

**ORA DATA REQUEST
ORA-SDGE-177-TCR
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: APRIL 12, 2018
DATE RESPONDED: MAY 21, 2018**

Exhibit Reference: SDG&E-14

SDG&E Witness: Alan F. Colton

Subject: Applicability of Engineering Overhead Pools

Please provide the following:

1. ORA understands that while the local engineering pools are used for the duration of programs that use blanket budget codes, they are only used for preliminary work that culminates in internal SDG&E approval of specific budget codes, as indicated by approval of a Work Order Authorization (WOA). Is this understanding correct? If not, please explain.

SDG&E Response 01:

That understanding is partially correct. In addition to preliminary evaluation and design prior to WOA approval, additional engineering pool work may be performed after a WOA is approved but ends before the creation of a construction order and the start of construction, after which time engineering work is direct-charged to the project. Work charged to the pools also varies by the majority type of work (distribution, transmission, substation, gas), as described in Question 2 below.

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2. Please provide any existing procedures or protocols that define when work should be recorded to Engineering Overhead Pools versus to a specific or blanket budget.

SDG&E Response 02:

For Electric Substation and Electric Transmission engineering, engineering work is direct charged to projects for all engineering on the project. For Electric Distribution, Gas Distribution or Gas Transmission Engineering, although some direct charging takes place particularly once large projects are identified and work orders have been created, many engineering costs are not normally direct charged to projects and engineering performed on projects is charged to the Engineering pools. This is due to volume of projects performed by engineers throughout the year. Large Substation and Transmission projects lend themselves more readily to direct charging over the course of the project.

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3. Please provide the accounting codes that engineers, designers, and planners use when they are between projects and use work time to study basic engineering, SDG&E standards, and other “homework” type of activities that do not result in a work product such as a document, drawing, or engineering model.

SDG&E Response 03

Time spent on activities that are not specific engineering tasks, such as for safety activities, training and re-certifications, costs are charged to operations and maintenance budgets. Engineering activities such as engineering meetings amongst engineering groups where engineering topics are discussed or future work resourcing is discussed is charged to the engineering overhead pools (the capital 901 and 904 budgets, for example). Supervisor and non-Engineer support teams (such as an assistant to the Engineer) also charge the pools. Engineering studies done by Engineers on existing facilities (but not for a specific project) can be charged to pools, since the goal is to determine system stress conditions, overload conditions or reconductoring efforts across the distribution network.

When O&M accounts are charged, they are charged to internal orders that generally correspond to the FERC chart of accounts. For electric transmission and distribution engineering, these can include these commonly-charged accounts:

Electric Transmission Expenses

FE00560.000 Operation supervision and engineering
FE00561.500 Reliability planning and standards development
FE00561.600 Transmission service studies
FE00561.700 Generation interconnection studies
FE00561.800 Reliability planning and standards development services
FE00568.000 Maintenance supervision and engineering

Electric Distribution Expenses

FE00580.000 Operation supervision and engineering.
FE00582.000 Station expenses
FE00583.000 Overhead line expenses
FE00584.000 Underground line expenses
FE00588.000 Miscellaneous distribution expenses
FE00590.000 Maintenance supervision and engineering
FE00598.000 Maintenance of miscellaneous distribution plant

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4. When were the current practices and procedures referenced in question 2 above:
- a. Approved,
 - b. First used on a systematic basis by Electric Distribution organizations.

SDG&E Response 04:

- a. The practice and procedures are derived from guidelines published to the FERC Uniform System of Accounts (USOA). It is unknown when FERC specifically identified Engineering as an overhead construction cost of capital, but the applicable section of the Code of Federal Regulations issuing its guidance (7 CFR 1767.16 - Electric plant instructions) originated Nov 10, 1993 and was amended May 27, 2008. 7 CFR 1767.16 (d) “Overhead construction costs” reads:
 - a. (1) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision performed by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts as the time the property is retired.

This section of the CFR can be found at this website:

<https://www.law.cornell.edu/cfr/text/7/1767.16?qt-ecfrmaster=0#qt-ecfrmaster>

- b. The first use of pooling engineering costs by electric distribution engineering groups began, and has continued generally unchanged in practice and procedure, for as long as FERC guidelines have allowed, beginning sometime prior to 1990.

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5. Did SDG&E have procedures in the past that resulted in less engineering time, on a percentage basis, being charged to Engineering Overhead Pools versus specific or blanket budgets? If so, please provide any superseded procedures or protocols that formerly defined when work should be recorded to Engineering Overhead Pools versus to a specific or blanket budget.

SDG&E Response 05:

In SDG&E's past, approximately in 1995 and lasting no more than two years, there was a protocol change for Gas Distribution and Electric Distribution to direct charge Engineering activities to projects, just as continues today at SDG&E for Electric Substation and Electric Transmission projects. The protocol ended when Management identified that it was not practicable for Gas Distribution and Electric Distribution engineers to accurately identify and accurately direct charge time in any given day of work to account for the multiple projects touched, handled and processed by multiple engineers. Therefore, the protocol was ended, and Gas Distribution and Electric Distribution Engineering reverted to earlier procedures (which have continued to current periods) of charging all engineering activities to only engineering pools.