

**CPUC ENERGY DIVISION DATA REQUEST  
REGARDING 2021 SB 695 REPORT  
IOU RECOMMENDATIONS TO LIMIT COST AND RATE INCREASES  
SDG&E RESPONSE  
REQUEST DATE: JANUARY 4, 2021  
RESPONSE DATE: JANUARY 21, 2021**

**Question 1 (Operational Productivity and Efficiency Opportunities):**

Please identify and make recommendations for at least five potential operational area cost-cutting strategies:

- a. Changes to office and travel expense prompted by COVID-19 Shelter-At-Home directives, for which the utility considers continued cost savings may be realized beyond the lifting of such directives.
- b. Changes to operational area expense due to use of Information Technology and Data Analytics.
- c. Changes to purchasing expense due to improvements in supply chain management.
- d. Two other recommendations, one of which should be centered in cost-cutting opportunities related to Transmission and Distribution expense.

**SDG&E Response:**

**a. Changes to Office and Travel Expense**

SDG&E is committed to making continuous improvements that help improve and increase our business efficiencies. Due to the ongoing COVID-19 pandemic and shelter-at-home directives, SDG&E has reduced travel-related activities and related expenses, and has been able to realize savings in this regard. Given ongoing uncertainties regarding the timing of the pandemic and the changing expectations for post-Covid work environments; at this time, SDG&E cannot determine whether these cost savings may continue after the pandemic has passed and related governmental directives have been lifted.

The COVID-19 pandemic has been incredibly challenging to navigate while maintaining our operational readiness; but has also provided insights into how our business may change in the future, post “Shelter-At-Home” directives. Some initiatives SDG&E is evaluating include:

**Real Estate Portfolio Optimization:** SDG&E is reviewing our current leases to see if there is a possibility to reduce the number of facilities, ensure proper utilization and occupancy, while supporting and maintaining operational priorities.

**Increasing Remote Worker Programs:** SDG&E is reviewing our current policies to support a possible increase in the numbers of employees that could effectively perform their duties either from home or alternate locations.

**Continuing Use of Virtual Meetings:** In light of the workforce’s ability to adapt to virtual

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meetings, SDG&E expects them to continue even after a return to the office. Encouraging virtual meetings, when appropriate, could decrease long-distance business travel and may result in cost savings due to reduced pool vehicle use and mileage reimbursement for local meetings.

**b. Changes to Operational Expense due to Information Technology and Data Analytics**

The following are the initiatives for operational efficiencies from use of Information Technology and Data Analytics:

**Robotics Process Automation (RPA):** SDG&E started automating manual, repetitive, and labor-intensive processes using Robotics Process Automation (RPA) beginning in 2018. This project is expected to end in 2021 and is expected to generate ongoing labor hour savings of over 200,000 labor hours per year. This project also provides opportunities for increased reliability in some cases because it allows us to perform, via automation, highly labor-intensive tasks that were prohibitive in the past.

**Intelligent Image Processing (IIP):** SDG&E is investing in the development of intelligent image processing (aka machine learning or artificial intelligence) technology to identify assets and detect potential damage to its electric facilities. With millions of images being ingested annually and an increase in data production anticipated in the future, SDG&E needs a way to process this data and focus its human resources on the potential hazards. Once fully developed and tested, the IIP models will process images in real time or in a fraction of the time it would take a human and increase the speed with which damages are detected and repaired. Thus, reducing future costs for inspections, improving SDG&E's asset inventory data, reducing the risk of wildfire caused by damaged electric infrastructure, and minimizing the number of faults on the system that disrupt power to its customers. This project, if successful, is expected to provide savings in labor resources as well as improving safety and reliability of the electric distribution system.

**Situational Awareness Dashboards (DASH):** SDG&E and SoCalGas established a centralized dashboarding team in 2019 to enhance the situational awareness of operations staff, leadership, and executives and enable data-driven decisions. Central themes of the dashboards target near-real time resource optimization and work order prioritization, as well as pro-active monitoring of numerous compliance and safety measures. In addition to creating ongoing labor savings, dashboards provide early warning signals on a broad range of cost, operational and compliance metrics, including invoice discounts, maintenance/inspections and training qualifications.

