

Application: A.23-11-XXX  
Witness: Leslie F. Hayles  
Chapter: 3

**PREPARED TESTIMONY OF  
LESLIE F. HAYLES  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY  
(CEMA ACCOUNTING)**

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



November 3, 2023

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**PREPARED TESTIMONY OF LESLIE F. HAYLES  
(CEMA ACCOUNTING)**

**I. PURPOSE**

The purpose of this testimony is to present Southern California Gas Company’s (SoCalGas) incremental costs related to several catastrophic events recorded in its Catastrophic Event Memorandum Account (CEMA) from the date in which the catastrophic event (CEMA event) was declared a State of Emergency through September 30, 2023.<sup>1</sup> This application and testimony refer to only those CEMA events summarized in the CEMA event groupings outlined below in Table AP-001. Further, this testimony discusses the accounting procedures followed by SoCalGas to track and account for the costs specific to only these CEMA events:

<b>Table AP-001 CEMA Event Summary</b>		
<b>CEMA Event Group</b>	<b>CEMA Event</b>	<b>CEMA Subaccount</b>
2017 Wildfires	Thomas Fire, Creek and Rye Fires, Skirball Fire	Subaccount B - Fire & Storm Event
2018 Wildfires	Hill and Woosley Fires	Subaccount C - Hill and Woolsey Fires
2019 Wildfires	Sandlewood Fire, Saddleridge Fire, Eagle Fire, Reche Fire, Wolf Fire, Tick Fire, Getty Fire, Easy Fire	Subaccount E - October 2019 Fires
2017 Winter Storms	2017 Atmospheric River Storms	Subaccount A - Storm Event
2019 Winter Storms	2019 Atmospheric River Storms	Subaccount D - 2019 Winter Storms
COVID-19 Global Pandemic	2020 COVID-19 Global Pandemic	Subaccount F - COVID-19

<sup>1</sup> SoCalGas acknowledges February 28, 2023, as the official conclusion of the COVID-19 Global Pandemic; costs were recorded through September 30, 2023, to capture trailing charges and other adjustments.

1 **II. CEMA COST CRITERIA**

2 Before recording any costs to the CEMA, SoCalGas first determines that the costs are 1)  
3 incremental, 2) related to events for which State of Emergency Proclamations were made, and 3)  
4 reasonable. The costs SoCalGas is seeking recovery for in this application meet those three  
5 criteria.

6 **A. CEMA Costs are Incremental**

7 Incremental costs recorded in the CEMA are defined as costs which are directly related to  
8 the restoring of utility services to customers, repairing, replacing, or restoring damaged utility  
9 facilities, and complying with governmental agency orders in connection with events declared  
10 disasters by competent state or federal authorities, and not already included in rates and  
11 recovered elsewhere. Therefore, “incremental costs” referred to herein applies to Operation and  
12 Maintenance (O&M) expenses and capital expenditures incurred by SoCalGas as a result of, and  
13 due solely to, the CEMA events outlined in this application. Furthermore, only costs that are not  
14 part of SoCalGas’s base business operations (and therefore not funded through existing rates) are  
15 included.

16 In determining which costs were incremental and recorded in its CEMA, SoCalGas  
17 identified costs at the individual account level (refer to Exhibit 3-1) and determined if that cost  
18 would have otherwise been incurred (and recovered in rates) had the CEMA events not occurred.  
19 If the cost would have been incurred absent these CEMA events, the account is not considered  
20 incremental (e.g., straight-time labor costs, internal vehicle utilization costs, and overhead costs).

21 SoCalGas follows routine accounting procedures as outlined below to track costs  
22 associated with all CEMA events separately and apart from normal operating costs. It is  
23 standard practice that when an emergency proclamation is made, unique work orders are  
24 established and SoCalGas personnel are instructed to record the CEMA event costs to the unique

1 work orders established for each event. Costs for individual events proclaimed in the same year  
2 may be tracked in one or more work orders and reported together as a CEMA event group (refer  
3 to Table AP-001). Invoices are reviewed and approved by authorized personnel familiar with the  
4 scope of the work performed. While the work orders contain the full costs directly related to  
5 repairing, replacing, or restoring damaged facilities and service to customers, not all costs are  
6 appropriate for inclusion in the CEMA. Between Operations and Accounting and Finance  
7 personnel, costs are reviewed monthly to validate that only incremental and reasonable costs are  
8 included in the CEMA. SoCalGas's approval and review efforts help to validate that the costs  
9 recorded to the CEMA are directly attributable to the catastrophic events.

10         SoCalGas tracks the total costs incurred for each CEMA event, but only records  
11 incremental costs to the CEMA. Straight-time pay for both management and Collective  
12 Bargaining Agreement (CBA) employees, company owned vehicle utilization, and associated  
13 overhead costs are considered non-incremental and therefore are not included in the CEMA;  
14 internal overtime pay and payroll taxes associated with overtime, as well as costs for material,  
15 supplies, and services incurred because of the CEMA event are included. Costs recovered  
16 through insurance and/or responsible third parties are also included in the CEMA as an offset, or  
17 reduction, to CEMA event costs when the funds are received.

18         Since the legislature and the Commission established the CEMA as a means for utilities  
19 to recover unforeseen costs caused by catastrophic events, SoCalGas does not include them when  
20 developing its O&M and capital forecast in General Rate Cases (GRC). Therefore, the  
21 incremental costs related to these CEMA events are not included in SoCalGas's normal business  
22 operating rates.

