

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

Application of San Diego Gas & Electric Company  
(U 902 M) for Authorization to Recover Costs of Several  
Catastrophic Events Recorded in Its Catastrophic Expense  
Memorandum Account (CEMA).

A.22-10-021  
(Filed October 31, 2022)

**OPENING BRIEF OF SAN DIEGO GAS & ELECTRIC COMPANY IN SUPPORT  
OF FULL RECOVERY OF ITS CATASTROPHIC EVENT MEMORANDUM  
ACCOUNT COSTS**

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## EXECUTIVE SUMMARY

San Diego Gas & Electric Company (SDG&E) filed this Application on October 31, 2022 to recover the costs it incurred to provide emergency-related services in the aftermath of eight government-issued, official emergencies during the time period spanning from 2014 to 2022. As explained in detail in its Application, and also in this Brief, SDG&E is entitled to recover all of its applied-for incremental and reasonable costs in addressing these emergencies, pursuant to California law and the Commission's regulations and precedent, which authorize SDG&E to create Catastrophic Emergency Memorandum Accounts (CEMA) for each of these events. By this Application, SDG&E requests that the Commission authorize SDG&E to recover approximately \$51.4 million in rates, all of which are incremental to costs SDG&E has sought or recovered in any other SDG&E proceeding and which SDG&E has established as incremental in the record of this case, with no record evidence to the contrary.

SDG&E's Application is supported by extensive testimony from its Director of Accounting Operations, SDG&E's testimony from additional SDG&E witnesses who attest to the extraordinary nature of each of the eight CEMA Events (CEMA Events), SDG&E's responses to various data requests, and SDG&E's Rebuttal Testimony. Now in evidence in the record of this proceeding, these documents contain comprehensive and detailed explanations of SDG&E's accounting methodology for booking costs to the various CEMA accounts and SDG&E's rigorous protocols for ascertaining – subject to numerous internal review procedures – the incrementality and reasonableness of the costs included in those accounts. SDG&E's initial testimony, alone, is comprised of 70 pages of text depicting SDG&E's accounting methodology (including explanations addressing incrementality and overheads), numerical tables and analyses, plus 37 attached exhibits that comprehensively detail all of the costs incurred for each CEMA

Event. Each of these pieces of evidence is discussed in detail herein. SDG&E respectfully submits that SDG&E has carried its burden of proof of demonstrating by a preponderance of evidence that its CEMA costs are reasonable and incremental; there is no substantive evidence to the contrary. Given this robust showing, the burden of proof shifts to a party challenging it, as discussed below; however, the record contains no evidence contradicting SDG&E's evidence that CEMA costs included in this Application were forecasted or recovered in an SDG&E General Rate Case (GRC) or any other proceeding.

On June 30, 2023, eight months after SDG&E filed its Application, the Commission's Public Advocates Office (Cal Advocates) submitted its testimony reflecting its review of and recommendations regarding SDG&E's Application's request for relief. As explained in more detail herein, Cal Advocates recommends that, of SDG&E's overall \$51.4 million requested relief, SDG&E should not be allowed to recover \$2.071 million in capital overhead costs "that should be considered non-incremental."<sup>1</sup> The entirety of Cal Advocates' purported substantiation for its recommendation consists of the following two sentences: "Cal Advocates considers overheads already recovered in rates as part of SDG&E's General Rate Case's (GRC's) previously authorized funding levels and should not be considered incremental."<sup>2</sup> Cal Advocates also claims that: "Cal Advocates finds SDG&E's testimony and its responses to Cal Advocates data requests do not provide sufficient support or analysis that its overhead costs are incremental."<sup>3</sup>

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<sup>1</sup> Cal Advocates Office's Report on the Results of Examination for SDG&E's Application for Authorization to Recover Costs of Several Catastrophic Events Recorded in its CEMA (June 30, 2023) (Exhibit (Ex.) CA-01) at 4, lines 15-16.

<sup>2</sup> *Id.* at 13, lines 22-24.

<sup>3</sup> *Id.* at 15, lines 8-10.

However, Cal Advocates provided no facts, even when pressed during cross-examination, to substantiate its wholly unsupported claim that SDG&E’s CEMA costs were previously recovered in a prior SDG&E GRC. As discussed herein, when asked through both SDG&E’s discovery and on cross-examination, Cal Advocates could not point to costs contained in this CEMA Application that were sought or recovered in any SDG&E GRC or indicate why it maintains such position in light of no factual substantiation for it.

In addition to Cal Advocates’ failure to provide either factual substantiation for these two statements of opinion or to refute factually any of SDG&E’s factual assertions or SDG&E’s accounting methodology, Cal Advocates’ review and subsequent disallowance recommendation were premised on a methodology for establishing incrementality that the Commission has clearly rejected. During cross-examination, Cal Advocates’ witness contended – incorrectly -- that a utility must first “exhaust” its unspent GRC authorization before it can recover its reasonable and incremental CEMA costs for responding to an officially declared catastrophic event. However, as discussed in detail in Section 1.C., below, this exact position was rejected by the Commission in at least two CEMA cases from the past few years. This incorrect “standard” has apparently been Cal Advocates’ justification for seeking in its data requests a “comparison” of SDG&E’s GRCs’ authorized but unspent overhead funds. Cal Advocates’ analysis is fundamentally off-based and will need to be rejected – once again.<sup>4</sup>

While all of the legal and regulatory requirements, as well as Commission precedent, clearly mandate that all applied-for CEMA costs must be incremental, none of the applicable

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<sup>4</sup> When asked during the November 2, 2023 hearing whether her evaluation of SDG&E’s Application was “fact based,” she replied: “Well, I – it’s based on fact. And, you know creative decisions. Previous – you know, a GRC we might have worked on or CEMAs we might have worked on.” Evidentiary Hearing Reporter’s Transcript, Vol. 1 (November 2, 2023) (Tr.) at 12, lines 17-19.

authorities dictates a specific method by which a utility would prove that those costs are incremental.<sup>5</sup> This would make sense for various important reasons, including: (a) how a large investor-owned utility (IOU), such as SDG&E, establishes incrementality of costs would almost certainly differ from a small, regulated utility, such as Bear Valley Electric Services, Inc. (hereafter, Bear Valley); (b) even among large IOUs, one IOU may include in its GRCs a forecast of some level of costs for large or catastrophic events such as an unusually large storm or a wildfire, whereas another IOU's GRC may include no forecast to provide for those costs and instead rely on the CEMA mechanism; (c) IOUs' operations, accounting protocols, and service area demographics and issues differ for various reasons and warrant unique considerations; and (d) a CEMA application can contain the costs for one CEMA event or many CEMA events over the course of several years, making the cross-referencing of those costs to multiple implicated GRCs simply impossible and unworkable, even if doing so had any validity (which is not the case, as explained below). There is and should not be a regulatory "cookie-cutter" approach to the type and amount evidence that should be deemed "sufficient" to establish the incrementality in its CEMA showing. That important task can be accomplished in various ways.

For example, if an IOU truly includes in its CEMA Application *only* incremental, reasonable, variable costs for an officially declared emergency, which are by their very nature "extraordinary," and it also includes *only* fixed, routine, ordinary costs in its GRCs, then those two categories of costs are mutually exclusive. In such a case, the CEMA costs tracking in memorandum accounts in accordance with Resolution E-3238, dated July 24, 1991, are by their very nature incremental. The demonstration of incrementality in that case would not be found in a numbers-laden heap of spreadsheets comparing actual to authorized GRC costs to the applied-

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<sup>5</sup> Cal Advocates agreed with this point on cross-examination. Tr. at 64, line 7 through Tr. at 66, line 9.



for CEMA costs. This fallacy in “proving” incrementality should come as no surprise to the Commission or any party because in that circumstance, there would be no GRC dollars in storm-related operational and maintenance (O&M) or capital expenses, either authorized or forecasted for extraordinary emergency purposes. In this case, it would be patently unreasonable and unfair, and without any legal support (as far as SDG&E is aware), that an IOU could be required prove -- through some sort of numerical demonstration -- a negative: that those CEMA costs were not included in a GRC if, in fact, no such costs are there in the first place to be “proven” not to exist.<sup>6</sup> Requiring such a numerical demonstration in that case would be entirely misplaced as a matter of logic and untenable as a matter of law.<sup>7</sup>

That is indeed the case at hand. SDG&E’s sworn testimony and responses to data request explain in detail SDG&E’s methodology for determining and verifying the incrementality of its costs, including overheads, as well as SDG&E’s methodology for excluding non-incremental and other reasonably incurred costs. All of the costs contained in SDG&E’s CEMA Application are fully and exhaustively supported, explained, well-documented and shown to be incremental and reasonable. SDG&E’s showing is uncontroverted by any facts in the record of this proceeding.

This Opening Brief covers all of these points in detail, with references to the record and applicable law and Commission requirements and precedent.

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<sup>6</sup> SDG&E also discusses below Cal Advocates’ erroneous position, unsupported by Commission precedent, that SDG&E must first “exhaust” all overheads included in its GRC authorization before it can recover any of the CEMA costs included in SDG&E’s CEMA memorandum accounts. Tr. at 88, lines 7-15 through Tr. at 90, lines 5-9.

<sup>7</sup> As discussed below in Section V.B., by direct analogy, the situation is no less fraught with error if, for each IOU’s Energy Resource Recovery Account (ERRA) proceeding (in which an IOU seeks to recover only its procurement-related costs), an IOU must prove that, notwithstanding a robust showing, no applied for procurement costs were first recovered in that company’s GRC. Such a requirement would be misplaced, absurd and impossible to prove numerically or otherwise if, in fact, no procurement costs exist in the IOU’s GRC.

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**I. INTRODUCTION AND SUMMARY**

**A. Introduction and Procedural History**

Pursuant to Public Utilities Code Section 454.9 and Commission Resolution E-3238, SDG&E filed this Application on October 31, 2022 seeking the Commission’s authorization to recover in rates approximately \$51.4 million in incremental, emergency-related expenses incurred between 2014 and 2022 and contained in eight CEMA accounts. SDG&E’s Application was accompanied by the testimony of several witnesses, including an accountant familiar with all expenses reflected in this Application and all applicable Commission standards for the recovery of those expenses, as well as other witnesses familiar with the on-the-ground details of the extraordinary CEMA Events which generated the incremental costs included in this Application. As indicated below, of this Application’s overall \$51.4 million in CEMA costs, the only disputed issue in this case relates to approximately \$2.071 million in certain capital overhead costs.

On January 20, 2023, a Prehearing Conference was held, preceded by SDG&E’s submission on January 17, 2023 of its Prehearing Conference Statement.<sup>8</sup> The Commission’s

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<sup>8</sup> SDG&E’s Prehearing Conference Statement was entered into the record of this proceeding as Exhibit (Ex.) SDGE-07.

Public Advocates' Office (Cal Advocates) is the only intervening party in this proceeding other than SDG&E. On February 28, 2023, Commissioner Shiroma's Assigned Commissioner's Scoping Memo and Ruling was issued. Cal Advocates served its testimony on June 30, 2023,<sup>9</sup> to which SDG&E responded with its July 21, 2023 Prepared Rebuttal Testimony.<sup>10</sup> On July 25, 2023, SDG&E filed a Motion to Request Evidentiary Hearings.<sup>11</sup> On August 7, 2023, SDG&E and Cal Advocates separately responded to a request of ALJ O'Rourke by clarifying their respective positions regarding the issue in dispute, preceded by a "meet and confer."<sup>12</sup>

On October 9, 2023, ALJ DeAngelis convened a status conference, at which it was determined that an evidentiary hearing was necessary. An evidentiary hearing was held on November 2, 2023, at which SDG&E cross-examined Cal Advocates' witness, Ms. Sophie Chia.

#### **B. The Sole Issue in Dispute**

The sole disputed issue, which is associated with \$2.071 million of requested capital overhead costs, centers around Cal Advocates' challenge to SDG&E's showing of whether those specific capital overhead expenses have been proven to be incremental to capital overhead costs that SDG&E has previously recovered in an SDG&E GRC. The entirety of Cal Advocate's position consists of two sentences:

- (1) "Cal Advocates considers overheads already recovered in rates as part of SDG&E's General Rate Case's (GRC's) previously authorized funding levels and

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<sup>9</sup> Cal Advocates Office's Report on the Results of Examination for SDG&E's Application for Authorization to Recover Costs of Several Catastrophic Events Recorded in its CEMA (June 30, 2023). This document has been entered into the record of this proceeding as Ex. CA-01.

<sup>10</sup> Prepared Rebuttal Testimony of R. Craig Gentes on Behalf of SDG&E (July 21, 2023). This document has been entered into the record of this proceeding as Ex. SDGE-02.

<sup>11</sup> Motion of SDG&E to Request Evidentiary Hearings (July 25, 2023) (Ex. SDGE-04).

<sup>12</sup> Response of Cal Advocates to the July 27, 2023 Ruling (August 7, 2023) (Ex. SDGE-05) and Cal Advocates' Data Response to SDG&E Discovery (August 16, 2023) (Ex. SDGE-06).

should not be considered incremental.”<sup>13</sup>

- (2) “Cal Advocates finds SDG&E’s testimony and its responses to Cal Advocates data requests do not provide sufficient support or analysis that its overhead costs are incremental.”<sup>14</sup>

However, the record of this case contains no facts or other support for either assertion. When asked, with respect to what Cal Advocates means by its statement that “Cal Advocates *considers* overheads already recovered in rates...,” Cal Advocates’ witness stated merely that “it’s my opinion.”<sup>15</sup> The record of this case contains no substantiation for this “opinion.”

With respect to this same statement’s mentioning SDG&E’s GRC, SDG&E asked during the hearing:

Q: Did you go back to SDG&E’s GRC that’s relevant that you believe these costs are in and identify those costs as being sought for recovery in those prior GRC cases?

A: I do not talk about that in my testimony because I base my recommendation on SDG&E’s testimony by Mr. Gentes and on my – on the data responses I’ve received.

Q: You’re stating that these costs appear in the prior SDG&E GRC. So I’m asking you did you go back and determine that those costs that you just mentioned, those three costs, were in fact sought for recovery or recovered in a prior SDG&E GRC?

[...]

A: I did not go back because I did not base my recommendation on the GRC.

[...]

ALJ DeAngelis: You did not go back to the GRCs and look at those?

A: Correct. I did not.

ALJ DeAngelis: Yes, she did not. She relied on the testimony submitted in

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<sup>13</sup> Ex. CA-01 at 13, lines 22-24; Ex. SDGE-06.

<sup>14</sup> Ex. CA-01 at 15, lines 8-10; Ex. SDGE-06.

<sup>15</sup> Tr. at 37, line 20 through Tr. at 38, line 1.

this proceeding.

Witness: And the data responses.

