based upon set criteria.<sup>7</sup> This included identifying all risk mitigation and maintenance<sup>8</sup> programs, providing a "comparison of authorized versus actual spending above an appropriate Commission-determined dollar cut-off and a utility narrative explanation of any significant differences between the two." Finally, the utilities are required to "group programs along general business lines" or categories.<sup>9</sup>

### REPORT NOTICING AND PARTY COMMENTS

Sempra submitted the RSAR report to the service list for five proceedings: their Test Year (TY) 2019 GRC A.17-10-007 and A.17-10-008, previous RAMPS (consolidated A.15.-05-002, 003, 004, 005). The Sempra RSAR is available on the Energy Division RSAR webpage.<sup>10</sup> The review schedule

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<sup>5</sup> D.19-04-020 p47

<sup>6</sup> <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M316/K704/316704666.PDF>

<sup>7</sup> D.19-04-020 p. 43, Variance Criteria

<sup>8</sup> In compliance with redirected spending requirements P.U. Code §591 D.19-04-020 (p37).

<sup>9</sup> D.19-04-020 pp 34-37; O.P. 10 and Attachment 2 for the full requirements. See also D.14-12-025 p44.

<sup>10</sup> <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/risk-spending-accountability-reports/sdgc-and-social-2020-utility-report-rsar.pdf>

for RSARs was served on the latest Sempra General Rate Case proceedings and the Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities (SMAP 2) R.20-07-013 on April 8, 2021.

The Schedule requested comments by October 17, 2021. No parties served comments.

## STAFF ANALYSIS

Sempra imputed authorized costs based on the GRC authorized cost and escalation for the first attrition year on reportable programs.<sup>11</sup> Sempra identified each GRC spending program related to safety, reliability and maintenance. SDG&E identified 216 capital and 220 operation and maintenance (O&M) expense programs meeting the criteria of RSAR-related programs. SoCalGas identified 96 capital programs and 227 O&M programs.

Sempra complied with D.19-04-020, Ordering Paragraph 10, which requires utilities to describe how each project relates to safety, reliability and maintenance.<sup>12</sup>

### Lines of Business

Table A-1 presents RSAR-related programs along major lines of business and divided into O&M expense and capital programs. The variances of recorded costs to authorized costs show a general trend of overspending, with exception of SoCalGas O&M. SoCalGas O&M shows an average underspend of -4 percent, but individual lines of business are significantly lower. Pipeline Safety Enhancement Program (PSEP) and Gas System Integrity show an underspend of -65 percent (\$40.4 million) and -70 percent (\$14.9 million), respectively. SoCalGas's PSEP capital program also has a \$88.6 million underspend (-50 percent). Combined with a \$51.7 million 2019 underspend, the total PSEP underspending in this GRC cycle thus far is \$129 million. SoCalGas explains the PSEP O&M underspend is a result of a re-organization, which has moved some expenses to the company overhead or into individual projects. The Underspend on capital is from deferred projects, but significant hydrotests are underway in 2021, including a 64-mile Blythe to Cactus City. SoCalGas states it is on track to complete the projects this GRC cycle, and the 2021 RSAR should reflect significant progress.

SDG&E has the largest overspend of \$228.2 million (57 percent) in electric distribution capital followed by \$132.0 million (80 percent) in electric distribution O&M, as shown in Table A-1. The majority of O&M overspend (\$111.1 million<sup>13</sup>) is from the Wildfire Mitigation Program balancing account. The next largest overspend program is the vegetation management with an overspend of \$43.4 million. The increased spending from Wildfire Mitigation appears to be the significant difference in the spending of SDG&E versus SoCalGas.

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<sup>11</sup> D.19-04-020, p. 35 and 37; Program Definitions; section 5.1.1.

<sup>12</sup> D.19-04-020, pp. 36-37

<sup>13</sup> See Sempra 2020 RSAR p. A-146 for WMP balance account programs that make up the \$111.1 million.