1           **B.     CEMA Costs Were Related to Events For Which State of Emergency**  
2           **Proclamations Were Made**

3           SoCalGas follows routine accounting procedures as outlined below to track costs  
4 associated with CEMA events separately and apart from normal operating costs. Unique cost  
5 tracking orders (i.e., internal orders) are established after the emergency proclamation is declared  
6 and SoCalGas personnel are instructed to record CEMA event costs to these unique accounts.  
7 Any costs related to the incident response prior to the emergency declaration are charged to  
8 applicable non-CEMA accounts. Costs charged to CEMA internal orders are reviewed and  
9 approved by appropriate personnel familiar with the event and are subsequently validated to  
10 determine the appropriateness of inclusion in the CEMA. Additionally, Centralized Business  
11 Planning works with operations personnel to determine the accuracy and validity of the costs and  
12 reconciles any discrepancies with Regulatory Accounting on a monthly basis. The costs  
13 recorded to SoCalGas’s CEMA are related to events for which state of emergency proclamations  
14 were made.

15           **C.     Costs Included in the CEMA are Reasonable**

16           California Public Utilities Code Section 454.9 authorizes utilities to create CEMAs in  
17 response to declared disasters and the costs recorded therein “shall be recoverable in rates  
18 following a request by the affected utility, a commission finding of their reasonableness, and  
19 approval by the commission.”<sup>2</sup> The utility applying to recover the costs it recorded in a CEMA  
20 bears the burden of proof to establish the reasonableness of those costs.<sup>3</sup>

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<sup>2</sup> Pub. Util. Code § 454.9(a)-(b); see also Resolution E-3238, Ordering Paragraph 3.

<sup>3</sup> D.05-08-037 at 9.

1           The reasonableness standard applicable to CEMA cost recovery is the prudent manager  
2 standard.<sup>4</sup> When assessing the standard for “prudent managerial action,” the Commission has  
3 established that “Utilities are held to a standard of reasonableness based upon the facts that are  
4 known or should be known at the time.”<sup>5</sup> A “reasonable and prudent” action is one in which the  
5 utility “follows the exercise of reasonable judgment” based upon what was or should have been  
6 known at the time and is not limited to the “optimum practice, method, or act,” but rather  
7 “encompasses a spectrum of possible practices, methods, or acts consistent with the utility  
8 system needs, the interest of the ratepayers and the requirements of governmental agencies of  
9 competent jurisdiction.”<sup>6</sup>

10           As such, the reasonableness of a managerial action depends on the soundness of the  
11 utility’s decision-making process, what the utility knew when the managerial action was taken,  
12 and that its managers decided on a course of action that fell within the bounds of reasonableness.  
13 It does not depend on “how the decision holds up in light of future developments.”<sup>7</sup> In short, the  
14 utility must establish that its “CEMA-eligible costs” are reasonable and “justified”.<sup>8</sup>

15           Based upon the above described standard, the costs recorded in SoCalGas’s CEMA  
16 included in this application are reasonable and subject to rate recovery upon Commission

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<sup>4</sup> D.08-01-021, Conclusion of Law 2; D.06-01-036, Conclusion of Law 4.

<sup>5</sup> D.05-08-037 at 9 [quoting D.88-03-036].

<sup>6</sup> Id. at 10; D.89-02-074 [“The term 'reasonable and prudent' means that at a particular time any of the practices, methods, and acts engaged in by a utility follows the exercise of reasonable judgment in light of facts known or which should have been known at the time the decision was made. The act or decision is expected by the utility to accomplish the desired result at the lowest reasonable cost consistent with good utility practices. Good utility practices are based upon cost effectiveness, reliability, safety, and expedition.”].

<sup>7</sup> D.05-08-037 at 10.

<sup>8</sup> D.19-06-007 at 10-11.

1 approval. The following sections describe the incremental costs recorded to the CEMA for the  
2 CEMA events included in this application.

3 **III. TOTAL COSTS FOR ALL CEMA EVENTS INCLUDED IN THIS**  
4 **APPLICATION**

5 Consistent with Resolution No. (Res.) E-3238, SoCalGas is seeking recovery of the  
6 revenue requirement associated with incremental costs incurred for the CEMA events outlined  
7 above in Table AP-001. In this section, SoCalGas provides the total aggregated cost of the  
8 CEMA events, and an overview of the treatment of the O&M expenses and capital expenditures  
9 incurred because of these events. The costs for each CEMA subaccount are discussed further in  
10 Sections IV. and V. of this testimony.

11 SoCalGas incurred a total of \$27.186 million of capital expenditures and \$64.141 million  
12 of O&M expenses for all CEMA events. Of the total, \$14.213 million and \$40.812 million of  
13 capital and O&M, respectively, are incremental.<sup>9</sup> Tables AP-002 and AP-003 summarize by  
14 CEMA event group the total expense related to all CEMA events and the incremental expense  
15 recorded to the CEMA.

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<sup>9</sup> Incremental capital expenditures are included in the revenue requirement in the form of depreciation expense discussed in the prepared testimony of Jenny Chhuor (Chapter 5).