ALJ DeAngelis: And the data responses.<sup>16</sup>

SDG&E finds it stunning that Cal Advocates would make representations about the contents of SDG&E's GRCs without actually reviewing the GRCs that they put in issue.<sup>17</sup> Cal Advocates also fails to indicate specifically what statements in SDG&E's "testimony" or "data responses" support its witness' disallowance recommendation. The record from Cal Advocates consists only of these two opinions and contains no specific references to actual text that SDG&E provided to enable Cal Advocates to "consider" SDG&E's requested CEMA costs already to be recovered through one or more unspecified SDG&E GRC.<sup>18</sup>

To reach its disallowance recommendation, premised on these assertions, Cal Advocates would have had to disregard the entirety of information and analysis contained in SDG&E's opening testimony explaining SDG&E's accounting methodology that creates a clear demarcation between overheads included in SDG&E's GRCs and this CEMA Application; the extraordinary nature of each CEMA event as detailed in the testimonies of SDG&E witnesses

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<sup>16</sup> Tr. at 42, line 10 through Tr. at 44, line 2.

<sup>17</sup> Cal Advocates' representations about SDG&E's GRCs without first reviewing SDG&E's GRCs is all the more stunning because Cal Advocates' witness was assigned by Cal Advocates to review SDG&E's pending GRC and most recently decided SDG&E GRC. Therefore, she readily had access to the pertinent documents from SDG&E to verify her otherwise unsupported claim. Tr. at 87, lines 6-22.

<sup>18</sup> In Section II, below, SDG&E parses through SDG&E's testimony and "data responses" – all of them cited to by Cal Advocates, and still the record does not indicate what statements from SDG&E, if anything, actually supports Cal Advocates' two statements of opinion and its disallowance recommendation.

Pavao, Kinsella and Watson;<sup>19</sup> and SDG&E’s responses to Cal Advocates’ data requests.<sup>20</sup> Cal Advocates’ position narrowly and exclusively focuses on SDG&E’s answers to select data requests. SDG&E explains in this Brief, below, that SDG&E’s responses are complete and accurate, and fully consistent with the reality – demonstrated by methodology in SDG&E’s showing – that no CEMA costs are included in any SDG&E GRC. Thus, SDG&E devotes Section II of this Opening Brief to a synopsis of SDG&E’s showing, including the incrementality of the costs contained in this Application.

Furthermore, while Cal Advocates claims that SDG&E’s showing regarding incrementality of CEMA overheads is “insufficient,” disregarding the contents of SDG&E’s showing, Cal Advocates’ written and oral testimonies both avoid indicating what type of evidence, hypothetical or real, would in its view constitute “sufficient” proof of incrementality of CEMA costs. The irony, of course, is that Cal Advocates’ cursory claim of “insufficiency” in SDG&E’s showing is itself “insufficient” and devoid of any evidentiary or other support. Notwithstanding Cal Advocates’ claim of insufficiency in SDG&E’s showing, SDG&E’s extensive showing is outlined in Section II, below.

Despite Cal Advocates’ positions and their lack of support, Cal Advocates did concede, when pressed, that its claim that SDG&E already recovered its capital overhead costs may not be true and accurate:

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<sup>19</sup> Prepared Direct Testimony of R. Craig Gentes on Behalf of SDG&E (October 31, 2022) (Ex. SDGE-01), Prepared Direct Testimony of Peter M. Pavao on Behalf of SDG&E (October 31, 2022) (Ex. SDGE-08), Prepared Direct Testimony of L. Patrick Kinsella on Behalf of SDGE (October 31, 2022) (Ex. SDGE-09), Prepared Direct Testimony of Ron Kiralla on Behalf of SDGE (October 31, 2022) (Ex. SDGE-10) (note the testimony of SDG&E witness Ron Kiralla has been adopted by SDG&E witness Bobby W, Watson, Jr. *See* Exhibit SDGE-08 at 3.

<sup>20</sup> *See* Ex. SDGE-02, Attachment A and Attachment B.

Q: Can you state with certainty that SDG&E’s CEMA capital overhead costs that we sought recovery for in this application were in fact recovered in a prior SDG&E proceeding?

A: As I said earlier, I did not look at the GRCs. So I cannot state that they were recovered in a prior GRC.<sup>21</sup>

Stated differently, Cal Advocates put forth a recommendation based on a supposition that even Cal Advocates cannot state with any certainty is true and accurate.

## C. Summary of Applicable Law and Regulatory Requirements

### 1. Statute & Resolution E-3238

California law and Commission authorities both recognize the importance of incentivizing utilities to respond immediately to service disruptions in the aftermath of extraordinary, officially declared emergencies allowing a utility’s response not to be impeded by concerns that recovery of their reasonable and incremental costs in mitigating those emergencies could be impeded or delayed. Public Utilities Code Section 454.9 provides:

- (a) The commission ***shall authorize*** public utilities to establish catastrophic event memorandum accounts and to record in those accounts the costs of the following:
  - (1) Restoring utility services to customers.
  - (2) Repairing, replacing, or restoring damaged utility facilities.
  - (3) Complying with governmental agency orders in connection with events declared disasters by competent state or federal authorities.
- (b) The costs, ***including capital costs***, recorded in the accounts set forth in subdivision (a) ***shall be recoverable in rates*** following a request by the affected utility, a commission finding of their reasonableness, and approval by the commission. The commission ***shall hold expedited proceedings*** in response to utility applications to recover costs associated with catastrophic events.<sup>22</sup>

Notably, the statute contains the mandatory language “shall” in reference to each of the Commission’s obligations, and the statute specifically highlights “capital costs” as eligible for

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<sup>21</sup> Tr. at 45, line 45 through Tr. at 46, line 1.

<sup>22</sup> Public Utilities Code Section 454.9(a) and (b) (emphases added).

cost recovery. Capital overhead costs are the very costs at issue in this proceeding.

The statutory language originated in Commission Resolution E-3238, issued July 24, 1991, which noted a critical need to “ensure that all potentially affected utilities are given the maximum incentive to restore service immediately and completely after declared disasters.”<sup>23</sup>

The Resolution also makes clear that:

The Commission will examine closely all costs recorded in a utility’s catastrophic memorandum account before allowing their recovery in customers’ rates. While costs incurred for repairs may be significant, they may not necessarily all be properly recoverable from ratepayers. Recovery may be limited by consideration of the extent to which losses are covered by insurance, ***the level of loss already built into existing rates***, and possibly other factors relevant to the particular utility and event. Before authorizing recovery from customers of any costs, the Commission will examine how they relate to the overall costs currently authorized for these types of repairs. The costs recorded in the account will not be recoverable in rates without a request by the affected utility, a showing of their reasonableness, and approval by the Commission. ***Such a request must be made by a formal application specifically for that purpose, by inclusion in a subsequent general rate case*** or other ratesetting application, or, for utilities eligible to request general rate increases by advice letter....<sup>24</sup>

At the outset, it should be noted that Cal Advocates was asked during the hearing about whether it “took issue with the reasonableness” of the costs in SDG&E’s Application. The witness confirmed during cross-examination that she did not address that issue of reasonableness in her testimony but did consider it.<sup>25</sup> Cal Advocates also confirmed that it does not challenge whether any of SDG&E’s CEMA costs were in fact incurred.<sup>26</sup>

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<sup>23</sup> Resolution E-3238 at 2.

<sup>24</sup> *Id.* at 2-3 (emphases added).

<sup>25</sup> Tr. at 16, line 8 through Tr. at 18, line 13. As occurred numerous times through the evidentiary hearing, the witness evaded answering the most basic questions, for example, regarding the standard of reasonableness from Resolution E-3238. Even ALJ DeAngelis’ request that the witness answer the questions about her review, as it related to reasonableness, was not heeded by the witness. Nonetheless, it is clear that there is nothing in the record to suggest that SDG&E’s Application did not meet applicable standards of reasonableness. If there were any issues, Cal Advocates had full opportunity to put them in the record.

<sup>26</sup> Tr. at 19, lines 4–9.



The main, disputed issue in this case involves language “the level of loss already built into existing rates.” This provision in Resolution E-3238 ensures the CEMA mechanism cannot be used to provide a double-recovery for the same cost. It was not intended, however, to preclude full recovery of CEMA costs when no such costs are “already built into existing rates.” It would be legal error to construe the operative statute and Resolution as an authorization to short-change a utility that, relying on these authorities, faithfully responded to emergencies and had a long-standing policy to request authorization only for routine, non-extraordinary costs in its GRC; and yet, were precluded from recovering those extraordinary costs recorded in a CEMA because there are in fact no forecasted costs for extraordinary, catastrophic events factored into their GRCs and therefore no GRC-derived spreadsheets and data tables depicting such costs in the utility’s CEMA showing. That is the situation at hand in this case.

Additionally, Resolution ESRB-4, adopted in 2014, provides an analog to Resolution E-3238 in the area of CEMA costs related to addressing the threat of wildfires. Again, focusing on the need for utilities to protect their customers, the Commission stated:

[T]he Commission may analyze such [CEMA] costs to determine if they are truly incremental and meet the other requirements of CEMA. Consistent with Commission practice, double collection of costs is strictly prohibited.<sup>27</sup>

SDG&E’s Application complies with each of these authorities and is eligible to recover all of its applied-for CEMA costs.

**2. The Commission Has Rejected Cal Advocates’ Contention That a Utility Must “Exhaust” its Authorized but Unspent GRC Revenues Before Seeking CEMA Recovery.**

One key aspect of the Commission’s CEMA requirements, also bearing on the Commission’s incrementality analysis, is whether the overhead costs recorded in a CEMA

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<sup>27</sup> Resolution ESRB-4 (June 12, 2014) at 10 (citation omitted).

memorandum account be paid for with unspent GRC-authorized overhead funds.<sup>28</sup> At the November 2, 2023 evidentiary hearing, Cal Advocates' witness stated for the record that unspent funds in SDG&E's GRC must be used to pay for a CEMA event.<sup>29</sup> This claim is patently incorrect and contrary to Commission precedent. Cal Advocates' insistence on this reading of the Commission's incrementality standard occurred at least five times during the hearings.

**First**, in answering SDG&E's questions about whether Cal Advocates questioned whether any of SDG&E's CEMA costs were in fact incurred, Cal Advocates' witness stated:

In my disagreement with SDG&E's request for overheads, I'm not saying that they weren't incurred. But I'm saying that funding SDG&E received in its GRCs is enough to cover it.<sup>30</sup>

**Second**, there was the following exchange in the context of Payroll Taxes (in pertinent part):

A: So just because payroll taxes may have increased or is more than what they forecast in the GRC, the pot of overheads may still be -- what they actual spend in the pot of overheads in -- for routine work may still be less than what is authorized. So even though you give me some taxes -- you may have paid more for payroll taxes, but the pot for overheads may still be less than what was authorized.

Q: But, if we were -- incurred those expenses, whatever they are, in the context of a CEMA event, and those -- why wouldn't those costs be recoverable in a CEMA application?

A: So, what Cal -- Cal Advocates is saying that -- is that SDG&E were authorized an amount for overheads. But, what was expended for overheads in routine work, there might be money left over that SDG (sic) can spend on CEMA costs, and that's -- so it's not incremental.<sup>31</sup>

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<sup>28</sup> ALJ DeAngelis specifically requested briefing on the standards that the Commission has adopted for determining incrementality within the CEMA context. *See* Tr. at 59, lines 13-15.

<sup>29</sup> Tr. at 89, starting at line 17.

<sup>30</sup> *Id.* at 19, lines 18-22. ALJ DeAngelis also had a brief exchange with the witness on this same point. *Id.* at 22, lines 2-6.

<sup>31</sup> *Id.* at 60, line 19 through Tr. at 61, line 11.

**Third**, in response to a question from ALJ DeAngelis, the witness stated:

A: So what I am saying is that SDG&E forecasts an overhead cost in their GRC. They're authorized by the Commission an amount for overhead and for normal operations. Did SDG&E spend all of that authorized overhead in their normal operations? If not, they could use that money to pay for ---<sup>32</sup>

**Fourth**, the witness stated the same point, confirming what she said earlier:

Q: But, what we heard today – I heard is that, to the extent SDG&E doesn't exhaust all of its overheads that are forecasted in this GRC, your understanding is that those under – those non-exhausted overheads that were approved in an SD GRC – SDG&E GRC should be utilized to pay for the costs associated with these CEMA events. Is that correct? Did I understand you correctly?<sup>33</sup>

A: Yes.

**Fifth**, the witness stated the same point, in the same way:

Q: The overheads that are included in a GRC decision that are not exhausted, I think you said, can be utilized – can or should be utilized to pay for a CEMA-related event. Did I hear you correctly?

A: Yes.<sup>34</sup>

The fact that the witness made the same point five times, at different junctures in the evidentiary hearing, indicates that there can be no mistaking that Cal Advocates' review is grounded on the proposition SDG&E's CEMA recovery must be limited to the extent that any SDG&E GRC's authorization of overheads that has not yet been "exhausted." This position – "exhaust all GRC authorized but unspent overheads first" was newly revealed by Cal Advocates during the November 2, 2023 hearing; it appears nowhere in either Cal Advocates' written testimony or its responses to SDG&E's data requests propounded on Cal Advocates. This statement is materially different than its statement from its written testimony that: "Cal

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<sup>32</sup> *Id.* at 78, lines 11-17.

<sup>33</sup> *Id.* at 88, lines 7-15.

<sup>34</sup> Tr. at 90, lines 5-9.

Advocates considers overheads already recovered in rates as party of SDG&E's General Rate Case's (GRC's) previously authorized funding levels and should not be considered incremental."<sup>35</sup> At hearing, Cal Advocates introduced this proposition about "exhausting" GRC-authorized funding, which differs substantially from the statement that "Cal Advocates considers overheads already in rates...."

*The Commission recently rejected this very position in Bear Valley Electric Service, Inc.*, D.22-11-010, a CEMA proceeding involving a small utility seeking to recovery its costs for one CEMA event. There, the Commission stated the following with respect to Cal Advocates' argument that Bear Valley must first utilize its prior, unspent GRC authorization before recovering its extraordinary storm expenses: "Cal Advocates incorrectly interprets the definition of incrementality in Resolution E-3238, arguing that Bear Valley Electric's 2019 Winter Storm CEMA costs are not incremental given that Bear Valley Electric underspent its overall authorized GRC funding collected from ratepayers in 2019."<sup>36</sup> <sup>37</sup> The same Decision states that: "Cal Advocates presents no example from Commission CEMA decisions or other legal authorities where the ratio of overall actual-to-authorized GRC spending is relevant to the consideration of CEMA recovery. Applying costs authorized for other purposes to cover service restoration after a disaster has yet to become part of the CEMA rules."<sup>38</sup>

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<sup>35</sup> Ex. CA-01 at 13, lines 22-24.

<sup>36</sup> D.22-11-010 at 7.

<sup>37</sup> It is also imperative to note that, in this same decision, the Commission made clear that Bear Valley's methodology for showing that its CEMA costs were incremental was fact-specific to that case: "[W]e note approval of such an approach is particular to the facts of the individual proceeding and not to be used generally to establish incrementality." Indeed, SDG&E's approach is different from Bear Valley Electric's approach; yet, is not less conclusive that SDG&E's CEMA costs are proven to be incremental. D.22-11-010 at 12, n.16.

<sup>38</sup> *Id.* at 17.