**Table A-1. 2020 Authorized and Recorded Costs**

<b>GRC General Line of Business</b>	<b>2020 Actuals (\$ 000)</b>	<b>2020 Imputed Authorized (\$ 000)</b>	<b>\$ Variance (\$ 000)</b>	<b>% Variance</b>
<b>SoCalGas</b>	<b>2,380,090</b>	<b>1,983,317</b>	<b>396,773</b>	<b>20%</b>
Gas Distribution (incl Gas Control)	162,822	168,821	(5,998)	-4%
Gas Engineering (incl TIMP/DIMP)	174,670	127,121	47,549	37%
Gas Transmission (incl GT, MP, GSI)	55,589	75,030	(19,442)	-26%
Underground Storage	61,390	66,065	(4,675)	-7%
PSEP	21,824	62,182	(40,358)	-65%
Gas Acquisition	4,909	4,725	184	4%
<b>Sub-Total Gas</b>	<b>481,204</b>	<b>503,943</b>	<b>(22,739)</b>	<b>-5%</b>
<b>Sub-Total Other</b>	<b>429,717</b>	<b>448,567</b>	<b>(18,850)</b>	<b>-4%</b>
<b>SoCalGas TOTAL O&amp;M</b>	<b>910,921</b>	<b>952,511</b>	<b>(41,590)</b>	<b>-4%</b>
Gas Distribution	378,495	326,581	51,914	16%
Gas Engineering	383,900	135,981	247,920	182%
Gas Transmission	240,292	123,927	116,365	94%
Underground Storage	197,770	145,122	52,648	36%
PSEP	88,397	176,955	(88,557)	-50%
<b>Sub-Total Gas</b>	<b>1,288,854</b>	<b>908,565</b>	<b>380,289</b>	<b>42%</b>
<b>Sub-Total Other</b>	<b>180,315</b>	<b>122,241</b>	<b>58,074</b>	<b>48%</b>
<b>SoCalGas TOTAL Capital</b>	<b>1,469,169</b>	<b>1,030,806</b>	<b>438,363</b>	<b>43%</b>
<b>SDG&amp;E</b>	<b>1,712,519</b>	<b>1,194,355</b>	<b>518,164</b>	<b>43%</b>
Electric & Fuel Procurement	7,525	9,597	(2,071)	-22%
Electric Distribution	296,348	164,304	132,044	80%
Electric Generation & SONGS	33,490	42,156	(8,666)	-21%
<b>Sub-Total Electric</b>	<b>337,363</b>	<b>216,057</b>	<b>121,306</b>	<b>56%</b>
Gas Distribution	36,114	32,604	3,510	11%
Gas Engineering (incl TIMP/DIMP)	9,792	12,069	(2,277)	-19%
Gas Transmission (incl Gas Sys Integ)	5,281	7,360	(2,079)	-28%
<b>Sub-Total Gas</b>	<b>51,187</b>	<b>52,032</b>	<b>(846)</b>	<b>-2%</b>
<b>Sub-Total Other</b>	<b>275,753</b>	<b>276,194</b>	<b>(441)</b>	<b>0%</b>
<b>SDG&amp;E TOTAL O&amp;M</b>	<b>664,303</b>	<b>544,283</b>	<b>120,020</b>	<b>22%</b>
Electric Distribution	625,218	397,055	228,163	57%
Electric Generation	18,521	15,463	3,058	20%
<b>Sub-Total Electric</b>	<b>643,739</b>	<b>412,519</b>	<b>231,221</b>	<b>56%</b>
Gas Distribution	90,284	65,154	25,130	39%
Gas Engineering (incl TIMP/DIMP)	46,764	27,842	18,922	68%
Gas Transmission	14,928	10,440	4,488	43%
<b>Sub-Total Gas</b>	<b>151,976</b>	<b>103,436</b>	<b>48,539</b>	<b>47%</b>
<b>Sub-Total Other</b>	<b>252,501</b>	<b>134,117</b>	<b>118,384</b>	<b>88%</b>
<b>SDG&amp;E TOTAL Capital</b>	<b>1,048,216</b>	<b>650,072</b>	<b>398,144</b>	<b>61%</b>
<b>TOTAL SoCalGas and SDG&amp;E</b>	<b>4,092,609</b>	<b>3,177,672</b>	<b>914,937</b>	<b>29%</b>

Tables A-2 and A-3, below, shows the number of individual programs per major line of business used by Sempra along with the variances per major business line. SDG&E has a larger safety, maintenance and reliability spend (\$2.0 billion versus \$1.2 billion, see [Table A-1](#)) and a larger

percentage of programs with variances. Despite the smaller total spend and smaller percentage of programs with variances, SDG&E has a larger total dollar variance.