**Table AP-002**  
**Capital Expenditures by CEMA Event Group**  
**(\$000)**

<b>CEMA Event Group</b>	<b>Total</b>	<b>Non- Incremental</b>	<b>Incremental</b>
2017 Wildfires	\$19,068	\$9,406	\$9,661
2018 Wildfires	0	0	0
2019 Wildfires	2,397	1,770	627
2017 Winter Storms	411	155	256
2019 Winter Storms	3,368	1,458	1,910
COVID-19 Global Pandemic	1,942	183	1,759
<b>Total</b>	<b>\$27,186</b>	<b>\$12,973</b>	<b>\$14,213</b>

**Table AP-003**  
**O&M Expenses by CEMA Event Group**  
**(\$000)**

<b>CEMA Event Group</b>	<b>Total</b>	<b>Non- Incremental</b>	<b>Incremental</b>
2017 Wildfires	\$9,597	\$3,836	\$5,761
2018 Wildfires	1,853	748	1,104
2019 Wildfires	1,709	419	1,290
2017 Winter Storms	209	22	187
2019 Winter Storms	79	1	79
COVID-19 Global Pandemic	50,694	18,304	32,390
<b>Total</b>	<b>\$64,141</b>	<b>\$23,330</b>	<b>\$40,812</b>

Treatment of O&M Expenses and Capital Expenditures for All CEMA Events

Incremental costs are designated at the account level and are applied consistently to all CEMA events and expenditure types (O&M and capital). Refer to Exhibit 3-1 in the appendix for the account level designation. Tables AP-004 and AP-005 summarize the total and incremental costs by cost type related to all CEMA events; a general description of the cost types recorded for each event follows.

**Table AP-004**  
**All CEMA Events**  
**Capital Expenditures by Cost Type**  
**(\$000)**

<b>Cost Type</b>	<b>Total</b>	<b>Non- Incremental</b>	<b>Incremental</b>
Internal Labor	\$1,572	\$1,166	\$406
Services/Other	19,036	7,372	11,664
Materials	2,472	362	2,110
Vehicle	180	177	3
Overheads	3,895	3,895	0
Payroll Taxes (7.6%)	31	0	31
<b>Total</b>	<b>\$27,186</b>	<b>\$12,973</b>	<b>\$14,213</b>

1

**Table AP-005**  
**All CEMA Events**  
**O&M Expenses by Cost Type**  
**(\$000)**

<b>Cost Type</b>	<b>Total</b>	<b>Non- Incremental</b>	<b>Incremental</b>
Internal Labor	\$17,216	\$8,969	\$8,247
Services/Other	30,542	2	30,540
Materials	6,906	0	6,906
Vehicle	3,224	383	2,841
Overheads	13,976	13,976	0
Payroll Taxes (7.6%)	627	0	627
Avoided O&M Costs	(8,349)	0	(8,349)
<b>Total</b>	<b>\$64,141</b>	<b>\$23,330</b>	<b>\$40,812</b>

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1. Internal Labor Costs

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SoCalGas incurred a total of \$1.572 million of capital internal labor expenditures and \$17.216 million of O&M internal labor expenses for all CEMA events, of which \$0.406 million and \$8.247 million of capital and O&M, respectively, are considered incremental. Incremental internal labor includes 1) over-time pay (time and one-half and double time pay) paid to the CBA workforce along with the associated lunch premium paid under certain conditions and 2) recognition pay for working far beyond the demands of the usual regular and ongoing work.

1 Straight time labor is considered non-incremental since it is already included in authorized rates  
2 and would have been incurred regardless of the CEMA events. The SoCalGas workforce is fully  
3 utilized and deployed to regular ongoing work and, since CEMA events by nature require an  
4 extensive immediate response to restore or repair damaged facilities and infrastructure or to  
5 comply with governmental agency orders, payment for time spent working beyond the normal  
6 and regular workday requirements is often necessary.

7       2.       Services/Other Costs

8           SoCalGas incurred a total of \$19.036 million of capital services/other expenditures and  
9 \$30.542 million of O&M services/other expenses for all CEMA events, of which \$11.664  
10 million and \$30.540 million of capital and O&M, respectively, are considered incremental. The  
11 services/other category includes a wide variety of costs incurred to support the recovery and  
12 compliance efforts for the CEMA events, including outside services, consultants and contractors,  
13 licensing and permits, employee benefits, and travel, meals and lodging. This category also  
14 includes credits or offsets to costs resulting from insurance recovery or third-party settlements.

15       3.       Materials Costs

16           SoCalGas incurred a total of \$2.472 million of capital material expenditures and \$6.906  
17 million of O&M material expenses for all CEMA events, of which \$2.110 million and \$6.906  
18 million of capital and O&M, respectively, are considered incremental. Material costs include the  
19 cost of construction material, equipment, parts, supplies, and tools incurred to repair and restore  
20 SoCalGas's damaged facilities and to comply with governmental agency orders. All material  
21 used to repair or restore damaged facilities (excluding cost of removal – see Section III.),  
22 whether issued from inventory or directly purchased from suppliers and utilized in the CEMA-  
23 related work, were incremental.

1           4.     Vehicle Costs

2           SoCalGas incurred a total of \$0.180 million of capital vehicle expenditures and \$3.224  
3 million of O&M vehicle expenses for all CEMA events, of which \$0.003 million and \$2.841  
4 million of capital and O&M, respectively, are considered incremental. Costs associated with  
5 utilization of vehicles currently in SoCalGas's fleet are already recovered in rates and therefore  
6 not considered incremental. However, the costs of external vehicles and equipment procured  
7 outside of the company and utilized specifically for the CEMA events are considered  
8 incremental.

9           5.     Overhead Costs

10          SoCalGas allocated a total of \$3.895 million of capital related overhead costs and  
11 \$13.976 million of O&M related overhead costs to all CEMA events work orders, all of which  
12 are considered non-incremental and excluded from the CEMA. Common overheads are  
13 systematically added to the direct cost component as part of SoCalGas's overhead allocation  
14 process for both capital and O&M work. These overheads apply to both direct labor (e.g.,  
15 Pension and Benefits, Workers' Compensation, Incentive Compensation Plan, Vacation and Sick  
16 Time), and non-labor costs (e.g., Purchasing, Warehousing, Material and Small Tools). All  
17 overhead costs are considered non-incremental and therefore excluded from the CEMA since  
18 these costs would have been incurred in the same amounts absent the CEMA events.