This same incorrect claim was also previously aired by Cal Advocates and rejected by the Commission in D.21-08-024, a proceeding filed by Southern California Edison Company (SCE) seeking recovery of its CEMA accounts related to a drought and firestorm. SCE demonstrated that it expended costs for vegetation management that were not routine and built into SCE's GRC. Cal Advocates argued that the Commission should not limit the incrementality analysis to vegetation management-related costs; rather, the Commission's analysis should compare SCE's company-wide authorization for O&M expenses exceeded its actual O&M expenditures.<sup>39</sup> The Commission similarly rejected Cal Advocates' argument, stating that:

Resolution ESRB-4, which authorized the recovery of drought-related costs in the CEMA, discusses the potential for double-counting of drought and wildfire costs. It provides specific examples of accounts wherein similar costs may have already been recoverable, and specifically identifies fire and vegetation management cost recovery mechanisms – and not overall O&M.... We are also not persuaded by Cal Advocates' argument that costs are not incremental if they are recoverable using rates previously authorized for another category of spending.<sup>40</sup>

These cases illustrate that the Commission's incrementality analysis is case-specific. In SDG&E's case, its accounting methodology for GRC costs and CEMA costs are mutually exclusive and represent "apples" and "oranges." To the extent that SDG&E's GRC decision authorizes recovery of X dollars for routine, non-extraordinary events, that authorization should not be diminished by the utility's later, faithful response to an officially declared emergency, the costs of which were not included in its GRC. Doing so would represent a host of legal issues, not the least of which would be a collateral attack on the GRC decision approving the X dollars and would also represent an improper "rehearing" of that GRC.<sup>41</sup>

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<sup>39</sup> D.21-08-024 at 12-13.

<sup>40</sup> *Id.* at 14-15.

<sup>41</sup> It would be a significantly different set of circumstances if a utility did include some level of extraordinary costs in its GRC, which as noted above, is permitted by Resolution E-3238. However, SDG&E is on record, several times, indicating it does not do so.

Additionally, if the statute or Resolutions were interpreted to diminish CEMA recovery based on the status of its unspent but authorized GRC resources, that interpretation would not militate in favor of conserving those unspent funds for routine needs. Moreover, that interpretation would fly in the face of the language of Resolution E-3238 that the Commission will “ensure that all potentially affected utilities are given the maximum incentive to restore service immediately....”<sup>42</sup>

The bottom line: Cal Advocates’ disallowance recommendation in this proceeding is clearly based on an incorrect and rejected reading of Commission precedent regarding its “incrementality” standard. Cal Advocates’ reaction to the data requests propounded on SDG&E, and its dissatisfaction with SDG&E’s responses thereto, were likewise off-base and founded on a mistaken understanding of the Commission’s incrementality showing requirements.

As indicated below, in Section II.D., all eight of SDG&E’s CEMA Events were extraordinary in nature and magnitude, and all associated costs needed to remediate the events were incremental to the costs factored into any SDG&E GRC.

## **II. SDG&E’S PRIMA FACIE SHOWING**

SDG&E’s *prima facie* showing is comprised of *five* component categories: (1) the Prepared Direct Testimony of R. Craig Gentes (addressed in Section II.A., below);<sup>43</sup> (2) SDG&E’s responses to Cal Advocates’ Data Requests (addressed in Section II.B., below);<sup>44</sup> (3) SDG&E’s Prepared Rebuttal Testimony of R. Craig Gentes (addressed in Section II.C., below);<sup>45</sup>

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<sup>42</sup> Resolution E-3238 at 2.

<sup>43</sup> Ex. SDGE-01.

<sup>44</sup> These data request responses are attached to this Opening Brief in Attachment 3.

<sup>45</sup> Ex. SDGE-02.

and (4) the Prepared Direct Testimonies of Peter M. Pavao,<sup>46</sup> L. Patrick Kinsella,<sup>47</sup> and Bobby W. Watson, Jr. (addressed in Section II.D., below);<sup>48</sup> and (5) statements by Cal Advocates' witness, Ms. Chia during hearings (addressed in Section II.E., below). Each is summarized below.

**A. SDG&E's Prepared Direct Testimony Fully Describes SDG&E's Methodology for Excluding Costs for Extraordinary CEMA Events From Its GRCs.**

SDG&E submitted the Prepared Direct Testimony of R. Craig Gentes, SDG&E's Director of Accounting Operations. This central piece of evidence contains both a general and a detailed, CEMA Event-specific explanation of SDG&E's methodology for determining the incrementality of the costs recorded to the accounts for each of the eight CEMA Events. At its outset, this evidence makes unequivocally clear SDG&E's position that: "The incremental costs reflected in this Application were reviewed to determine whether that cost would have been otherwise incurred had those eight CEMA Events not occurred."<sup>49</sup> Besides abiding by this "but-for" test, SDG&E employed other rigorous protocols to track, verify, double-check all costs for their reasonableness and incrementality to make a wide demarcation between, on the one hand, routine ordinary costs for which recovery was sought or granted in an SDG&E GRC, and extraordinary and variable costs associated exclusively with catastrophic events that are declared emergencies by a state or the federal government. SDG&E's incrementality methodology is integral to SDG&E's demonstration of incrementality, and includes the following:

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<sup>46</sup> Ex. SDGE-08.

<sup>47</sup> Ex. SDGE-09.

<sup>48</sup> Ex. SDGE-10 (formerly sponsored by Ron Kiralla).

<sup>49</sup> Ex. SDGE-01 at 2, lines 10-12.

First, SDG&E followed SDG&E’s Commission-approved CEMA tariff.<sup>50</sup> This tariff authorizes SDG&E to record to its CEMA accounts and recover “its incremental O&M and capital-related costs associated with restoring utility services to customers following an event declared as a disaster and repairing, replacing, or restoring utility facilities damaged by the disaster.”<sup>51</sup>

Second, SDG&E’s testimony provides a comprehensive description of its “Incremental Cost Criteria,”<sup>52</sup> which are “costs which are directly related to the restoring of utility services to customers: repairing, replacing, or restoring damaged facilities; complying with governmental agency orders in connection with events declared disasters by competent state or federal authorities *and not already recovered through the utility’s current rates.*”<sup>53</sup>

Third, the determination of CEMA eligibility applies other criteria for certain categories of costs. These cost categories obtaining this additional level of review include internal labor, materials, overheads, vehicle charges, external labor, and services/other.<sup>54</sup> For example, regarding internal labor, SDG&E makes clear that “[i]ncremental internal labor reflects primarily overtime labor ... costs as the straight time portion is considered to be included already in authorized rates and would have been incurred with or without these eight CEMA Events. Regular work was merely deferred until a later time, but still completed, because all available

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<sup>50</sup> SDG&E’s Electric Tariff, Preliminary Statement, Section III.A, available at [https://tariff.sdge.com/tm2/pdf/tariffs/ELEC\\_ELEC-PRELIM\\_CEMA.pdf](https://tariff.sdge.com/tm2/pdf/tariffs/ELEC_ELEC-PRELIM_CEMA.pdf), and SDG&E’s Gas Tariff, Preliminary Statement, Section V.A, available at [https://tariff.sdge.com/tm2/pdf/tariffs/GAS\\_GASPRELIM\\_CEMA.pdf](https://tariff.sdge.com/tm2/pdf/tariffs/GAS_GASPRELIM_CEMA.pdf).

<sup>51</sup> Ex SDGE-01 at 4, lines 6-9, (citing SDG&E’s Electric Tariff, Preliminary Statement, Section III.A, and SDG&E’s Gas Tariff, Preliminary Statement, Section V.A, Sheet 1 at Section 1.).

<sup>52</sup> *Id.* at 5-8.

<sup>53</sup> *Id.* at 5-6 (footnote omitted) (emphases added).

<sup>54</sup> *Id.* at 6-8.



resources were utilized to restore and repair damaged facilities.”<sup>55</sup>

Of particular note, External Labor, which includes “contract crews” and engineering services, are essential to mitigate catastrophic events. According to SDG&E’s incremental methodology, all such as-needed outside, external labor costs to respond to an officially declared disaster are incremental.<sup>56</sup> Cal Advocates’ expert, Ms. Chia, agreed.<sup>57</sup>

Fourth, after each potential CEMA costs is evaluated under the above criteria, SDG&E’s “incremental” methodology additionally requires validation by SDG&E’s Cost Evaluation Team. This Team evaluated the costs in all of the CEMA work orders for each of the eight CEMA Events to “ensure that the costs are consistent with the CEMA tariff.”<sup>58</sup>

Attached to Mr. Gentes’ prepared direct testimony, Ex. SDGE-01, as Exhibit 10, provides an overview of the incremental costs collectively for all eight CEMA Events represented in this Application. Exhibit 11 of Ex. SDGE-01, provides an Account-Level Determination of Eligible (Incremental) & Ineligible (Non-Incremental) CEMA Costs. Perusing this Exhibit, one will see that SDG&E engaged in a very granular analysis of all potential CEMA costs and eliminated those that were determined ineligible to be “incremental” based on SDG&E’s rigorous incrementality methodology.

Mr. Gentes’ prepared direct testimony also provides a detailed and comprehensive accounting analysis of each CEMA event. Each CEMA event is discussed from the inception of the event and engagement of a “cost capturing” team that could, contemporaneously with each unfolding event, document the necessary emergency remediation efforts, enabling a proactive,

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<sup>55</sup> *Id.* at 6, lines 11-15.

<sup>56</sup> *Id.* at 8.

<sup>57</sup> *See e.g.*, Tr. at 39, lines 13-25. This point is discussed more extensively below in Section III.

<sup>58</sup> Ex. SDGE-01 at 9.

timely and efficient cost-capturing process.<sup>59</sup> Also, each CEMA event describes the various accounting work orders that were issued to capture both gas and electricity restoration and other remediation efforts. This accounting work enabled the differentiation of capital vs O&M, CPUC vs FERC (*e.g.*, distribution vs transmission) activity and incremental versus non-incremental costs. For purposes of this Application, only incremental CPUC-jurisdictional costs were included for recovery.<sup>60</sup> This testimony further details the nature and costs for each CEMA event by the cost categories: internal labor, materials, overheads, vehicle charges, external labor, and services/other.

As indicated by this summary of SDG&E's prepared direct testimony, SDG&E utilized a comprehensive accounting methodology to distinguish clearly between ordinary, routine costs and those that are extraordinary and would not have occurred *but for* the extraordinary CEMA event.

**B. SDG&E's Responses to Cal Advocates' Data Requests Were Fully Responsive, Consistent with SDG&E's Methodology for Excluding Costs For Extraordinary CEMA Events from its GRC**

As confirmed by Cal Advocates, the Commission has not prescribed any particular way by which a utility must demonstrate, by a preponderance of evidence, that the costs in its CEMA Application are incremental.<sup>61</sup> Further, as noted below, Cal Advocates mistakenly believes that the Commission's requirements dictate that a utility must first "exhaust" its GRC authorized funding levels before the costs reflected in the utility's CEMA accounts can be recovered.<sup>62</sup> Therefore, the Commission should understand that Cal Advocates' data requests are premised on

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<sup>59</sup> *Id.* at 10-11.

<sup>60</sup> *Id.* at 11.

<sup>61</sup> Tr. at 64, line 7 through Tr. at 66, line 9.

<sup>62</sup> *See* Section II.B., above.

obtaining answers relating to one or more SDG&E GRCs to substantiate its “unspent vs. authorized” analysis that the Commission has rejected.. Cal Advocates’ mistaken understanding of the “incrementality” requirements also means that its reliance on answers – especially numbers-laden answers – is also misplaced and not supported by the Commission’s requirements.

SDG&E’s responses to Cal Advocates’ data request must be read and understood in this context. Despite these flaws in the premises for Cal Advocates’ data requests, SDG&E fully answered Cal Advocates’ questions in a manner that is consistent with its overall incremental methodology, described above.<sup>63</sup> Each of Cal Advocates’ seven questions and SDG&E’s associated responses appears in Attachment 3 to this Opening Brief, and each is individually discussed here to show the completeness of SDG&E’s responses.

### **Attachment 3A -- Payroll Taxes and Incentive Compensation Plan (ICP) Payout**

This question asks why SDG&E’s Application does not seek to recover O&M labor overheads, whereas the Application seeks to recover labor overheads for payroll taxes and ICP payout assigned to overtime labor.

SDG&E responded by stating that SDG&E made a business decision, just for this case, not to seek recovery for any O&M overheads in this Application.<sup>64</sup> Even though reasonable and incremental O&M overheads can legitimately be included in a CEMA application, SDG&E elected not to do so to simplify this Application. Cal Advocates confirmed during cross-examination that SDG&E is not required to seek cost recovery of all reasonable and incremental

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<sup>63</sup> Cal Advocates embedded seven of its data request questions and answers thereto in Ex. CA-01 at 15-20. SDG&E also addressed these same Cal Advocates data request questions in its Prepared Rebuttal testimony, Ex. SDGE-02, Attachments A and B.

<sup>64</sup> Ex. SDGE-01 at 7.

CEMA-related costs that it is otherwise eligible to recover.<sup>65</sup>

This was a reasonable question, and SDG&E's answer was also reasonable and complete.

**Attachment 3B – Supporting Documentation for Incremental State Unemployment Insurance, Federal Unemployment Insurance, and Federal Retirement and Medical Insurance for the capital labor for the eight CEMA Events**

This question requested documentation to support SDG&E's payment of three types of taxes associated with the capital labor for the eight CEMA Events.

SDG&E provided that documentation in a complete response.

**Attachment 3C – Engineering, Department Overheads, Administrative and General**

This question asks why SDG&E's Application seeks recovery for the "non-labor" (*i.e.*, provided by people outside of SDG&E) capital (not O&M) portion of engineering, department overheads and administrative and general.

SDG&E replied that these capital overheads are "external costs incurred that vary with the work being performed."

This issue was also addressed during the November 2, 2023 evidentiary hearing, at which the topic of Engineering expenses was addressed. There, Cal Advocates' witness stated that SDG&E's overhead costs for engineering services as included in this Application are recoverable.<sup>66</sup>

**Attachment 3D – Contract Administration, Shop Order, Small Tools, Purchasing and Warehouse**

This question is similar to the question in Attachment 3A, above, asking why SDG&E's Application does not seek to recover O&M and yet seeks to recover capital overheads for the non-labor portion of contract administration, shop order, small tools and purchasing and

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<sup>65</sup> Tr. at 35, lines 4-21.

<sup>66</sup> See Tr. at 39, lines 13-25. This topic is discussed more extensively in Section III, below.

warehouse.

SDG&E's answer to this question is identical to the answer to the question in 3A:

SDG&E make a business decision, just for this case, not to seek recovery for O&M overheads in this Application.

This also was a reasonable question, and SDG&E completely answered it.

**Attachment 3E – Follow-Up Question About Contract Administration, Shop Order, Small Tools, Purchasing and Warehouse**

The question followed up on the question attached as Attachment 3D, requesting for SDG&E's "analysis that SDG&E performed to conclude that [those expenses] are incremental to funds authorized through the General Rate Case (GRC)."

SDG&E answered: "As each GRC witness reviews historical costs, overtime labor and non-labor costs associated with each CEMA Event are excluded to present a history of normal, ongoing activities. As stated in [Exhibit SDGE-01 at 6]: 'Regular work was merely deferred until a later time, but still completed, because all available resources were utilized to restore and repair damaged facilities.'"

The answer further explains that "straight-time labor," which is routine, are included in a GRC and not included in this CEMA Application. In contrast, "the non-labor portions of contract administration, shop orders, small tools and purchasing and warehouse include external costs from third parties do increase as CEMA activities occur...[and] are incremental to the GRC and therefore recoverable."