**Table A-2 SDG&E Programs by Major Business Lines and Percentage of Programs with Variances.**

Major Business Line	Number of Programs	Programs with Variance <sup>a</sup>	Percent Variance
<b>SDG&amp;E</b>	<b>436</b>	<b>162</b>	<b>37%</b>
CAPITAL	216	77	36%
Balanced Program Direct Capital Expenses	51	29	57%
Electric Distribution	118	29	25%
Electric Generation	8	0	0%
Gas Distribution	8	6	75%
Gas Engineering	4	0	0%
Gas Transmission	9	6	67%
Information Technology & Cyber Security	7	3	43%
Support Services	11	4	36%
<b>O&amp;M</b>	<b>220</b>	<b>85</b>	<b>39%</b>
Administrative & General	10	2	20%
Balanced Program Direct O&M Expenses	16	9	56%
Customer Services	24	9	38%
Electric & Fuel Procurement	3	1	33%
Electric Distribution	44	12	27%
Electric Generation	9	6	67%
Gas Distribution	28	7	25%
Gas System Integrity	5	4	80%
Gas Transmission	8	4	50%
Human Resources Dept, Safety, LTD & WC	14	0	0%
Information Technology & Cyber Security	47	26	55%
Support Services	12	5	42%

- a. O&M Variance > \$5 million or >\$2.5 million and 20 percent;  
 Capital Variance > \$10 million or >\$5 million and 20 percent;  
 Unit Variance between adopted units and actual units > 20 percent.  
 Gas related programs for SDG&E have a different threshold of  
 Variance: > \$2.5 million or >\$0.5 million and 20 percent;  
 Capital Variance > \$5 million or >\$1 million and 20 percent

**Table A-3 SoCalGas Programs by Major Business Lines and Percentage of Programs with Variances.**

Major Business Line	Number of Programs	Programs with Variance <sup>a</sup>	Percent Variance
<b>SoCalGas</b>	<b>323</b>	<b>157</b>	<b>49%</b>
<b>CAPITAL</b>	<b>96</b>	<b>57</b>	<b>59%</b>
Advanced Meter	1	1	100%
Balanced Programs Direct Capital Expenses	8	6	75%
Gas Distribution	32	16	50%
Gas Engineering	3	2	67%
Gas Transmission	19	10	53%
Information Technology & Cyber Security	8	5	63%
Major Projects	2	1	50%
Pipeline Safety Enhancement Program	4	4	100%
Support Services	5	2	40%
Underground Storage	14	10	71%
<b>O&amp;M</b>	<b>227</b>	<b>100</b>	<b>44%</b>
Gas Control & System Operations	13	5	38%
Administrative & General	10	3	30%
Balanced Program Direct O&M Expenses	10	4	40%
Customer Services	37	20	54%
Gas Acquisition	1	0	0%
Gas Distribution	31	8	26%
Gas Engineering	18	3	17%
Gas Major Projects	4	4	100%
Gas System Integrity	36	22	61%
Gas Transmission	14	7	50%
Human Resources Dept, Safety, LTD & WC	7	5	71%
Information Technology & Cyber Security	21	10	48%
Pipeline Safety Enhancement Plan	2	2	100%
Support Services	17	5	29%
Underground Storage	6	2	33%

a. O&M Variance > \$5 million or >\$2.5 million and 20 percent;  
 Capital Variance > \$10 million or >\$5 million and 20 percent; and  
 Unit Variance between adopted units and actual units > 20 percent.

### Balancing Accounts

ED staff found the Report met requirements for cost recovery of actual expenditures for balancing or memorandum account related expenditures.<sup>14</sup> Table A-4 shows the ~~2020 actuals overspend~~ for the balancing or memorandum accounts totaled nearly \$~~216-209~~ million ~~as of 2020 for the 2019 to 2023 program cycle~~.