19          6.     Payroll Taxes

20          SoCalGas incurred a total of \$0.031 million of capital payroll tax and \$0.627 million of  
21 O&M payroll tax for all CEMA events, all of which is considered incremental. Payroll tax is  
22 calculated on the incremental portion of labor (internal overtime and recognition pay) and  
23 represents SoCalGas's required contributions to the Federal Insurance Contributions Act (FICA)

1 fund. Incremental payroll tax would not have been incurred if incremental labor resulting from  
2 the CEMA events had not been incurred. SoCalGas uses a payroll tax rate of 7.6%.

3 7. O&M Reductions (Avoided Costs)

4 SoCalGas recognized that at the height of COVID-19 and the Stay-at-Home Order, which  
5 are discussed in the prepared testimony of Christopher Bissonnette, Bonnie Burns, Ralf Balzer,  
6 Orlando Carrasquillo, and Ernie Cervantes (Chapter 2), certain activities were stopped entirely or  
7 temporarily curtailed that resulted in cost avoidance. Accordingly, when a direct correlation was  
8 made between the avoided costs and the unusual operating conditions experienced during the  
9 COVID-19 pandemic, SoCalGas thought it prudent to offset its incremental costs by the cost  
10 avoidance. SoCalGas recorded to its CEMA a credit of \$8.349 million representing cost  
11 avoidance in the following activities: facilities costs, customer remittance processing, collection  
12 notices postage, and employee travel and training. 2019 was generally used as a proxy year for  
13 comparison to cost incurred in these categories during 2020 and 2021, and when applicable 2022  
14 and 2023, except for facilities cost avoidance which was analyzed against the 2020 expected  
15 cost.. Cost reductions in the activities indicated above were directly correlated to the COVID-19  
16 pandemic, and therefore were treated as avoided costs and used to offset incremental COVID-19  
17 costs recorded to the CEMA. Avoided O&M costs are summarized in Table AP-006 and are  
18 discussed in more detail later in this testimony.

**Table AP-006**  
**COVID-19 Global Pandemic**  
**Avoided O&M Expenses**  
**(\$000)**

GRC Activity	2020	2021	2022	2023	Total
Facilities Costs	\$671	\$338	\$0	\$0	\$1,008
Customer Remittance Processing	1,160	949	0	0	2,109
Employee Travel and Training	1,613	1,918	71	298	3,899
Collection Notices Postage	0	0	0	1,333	1,333
Total Avoided O&M Expenses	\$3,443	\$3,204	\$71	1,631	\$8,349

8. Cost of Removal

SoCalGas incurred \$8.790 million associated with the cost of removal (COR) or abandonment of facilities or infrastructure damaged in the wildfire and storm events discussed in this application. The cost of the removal and disposition of damaged facilities and infrastructure are included in the total costs shown in Table AP-004, but they are considered non-incremental, regardless of the account level designation. As such, the COR related to all CEMA events has been charged to accumulated depreciation accounts and excluded from the capitalized base costs used to calculate the depreciation that is included in the revenue requirement request, which is provided in the prepared testimony of Jenny Chhuor (Chapter 5). Table AP-007 summarizes by CEMA event group the total capital expenditures related to the cost of removing or abandoning SoCalGas’s facilities and infrastructure damaged by the wildfire and storm events discussed in this application.

**Table AP-007**  
**Capital Expenditures: Cost of Removal**  
**Non-Incremental**  
**(\$000)**

<b>Cost Type/ CEMA Event Group</b>	<b>Internal Labor</b>	<b>Services/ Other</b>	<b>Materials</b>	<b>Vehicle</b>	<b>Overheads</b>	<b>Total</b>
2017 Wildfires	\$481	\$193	\$1,363	\$5,417	\$46	\$7,500
2017 Winter Storms	\$13	\$1	\$21	\$23	\$5	\$63
2019 Wildfires	\$13	\$18	\$42	\$125	\$1	\$197
2019 Winter Storms	\$75	\$27	\$116	\$796	\$16	\$1,029
<b>Total</b>	<b>\$582</b>	<b>\$238</b>	<b>\$1,542</b>	<b>\$6,360</b>	<b>\$67</b>	<b>\$8,790</b>

**IV. NON-COVID-19 CEMA EVENTS COSTS**

Pursuant to Res. E-3238, dated July 24, 1991, SoCalGas notified the Commission’s Executive Director by letter (CEMA letter) that it had invoked its CEMA to record the incremental costs associated with the 15 wildfire and storm events, or the non-COVID-19 events, discussed in this application. In accordance with SoCalGas’s CEMA tariff,<sup>10</sup> each letter stated that the event had been declared an emergency by the state government and included a description of the event as well as a preliminary total cost estimate. The prepared testimony of Larry Andrews (Chapter 1) provides the background of and SoCalGas’s response to the non-COVID-19 CEMA events included in this application.

SoCalGas incurred a total of \$25.243 million in capital expenditures and \$13.447 million in O&M expenses for all non-COVID-19 CEMA events (wildfires and winter storms). Of the total, \$12.454 million and \$8.421 million of capital and O&M, respectively, are considered incremental and recorded to the CEMA as shown in Tables AP-008 and AP-009 below.

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<sup>10</sup> See: [https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS\\_G-PRELIM\\_CEMA.pdf](https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-PRELIM_CEMA.pdf).