SDG&E's complete response explains the methodology by which SDG&E removes CEMA costs from its GRC and also why external labor costs, such as engineers needed to address a CEMA repair, for example, are indeed incremental and not included in its GRCs.

**Attachment 3F – Follow-up Question About Engineering, Department Overheads, and Administrative and General**

This question follows up on the question included above as Attachment 3C, requesting an “analysis” to conclude that Engineering, Department Overheads and Administrative and General are incremental.

SDG&E’s response to this question was the same as that indicated above for 3E, immediately above:

In preparation of its GRC, each SDG&E GRC witness removes all CEMA-related costs from each area of testimony. In a subsequent CEMA event, SDG&E’s external costs for Engineering, Department Overheads and Administrative and General are then incremental to GRC-included costs.

**Attachment 3G – Provide all analyses to compare what was collected in authorized General Rate Case (GRC) authorized rates for overheads and what was expended for overheads in routine work as part of normal operations so that SDG&E can substantiate that the overheads requested for the CEMA Events are incremental.**

SDG&E responded in full to this question, stating that, as with its answers to the prior two questions, CEMA-related work is excluded from its GRCs as each GRC is being prepared.

SDG&E also indicated that in SDG&E’s SDGE-01, Exhibit 11 (attached to this Opening Brief as Attachment 2), SDG&E explained its analysis that overheads listed in that document as “non-incremental” do not fluctuate with increased work; they are fixed in nature. However, in contrast, costs listed in that document as “incremental” are variable and non-routine. SDG&E states: “For example, the non-labor portion of engineering services to handle the additional engineering work will include the additional costs associated with the additional purchased engineering services to handle the additional engineering work added to the normal work caused by the CEMA event.”

**Conclusion Regarding SDG&E’s Responses to Cal Advocates’ Data Requests Relied on by Cal Advocates in Formulating its Disallowance Recommendation.**

As indicated in this Section, SDG&E did, in fact, fully and directly answer each of Cal Advocates’ questions. These responses further explain and support SDG&E’s methodology for creating a clear demarcation between incremental and non-incremental costs. Cal Advocates’ allegations that SDG&E’s data request responses somehow do not prove the incrementality of its costs in SDG&E’s Application are based on its own flawed analysis or its myopic view of SDG&E’s showing.

**C. SDG&E’s Prepared Rebuttal Testimony Comprehensively Responded to Cal Advocates’ False Claim that SDG&E’s Responses to Their Data Requests Contained “Insufficient Data and Analysis”**

SDG&E’s Prepared Rebuttal Testimony, entered into the record as Exhibit SDGE-02, was served three weeks after the service of Cal Advocates testimony, Exhibit CA-01. As indicated in Section I.B., above, Cal Advocates’ disallowance recommendation is based on two unsupported allegations – unsupported by any facts adduced on its own, and notably, unsupported by any facts that contradict any factual assertions set forth in SDG&E’s testimony. SDG&E’s rebuttal testimony challenges Cal Advocates’ statements of opinion because neither of those two statements indicates the facts, analysis or Commission precedent on which they are based.

SDG&E’s Rebuttal Testimony sought to level-set its position on the issue of whether any CEMA costs have already been included in an SDG&E GRC. SDG&E states:

SDG&E can state here for the record with no uncertainty that the instant CEMA case requests no costs that SDG&E previously sought or is currently seeking in any other proceeding or venue, nor will it do so.<sup>67</sup>

At the November 2, 2023 evidentiary hearing, Cal Advocates’ witness stated that her opinions were based on SDG&E’s data requests and “testimony”; however, she admitted during

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<sup>67</sup> Ex. SDGE-02 at 4.

the hearing that she had not reviewed SDG&E's rebuttal testimony:

Q: Now, in light of the statement on page 4 [of SDG&E's Rebuttal Testimony] that I read and anything else in Mr. Gentes's rebuttal testimony, was there anything there, those statements, that would cause you to change anything that you said with respect to your testimony with respect to capital overhead cost issues?

A: No.

Q: And why is that?

A: It hasn't changed my opinion, my recommendation. I did not analyze everything in Mr. Gentes' rebuttal, so I cannot answer your question as to why.<sup>68</sup>

During the hearing, SDG&E further asked Cal Advocates the following:

Q: ... With respect to Mr. Gentes' rebuttal testimony pages 5 through 9 that we were just talking about, do you have any facts or analysis that would challenge or contradict anything that Mr. Gentes said there?

A: No. But I do want to point out that this was submitted after my report.<sup>69</sup>

SDG&E served its Rebuttal Testimony on July 21, 2023; the evidentiary hearing was on November 2, 2023. Cal Advocates had ample opportunity before the hearing to review the Rebuttal Testimony, and it was given ample opportunity at the hearing to respond to anything in the Rebuttal Testimony.<sup>70</sup> Cal Advocates' written and oral testimonies are devoid of facts to challenge the validity of SDG&E's position.

Even though Cal Advocates may continue to turn a blind eye to this repeated statement of sworn testimony, as has been illustrated throughout this Section II, Cal Advocates cannot justify its failure or refusal to disregard the accounting methodology that appears in Exhibit SDGE-01 and summarized above in Section II.A. There, SDG&E provided an extensive amount of information an analysis explaining why no CEMA costs would have been part of SDG&E's GRC.

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<sup>68</sup> Tr. at 68, lines 12-23.

<sup>69</sup> Tr. at 76, lines 11-17.

<sup>70</sup> *Id.*, lines 18-23.



SDG&E's accounting methodology was explained in even more detail on pages 5 through 9 of SDG&E's Rebuttal Testimony. For example, SDG&E states:

SDG&E adopted a narrow view of costs recoverable via a CEMA application: Capital overhead costs that are more fixed in nature and forecastable were not considered by SDG&E to be incremental and therefore would not be recoverable. Therefore, such costs were not included in SDG&E's CEMA Application because they would have been forecasted and included in a GRC. For example, the Engineering Labor overhead costs include the costs associated with SDG&E employees that perform engineering, design, project planning and project management. Due to the shorter duration of a CEMA event, SDG&E would not hire additional employees to do this work. Therefore, the labor costs included in the Engineering Labor overhead would not vary or increase due to the CEMA event and are included in our GRC requests. SDG&E did not include such costs in this Application.<sup>71</sup>

In light of this statement, Cal Advocates' claim that SDG&E provided "insufficient information and analysis" makes no sense.

Further, SDG&E's Rebuttal Testimony also states why certain expenses were not included in this Application:

As another example, the Payroll Taxes overhead on straight-time labor is forecastable based upon the straight-time labor included in the GRC request, and therefore it is not considered incremental. Since these types of capital overhead costs do not vary or increase when a CEMA event occurs, SDG&E does not consider them incremental, and therefore these costs are not included in this CEMA Application.<sup>72</sup>

Again, SDG&E's statements regarding its methodology for treating the costs sought for recovery in its GRC or CEMA cases have been, by all indications so far, lost on Cal Advocates. SDG&E's Rebuttal Testimony contains yet additional "information and analyses" not repeated here.

There is nothing in any Commission requirement or precedent that precludes SDG&E from demonstrating its case-in-chief by providing an accounting methodology that creates a clear

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<sup>71</sup> Ex. SDGE-02 at 5.

<sup>72</sup> *Id.* at 6.

distinction between incremental and non-incremental costs. This type of demonstration is particularly suitable to SDG&E because SDG&E does not forecast any extraordinary or catastrophic events in its GRCs.

During the November 2, 2023 evidentiary hearing, Cal Advocates was given ample opportunity to respond to some or all of the points in SDG&E's subsequently served Rebuttal Testimony. It declined to do so, stating merely that it did not change its "opinion" of SDG&E's showing. Cal Advocates' disregard of and dismissive reaction to *any* aspect of SDG&E's Rebuttal Testimony is itself a case of *res ipsa loquitur*: if they have nothing substantive to say, just say "insufficient," nothing more. SDG&E's Rebuttal Testimony, by itself, renders meritless Cal Advocates' claim that SDG&E has provided "insufficient information and analysis...."

**D. The Prepared Direct Testimonies of SDG&E's Witnesses Pavao, Kinsella and Watson Describe in Detail the Catastrophic Nature of Each CEMA Event and the Extraordinary Efforts SDG&E Applied to Remediate Them.**

This fourth component of SDG&E's *prima facie* showing is comprised of the uncontroverted testimonies of three SDG&E witnesses, now in the record of this proceeding: Mr. Peter M. Pavao, Mr. L. Patrick Kinsella, and Mr. Bobby W. Watson, Jr.<sup>73</sup> The testimony of Mr. Pavao, Manager – Construction Metro and Operations Center, addresses seven of the eight CEMA Events (all except the 2020 COVID-19 Pandemic event, which is discussed in the Prepared Direct Testimony of Mr. Watson). Mr. Pavao's testimony discusses, for each of the seven events, the relevant facts and catastrophic nature of each CEMA event and SDG&E's responses to each one. Mr. Kinsella, Director, Gas Operations, presents testimony regarding SDG&E's gas-related response to two CEMA events, the 2017 Lilac Fire and the 2018 West Fire,

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<sup>73</sup> Their testimonies have been entered into the record as Exhibits SDGE-08, SDGE-09, and SDGE-10, respectively. Mr. Bobby W. Watson took over as the sponsor of testimony previously authored by Mr. Ron Kiralla.

including remediating hazardous conditions. Mr. Watson, Director, Safety, discusses SDG&E's response to the COVID-19 pandemic, including SDG&E's many efforts to maintain SDG&E's provision of safe and reliable electric and gas service during this CEMA event.

Because the reasonableness of SDG&E's expenses necessary to address the eight CEMA Events is not in dispute, and because there also is no dispute that the costs for which SDG&E seeks recovery were in fact incurred,<sup>74</sup> this Opening Brief will not further address these areas of testimony.

**E. During Hearings, Cal Advocates Agreed With SDG&E's Incrementality Methodology but Disagrees With SDG&E About Whether SDG&E's GRC Authorization for Overheads Must Be Depleted Before Recovering its CEMA Costs.**

During hearings, it became apparent that Cal Advocates actually agreed with SDG&E about key aspects of its accounting methodology that ensures incrementality and precludes the double-counting of costs. The disagreement, however, relates to whether SDG&E must first exhaust unspent but authorized overheads funding from a prior GRC – an invalid position that Cal Advocates has advanced previously (and recently) and that the Commission has rejected.

The following excerpts illustrate the issue.

Q: Do you understand that SDG&E seeks to include its routine costs in its GRCs, and not its CEMA cases?

A: Yes.

Q: Do you understand that the CEMA account is exclusively for emergency incremental work?

A: Yes.

Q: Then, what was the connection you were making earlier between SDG&E's CEMA account and the GRC?

[...]

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<sup>74</sup> Tr. at 19, lines 4–9.

A: -- if you go to line 20, I said Cal Advocates disagrees with SDG&E's determination that overhead costs associated with the non-labor portion of capital expenses is incremental. Cal Advocates considers overheads already recovered in rates as part of SDG&E's general rate case, GRC's, previously authorized funding levels, and should not be considered incremental....<sup>75</sup>

As indicated above, Cal Advocates does understand SDG&E's accounting methodology for including only "routine" costs in its GRCs and only "emergency incremental" costs in its CEMA accounts. Cal Advocates takes no issue with that methodology. Yet, that is the core reason why SDG&E's CEMA costs are incremental – a point she admitted on cross-examination that she agreed with. It does not follow, however, that "Cal Advocates considers overheads already recovered in rates." That statement is wholly inconsistent with prior admissions, is unsupported by any facts, and does not follow from it.

This same point was revisited and confirmed shortly thereafter:

Q: But, I want to go back to what we were talking about a moment ago, which is the relationship of SDG&E's CEMA and – to SDG&E's GRC.

Is it your understanding that SDG&E puts costs in one proceeding that would not be appropriate to put in the other proceeding, that the two types of proceedings are mutually exclusive?

A: Yes.<sup>76</sup>

These two exchanges demonstrate that Cal Advocates admitted to understanding SDG&E's accounting methodology that provides for the inclusion of only routine, fixed costs in its GRCs, the inclusion of only costs for catastrophic CEMA events in its CEMA Applications; and the two are mutually exclusive. Given Cal Advocates' understanding of these accounting methodologies, it is simply impossible for Cal Advocates to conclude – with no supporting evidence – that it "considers overheads [requested by SDG&E in this CEMA Application]

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<sup>75</sup> Tr. at 23, lines 6-23.

<sup>76</sup> Tr. at 24, line 19 through Tr. 25, line 1.

already recovered in rates.” These exchanges in this Section also contradict Cal Advocates’ allegation that SDG&E provided “insufficient information and analysis.” Cal Advocates admitted to understanding the essential points in SDG&E’s accounting methodology that ensure the mutual exclusivity of costs that are forecasted in SDG&E’s GRCs and those tracked in a CEMA account. The record of this case contains nothing to support Cal Advocates’ position and disallowance recommendation.

**F. Conclusion to Section II – Regarding SDG&E’s *Prima Facie* Showing**

As explained in this Section II, SDG&E indeed provided – and the record of this proceeding contains -- a detailed and comprehensive showing regarding the incrementality of its expenses. As ALJ DeAngelis indicated during the hearing: “We’re entitled to a little bit of evidence.... I would be interested in evidence.”<sup>77</sup> SDG&E agrees. SDG&E respectfully points out that, as indicated throughout this Section II, it has provided copious amounts of evidence to prove the incrementality of its CEMA costs, explain its rigorous accounting methodology designed to include only incremental, extraordinary costs in its CEMA Application that could not have been included in an SDG&E GRC. This Section II devotes one subsection each to a separate, key component of SDG&E’s *prima facie* showing: SDG&E’s prepared direct testimony; SDG&E’s responses to Cal Advocates’ data requests; SDG&E’s prepared rebuttal testimony; SDG&E’s three witnesses’ testimonies that describe the eight CEMA Events and SDG&E’s work to remediate each event; and Cal Advocates admissions during hearings to aspects of SDG&E’s incrementality methodology that preclude double-recovery of CEMA costs.

In light of this showing, Cal Advocates’ claim that SDG&E has provided “insufficient information and analysis” is simply contrary to reality, unsupported by any facts, and wholly

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<sup>77</sup> Tr. at 61, lines 22-25.

without merit. As demonstrated above, and with evidence obtained during cross-examination of Cal Advocates' witness, Cal Advocates has espoused a view of incrementality and the relationship between authorized GRC costs and legitimately incurred CEMA costs that has been rejected by the Commission. It appears that this incorrect understanding of the incrementality requirements has jaundiced its review of SDG&E's showing.

Notwithstanding Cal Advocates' view of SDG&E's showing, this Section II cannot reasonably be viewed as other than robust and meeting SDG&E's burden of proof, as further explained in Section III, below. The Commission should take account of all of SDG&E's evidence, all of which is in line with and supportive of SDG&E's showing of incrementality of the CEMA costs— including capital overhead costs – included in its Application. It is Cal Advocates' disallowance recommendation – not SDG&E's showing – that lacks even “a little bit of evidence” or support.