<sup>14</sup> D.19-04-020 p 37 and OP 10 p 66

**Table A-4. ~~2020~~ Memorandum and Balancing Accounts 2020 Actual and Authorized Revenue Requirement**

	O&M Expense (\$000)	Capital (\$000)	Authorized (\$000)	Variance (\$000)
<b>SDG&amp;E</b>	<b><u>336,592</u></b> <b><u>339,969</u></b>	12,973	218,018	<b><u>131,547</u></b> <b><u>119,081</u></b>
<u>DIMPBA<sup>a</sup></u>	<u>3,377</u>	<u>4,776</u>	<u>(15,843)</u>	<u>(7,690)</u>
TIMPBA <sup>b</sup> <del>Details</del>	10,588	470	10,728	330
Tree Trimming Balancing Account	68,164		24,808	43,356
Overhead Pools Balancing Account	129,776		113,961	15,815
Wildfire Mitigation Plan Memorandum Account	128,064	12,503	68,521	72,046
<b>SoCalGas</b>	<b>188,811</b>	<b>48,538</b>	<b>152,533</b>	<b>84,816</b>
DIMPBA <sup>a</sup>	46,683	18,857	61,544	3,996
TIMPBA <sup>b</sup>	104,648	10,751	53,096	62,303
SIMPBA <sup>c</sup>	17,554	4,736	22,092	198
RD&D <sup>d</sup>	16,043		15801	242
Gas Regulatory Accounts – L235MA	3,883	5868	0	9,751
MROWMA <sup>e</sup>		8326		8,326
<b>TOTAL</b>	<b><u>525,403</u></b> <b><u>528,780</u></b>	<b><u>61,511</u></b> <b><u>66,287</u></b>	<b><u>370,551</u></b> <b><u>386,391</u></b>	<b><u>216,363</u></b> <b><u>208,673</u></b>

- a. Distribution Integrity Management Program Balancing Account
- b. Transmission Integrity Management Program Balancing Account
- c. Storage Integrity Management Program Balancing Account
- d. Research Development and Demonstration Expense Account
- e. Morongo Rights of Way Memorandum Account, to be addressed in next GRC

Wildfire related activities are recorded in in the Wildfire Mitigation Plan Memorandum Account which constitutes a third of the overspend in the memorandum and balancing accounts. Together Tree Trimming and Wildfire Mitigation Plan accounts make up half the memorandum and balance account overspend. The Tree Trimming Balancing account is under review as part of A.20-07-003, and the MROWMA will be addressed in in the next GRC, and the rest are recovered through an advice letter<sup>15</sup>.

### Canceled, Deferred, or Expanded Programs

#### Canceled or Deferred Programs

Sempra complied with requirements<sup>16</sup> to provide information on canceled, deferred, or expanded programs either via their variance explanations, but did not explicitly define each variance by those categories. Of the 759 program variances, 29 variances reference being deferred due to COVID-19 related delays.

Ninety-two programs appeared to be canceled or deferred because they had an imputed authorized amount, but zero actual spending (a negative 100 percent variance). Of these programs, only 12 were

<sup>15</sup> GSRBA was transferred to the Base Revenue Requirement Balancing Account via advice letter 4197-E in December 2020.

<sup>16</sup> D.19-02-040 O.P. 11(a)

included as deferred<sup>17</sup> and another two were a function of moving the budget to another program. The most common explanation for the negative 100 percent variance was the automatic calculation of imputed costs for attrition years rather than anticipated project costs. An alternative method for calculating attrition years costs in the GRC or defining the projects as “completed” could prevent the over allocation of short-term projects and the resulting underspend calculated in the RSAR.

For programs like the SoCalGas’s PSEP O&M with consecutive years of significant underspending, additional discussion on how the utility plans to achieve the safety, reliability and maintenance goals associated with the program within a reasonable time frame should be discussed in the next RSAR.