<b>Table AP-008</b>			
<b>Capital Expenditures by Non-COVID-19 CEMA Event Group</b>			
<b>(\$000)</b>			
<b>CEMA Event Group</b>	<b>Total</b>	<b>Non- Incremental</b>	<b>Incremental</b>
2017 Wildfires	\$19,068	\$9,406	\$9,661
2018 Wildfires	0	0	0
2019 Wildfires	2,397	1,770	627
2017 Winter Storms	411	155	256
2019 Winter Storms	3,368	1,458	1,910
<b>Total</b>	<b>\$25,243</b>	<b>\$12,789</b>	<b>\$12,454</b>

<b>Table AP-009</b>			
<b>O&amp;M Expenses by Non-COVID-19 CEMA Event Group</b>			
<b>(\$000)</b>			
<b>CEMA Event Group</b>	<b>Total</b>	<b>Non- Incremental</b>	<b>Incremental</b>
2017 Wildfires	\$9,597	\$3,836	\$5,761
2018 Wildfires	1,853	748	1,104
2019 Wildfires	1,709	419	1,290
2017 Winter Storms	209	22	187
2019 Winter Storms	79	1	79
<b>Total</b>	<b>\$13,447</b>	<b>\$5,026</b>	<b>\$8,421</b>

As discussed in Section II., before recording any costs to the CEMA related to the non-COVID-19 CEMA events, SoCalGas first determined that the costs were 1) incremental, 2) directly related to restoring utility service to customers, repairing, replacing, or restoring damaged utility facilities, and/or complying with governmental agency orders in connection with events for which State of Emergency Proclamations were made, and 3) reasonable. Further, total costs incurred related to each CEMA event were tracked in unique internal orders established after the emergency proclamation was made and specifically for the purpose of tracking CEMA costs. Only validated incremental costs at the individual account level related to these specific events were recorded in the CEMA.

1           **A.     Incremental O&M Expenses (Non-COVID-19)**

2           SoCalGas incurred a total of \$8.421 million of incremental O&M expenses related to the  
3 non-COVID-19 CEMA events. The costs are summarized into major cost categories and shown  
4 below in Table AP-010. A similar format schedule for each of the non-COVID-19 CEMA event  
5 groups is attached to this testimony as Exhibits 3-2 through 3-6.

**Table AP-010**  
**Non-COVID-19 CEMA Events**  
**Operating and Maintenance Expense by Cost Type**  
**(\$000)**

Line No.	Cost Type	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$4,305	\$1,490	\$2,815
3	Lunch Premium	33	0	33
4	Employee Recognition Cash Award	115	115	0
5	Total Internal Labor	\$4,453	\$1,605	\$2,848
6	<u>Materials</u>			
7	Material	\$187	\$0	\$187
8	Equipment	83	0	83
9	Parts & Supplies	717	0	717
10	Tools	46	0	46
11	Total Materials	\$1,034	\$0	\$1,034
12	<u>Services/Other</u>			
13	Consultants and Contractors	\$4,007	\$0	\$4,007
14	Employee Travel, Meals, Lodging	852	0	852
15	Licensing and Permits	45	0	45
16	Outside Services	687	0	687
17	Rents and Leases	6	0	6
18	Insurance Reimbursements	-1,333	0	-1,333
19	Total Services/Other	\$4,264	\$0	\$4,264
20	<u>Vehicle Costs</u>			
21	Internal Vehicle Utilization	\$369	\$369	\$0
22	Outside Vehicle Costs	58	0	58
23	Total Vehicle Costs	\$428	\$369	\$58
24	Overheads	\$3,052	\$3,052	\$0
25	Payroll Tax	\$216	\$0	\$216
26	Total O&M Expense	\$13,447	\$5,026	\$8,421

**1. Labor Costs Included in O&M Work Orders**

SoCalGas incurred a total of \$4.453 million of direct labor expense. Of the total, \$2.848 million is incremental and recorded to the CEMA. The incremental labor component is related

1 to over-time pay to CBA employees that worked on emergency response teams responsible for  
2 keeping onsite personnel safe as well as work to repair, replace, or restore damaged distribution  
3 and transmission lines, or to restore service to impacted customers. Responding to any  
4 emergency, especially a catastrophic event, requires an around-the-clock response which will  
5 result in over-time and the associated over-time meal allowance.

## 6 **2. Material Costs Included in O&M Work Orders**

7 SoCalGas incurred a total of \$1.034 million of material related expenses. All materials  
8 are considered incremental since the cost would not have been incurred except for the occurrence  
9 of the CEMA event. Materials primarily consist of valves, routine warehoused materials, and  
10 tools.

## 11 **3. Service/Other Costs Included in O&M Work Orders**

12 SoCalGas incurred a total of \$4.264 million of Services/Other expenses. All costs in the  
13 service/other category are considered incremental since the cost would not have been incurred  
14 except for the occurrence of the CEMA events. This category of costs primarily consists of  
15 outside contractors and construction crews that assisted in the immediate and timely response to  
16 the event, and the restoration efforts. Additionally, the response efforts were beyond normal  
17 operating conditions, requiring some crews to work far from home for extended hours and to stay  
18 near or on-site. For safety and efficiency, SoCalGas provided security for the impacted work  
19 sites, lodging and incidental travel costs for the internal workforce, and prepared meals/catering  
20 for both internal and contractor work crews.

21 The 2019 wildfire expenditures include costs specifically related to fire damage that  
22 occurred at SoCalGas's Aliso Canyon aboveground storage facilities during the Saddleridge Fire.  
23 Accordingly, public liability and property damage (PLPD) claims were pursued with SoCalGas's  
24 relevant insurance underwriters. \$1.687 million of cost reimbursements received through

1 insurance claims were recorded to the CEMA through September 30, 2023, of which \$0.354  
2 million was recorded to the capital work order and \$1.333 million was recorded to the O&M  
3 work order in the Services/Other cost category. SoCalGas is seeking additional reimbursements  
4 that are not reflected in its CEMA as of September 30, 2023, based upon a claim against a third-  
5 party for damages. Any further net cost recovery received from that claim will be recorded to  
6 the capital and O&M work orders accordingly and considered in the final computation of the  
7 revenue requirement.