### **III. CAL ADVOCATES ADMITTED THAT SDG&E'S ENGINEERING OVERHEAD COSTS IN ITS APPLICATION ARE ESTABLISHED AND FULLY RECOVERABLE**

This CEMA Application seeks recovery of \$1.512 million in costs associated with third-party-provided engineering expenses. These are categorized as “non-labor” expenses, these outside services are essential to the restoration of services during the course of an officially declared CEMA event. They are not fixed, routine expenses that are or even could potentially be forecasted in an SDG&E GRC; rather, they are variable and called up on an as-needed basis. SDG&E asked Cal Advocates' witness about them at the November 2, 2023 evidentiary hearing:

Q: Can you define what you mean by “routine work”?

A: Work that SDG&E does as part of a general rate case in the operation.

Q: Okay. Let's say in the course of a CEMA event, SDG&E had to hire several specialized engineers to restore safe and reliable service promptly to its customers. Would that work be considered routine?

Mr. Tey [Cal Advocates' attorney]: Objection. Calls for speculation.

ALJ DeAngelis: The witness can go ahead and answer the question, please.

A: For a CEMA, no. It would not be routine.

Q: If SDG&E included those costs in its CEMA because the occurred pursuant to an officially declared CEMA event and SDG&E incurred incremental engineering expenses to restore safe and reliable service, could those costs be appropriately recovered in a CEMA case?

A: Could you repeat the question?

Q: Your Honor, this is getting difficult if we can't repeat back the same question. But I will try.

ALJ DeAngelis: Yes.

Q: SDG&E incurs additional account expenses for engineers to restore safe and reliable service during the course of just at the conclusion of an officially declared CEMA event. It incurs additional expenses for those engineering services. Can those engineering services be recovered in a CEMA application?

A: Yes.

Q: Can SDG&E seek to recover those types of costs in this CEMA application?

A: Yes.

Q: Are those costs recoverable in this CEMA application?

A: Yes.<sup>78</sup>

SDG&E submits that, consistent with SDG&E's showing and Cal Advocates' admissions, the record dispositively establishes that SDG&E's engineering expenses included in this Application are undisputed and recoverable in the Commission's final Order in this case.

#### **IV. SCE'S CEMA METHODOLOGY HAS NO RELEVANCE TO SDG&E'S DIFFERENT CEMA APPLICATION AND METHODOLOGY**

Cal Advocates' written testimony discusses CEMA filings from SCE claiming that they "support Cal Advocates' recommendation that SDG&E's overhead costs associated with the capital work should be considered non-incremental. In recent CEMA applications by SCE, it excludes overhead type costs...."<sup>79</sup>

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<sup>78</sup> Tr. at 38, line 13 through Tr. 39 line 25.

<sup>79</sup> Ex. CA-01 at 21, lines 10-12.

During the November 2, 2023 evidentiary hearing, SDG&E asked questions about Cal Advocates' testimony referencing SCE's CEMA cases.

Q: Would you explain why a SoCal Edison CEMA filing is relevant in this proceeding?

A: I thought it would be helpful to the Commission to provide how another utility files their CEMA and what costs – and that – that they exclude overhead types of costs in their filings.

Q: But what does that have to do with SDG&E's filing?

A: As I said, it's an example in my testimony to show the Commission that there are other CEMA filings that other companies – or in this case, SC and "E" – SCE does not include overhead costs – this type of overhead costs.

Q: You – we asked this earlier – but has the Commission stated that there is one particular way that a utility must go about establishing the incrementality of its costs, or is it – has the Commission indicated that all utilities must follow Edison's methodology for establishing incrementality?

Mr. Tey [Cal Advocates' attorney]: Objection; vague, overbroad, and asked and answered.

Mr. Szymanski: She hasn't answered the question. I haven't asked the question until now.

ALJ DeAngelis: What if we just shorten the question to whether the Commission has required all utilities to use Edison's standard. Is that – would that be okay?

Mr. Szymanski: That's fine.

[...]

The Witness: No, the Commission – the Commission does not request that every utility follow

[...]

Q: Does SDG&E have to follow the Edison methodology for establishing – for its treatment of CEMA-related costs?

A: No.

[...]



Q: Is it possible that Edison has a totally different way of structuring its GRC and costs and how it treats, therefore, its CEMA-related cost than SDG&E does?

A: Yes.<sup>80</sup>

Based on this exchange, it is clear that the “elephant in the hearing room” is that Cal Advocates’ introduction of SCE’s CEMA cases for the purpose of showing that one utility purportedly did not include capital overheads in one or more of its CEMA cases does not have any bearing on, or relevance to, the merits of SDG&E’s Application. In fact, neither Cal Advocates’ summaries of SCE’s CEMA cases nor Cal Advocates’ statements regarding them address whether SCE may have simply included its capital overhead costs in its GRCs. Neither the summaries support any suggestion that SCE simply decided to forego recovery its legitimately incurred capital overhead costs that were incurred during a CEMA event. SDG&E strongly doubts that is the case. Even if SCE declined to recover its legitimately incurred, incremental capital overhead expenses, that decision is irrelevant to this proceeding.

While Cal Advocates’ introduction of SCE’s CEMA cases is itself odd, what is more troubling is Cal Advocates raising the topic of SCE’s CEMA accounting treatment for capital overheads and failing to explain why SCE apparently did not seek to recover its capital overheads or ascertain whether SCE actually recovered those expenses in some other way. Cal Advocates painted an incomplete, misleading picture of how capital overhead costs incurred during a CEMA event are recovered by the two utilities.

This is yet another example of Cal Advocates’ utter failure to substantiate its positions with relevant facts. During cross-examination, given Cal Advocates’ manner of answering questions, SDG&E was compelled to ask:

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<sup>80</sup> Tr. at 64, line 7 through Tr. at 66, line 9.

Q: And do you agree with SDG&E that the Commission should resolve the disagreement that SDG&E has with Cal Advocates based on the facts and the law?

A: Yes.<sup>81</sup>

## V. BURDENS OF PROOF & GOING FORWARD

### A. SDG&E Unequivocally Carried Its Burden of Proof

Generally, regarding changes to a utility's rates, Public Utilities Code Section 451 provides that "[a]ll charges demanded or received by any public utility ... shall be just and reasonable." Also, Section 454(a) makes clear that "a public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in a new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified."

Additionally, with respect to CEMA Applications, Public Utilities Code Section 454.9 and other Commission resolutions, notably Resolution E-3238, and Commission precedents based thereon, also apply. Those authorities are discussed in Section I.C., above.

Regarding burdens of proof, long-standing Commission precedent dictates that an applicant such as SDG&E must carry its burden of proving it is entitled to the relief it is seeking in the proceeding and affirmatively establishing the reasonableness of all aspects of its application. The Commission's standard of proof in these cases is that of a preponderance of the evidence. Preponderance of the evidence usually is defined "in terms of probability of truth, *e.g.*, 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.'"<sup>82</sup>

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<sup>81</sup> Tr. at 29, lines 22-25.

<sup>82</sup> D.21-08-036 at 9-10 (citing D.08-12-058 at 19, citing Witkin, *Calif. Evidence*, 4th Edition, Vol. 1 at 184.).

Section II of this Opening Brief contains a lengthy and detailed recitation of SDG&E's evidence in this case. It describes SDG&E's detailed and comprehensive accounting methodology that ensure that the costs included in this CEMA proceeding, including the capital overhead costs that are at issue, are incremental and reasonable. SDG&E's showing consists of:

- The Prepared Direct Testimony of R. Craig Gentes, inclusive of its incremental accounting methodology and treatment of overheads, detailed accounting information of each of the eight CEMA Events discussed in this Application, and 37 supporting exhibits;
- A walk-through of all seven of Cal Advocates' data requests on which it bases its claim – falsely – that SDG&E did not respond to its questions;
- SDG&E's Prepared Direct Rebuttal Testimony of R. Craig Gentes that responds to all aspects of Cal Advocates' testimony (which Cal Advocates admits it did not fully analyze) which was admittedly uncontroverted by Cal Advocates;
- SDG&E's testimony from its witnesses Pavao, Kinsella and Watson who testified to the on-the-ground catastrophic nature of each CEMA event and SDG&E's associated extraordinary responses; and
- Statements made under oath from Cal Advocates' witness who agreed with SDG&E, among other things, that: (a) SDG&E's accounting treatment for routine, fixed costs which are forecast in SDG&E's GRCs are completely and mutually exclusive from costs for catastrophic events which are not recovered in an SDG&E GRC and instead are recovered exclusively in SDG&E's CEMA proceedings; and (b) SDG&E's engineering expenses for which it requested recovery in this case may be recovered in this case.

Cal Advocates submitted no evidence to challenge this showing. Cal Advocates may allege that SDG&E has not responded to its data requests or has provided “insufficient information and analysis,” but those allegations simply are contrary to fact and inconsistent with the array of SDG&E’s evidence contained in the record of this case and discussed in this Opening Brief.

Therefore, SDG&E respectfully submits that it has carried its burden of proof by a preponderance of the evidence, consistent with Commission precedent.

**B. No Identified Legal or Regulatory Authority Requires SDG&E to “Prove a Negative”**

Throughout this proceeding, SDG&E has steadfastly maintained that no CEMA costs have been recovered in any SDG&E GRC.<sup>83</sup> Cal Advocates, however, maintains just the opposite: “Cal Advocates considers overheads already recovered in rates as party of SDG&E’s General Rate Case’s (GRC’s) previously authorized funding levels and should not be considered incremental.”<sup>84</sup> In this Opening Brief, SDG&E has argued extensively that this statement is incorrect as a matter of law, unsupported by fact, and otherwise misplaced.

As noted in SDG&E’s Rebuttal Testimony:

While Cal Advocates may want ‘proof’ of no double-counting, Cal Advocates’ Testimony fails to state how any party can prove that costs sought for recovery in a CEMA application were not sought in another proceeding, such as a GRC, when in fact no such ‘evidence’ in another case exists, because the costs were not actually included in the GRC. Cal Advocates’ Testimony does not explain how SDG&E could conceivably ‘prove’ the ‘non-existence’ of double-counting when the costs at issue were not included in SDG&E’s GRC, as Cal Advocates’ Testimony claims. Aside from this flaw, SDG&E can offer four other types of ‘evidence’ sufficient to foreclose any doubt about double-counting.<sup>85</sup>

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<sup>83</sup> See e.g., SDGE-02 at 4, lines 15-17. See also *id.* at 8, lines 10-13.

<sup>84</sup> Ex. CA-01 at 13, lines 22-24.

<sup>85</sup> Ex. SDGE-02 at 3, line 18 through 4, line 3.

SDG&E is unaware of a legal or Commission precedent that would ask or require such a showing that is inherently unworkable: how does one prove that something that does not exist really does not exist? This type of demand, which is essentially what Cal Advocates is asking of SDG&E, has not be supported by Cal Advocates with any legal authority or explained how it could be applied in a utility’s CEMA case.

By analogy, it could mean that utilities seeking their electric energy procurement-related costs in a typical Commission ERRRA case would have to “prove” that no such procurement costs have been ever sought in that utility’s GRCs. Such a thing would be not only unthinkable and unnecessary but preposterous. Cal Advocates’ “prove a negative” proposition is without support and is otherwise unworkable, patently unfair and unreasonable.

As stated above in Section V.A., SDG&E has fully carried its burden of proof according to statutory and Commission requirement. The Commission should and must not indulge Cal Advocates’ “creative” approach<sup>86</sup> that has no basis in law of fact.

**C. Under Applicable Precedent, the Burden of Going Forward Shifted to Cal Advocates**

“Although the utility bears the ultimate burden to prove the reasonableness of the relief they seek and the costs they seek to recover, the Commission has held that when other parties propose a different result, they too have a ‘burden of going forward’ to produce evidence to support their position and raise a reasonable doubt as to the utility’s request.”<sup>87</sup>

Section II of this Opening Brief explains how SDG&E has carried its burden of proof in this case. In light of SDG&E’s showing, according to Commission precedent, the burden of

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<sup>86</sup> Tr. at 12, lines 17-18.

<sup>87</sup> D.21-08-036 at 10 (citing D.20-07-038 at 3-4; D.87-12-067 at 25-26, 1987 Cal. PUC LEXIS 424, \*37.).

proof going forward shifted to Cal Advocates.

However, as pointed out throughout this Opening Brief, Cal Advocates has provided no factual showing, no facts to contradict SDG&E's showing, and its legal support for its demands for GRC-related data is misplaced and off-base due to its incorrect understanding of the Commission's CEMA precedent.

In sum, SDG&E submits that Cal Advocates has failed to meet its obligations of proof under applicable Commission standards.

## **VI. CONCLUSION**

This Opening Brief demonstrates that SDG&E's CEMA Application complied with applicable law and Commission authorities and precedent in establishing that the costs sought for recovery by the Application are reasonable and incremental. As explained above, Cal Advocate's opinions regarding the incrementality of SDG&E's applied-for costs is premised on an analysis previously advanced by Cal Advocates that has been rejected by the Commission. Cal Advocates' assertion that it "considers" SDG&E's CEMA overhead costs to have already been recovered in an SDG&E GRC has no substantiation; in fact, Cal Advocates admitted that it did not even look at an SDG&E GRC.

To recap just one salient discussion during the November 2, 2023 hearing:

Q: ... I want to go back to what we were talking about a moment ago, which is the relationship of SDG&E's CEMA and – to SDG&E's GRC.

Is it your understanding that SDG&E puts costs in one proceeding that would not be appropriate to put in the other proceeding, that the two types of proceedings are mutually exclusive?

A: Yes.<sup>88</sup>

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<sup>88</sup> Tr. at 24, line 19 through Tr. 25, line 1.

This exchange, alone, demonstrates that Cal Advocates had “sufficient information and analysis” to understand SDG&E’s methodology for establishing the incrementality of its costs in this CEMA Application. This methodology provides for the inclusion of only routine, fixed costs in its GRCs, the inclusion of only costs for catastrophic CEMA events in its CEMA Applications; and the two are mutually exclusive. Therefore, SDG&E’s CEMA costs are incremental to any overheads or other costs in an SDG&E GRC.

SDG&E has indeed carried its burden of proof in this proceeding. Under applicable Commission precedent, the burden shifts to Cal Advocates to provide evidence that persuasively contradicts SDG&E’s showing; however, it has not done so nor could it do so.

SDG&E is entitled to full recovery of its applied-for CEMA costs in this Application.