### Expanded Programs

In contrast with canceled or deferred projects, which result in underspending (negative variance), utilities are also required to report expanded programming, which often has resulted in overspending (positive variance). Moreover, if no costs are imputed for the project, it will have a variance of 100 percent. This type of programming, often called “emergent” activity, is not always well-defined. When the emergent work is the result of a low forecast – new, in-scope, authorized work – or new state or federal mandates, the justification should explain the scope expansion or describe the specific mandate.

### Pandemic Impacts

Staff found that COVID-19 related explanations generally conformed to canceled or deferred programming requirements as well as state and federal guidance.<sup>18</sup> Variance explanations included higher costs due to equipment rentals or permitting, and generally linked COVID-19 precautions to construction delays or permits. These projects often resulted in higher unit costs even though the program was underspent.

Staff found 29 of the 386 underspent programs had variance explanations relating to the COVID-19 pandemic. While ED staff found pandemic-related explanations were sufficient to meet RSAR canceled or deferred programming requirements, more details on how the pandemic impacted the program would provide a better understanding of the cost variance and if the program is on budget.

### Program Work Units

Sempra provided work units for all programs where the units were defined in the 2019 GRC and expanded some other programs to include work units. Sempra also claims that some programs consisting of multiple unique projects cannot be accurately divided into unit of work, and in some cases, Sempra tracked two separate work units. ED staff suggest that even though the variability of unique projects within a program may be significant, unitizing the cost would provide useful benchmarking. D.19-040-002 requires the IOU must include general explanation for the lack of work units.<sup>19</sup> Also, when two work units are tracked it would be beneficial to split the cost allocation across the different activities. As intervenors in the S-MAP proceeding have indicated, context is necessary to understand spending. When no work units are available, a description of large cost items should be included and progress on those items. Sempra should also provide an

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<sup>17</sup> Sempra 202 RSAR Table on p. B-151 to B-156.

<sup>18</sup> Federal COVID guidance may be found at <https://www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html> and State guidance may be found at <https://www.dir.ca.gov/dosh/coronavirus/>

<sup>19</sup> D.19-04-020 p39

explanation of how much work was accomplished and whether the amount of work done was sufficient to accomplish the company's safety, reliability or maintenance goals.

## ANALYSIS OF SELECTED PROGRAMS

ED requested additional information pertaining to pipelines, cathodic protection, gas storage and others. Requests generally focused on clarifying variance explanations.

ED staff made recommendations, such as listing government mandates, providing more clarity for activities with no imputed work units and explaining the degree to which individual activities contributed to the variances for safety, reliability, or maintenance activities. The results of these inquiries may be found in the sections below.

### SoCalGas Gas Expense

#### Gas Distribution – Field Support

##### RAMP Activity: Maintenance – Pipeline observation “Standby” (From Field Support)

This program was 100 percent underspent with an imputed cost of \$3.7 million. This program also reported a 100 percent unit variance. SoCalGas explained that the variances were due to recording for the costs in Locate and Mark, QA Job Observations Field Ride and Job Monitoring activity. However, that Field Ride and Job Monitoring activity is only \$1.1 million overspent while this Pipeline observation “Standby” activity was underspent by \$3.7 million. ED staff inquired about the overall \$2.6 million in underspending.

SoCalGas explained that that an error was made with how the RAMP activities were presented in the Test Year 2019 GRC workpapers. These activities are not included as part of the expenses within Field Support workpaper and are instead recorded as part of the Locate and Mark workpaper. In addition, the reason the variance of \$3.7 million is not offset by the variance of \$1.1 million is because the assumptions used to input the RAMP information for the Field Support workpaper included both a Gas Distribution and a Gas Transmission estimate whereas the actuals and imputed authorized on the Field Ride and Job Monitoring activity only include the Gas Distribution component.

#### Gas Distribution – Cathodic Protection

##### RAMP Activity: Non-RAMP

The Non-RAMP activities in the Cathodic Protection (CP) program were 100 percent underspent with an imputed cost of \$2.0 million. This activity also reported a 100 percent unit variance. SoCalGas explained that the variances were inherently non-RAMP activities. However, in the 2019 there was \$1.6 million spent on this activity.