#### 8 **4. Vehicle Costs Included in O&M Work Orders**

9 SoCalGas incurred a total of \$0.428 million of vehicle related costs. Of the total, \$0.058  
10 million is incremental and recorded to the CEMA. Utilization of the SoCalGas internal fleet  
11 vehicles is non-incremental. Outside fleet costs primarily consists of vehicle and equipment  
12 rentals from external sources.

#### 13 **5. Overhead Costs Included in O&M Work Orders**

14 SoCalGas incurred a total of \$3.052 million of overhead costs, all of which are  
15 considered non-incremental. Common labor and non-labor overhead costs are systematically  
16 applied to the direct costs recorded to all work orders through SoCalGas's overhead allocation  
17 process. However, overhead costs related to CEMA work are not recorded to the CEMA since  
18 the cost would have been incurred anyway, irrespective of the CEMA event.

#### 19 **6. Payroll Tax Included in O&M Work Orders**

20 Payroll tax is not recorded directly to the O&M work order but is calculated separately  
21 based on the incremental labor costs and recorded directly to the CEMA. SoCalGas incurred a  
22 total of \$0.216 million of payroll tax associated to the incremental labor costs incurred to support  
23 the CEMA events. Since payroll tax is applied only to the incremental labor, payroll tax in its  
24 entirety is also considered incremental. SoCalGas used a payroll tax rate of 7.6% which

1 represents the required contributions to the Federal Insurance Contributions Act (FICA). The  
2 rate includes both the Social Security and Medicare portions of FICA. SoCalGas applied this  
3 payroll tax rate to the incremental labor incurred as a direct result of the non-COVID-19 CEMA  
4 events represented in this application.

5 **B. Incremental Capital Expenditures (Non-COVID-19)**

6 SoCalGas incurred a total of \$12.454 million of incremental capital expenditures related  
7 to the non-COVID-19 CEMA events. The costs are summarized into the same major cost  
8 categories described above in Section IV.A and shown below in Table AP-011. A similar format  
9 schedule for each of the non-COVID-19 CEMA event groups is attached to this testimony as  
10 Exhibits 3-7 through 3-10.

**Table AP-011**  
**Non-COVID-19 CEMA Events**  
**Capital Expenditures by Cost Type**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non- Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$1,554	\$1,149	\$404
3	Lunch Premium	6	4	2
4	Total Internal Labor	\$1,560	\$1,154	\$406
5	<u>Materials</u>			
6	Material	\$713	\$176	\$537
7	Equipment	66	10	56
8	Parts & Supplies	321	174	147
9	Tools	15	2	13
10	Total Materials	\$1,116	\$362	\$753
11	<u>Services/Other</u>			
12	Consultants and Contractors	\$16,520	\$6,033	\$10,487
13	Employee Travel, Meals, Lodgin	77	30	47
14	Licensing and Permits	16	5	11
15	Outside Services	1,909	1,119	790
16	Rents and Leases	399	119	280
17	Training	0	0	0
18	Insurance Reimbursements	-354	0	-354
19	Total Services/Other	\$18,567	\$7,306	\$11,261
20	<u>Vehicle Costs</u>			
21	Internal Vehicle Utilization	\$176	\$176	\$0
22	Outside Vehicle Costs	4	1	3
23	Total Vehicle Costs	\$180	\$177	\$3
24	Overheads	\$3,790	\$3,790	\$0
25	Payroll Tax	\$31	\$0	\$31
26	<b>Total Capital Expenditures</b>	<b>\$25,243</b>	<b>\$12,789</b>	<b>\$12,454</b>

1 Non-incremental capital expenditures consist of straight-time labor costs, internal vehicle  
2 utilization costs, overhead costs, and all other costs directly attributed to the removal and  
3 disposition of SoCalGas facilities and infrastructure that were damaged during the CEMA  
4 events. As discussed earlier in this testimony, the cost related to the removal and disposition of  
5 damaged facilities and infrastructure (COR) are included in the total capital costs, however they  
6 are considered in their entirety to be non-incremental, regardless of the account level  
7 designation. As such, the cost of removal related to all CEMA events has been charged to  
8 accumulated depreciation accounts and excluded from the capitalized base costs used to calculate  
9 the depreciation that is included in the revenue requirement request discussed in Chapter 5.  
10 Please refer to Table AP-007 for the COR summarized by CEMA Event Group.

11 Incremental costs consist of internal over-time pay and the associated lunch premium and  
12 payroll tax expense for CBA employees, as well as the materials, engineering and contractor  
13 crews, and a variety of outside services necessary to repair or replace the damaged infrastructure.  
14 Specifically, SoCalGas performed capital work on distribution line abandonments and main and  
15 valve replacements, restoration of transmission pipeline and other remediations as part of  
16 recovery, as well as recovery efforts towards the Montecito mudslide resulting from the Thomas  
17 Fire event.

18 As previously stated in the above testimony, SoCalGas received an insurance recovery of  
19 \$0.354 million that was recorded to the CEMA as an offset to its capital expenditures incurred as  
20 a result of the damage at the Aliso Canyon aboveground storage facilities resulting from the  
21 2019 Saddleridge Fire. SoCalGas is pursuing further cost recovery from a third party. Any  
22 further net cost recovery received from that claim after September 30, 2023, will be recorded to

1 the capital and O&M work orders accordingly and considered in the final computation of the  
2 revenue requirement.