Respectfully submitted,

/s/ Paul A. Szymanski

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November 30, 2023

Attorney for:  
San Diego Gas & Electric Company

**Attachment 1**

**Exhibit 10 Attached to Prepared Direct Testimony of R. Craig Gentes  
Eight CEMA Events – CPUC Incremental Costs (2014-2022)**



**EXHIBIT 10**  
**SAN DIEGO GAS & ELECTRIC**  
**EIGHT CEMA EVENTS – CPUC INCREMENTAL COSTS (2014-2022)**  
**(in thousands of dollars)**

	CPUC Incremental				
	Total CPUC	Non-Incr Excluded	Total Incremental	Electric Distribution	Gas
<b>O&amp;M Expenses:</b>					
Internal Labor	12,343	2,730	9,613	7,973	1,640
Materials	4,802	-	4,802	3,613	1,189
Overheads	6,052	6,053	-	-	-
Vehicle Charges	714	714	-	-	-
External Labor	28	-	28	28	-
Services/Other	28,826	316	28,510	22,205	6,305
<b>Total O&amp;M</b>	<b>52,765</b>	<b>9,811</b>	<b>42,954</b>	<b>33,819</b>	<b>9,135</b>
<b>Capital Costs:</b>					
Internal Labor	3,431	407	3,025	3,025	-
Materials	966	-	966	966	-
Overheads	5,687	3,616	2,071	2,071	-
Vehicle Charges	744	744	-	-	-
External Labor	942	-	942	942	-
Services/Other	1,436	-	1,436	1,436	-
<b>Total Capital</b>	<b>13,206</b>	<b>4,767</b>	<b>8,439</b>	<b>8,439</b>	<b>-</b>
<b>Total</b>	<b>65,971</b>	<b>14,578</b>	<b>51,393</b>	<b>42,258</b>	<b>9,135</b>

**Attachment 2**

**Exhibit 11 Attached to Prepared Direct Testimony of R. Craig Gentes  
Account-Level Determination of Eligible (Incremental) & Ineligible  
(Non-Incremental) CEMA Costs**

**EXHIBIT 11**  
**SAN DIEGO GAS & ELECTRIC**  
**ACCOUNT-LEVEL DETERMINATION OF ELIGIBLE (INCREMENTAL) &**

<b>Cost Element</b>	<b>CE Description</b>	<b>Incremental</b>	<b>Non-Incremental</b>	<b>Cost Type</b>
6110020	SAL-MGMT S/T		X	Internal Labor
6110030	SAL-MGMT T&1/2	X		Internal Labor
6110040	SAL-MGMT D/T	X		Internal Labor
6110110	SAL-UNION S/T		X	Internal Labor
6110120	SAL-UNION T&1/2	X		Internal Labor
6110130	SAL-UNION D/T	X		Internal Labor
6110335	SAL-DEL LUNCH PREM	X		Internal Labor
6213005	MATL-OFFICE SUPPLIES	X		Materials
6213365	MATL-MEASURMT INSTRU	X		Materials
6213385	MATL-ELEC MISC	X		Materials
6213505	MATL-SAFETY	X		Materials
6213590	MATL-JANITORIAL SUPP	X		Materials
6220050	SRV-ADVRTSNG&MKTG	X		Services/Other
6220250	SRV-SOFTWR MAINT&LSE	X		Services/Other
6220843	SRV-VEHICLE WASHING	X		Services/Other
6220860	SRV-MAINT/REPAIR	X		Services/Other
6261050	VEH UTIL-LABOR		X	Transportation
6262050	VEH UTIL-NONLABOR		X	Transportation
6320002	TELE-CELLULAR PHONES	X		Services/Other
6110080	SAL-CLERICAL/TECH ST		X	Internal Labor
6110090	SAL-CLERICAL/TEC T&H	X		Internal Labor
6110100	SAL-CLERICAL/TECH DT	X		Internal Labor
6120010	EMP BEN-EMP WELL PGR	X		Services/Other
6120113	EMP BEN-GFT CARD/CRT		X	Services/Other
6130010	MEALS &TIP & ENT 100	X		Services/Other
6130012	EMP TRVL-MILEAGE	X		Services/Other
6130015	MEALS & TIP & ENT 50	X		Services/Other
6130023	EMP BEN-CORP EVENTS	X		Services/Other
6130040	EMP OTH-LIVNG EXP-IM	X		Services/Other
6210000	PURCHASED MATERIALS	X		Materials
6211470	MATL-PRINTED MATERLS	X		Materials
6211500	MATL-SAFETY EVENT	X		Materials
6213015	MATL-OFC FURNITURE	X		Materials
6213020	MATL-OFFICE EQUIPMNT	X		Materials
6213025	MATL-COMPUTER EQUIP	X		Materials
6213085	MATL-MISCELLANEOUS	X		Materials
6213120	MATL-AUDIO VISUAL EQ	X		Materials
6213130	MATL-BOTTLED WATER	X		Materials
6213165	MATL-CHEMICALS	X		Materials
6213180	MATL-COMPUTR HARDWAR	X		Materials
6213225	MATL-ELECTRIC EQUIP	X		Materials
6213275	MATL-GAS OPERATIONS	X		Materials

6213390	MATL-MRO&SAFETY SUPP	X		Materials
6213455	MATL-TOOLS	X		Materials
6213510	MATL-SAFETY EQUIPMNT	X		Materials
6215070	MI-KEARNY WRHSE	X		Materials
6215075	MI-NORTHCOAST WRHSE	X		Materials
6215080	MI-NORTHEAST WRHSE	X		Materials
6215085	MI-BEACH CITIES WRHS	X		Materials
6215090	MI-METRO WRHSE	X		Materials
6215092	MI-GREENCRAIG WRHSE	X		Materials
6215100	MI-EASTERN WRHSE	X		Materials
6215105	MI-ORANGE COUNTY WRH	X		Materials
6215110	MI-MIRAMAR WRHSE	X		Materials
6220008	SRV-CONTRACTORS	X		Services/Other
6220018	SRV-PRE-EMP PHYSICL	X		Services/Other
6220060	SRV-CATERING	X		Services/Other
6220062	SRV-FOOD-MAINT (CBS)	X		Services/Other
6220190	SRV-SECURITY	X		Services/Other
6220380	SRV-TEMP AGENCY LABOR	X		Services/Other
6220390	SRV-PRINT/GRAPHICS	X		Services/Other
6220412	SRV-COPY-CONVEN	X		Services/Other
6220422	SRV-COPY-SERVICE CTR	X		Services/Other
6220432	SRV-MAIL-O/NIGHT EXP	X		Services/Other
6220450	SRV-MAIL-POSTAGE	X		Services/Other
6220590	SRV-MISCELLANEOUS	X		Services/Other
6220790	SRV-MEDICAL	X		Services/Other
6220840	SRV-VEH&EQUIP RENTAL	X		Services/Other
6220855	SRV-UNIFRM LNDRY/RNT	X		Services/Other
6220890	SRV-LANDSCAPING	X		Services/Other
6220900	SRV-TRASH COLLECTION	X		Services/Other
6220920	SRV-SAFETY RELATED	X		Services/Other
6220980	SRV-JANITORIAL	X		Services/Other
6230390	SRV-PNTG GRPH VIDEO	X		Services/Other
6230641	SRV-TRNG & SEMIN EXT	X		Services/Other
6250001	DUES-BUSINESS/PROFES	X		Services/Other
6290400	MISC REIMBURSEMENTS	X		Services/Other
6320001	TELE-COMM SYS COSTS	X		Services/Other
6340000	Cash Discounts on Pu	X		Services/Other
6400450	A&G-OTHER MISC	X		Services/Other
6120012	EMP BEN-EMP RECOGNI		X	Services/Other
6120086	EMP BEN-RETIReact		X	Services/Other
6120145	EMP BEN-GIFT CARDS		X	Services/Other
6120151	EMP BEN-GIFT CRD INV		X	Services/Other
6120153	EMP BEN-EMP RECOG CA		X	Services/Other
6130001	EMP TRVL-AIR	X		Services/Other
6130016	EMP TRVL-CAR RENTAL	X		Services/Other
6130050	EMP TRVL-OTHER	X		Services/Other
6211380	MATL-ELECTRIC PARTS	X		Materials

6213030	MATL-SOFTWARE	X		Materials
6213035	MATL-GAS&DIESEL FUEL	X		Materials
6213070	MATL-PARTS	X		Materials
6213080	MATL-REPAIR PARTS	X		Materials
6213095	MATL-SUBSCR&PUBLICN	X		Materials
6213140	MATL-BUILDING MATERI	X		Materials
6213340	MATL-LABORATORY SUPP	X		Materials
6213480	MATL-PROMOTNL ITEMS	X		Materials
6213560	MATL-TELECOM EQUIPMT	X		Materials
6220000	PURCHASED SERVICES	X		Services/Other
6220004	SRV-CONTRACT LABOR	X		Services/Other
6220280	SRV-IT-OTHER	X		Services/Other
6220580	SRV-ONLINE SRV MISC	X		Services/Other
6220842	SRV-VEH REPAIR & MNT	X		Services/Other
6230140	SRV-MEDIA RELATIONS	X		Services/Other
6230380	SRV-CONTRACT LABOR	X		Services/Other
6230680	SRV-EVENT & TICKETS	X		Services/Other
6130020	EMP TRVL-HOTEL/LODG	X		Services/Other
6220848	SRV-VEH TOOL RPR/MNT	X		Services/Other
6261060	VEH OVER/UNDER-LABOR		X	Transportation
6262060	VEH OVER/UNDER-NLBR		X	Transportation
6220002	SRV-CONSULTING	X		Services/Other
6220005	SRV-CONTR-MAJOR PROJ	X		Services/Other
6220025	SRV-HLNG AND DISPSAL	X		Services/Other
6220091	SRV-PEST CONTROL	X		Services/Other
6220100	SRV-TREE TRIMMING	X		Services/Other
6220600	SRV-CONSULTING-OTHER	X		Services/Other
6220850	SRV-VEH&EQUIP W/OPER	X		Services/Other
6220960	SRV-MOVING	X		Services/Other
6230610	SRV-WATER	X		Services/Other
6230630	SRV-UTILITIES	X		Services/Other
6400375	A&G-REAL PROPRENTAL	X		Services/Other
6110256	SAL-MISC	X		Internal Labor
6213046	MATL-DIESEL FUEL VDR	X		Materials
6220110	SRV-TELEVISION ADVERT	X		Services/Other
6220130	SRV-RADIO ADVERTISNG	X		Services/Other
6220800	SRV-CONSERVATION	X		Services/Other
6350742	MISC CHARGES	X		Services/Other
6110171	SAL-PT TIME MGT S/T		X	Internal Labor
6220433	SRV-MAIL-COURIER	X		Services/Other
6213370	MATL-MECHANICAL EQUIP	X		Materials
6220560	SRV-CONSTRUCTN PAVNG	X		Services/Other
6231022	SERV-ENVIROMENTAL	X		Services/Other
6110330	SAL-OTHER CASH AWDS		X	Internal Labor
6130013	EMP TRVL-PER DIEM	X		Services/Other
6213105	MATL-ANODES	X		Materials
6215095	MI-MTN. EMPIRE WRHSE	X		Materials

6215115	MI-RAMONA WRHSE	X		Materials
6220870	SRV-PHONE&COMMUN SYS	X		Services/Other
6231042	HELICOPTER UTILIZAT	X		Services/Other
6900004	AFUDC-DEBT	X		Overheads
6900005	AFUDC-EQUITY	X		Overheads
6220006	SRV-C/SVC DEPT ONLY	X		External Labor
6220480	SRV-ENGINEERING	X		Services/Other
6220009	SRV-CONTR-SPECFC JBS	X		Services/Other
6213558	MATL-METAL POLES	X		Materials
6900200	ACCOUNTING ADJ.-NO O		X	Services/Other
6215572	MATL-AVIAN PROTECT	X		Materials
6215126	MI-CONTR WAREHOUSES	X		Materials
6610123	CAP PROP TAX - CWIP		X	Overheads
6110172	SAL-PT TIME C&T S/T		X	Internal Labor
6110182	SAL-PT TIME C&T T&H	X		Internal Labor
6110192	SAL-PT TIME C&T D/T	X		Internal Labor
6110232	SAL-CALLIN C&T S/T		X	Internal Labor
6110242	SAL-CALLIN C&T T&H	X		Internal Labor
6110252	SAL-CALLIN C&T D/T	X		Internal Labor
6215111	MATL-CPD Z61/Z62 ADJ	X		Materials
6213500	MATL-ROCK SAND DIRT	X		Materials
6220400	SRV-BUS FORMS STOCK	X		Services/Other
6231033	SRV-TRAFFIC CONTROL	X		Services/Other
6215127	MI-FORETRAVEL WAREHS	X		Materials
6221000	SRV-CONSTRUCTN-ELECT	X		Services/Other
6213090	MATL-FREIGHT	X		Materials
6213175	MATL-COMPRESSR EQUIP	X		Materials
6120011	EMP BEN-LT DISABILIT	X		Services/Other
6130011	EMP TRVL-INCIDENTALS	X		Services/Other
6220007	SRV-CONTR-TIME&EQUIP	X		Services/Other
6130014	EMP TRVL-PARKING	X		Services/Other
6130017	EMP TRVL-TAXI/SHUTTL	X		Services/Other
6220880	SRV-CONSTR-GAS PIPE	X		Services/Other
6220910	SRV-HAZ WASTE DISPOS	X		Services/Other
6210220	MATL-SCRAP MATL EXP	X		Materials
6213530	MATL-SUBSTA EQUIP	X		Materials
6221010	SRV-STORAGE	X		Services/Other
6231045	SRV-ENV HAZ MAT TRAN	X		Services/Other
6220530	SRV-CONSTRUCTN OTHER	X		Services/Other
9121100	V&S L (CS)		X	Overheads
9121200	ICP L (CS)		X	Overheads
9121400	PLPD L (CS)		X	Overheads
9121500	Wk Comp L (CS)		X	Overheads
9121600	P&B L (CS)		X	Overheads
9122300	PR Tax NL (CS)		X	Overheads
9122301	PR Tax NL ICP (CS)		X	Overheads
9122400	PLPD NL (CS)		X	Overheads

9122500	Wk Comp NL (CS)		X	Overheads
9122600	P&B NL (CS)		X	Overheads
9122900	P&B REF NL (CS)		X	Overheads
9123100	V&S L (CL)		X	Overheads
9123200	ICP L (CL)		X	Overheads
9123400	PLPD L (CL)		X	Overheads
9123500	Wk Comp L (CL)		X	Overheads
9123600	P&B L (CL)		X	Overheads
9124300	PR Tax NL (CL)		X	Overheads
9124400	PLPD NL (CL)		X	Overheads
9124500	Wk Comp NL (CL)		X	Overheads
9124600	P&B NL (CL)		X	Overheads
9124900	P&B REF NL (CL)		X	Overheads
9131700	Shop Order L (CS)		X	Overheads
9131850	Small Tools L (CS)		X	Overheads
9132700	Shop Order NL (CS)	X		Overheads
9132850	Small Tools NL (CS)	X		Overheads
9131150	Purchasing L (CS)		X	Overheads
9132150	Purchasing NL (CS)	X		Overheads
9131500	DOH ED L (CS)		X	Overheads
9131600	Eng ED L (CS)		X	Overheads
9131900	Capital A&G L (CS)		X	Overheads
9132500	DOH ED NL (CS)	X		Overheads
9132600	Eng ED NL (CS)	X		Overheads
9132900	Capital A&G NL (CS)	X		Overheads
9131250	Warehouse L (CS)		X	Overheads
9132250	Warehouse NL (CS)	X		Overheads
9132300	Exmpt Matl E NL (CS)	X		Overheads
9132310	Exmpt Matl G NL (CS)	X		Overheads
9131860	Union Cntrct L (CS)		X	Overheads
9131470	CFS Mgmnt L (CS)		X	Overheads
9132470	CFS Mgmnt NL (CS)	X		Overheads
9131450	Contract Adm L (CS)		X	Overheads
9132450	Contract Adm NL (CS)	X		Overheads
9131510	DOH GD L (CS)		X	Overheads
9131620	Eng GD L (CS)		X	Overheads
9132510	DOH GD NL (CS)	X		Overheads
9132620	Eng GD NL (CS)	X		Overheads

## **Attachment 3**

### **Select Cal Advocates Data Requests and SDG&E's Responses Appearing in Cal Advocates' Testimony**



**Attachment 3A**

**Cal Advocates Data Request SWC-006, Question 2 and SDG&E's Response**

**THE PUBLIC ADVOCATES OFFICE DATA REQUEST:  
PUBADV-SDGE-CEMA-AUDIT-SWC-004  
SDG&E RESPONSE**

**Date Received: April 27, 2023  
Date Submitted: May 11, 2023**

**QUESTION 2**

Please provide the reasons/justification as to why the labor overheads for payroll taxes and ICP payout assigned to overtime labor associated with capital labor are considered incremental but all overheads associated with O&M labor are considered non-incremental in recovery of CEMA costs.