SoCalGas explained that in preparation for the 2020 RSAR, all CP activities were determined to be RAMP-related and there should be no Non-RAMP line item. The CP workpaper will still be requested in the TY2024 GRC in its entirety. However, there will no longer be an amount attributable to Non-RAMP activities since 100% of this CP workpaper is associated with mitigating risks related to corrosion of steel assets.

## Gas Distribution – Operations and Management

### RAMP Activity: Policy, Procedures, Standards and Environmental and Safety Compliance Management Program (ESCMP)

This program was 100 percent underspent with an imputed cost of \$1.0 million, a 100 percent variance. This program also reported a 100 percent unit variance. SoCalGas explained that the variances were due to recording the costs in other witness areas. ED staff is looking for clarity on spending that has been reallocated into other unnamed activities. For example, SoCalGas has explained that the variance for the Field Support activity, as discussed above, was due to costs being recorded in the QA Job Observations Field Ride and Job Monitoring activity.

SoCalGas added that similar to the Field Support program, these activities are not included as part of the expenses within the Gas Distribution Operations and Management workpaper. The witness areas that perform this RAMP activity and who may or may not have separately identified them include, but are not limited to, Gas System Integrity, Gas Engineering, Transmission Integrity Management Program and Distribution Integrity Management Program.

## Gas Major Projects – Major Projects Management & Outreach

### RAMP Activity: Real-time pressure data and providing remote control to high priority distribution sites

Spending for this program was \$46 thousand compared to an imputed cost of \$1.6 million, a 97 percent variance. This program also reported a 100 percent unit variance. SoCalGas explained that the variances were due to unanticipated delays in the capital field installations and hiring of staff to manage the O&M component of the Distribution Operations Control Center (DOCC) field and control room activities.

SoCalGas added that although the COVID-19 pandemic affected their ability to collaborate in person, the delays were primarily attributed to increased time spent on project scoping, additional solution assessments and the project plan development process. The project development team has expanded in 2021 and planning and construction activities for initial real-time monitoring and control sites are underway.

## Pipeline Safety Enhancement Program (PSEP)

### RAMP Activity: Approved PSEP program to test or replace High Consequence Area High Pressure pipelines

Spending for this program was \$20.4 million compared to an imputed cost of \$57.8 million, a 65 percent variance. This program also reported a negative 81 percent unit variance with a unit variance of negative 85 miles. ED staff reached out to SoCalGas for a detailed breakdown of the PSEP pipeline projects.

SoCalGas explained that the variances were due to deferred projects. Two hydrotest projects, Line 235 W Section 3 and Line 2000 Section E, were not completed in 2020 as planned in the SoCalGas/SDG&E 2019 GRC application. These projects, as well as Line 2000 Blythe to Cactus City, were deferred from 2020 to future years to maintain gas capacity in support of system reliability. Additionally, Line 2000 Chino Hills, which was originally forecasted as a 2021 project, was accelerated to 2019/2020, but was ultimately not completed in either of these years due to system

reliability needs to maintain gas capacity. The table below displays details of the mileage presented in the 2020 report<sup>20</sup>:

<b>Project</b>	<b>2020 Actual Units (miles)</b>	<b>2020 Imputed Authorized Units (miles)</b>	<b>Notes</b>
L235W Section 3	0	26.88	Deferred
L2000 Section E	0	8.88	Deferred
L2000 Blythe to Cactus City <sup>21</sup>	0	64.65	Deferred
L407	4.26	3.97	Completed as planned
L1011	1.77	0	Accelerated
L2001W Section C	13.36	0	Accelerated
L2005 <sup>22</sup>	0.31	0	Accelerated
L2000 Chino Hills	0	0	Deferred
<b>Total</b>	<b>19.7</b>	<b>104.39</b>	

## SoCalGas Gas Capital

### Gas Engineering – Land Rights and Buildings

#### RAMP Activity: Non-RAMP

Spending for this program was \$102.0 million compared to an imputed cost of \$3.6 million, a 2731 percent variance. This program did not report unit variances due to variety of work in this category that makes it infeasible to identify a single unit of measurement.