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**c. Changes to Purchasing Expense due to Improvements in Supply Chain Management**

**Enterprise Source To Pay (ES2P):** SDG&E is initiating an Enterprise Source To Pay (ES2P) project over the next 5 years. This initiative is replacing the disparate procurement systems of the purchase requisition platform, the contract management system, the new vendor system/portal, the sourcing system/platform, the dynamic discounting invoicing system, and the e-procurement platform, involving a material cost over 5 years. However, the project is expected to avoid approximately 20% of the total cost in subscriptions of existing solutions. It is also expected to save 78% of the total costs by replacing home-grown, unsupported, unstable, highly customized, costly legacy systems with a cohesive, best-in-class solution that is the industry standard, aligns with our IT roadmap, is on a stable and supported platform, and is completely integrated with our ERP. It is expected to increase sourcing and compliant purchasing by integrating sourcing activities, reducing extraneous activities, and increasing business/invoice control through compliance to contracted rates.

**Material & Logistics Robotics Processing Automation:** SDG&E's Logistics & Inventory group has undertaken a Robotics Processing Automation initiative to create labor capacity advancing the goal of transitioning staff from tactical tasks to more strategic work. This initiative reduces "re-work" on the Gas PO Requests related to quality issues associated with manual data entry and allows for accelerated growth by performance of tasks 24/7, 365 days a year. The anticipated benefit is approximately 6,458 hours of annual labor capacity creation contributing to strategic potentials by replacing the manual processing of approximately 15,600 Requests.

**Increasing Procurement Card Benefits:** Using the efficient and secure purchase method of procurement cards to meet regular, lower-dollar, low-risk company needs and emergency-driven buying has proven to be a long-standing cost-effective purchasing process. SDG&E is evaluating increasing usage of the cards for repetitive, low risk, purchases to reduce the Accounts Payable costs associated with payment processing and production. In turn, increased spend will increase the card program's bank rebate by approximately 1.5% of spend, offsetting O&M expense.

**d. Cost-cutting Opportunities related to Transmission and Distribution Expense**

As discussed in the TY 2019 GRC, the SDG&E and SoCalGas initiated a Fueling Our Future (FOF) initiative in May 2016 to examine operations to identify opportunities for efficiency improvements. FOF was an enterprise wide initiative designed to provide an opportunity to examine how we approach, organize and execute work. Built on the premise that within a successful company, opportunities exist to improve performance by better leveraging people, processes and technology, FOF focused on innovating and modernizing processes to meet the future needs of our business and build a better business through reinvestments. Additionally:

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- Efforts are underway to reduce the number of rescheduled electric construction jobs and associated duplicative work and rework. While some cancellations are beyond SDG&E's control, in other instances actions can be taken on SDG&E's part reduce the number of job's requiring rescheduling. SDG&E has identified many of the controllable causes of job rescheduling and is proactively addressing those issues to reduce the need to reschedule.
- SDG&E is utilizing SubCam camera technology to reduce pump truck expense when evaluating infrastructure in manholes/handholes – time and cost savings associated with new program are anticipated to be between \$50-\$100k per year.
- Electric Transmission & Distribution (ET&D) Capital Investment Optimization – With the significant increases in ET&D Capital investment year after year SDG&E has significantly improved its portfolio and project management, policies, procedures, and processes to improve the quality, timeliness, and overall cost of delivery. In the last several years SDG&E has put in business policies and processes to improve the quality and levelized the increasing workload across the ET&D portfolio of projects.

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**Question 2 (Managed Service Provider Opportunities):**

Please identify and make recommendations for potentially outsourcing work to external companies.

**SDG&E Response:**

Opportunities to outsource work to external companies are routinely assessed to ensure SDG&E is using the most capable and cost-effective resources, whether they are internal or external. SDG&E does not currently have any recommendations for outsourcing work to external companies.

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**Question 3 (Alternative Financing Opportunities)**

Please identify and make recommendations regarding the applicability within the utility of potential alternative financing mechanisms such as securitization.

**SDG&E Response:**

Guidance for California Investor Owned Utilities (IOUs) around the issuance and use of proceeds for debt securities and other potential financing mechanisms include the IOU's CPUC Long-Term Debt decisions, the Financing Rule adopted by Decision (D.) 12-06-015, as corrected by D.12-07-003; General Order 24-C; and, the capital structure and associated capital ratios adopted by the Commission. These rules and authorities approve the use of multiple financing options available to the IOUs.

SDG&E recommends that in addition to the financing options authorized above, alternative financing mechanisms could be considered by the Commission, as needed, on a case-by-case basis as there may be circumstances in which certain alternative financing mechanisms may benefit ratepayers by leading to an overall lower cost of financing. An example of this is sustainable financing or Environmental, Social and Governance ("ESG") financing as a growing suite of green financing products are coming to market.