**RESPONSE 2<sup>1</sup>**

As SDG&E was drafting this CEMA filing, the conclusion was that the labor overheads for payroll taxes and ICP payout assigned to overtime labor for both O&M and capital should be considered incremental. However, when SDG&E reviewed the historical amounts balanced in the various CEMA accounts only the labor overheads for payroll taxes and ICP payout on capital overtime labor were balanced. The labor overheads for payroll taxes and ICP payout on O&M overtime labor had not been balanced. Therefore, a determination was made just for this filing to not correct the amount of unbalanced incremental labor overheads for payroll taxes and ICP payout on O&M overtime labor. Instead, the wording quoted above in Question 1 of Mr. Gentes' testimony on page 7 was modified to state that, "all overheads associated with O&M labor are considered non-incremental" just for this filing to match the requested costs.

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<sup>1</sup> SDG&E's response to data request, PubAdv-SDGE-CEMA-Audit SWC-006, Question 2. Note that SDG&E's response is mislabeled as response to PubAdv-SDGE-CEMA-Audit-SWC-004.

**Attachment 3B**

**Cal Advocates Data Request SWC-006, Question 6 and SDG&E's Response**

**THE PUBLIC ADVOCATES OFFICE DATA REQUEST:  
PUBADV-SDGE-CEMA-AUDIT-SWC-004  
SDG&E RESPONSE**

**Date Received: April 27, 2023**

**Date Submitted: May 11, 2023**

**QUESTION 6**

Please provide supporting documentation that SDG&E paid incremental State Unemployment Insurance, Federal Unemployment Insurance, and Federal Retirement and Medical Insurance due to the capital labor associated with the eight CEMA Events.

**RESPONSE 6<sup>3</sup>**

SDG&E pays its associated payroll taxes to both the State and Federal agencies as required by law. SDG&E below is attaching examples of those returns in support of those payments being made.

- Attached is the Q1 2021 federal payroll tax return (Form 941) for SDG&E. The employer Social Security and Medicare taxes are noted on this form. Half of the amounts in lines 5c and 5d are the employer portion of the cost (6.2% for Social Security, 1.45% for Medicare) and the other half was withheld from employees. Please see “Q1 2021 941 Filings-SDGE.”
- Attached is the annual unemployment tax return for SDG&E showing the amounts due (line 12) and amounts paid (line 13). Please see “940\_VC\_SAA\_20214\_95-11848002271\_75.”
- Attached is the quarterly payroll tax return for CA (Form DE-9). The unemployment taxes are on line D and the total payments are listed in line I. Please see “CA DE-9-Filing-Q1 2021.”

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<sup>3</sup> SDG&E’s response to data request, PubAdv-SDGE-CEMA-Audit SWC-006, Question 6. Note that SDG&E’s response is mislabeled as response to PubAdv-SDGE-CEMA-Audit-SWC-004.

Form 941 for 2021: Employer's QUARTERLY Federal Tax Return
(Rev. March 2021) Department of the Treasury — Internal Revenue Service

950121
OMB No. 1545-0029

Employer identification number (EIN) 9 5 - 1 1 8 4 8 0 0
Name (not your trade name) SAN DIEGO GAS & ELECTRIC
Trade name (if any)
Address 488 8TH AVENUE
Number Street Suite or room number
SAN DIEGO CA 92101
City State ZIP code
Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2021 (Check one.)
[X] 1: January, February, March
[ ] 2: April, May, June
[ ] 3: July, August, September
[ ] 4: October, November, December
Go to www.irs.gov/Form941 for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4) 1 4901
2 Wages, tips, and other compensation 2 209570167.38
3 Federal income tax withheld from wages, tips, and other compensation 3 34423805.03
4 If no wages, tips, and other compensation are subject to social security or Medicare tax [ ] Check and go to line 6.
Column 1 Column 2
5a Taxable social security wages . . . 212858951.44 x 0.124 = 26394509.98
5a (i) Qualified sick leave wages . . . . . x 0.062 = .
5a (ii) Qualified family leave wages . . . . . x 0.062 = .
5b Taxable social security tips . . . . . x 0.124 = .
5c Taxable Medicare wages & tips . . . 232169776.08 x 0.029 = 6732923.52
5d Taxable wages & tips subject to Additional Medicare Tax withholding 14584863.73 x 0.009 = 131263.77
5e Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d 5e 33258697.27
5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions) . . . 5f .
6 Total taxes before adjustments. Add lines 3, 5e, and 5f . . . . . 6 67682502.30
7 Current quarter's adjustment for fractions of cents . . . . . 7 .
8 Current quarter's adjustment for sick pay . . . . . 8 .
9 Current quarter's adjustments for tips and group-term life insurance . . . . . 9 -11.79
10 Total taxes after adjustments. Combine lines 6 through 9 . . . . . 10 67682490.51
11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 11a .
11b Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1 11b .
11c Nonrefundable portion of employee retention credit from Worksheet 1 . . . . . 11c .

Name (not your trade name) SAN DIEGO GAS & ELECTRIC	Employer identification number (EIN) 95-1184800
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**Part 1: Answer these questions for this quarter.** (continued)

11d Total nonrefundable credits. Add lines 11a, 11b, and 11c . . . . . 11d

12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 . . . . . 12

13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter . . . . . 13a

13b Reserved for future use . . . . . 13b

13c Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 . . . . . 13c

13d Refundable portion of employee retention credit from Worksheet 1 . . . . . 13d

13e Total deposits and refundable credits. Add lines 13a, 13c, and 13d . . . . . 13e

13f Total advances received from filing Form(s) 7200 for the quarter . . . . . 13f

13g Total deposits and refundable credits less advances. Subtract line 13f from line 13e . . . . . 13g

14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions . . . . . 14

15 Overpayment. If line 13g is more than line 12, enter the difference  Check one:  Apply to next return.  Send a refund.

**Part 2: Tell us about your deposit schedule and tax liability for this quarter.**

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one:  Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1

Month 2

Month 3

Total liability for quarter  Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.

Name (not your trade name) SAN DIEGO GAS & ELECTRIC	Employer identification number (EIN) 95-1184800
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**Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.**

- 17 If your business has closed or you stopped paying wages . . . . .  Check here, and enter the final date you paid wages  /  / ; also attach a statement to your return. See instructions.
- 18 If you're a seasonal employer and you don't have to file a return for every quarter of the year . . . . .  Check here.
- 19 Qualified health plan expenses allocable to qualified sick leave wages . . . . . 19  .
- 20 Qualified health plan expenses allocable to qualified family leave wages . . . . . 20  .
- 21 Qualified wages for the employee retention credit . . . . . 21  .
- 22 Qualified health plan expenses allocable to wages reported on line 21 . . . . . 22  .
- 23 Credit from Form 5884-C, line 11, for this quarter . . . . . 23  .
- 24 Reserved for future use . . . . . 24  .
- 25 Reserved for future use . . . . . 25  .

**Part 4: May we speak with your third-party designee?**

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.


Yes. Designee's name and phone number

Select a 5-digit personal identification number (PIN) to use when talking to the IRS.

No.

**Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

 **Sign your name here**

Print your name here

Print your title here

Date  Best daytime phone

**Paid Preparer Use Only**

Check if you're self-employed . . . . .

Preparer's name	<input type="text"/>	PTIN	<input type="text"/>
Preparer's signature	<input type="text"/>	Date	<input type="text"/> / <input type="text"/> / <input type="text"/>
Firm's name (or yours if self-employed)	<input type="text"/>	EIN	<input type="text"/>
Address	<input type="text"/>		Phone <input type="text"/>
City	<input type="text"/>	State	<input type="text"/> ZIP code <input type="text"/>

# Schedule B (Form 941):

## Report of Tax Liability for Semiweekly Schedule Depositors

OMB No. 1545-0029

(Rev. January 2017)

Department of the Treasury — Internal Revenue Service

Employer identification number (EIN)   -

Name (not your trade name)

Calendar year     (Also check quarter)

**Report for this Quarter...**  
(Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Use this schedule to show your TAX LIABILITY for the quarter; don't use it to show your deposits. When you file this form with Form 941 or Form 941-SS, don't change your tax liability by adjustments reported on any Forms 941-X or 944-X. You must fill out this form and attach it to Form 941 or Form 941-SS if you're a semiweekly schedule depositor or became one because your accumulated tax liability on any day was \$100,000 or more. Write your daily tax liability on the numbered space that corresponds to the date wages were paid. See Section 11 in Pub. 15 for details.

Month 1					Tax liability for Month 1
1	<input type="text" value="1334.25"/>	9	<input type="text" value="7331.14"/>	17	15565719.18
2	<input type="text"/>	10	<input type="text"/>	18	
3	<input type="text"/>	11	<input type="text"/>	19	
4	<input type="text"/>	12	<input type="text" value="1599467.21"/>	20	
5	<input type="text" value="1925930.88"/>	13	<input type="text" value="255447.76"/>	21	
6	<input type="text" value="13668.30"/>	14	<input type="text" value="10831.86"/>	22	
7	<input type="text" value="4285.04"/>	15	<input type="text" value="5726350.49"/>	23	
8	<input type="text" value="11914.27"/>	16	<input type="text" value="2521.58"/>	24	
25	<input type="text"/>	25	<input type="text"/>	25	
26	<input type="text"/>	26	<input type="text" value="617.19"/>	26	
27	<input type="text"/>	27	<input type="text"/>	27	
28	<input type="text"/>	28	<input type="text" value="39785.01"/>	28	
29	<input type="text" value="5957776.22"/>	29	<input type="text" value="5957776.22"/>	29	
30	<input type="text" value="2230.69"/>	30	<input type="text" value="2230.69"/>	30	
31	<input type="text" value="6085.87"/>	31	<input type="text" value="6085.87"/>	31	
Month 2					Tax liability for Month 2
1	<input type="text"/>	9	<input type="text"/>	17	13154031.87
2	<input type="text" value="1117.17"/>	10	<input type="text"/>	18	
3	<input type="text" value="15449.97"/>	11	<input type="text" value="4579.18"/>	19	
4	<input type="text" value="2567.73"/>	12	<input type="text" value="6019810.22"/>	20	
5	<input type="text" value="1269.48"/>	13	<input type="text" value="83.04"/>	21	
6	<input type="text" value="344.66"/>	14	<input type="text"/>	22	
7	<input type="text"/>	15	<input type="text"/>	23	
8	<input type="text"/>	16	<input type="text" value="1117004.70"/>	24	
25	<input type="text" value="3300.06"/>	25	<input type="text" value="3300.06"/>	25	
26	<input type="text" value="5987049.86"/>	26	<input type="text" value="98.34"/>	26	
27	<input type="text" value="120.95"/>	27	<input type="text"/>	27	
28	<input type="text" value="1236.51"/>	28	<input type="text" value="1236.51"/>	28	
29	<input type="text"/>	29	<input type="text"/>	29	
30	<input type="text"/>	30	<input type="text"/>	30	
31	<input type="text"/>	31	<input type="text"/>	31	
Month 3					Tax liability for Month 3
1	<input type="text"/>	9	<input type="text" value="23460.79"/>	17	38962739.46
2	<input type="text" value="1012.77"/>	10	<input type="text" value="576.48"/>	18	
3	<input type="text" value="5456.48"/>	11	<input type="text" value="26637794.48"/>	19	
4	<input type="text" value="6118118.88"/>	12	<input type="text" value="6118118.88"/>	20	
5	<input type="text" value="6440.07"/>	13	<input type="text" value="6440.07"/>	21	
6	<input type="text" value="14659.32"/>	14	<input type="text" value="14659.32"/>	22	
7	<input type="text" value="6077200.07"/>	15	<input type="text" value="7726.37"/>	23	
8	<input type="text" value="44184.28"/>	16	<input type="text" value="9445.37"/>	24	
25	<input type="text" value="44184.28"/>	25	<input type="text" value="11527.42"/>	25	
26	<input type="text" value="5079.19"/>	26	<input type="text" value="5079.19"/>	26	
27	<input type="text" value="11527.42"/>	27	<input type="text" value="11527.42"/>	27	
28	<input type="text" value="5079.19"/>	28	<input type="text" value="5079.19"/>	28	
29	<input type="text" value="5079.19"/>	29	<input type="text" value="5079.19"/>	29	
30	<input type="text" value="5079.19"/>	30	<input type="text" value="5079.19"/>	30	
31	<input type="text" value="5079.19"/>	31	<input type="text" value="5079.19"/>	31	
Fill in your total liability for the quarter (Month 1 + Month 2 + Month 3) ▶					Total liability for the quarter
<b>Total must equal line 12 on Form 941 or Form 941-SS.</b>					67682490.51



Employer identification number (EIN)   -

Name (not your trade name)

Trade name (if any)

Address   
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

**Type of Return**  
 (Check all that apply.)

a. Amended

b. Successor employer

c. No payments to employees in 2021

d. Final: Business closed or stopped paying wages

Go to [www.irs.gov/Form940](http://www.irs.gov/Form940) for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

**Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.**

- 1a If you had to pay state unemployment tax in one state only, enter the state abbreviation . . . . . 1a
- 1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer . . . . . 1b  Check here. Complete Schedule A (Form 940).
- 2 If you paid wages in a state that is subject to CREDIT REDUCTION . . . . . 2  Check here. Complete Schedule A (Form 940).

**Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.**

- 3 Total payments to all employees . . . . . 3
- 4 Payments exempt from FUTA tax . . . . . 4
- Check all that apply: 4a  Fringe benefits 4c  Retirement/Pension 4e  Other  
 4b  Group-term life insurance 4d  Dependent care
- 5 Total of payments made to each employee in excess of \$7,000 . . . . . 5
- 6 Subtotal (line 4 + line 5 = line 6) . . . . . 6
- 7 Total taxable FUTA wages (line 3 - line 6 = line 7) See instructions . . . . . 7
- 8 FUTA tax before adjustments (line 7 x 0.006 = line 8) . . . . . 8

**Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.**

- 9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054 (line 7 x 0.054 = line 9). Go to line 12 . . . . . 9
- 10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet . . . . . 10
- 11 If credit reduction applies, enter the total from Schedule A (Form 940) . . . . . 11

**Part 4: Determine your FUTA tax and balance due or overpayment. If any line does NOT apply, leave it blank.**

- 12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) . . . . . 12
- 13 FUTA tax deposited for the year, including any overpayment applied from a prior year . . . . . 13
- 14 Balance due. If line 12 is more than line 13, enter the excess on line 14.  
 • If line 14 is more than \$500, you must deposit your tax.  
 • If line 14 is \$500 or less, you may pay with this return. See instructions . . . . . 14
- 15 Overpayment. If line 13 is more than line 12, enter the excess on line 15 and check a box below. 15
- ▶ You MUST complete both pages of this form and SIGN it. Check one:  Apply to next return.  Send a refund.