3 **V. COVID-19 CEMA EVENT COSTS**

4 Pursuant to Res. E-3238, SoCalGas sent the Commission's Executive Director a CEMA  
5 letter stating that it had invoked its CEMA due to the COVID-19 outbreak. Costs associated  
6 with the COVID-19 pandemic were tracked separately from other operating costs and  
7 categorized by activity. SoCalGas incurred a total of \$1.942 million of capital expenditures and  
8 \$59,044 million of O&M expenses for the COVID-19 CEMA event.<sup>11</sup> Of the total, \$1.759  
9 million and \$40,740 million of capital and O&M, respectively, are considered incremental and  
10 recorded to the CEMA. SoCalGas further reduced the O&M expenses recorded to its CEMA by  
11 \$8.349 million, representing O&M expenses that would have normally been incurred, but were  
12 avoided because of the COVID-19 pandemic. Ultimately, SoCalGas recorded \$32.390 million  
13 of O&M expenses to the COVID-19 CEMA subaccount. SoCalGas recorded costs through  
14 September 30, 2023, to allow for trailing charges and other adjustments recorded after February  
15 28, 2023, when the governmental orders officially concluded. Tables AP-012 and AP-013  
16 summarize the O&M expenses and capital expenditures by activity and by their incremental and  
17 non-incremental components. The prepared testimony of Christopher Bissonnette, Bonnie Burns,  
18 Ralf Balzer, Orlando Carrasquillo, and Ernie Cervantes (Chapter 2) provides the background of  
19 and SoCalGas's response to the COVID-19 CEMA event and includes further detail for the costs  
20 reported in each activity.

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<sup>11</sup> This includes costs incurred between March 2020 through February 28, 2023.

**Table AP-012**  
**COVID-19 Global Pandemic**  
**O&M Expenses by Activity**  
**(\$000)**

<b>Line No.</b>	<b>COVID Activity</b>	<b>Total</b>	<b>Non-Incremental</b>	<b>Incremental</b>
1	Employee and Customer Communications	\$687	\$0	\$687
2	Fleet/Trailer Rentals	1,409	0	1,409
3	Facilities and Vehicle Enhanced Cleaning	9,925	0	9,925
4	CAL/OSHA Testing	398	0	398
5	Telecommuting Work Equipment	905	0	905
6	Employee Stipend - Remote Work	2,222	0	2,222
7	Temperature Health Screening/Medical Services	8,745	0	8,745
8	Recognition Pay to Frontline Workers	5,058	0	5,058
9	PPE and Supplies (Face Mask, Sanitizers, etc.)	3,671	0	3,671
10	Returning to Workplace Costs	1,917	0	1,917
11	ECS COVID Case Managemnt Team	2,473	0	2,473
12	IT	1,359	2	1,358
13	Gas Control Sequestration	969	0	969
14	Overtime Labor	340	0	340
15	Mask Allowance	254	0	254
16	Payroll Taxes	410	0	410
17	Straight-time Labor	7,364	7,364	0
18	Internal Fleet Utilization	14	14	0
19	Overheads	10,924	10,924	0
20	O&M Expenses Before Avoided Expenses Reduction	\$59,044	\$18,304	\$40,740
21	Avoided O&M Expenses	-8,349	0	-8,349
22	<b>Total O&amp;M Expenses</b>	<b>\$50,694</b>	<b>\$18,304</b>	<b>\$32,390</b>

1

**Table AP-013**  
**COVID-19 Global Pandemic**  
**Capital Expenditures by Activity**  
**(\$000)**

<b>Line No.</b>	<b>COVID Activity</b>	<b>Total</b>	<b>Non-Incremental</b>	<b>Incremental</b>
1	MSA Airline Respirators	\$1,358	\$2	\$1,356
2	Pico Training A/V Upgrade	472	69	403
3	Straight-time Labor	13	13	0
4	IT Support	-2	-2	0
5	Internal Fleet Utilization	0	0	0
6	Overheads	101	101	0
7	<b>Total Capital Expenditures</b>	<b>\$1,942</b>	<b>\$183</b>	<b>\$1,759</b>

2

As with the other CEMA events, SoCalGas verified that the incurred costs associated with COVID-19 and recorded in the CEMA were 1) incremental, 2) related specifically to complying with governmental agency orders in connection to the event for which the State of Emergency Proclamation was made, and 3) reasonable.

**A. Incremental O&M Expenses (COVID-19)**

SoCalGas incurred a net total of \$50.694 million of O&M expenses after consideration of related avoided O&M expenses because of the COVID-19 pandemic, of which \$32.390 million is incremental. As shown in Table AP-012 the total incurred COVID-19 O&M expense is offset by \$18.304 million of non-incremental costs and \$8.349 million of avoided cost savings related to reductions in certain facilities costs, customer remittance processing costs, employee travel and training costs, and collection notices postage costs. Table AP-014 shows the avoided cost reduction specific to each cost savings.

<b>Table AP-014 COVID-19 Global Pandemic Incremental O&amp;M Expenses Summary (\$000)</b>	
<b>Description</b>	<b>Total</b>
Total COVID-19 O&M Expenses	\$59,044
Less Avoided O&M Costs:	
1. Facilities Costs	-1,008
2. Customer Remittance Processing	-2,109
3. Employee Travel and Training	-3,899
4. Collection Notices Postage	-1,333
Total Avoided Costs	-\$8,349
COVID-19 O&M Expense After Avoided Costs Reduction	\$50,694
Less Non-incremental Costs	-18,304
Total Incremental O&M Expenses	\$32,390

1           The remaining incremental O&M expense includes SoCalGas internal overtime labor and  
2 recognition pay, and the associated company portion of payroll taxes, as well as materials,  
3 services, and other costs specifically related to the COVID-19 pandemic.