SoCalGas explained that this workpaper provides capital funding for purchases of land or land rights for new Transmission pipelines and for existing rights-of-way that have expired per contractual obligation and need to be renegotiated. The variance is associated with renewals of Rights of Ways for two gas transmission pipelines, which details are confidential and protected materials pursuant to P.U. Code Section 583, GO 66-D, and D.17-09-023.

### Gas Transmission – Gas Transmission Cathodic Protection

#### RAMP Activity: Requirements for corrosion control

Spending for this program was \$12.3 million compared to an imputed cost of \$1.2 million, a 961 percent variance. This program did not report unit variances due to a variety of work that makes it infeasible to identify a single unit of measurement. ED staff inquired about big ticket costs and units that contributed to the overspending.

<sup>20</sup> See SDGE and SCG Response to ED DR02\_1-12

<sup>21</sup> This project is currently under construction and is anticipated to be completed in Q4 2021.

<sup>22</sup> This project was not filed in the 2019 GRC but was authorized to be accelerated into the 2019 GRC cycle in Advice Letter 5617.

SoCalGas explained that the activities tracked within this category are for projects associated with the installation of cathodic protection equipment used to preserve transmission lines, such as deep well anodes, rectifiers, and cathodic protection engines. The actual costs for this activity in 2020 are associated with 93 projects. Typical expenditures include replacement of surface anode beds, deep well anodes and/or rectifier systems, installation of new cathodic protection stations, and applying cathodic protection to existing steel pipelines. The costs for projects associated with cathodic protection are as follows<sup>23</sup>:

CP Engine: \$3,996,261

Deep Well Anode: \$5,245,913

Miscellaneous: \$439,415

ED staff recommends that Sempra provide costs and units information on significant items on future RSAR reports if they are unable to impute the units due to variety of work.

#### Gas Transmission – Gas Transmission Replacement Pipelines

##### RAMP Activity: Gas Transmission

Spending for this program was \$29.3 million compared to an imputed cost of \$4.1 million, a 609 percent variance. This program did not report unit variances due to diversity of work that makes it infeasible to identify a single unit of measurement. ED staff requested for costs and units for big ticket items that contributed to the overspending.

SoCalGas explained that the activities tracked within this category are for projects associated with the replacement of pipelines to address conditions that could affect the integrity of the pipeline, such as leaks, erosion, changes to class location of the pipeline, and replacements due to franchise work or other events. The actual costs for this activity in 2020 are associated with 152 projects. The costs for projects associated with pipeline projects are as follows<sup>24</sup>:

Pipeline Replacement: \$6,572,290

Pipeline Relocation: \$773,886

Pipeline Exposure: \$12,643,867

Leak Repair: \$9,662,003

Class Location: \$334,197

Miscellaneous: \$2,654,948

ED staff recommends that Sempra provide costs and units information on significant items on future RSAR reports if they are not able to impute the units due to a variety of work.

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<sup>23</sup> See SDGE and SCG Response to ED DR02\_1-12

<sup>24</sup> See SDGE and SCG Response to ED DR02\_1-12

## Gas Transmission – Gas Transmission Compressor Stations (BC 335)

### RAMP Activity: Non-RAMP

Spending for this program was \$113.3 million compared to an imputed cost of \$40.0 million, a 184 percent variance. This program did not report unit variances due to work variety that makes it infeasible to identify a single unit of measurement. Since the majority of construction activities occurred in 2020 and milestones that were delayed in 2019 were completed in 2020, ED staff has requested the estimated percent completion of this project.

SoCalGas explained that the Blythe Compressor Modernization Project scope of work has been divided into two workstreams, referred to as Plant 2 and Plant 4. Plant 4 scope involves installation of two new turbine compressors, facility electric generation equipment, and associated infrastructure to support the new plant. Plant 2 scope includes the rebuild of five existing Clark engine-driven compressors and retrofit with advanced emissions control technology and associated appurtenances. Currently, the Plant 4 scope is approximately 99% complete and the assets were placed into service on Oct 30, 2021. Plant 2 scope is approximately 77% complete.