Next

Name (not your trade name) SAN DIEGO GAS & ELECTRIC Employer identification number (EIN) 95-1184800

Part 5: Report your FUTA tax liability by quarter only if line 12 is more than \$500. If not, go to Part 6.

16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

Table with 4 rows: 16a 1st quarter (202,094.88), 16b 2nd quarter (4,629.13), 16c 3rd quarter (6,816.84), 16d 4th quarter (5,907.91)

17 Total tax liability for the year (lines 16a + 16b + 16c + 16d = line 17) 17 219,448.76 Total must equal line 12.

Part 6: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Form with checkboxes for Yes/No, a text box for name and phone number, and a 5-digit PIN selection area.

Part 7: Sign here. You MUST complete both pages of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature area with 'X Sign your name here' and fields for name (W CORWIN), title (ADP ATTY-IN-FACT), date (02/11/22), and best daytime phone (877-706-0510).

Paid Preparer Use Only

Check if you are self-employed [ ]

Form for paid preparer with fields for name, signature, firm name, address, city, state, ZIP code, PTIN, date, EIN, and phone.

# Schedule A (Form 940) for 2021:

860312

## Multi-State Employer and Credit Reduction Information

Department of the Treasury - Internal Revenue Service

OMB No. 1545-0028

See the instructions on page 2. File this schedule with Form 940.

Employer identification number (EIN)   -

Name (not your trade name)

Place an "X" in the box of EVERY state in which you had to pay state unemployment tax this year. For the U.S. Virgin Islands, enter the FUTA taxable wages and the reduction rate (see page 2). Multiply the FUTA taxable wages by the reduction rate and enter the credit reduction amount. Don't include in the FUTA Taxable Wages box wages that were excluded from state unemployment tax (see the instructions for Step 2). If any states don't apply to you, leave them blank.

Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction	Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction
<input type="checkbox"/> AK	.	x 0.000	.	<input type="checkbox"/> NC	.	x 0.000	.
<input type="checkbox"/> AL	.	x 0.000	.	<input type="checkbox"/> ND	.	x 0.000	.
<input type="checkbox"/> AR	.	x 0.000	.	<input type="checkbox"/> NE	.	x 0.000	.
<input type="checkbox"/> AZ	.	x 0.000	.	<input type="checkbox"/> NH	.	x 0.000	.
<input checked="" type="checkbox"/> CA	.	x 0.000	.	<input type="checkbox"/> NJ	.	x 0.000	.
<input type="checkbox"/> CO	.	x 0.000	.	<input type="checkbox"/> NM	.	x 0.000	.
<input type="checkbox"/> CT	.	x 0.000	.	<input checked="" type="checkbox"/> NV	.	x 0.000	.
<input type="checkbox"/> DC	.	x 0.000	.	<input type="checkbox"/> NY	.	x 0.000	.
<input type="checkbox"/> DE	.	x 0.000	.	<input type="checkbox"/> OH	.	x 0.000	.
<input type="checkbox"/> FL	.	x 0.000	.	<input type="checkbox"/> OK	.	x 0.000	.
<input type="checkbox"/> GA	.	x 0.000	.	<input type="checkbox"/> OR	.	x 0.000	.
<input type="checkbox"/> HI	.	x 0.000	.	<input type="checkbox"/> PA	.	x 0.000	.
<input type="checkbox"/> IA	.	x 0.000	.	<input type="checkbox"/> RI	.	x 0.000	.
<input type="checkbox"/> ID	.	x 0.000	.	<input type="checkbox"/> SC	.	x 0.000	.
<input type="checkbox"/> IL	.	x 0.000	.	<input type="checkbox"/> SD	.	x 0.000	.
<input type="checkbox"/> IN	.	x 0.000	.	<input type="checkbox"/> TN	.	x 0.000	.
<input type="checkbox"/> KS	.	x 0.000	.	<input type="checkbox"/> TX	.	x 0.000	.
<input checked="" type="checkbox"/> KY	.	x 0.000	.	<input type="checkbox"/> UT	.	x 0.000	.
<input type="checkbox"/> LA	.	x 0.000	.	<input type="checkbox"/> VA	.	x 0.000	.
<input type="checkbox"/> MA	.	x 0.000	.	<input type="checkbox"/> VT	.	x 0.000	.
<input type="checkbox"/> MD	.	x 0.000	.	<input type="checkbox"/> WA	.	x 0.000	.
<input type="checkbox"/> ME	.	x 0.000	.	<input type="checkbox"/> WI	.	x 0.000	.
<input type="checkbox"/> MI	.	x 0.000	.	<input type="checkbox"/> WV	.	x 0.000	.
<input type="checkbox"/> MN	.	x 0.000	.	<input type="checkbox"/> WY	.	x 0.000	.
<input type="checkbox"/> MO	.	x 0.000	.	<input type="checkbox"/> PR	.	x 0.000	.
<input type="checkbox"/> MS	.	x 0.000	.	<input type="checkbox"/> VI	.	x 0.033	.
<input type="checkbox"/> MT	.	x 0.000	.				

**Total Credit Reduction.** Add all amounts shown in the *Credit Reduction* boxes. Enter the total here and on Form 940, line 11 . . . . .

DE 9

EDD 12356



00090111

QUARTER ENDED 03/31/21

DUE 04/01/21

DELINQUENT IF NOT POSTMARKED OR RECEIVED BY

04/30/21

21 1

ORIGINAL FILED ELECTRONICALLY

001 5390 8

SAN DIEGO GAS & ELECTRIC  
488 8TH AVENUE  
SAN DIEGO CA 92101

95 1184800

A. NO WAGES

B. OUT OF BUSINESS

B1

C. TOTAL SUBJECT WAGES PAID THIS QUARTER

645 852 971 32

D. UNEMPLOYMENT INSURANCE

1.70%

96 009 345 80

1 632 158 88

E. EMPLOYMENT TRAINING TAX (ETT)

0.10%

96 009 35

F. STATE DISABILITY INSURANCE (SDI)

1.20%

540 551 511 21

6 486 744 81

G. CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHELD

43 727 877 11

H. SUBTOTAL (Add Items D3, E2, F3, and G)

51 942 790 15

I. LESS:

51 943 405 42

J. TOTAL TAXES DUE OR OVERPAID (Item H minus Item I)

- 615 27

K. I declare that the above, to the best of my knowledge and belief, is true and correct, if a refund was claimed, a reasonable effort was made to refund any erroneous deductions to the affected employee(s).

Signature H.A. Healy Title ADP ATTY-IN-FACT Phone 877-706-0510 Date 04/28/21

**Attachment 3C**

**Cal Advocates Data Request SWC-006, Question 8 and SDG&E's Response**

**THE PUBLIC ADVOCATES OFFICE DATA REQUEST:  
PUBADV-SDGE-CEMA-AUDIT-SWC-004  
SDG&E RESPONSE**

**Date Received: April 27, 2023**

**Date Submitted: May 11, 2023**

**QUESTION 8**

Please provide the reasons/justification as to why additional overheads for engineering, department overheads and administrative and general for the non-labor portion associated with capital work are considered incremental.

**RESPONSE 8<sup>4</sup>**

The non-labor portion of these overheads includes external costs incurred that vary with the work being performed. Therefore, when SDG&E is performing incremental work caused by a CEMA event additional non-labor costs that go into these pools also are incurred. The labor portion of these overheads includes SDG&E employee labor which is being recovered via the General Rate Case funding and is therefore considered non-incremental.

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<sup>4</sup> SDG&E's response to data request, PubAdv-SDGE-CEMA-Audit SWC-006, Question 8. Note that SDG&E's response is mislabeled as response to PubAdv-SDGE-CEMA-Audit-SWC-004.

**Attachment 3D**

**Cal Advocates Data Request SWC-006, Question 3 and SDG&E's Response**

**THE PUBLIC ADVOCATES OFFICE DATA REQUEST:  
PUBADV-SDGE-CEMA-AUDIT-SWC-004  
SDG&E RESPONSE**

**Date Received: April 27, 2023  
Date Submitted: May 11, 2023**

**QUESTION 3**

Please provide the reasons/justification as to why the overhead costs for the non-labor portion of contract administration, shop order, small tools and purchasing and warehouse are considered incremental for capital but are considered non-incremental for O&M costs in recovery of CEMA costs.

**RESPONSE 3<sup>2</sup>**

As SDG&E was drafting this CEMA filing, the conclusion was that the non-labor portion of contract administration, shop orders, small tools and purchasing and warehouse for both O&M and capital should be considered incremental. However, when SDG&E reviewed the historical amounts balanced in the various CEMA accounts only these overheads on capital costs were balanced. These overheads on O&M costs had not been balanced. Therefore, a determination was made just for this filing to not correct the amount of unbalanced incremental overheads for these overheads on O&M costs. Instead, the wording quoted above in Question 1 of Mr. Gentes' testimony on page 7 was modified to state that, "Other common incremental overheads include the non-labor portion of contract administration, shop order, small tools and purchasing and warehouse. For O&M these overheads are considered non-incremental but for capital they are incremental." just for this filing to match the requested costs.

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<sup>2</sup> SDG&E's response to data request, PubAdv-SDGE-CEMA-Audit SWC-006, Question 3. Note that SDG&E's response is mislabeled as response to PubAdv-SDGE-CEMA-Audit-SWC-004.



**Attachment 3E**

**Cal Advocates Data Request SWC-007, Question 1 and SDG&E's Response**

**THE PUBLIC ADVOCATES OFFICE DATA REQUEST:  
PUBADV-SDGE-CEMA-AUDIT-SWC-007  
SDG&E RESPONSE**

**Date Received: May 16, 2023  
Date Submitted: May 25, 2023**

**RESPONSES**

Please provide the following:

**QUESTION 1**

In response to data request, PubAdv-SDGE-CEMA-Audit-SWC-006, question 3, SDG&E states, “As SDG&E was drafting this CEMA filing, the conclusion was that the non-labor portion of contract administration, shop orders, small tools and purchasing and warehouse for both O&M and capital should be considered incremental. However, when SDG&E reviewed the historical amounts balanced in the various CEMA accounts only these overheads on capital costs were balanced. These overheads on O&M costs had not been balanced.”

- a. Please provide the analysis that SDG&E performed to conclude that the non-labor portion of contract administration, shop orders, small tools and purchasing and warehouse for capital are incremental to funds already authorized through the General Rate Case (GRC).

**RESPONSE 1**

CEMA-related incremental work is not contemplated in SDG&E’s request for GRC funds. As each GRC witness reviews historical costs, overtime labor and non-labor costs associated with each CEMA event are excluded to present a history of normal, ongoing activities. As stated in my testimony, at page 6, “Regular work was merely deferred until a later time, but still completed, because all available resources were utilized to restore and repair damaged facilities.”

The straight-time labor portions of contract administration, shop orders, small tools and purchasing and warehouse are contemplated in the GRC. Although it is possible that overtime labor was incurred in these overheads due to these CEMA events, SDG&E decided to not pursue recovery of these overtime costs and therefore is considering any such overhead costs as non-incremental. However, the non-labor portions of contract administration, shop orders, small tools and purchasing and warehouse costs include external costs from third parties do increase as CEMA activities occur, similarly to the increased incremental direct charges on capital restoration work to address the emergency event. Therefore, these specific non-labor overhead costs are incremental to the GRC and therefore recoverable.

**Attachment 3F**

**Cal Advocates Data Request SWC-007, Question 2 and SDG&E's Response**

**THE PUBLIC ADVOCATES OFFICE DATA REQUEST:  
PUBADV-SDGE-CEMA-AUDIT-SWC-007  
SDG&E RESPONSE**

**Date Received: May 16, 2023  
Date Submitted: May 25, 2023**

**QUESTION 2**

In response to data request, PubAdv-SDGE-CEMA-Audit-SWC-006, question 8 regarding the incremental overheads for engineering, department overheads, and A&G, SDG&E states, “The non-labor portion of these overheads includes external costs incurred that vary with the work being performed. Therefore, when SDG&E is performing incremental work caused by a CEMA event additional non-labor costs that go into these pools also are incurred.”

- a. Please provide the analysis that SDG&E performed to conclude that the non-labor portion associated with engineering, department overheads, and A&G for capital are incremental to funds already authorized through the General Rate Case (GRC).

**RESPONSE 2**

CEMA-related incremental work is not contemplated in SDG&E’s request for GRC funds. As each GRC witness reviews historical costs, overtime labor and non-labor costs associated with each CEMA event are excluded to present a history of normal ongoing activities. As stated in my testimony, at page 6, “Regular work was merely deferred until a later time, but still completed, because all available resources were utilized to restore and repair damaged facilities.”

The straight-time labor portions of engineering, department overheads, and A&G are contemplated in the GRC. Although it is possible that overtime labor was incurred in these overheads due to these CEMA events, SDG&E decided to not pursue recovery of these costs and therefore is considering any such overhead costs as non-incremental. However, the non-labor portions of engineering, department overheads, and A&G costs include external costs from third parties do increase as CEMA activities occur, similarly to the increased incremental direct charges on capital restoration work to address the emergency event. Therefore, these specific non-labor overhead costs are incremental to the GRC and therefore are recoverable.

**Attachment 3G**

**Cal Advocates Data Request SWC-007, Question 3 and SDG&E's Response**

**THE PUBLIC ADVOCATES OFFICE DATA REQUEST:  
PUBADV-SDGE-CEMA-AUDIT-SWC-007  
SDG&E RESPONSE**

**Date Received: May 16, 2023  
Date Submitted: May 25, 2023**

**QUESTION 3**

Please provide all analysis that SDG&E performed to compare what was collected in authorized General Rate Case (GRC) authorized rates for overheads and what was expended for overheads in routine work as part of normal operations so that SDG&E can substantiate that the overheads requested for the CEMA Events are incremental

**RESPONSE 3**

As stated in the first paragraph, above, in the responses to questions 1 and 2: the costs for CEMA-related incremental work are not included in SDG&E's request for GRC funds. As each GRC witness reviews historical costs, overtime labor and non-labor costs associated with a CEMA event are excluded to present a history of normal ongoing activities. As stated in my testimony, at page 6, "Regular work was merely deferred until a later time, but still completed, because all available resources were utilized to restore and repair damaged facilities."

The overheads that SDG&E lists as non-incremental in Exhibit 11 of R. Craig Gentes' testimony generally do not fluctuate with increased work, such as the incremental work caused by a CEMA event. However, in contrast, the overheads listed in that testimony as incremental do increase as incremental work is performed caused by a CEMA event. For example, the non-labor portion of the engineering overhead will include the additional costs associated with additional purchased engineering services to handle the additional engineering work added to the normal work caused by the CEMA event.

**END OF REQUEST**

All responses were prepared by Craig Gentes, Director Accounting Operations