## Underground Storage – Gas Storage Compressor Stations

### RAMP Activity: Non-RAMP

Spending for this program was \$10.2 million compared to an imputed cost of \$19.9 million, a 49 percent variance. SoCalGas explained that the variances were due to revised schedule of the Honor Rancho main compressor unit replacement study and the limited ability to remove compressor equipment from service to perform work because the equipment required to stay online to maintain the reliability of the system.

SoCalGas added that upon commission of the Honor Rancho Compressor Modernization project, the decommissioning of the five existing Enterprise (DeLaval) HVA16C reciprocating units are planned to be completed to comply with South Coast Air Quality Management District (SCAQMD) Rule 1100(d)(7)(A)(iii). The rule states that “on or before 36 months after the permit to construct is issued by the Executive Officer, replace or remove engines identified in the approved Facility-Wide Engine Modernization Compliance Plan, but no later than six months from commencement of operation of the replacement equipment.”

## Underground Storage – Gas Storage Wells – RAMP Base – C3

### RAMP Activity: Tubing upsizing

Spending for this program was \$16 thousand compared to an imputed cost of \$962 thousand, a 98 percent variance. SoCalGas explained that the variance is due to tubing upsizing, which was primarily completed prior to 2020 as part of well upgrades/workovers. SoCalGas has added that the 2019 work related to Tubing Upsizing was \$34k and was included in the C4 Well workovers line item in the 2019 RSAR. Tubing upsizing also occurred in 2018 as part of assessment and workovers. The 2018 cost for this work completed in 2018 was \$727 thousand.

## SDG&E Gas Expense

### Gas Distribution – Field O&M – Locate & Mark

#### RAMP Activity: Training Locate & Mark Activities Prevention and Improvements

Spending for this program was \$7.9 million compared to an imputed cost of \$3.4 million, a 130 percent variance. This program did not report unit variances due to a variety of work that makes it

infeasible to identify a single unit of measurement. ED staff requested SDG&E provide costs and units for big ticket items that contributed to the overspending.

SDG&E explained that there were two main drivers that contributed to the variance between actual spending and imputed authorized spending for Locate and Mark (L&M) workpaper. First, the 2019 GRC L&M forecast underestimated the impacts of increased ticket volume associated with the enactment of the Dig Safe Act of 2016 (SB 661) and damage prevention public awareness activities.

The second main driver that contributed to the variance was a shift in the business model for the L&M activity away from primary use of external resources (60% external vs. 40% internal) to 100% internal resources. This transition was made to improve the control, quality, and efficiency of the L&M function through increased oversight and higher internal resource competency to ensure compliance with mandated California Government Code 4216 – Dig Alert requirements. In addition, a portion of the variance is attributed to the transitional period that required the continued use of external resources in parallel with the on-boarding and training of internal resources that took place.

The L&M function includes multiple activities (e.g., high pressure, low pressure, electric, and fiber optic mark outs, and high-pressure standbys). There is also a wide variation in the amount of time and resources required to complete each ticket depending upon the size and location of each project. These multiple activities are not accounted for in SDG&E's system to accurately separate the units and costs for these contributions to the variance.

ED staff recommends that SDG&E provide cost and units information on significant items on future RSAR reports if they are not able to impute the units due to a variety of work. In addition, ED staff recommends including government mandates in the variance explanations.

## SDG&E Gas Capital

### Gas Distribution – Meters and Regulator Materials

#### RAMP Activity: Non-RAMP

Spending for this program was \$12.5 million compared to an imputed cost of \$7.5 million, a 67 percent variance. This program did not report unit variances due to a variety of work that makes it infeasible to identify a single unit of measurement. ED staff requested costs and units for big ticket items that contributed to the overspending.

SDG&E explained that in March 2020, an assessment of meter and regulator stock levels revealed the need to purchase additional meters to cover estimated usage levels for 2020 and to mitigate potential concerns about COVID-19 related supply chain impacts for 2021. Thus, the resulting major cost driver for the variance was the emergent need to purchase a greater quantity of two different meter types in 2020, which represented an additional 31,200 meters at a cost of \$3.9 million.

ED staff recommends that SDG&E provide cost and units information on significant items on future RSAR reports if they are not able to impute the units due to a variety of work.