4           Section III. of this testimony discusses SoCalGas’s major cost categories for all CEMA  
5 events, including the types of costs included in each category. Similarly, Table AP-015  
6 summarizes the O&M expenses by major cost category for the COVID-19 pandemic, followed  
7 by a general discussion for each category.

**Table AP-015**  
**COVID-19 Global Pandemic**  
**Operating and Maintenance Expense**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$7,701	\$7,364	\$337
3	Lunch Premium	4	0	4
4	Employee Recognition Cash Award	5,058	0	5,058
5	Total Internal Labor	\$12,763	\$7,364	\$5,399
6	<u>Materials</u>			
7	Material	\$3,463	\$0	\$3,463
8	Equipment	2,197	0	2,197
9	Parts & Supplies	190	0	190
10	Tools	23	0	23
11	Total Materials	\$5,872	\$0	\$5,872
12	<u>Services/Other</u>			
13	Consultants and Contractors	\$7,895	\$0	\$7,895
14	Employee Benefits	2,222	0	2,222
15	Employee Recognition Gift Award	2	0	2
16	Employee Travel, Meals, Lodging	444	0	444
17	Licensing and Permits	0	0	0
18	Outside Services	15,240	0	15,240
19	Rents and Leases	234	0	234
20	Training	1	0	1
21	Miscellaneous	239	2	237
22	Total Services/Other	\$26,278	\$2	\$26,276
23	<u>Vehicle Costs</u>			
24	Internal Vehicle Utilization	\$14	\$14	\$0
25	Outside Vehicle Costs	2,783	0	2,783
26	Total Vehicle Costs	\$2,796	\$14	\$2,783
27	Overheads	\$10,924	\$10,924	\$0
28	Payroll Tax	\$410	\$0	\$410
29	Total O&M Expense Before Avoided Expenses	\$59,044	\$18,304	\$40,740
30	Avoided O&M Expenses	-\$8,349	\$0	-\$8,349
31	Total O&M Expense	\$50,694	\$18,304	\$32,390

1                   **1.     Internal Labor**

2                   SoCalGas incurred a total of \$12.763 million of O&M labor expense, of which \$5.399  
3 million is incremental and recorded to the CEMA. Straight time labor costs are included in  
4 authorized rates and considered non-incremental and therefore not included in the CEMA.  
5 Internal incremental labor costs primarily represent premium recognition pay for frontline  
6 workers who were not eligible to work remotely (\$5.058 million), or overtime labor costs  
7 (\$0.337 million) incurred specifically in support of the following COVID-19 related activities:  
8 1) staffing shortages related to state-mandated COVID-19 absences (e.g., quarantine periods)  
9 which required other non-quarantined employees to work overtime, 2) overtime related to  
10 participating in the incident response (e.g., attending incident command meetings or other  
11 situational awareness activities), 3) logistics related to receipt and distribution of personal  
12 protective equipment, 4) suit-up activities when entering homes where a customer had COVID-  
13 19, and 5) activities related to COVID-19 onsite testing (as mandated by California law).

14                   **2.     Materials**

15                   SoCalGas incurred a total of \$5.872 million of material related expenses, all of which are  
16 considered incremental. Several categories of COVID-19 activities incurred cost for materials,  
17 most of which were in support of keeping employees safe and functioning as optimally as  
18 possible whether in the field, the office, or working from home. Table AP-016 summarizes the  
19 incremental materials costs by activity.

<b>Table AP-016</b> <b>COVID-19 Global Pandemic</b> <b>Incremental O&amp;M Materials Expense by Activity</b> <b>(\$000)</b>		
<b>Line No.</b>	<b>COVID Activity</b>	<b>CEMA Recorded</b>
1	PPE and Supplies (Face Mask, Sanitizers, etc.)	3,668
2	Telecommuting Work Equipment	903
3	IT	439
4	Facilities and Vehicle Enhanced Cleaning	289
5	Gas Control Sequestration	240
6	Returning to Workplace Costs	186
7	Temperature Health Screening/Medical Services	125
8	ECS COVID Case Management Team	20
9	Other	3
10	Total	\$5,872

**3. Services/Other**

SoCalGas incurred a total of \$26.276 million of incremental Services/Other expenses.

The Services/Other category encompasses most precautionary measures and other activities taken to protect the health, safety and well-being of employees, contractors, and customers.

Table AP-017 summarizes the incremental services/other costs by activity.

<b>Table AP-017</b> <b>COVID-19 Global Pandemic</b> <b>Incremental O&amp;M Services/Other Expense by Activity</b> <b>(\$000)</b>		
<b>Line No.</b>	<b>COVID Activity</b>	<b>CEMA Recorded</b>
1	Facilities and Vehicle Enhanced Cleaning	\$9,124
2	Temperature Health Screening/Medical Services	8,237
3	ECS COVID Case Management Team	2,453
4	Employee Stipend - Remote Work	2,222
5	Returning to Workplace Costs	1,731
6	IT	918
7	Employee and Customer Communications	679
8	Cal/OSHA Testing	398
9	Mask Allowance	254
10	Gas Control Sequestration	249
11	Other	10
12	Total	\$26,276

**4. Vehicle Costs**

SoCalGas incurred a total of \$2.796 million of vehicle expenses. Of the total, \$2.783 million is incremental and recorded to the CEMA. The costs in this category include rented vehicles and equipment including vehicles rented for single-occupancy requirements, as well as stationary trailers for daily temperature checks and the gas control sequestration, including the sanitary servicing and upkeep to maintain healthy and safe conditions in and around the rented vehicles and equipment (e.g., trailers, portable restrooms, sanitation service trucks, trailer cleaning and services, waste removal, etc.). Table AP-018 summarizes the incremental vehicle costs by activity.

<b>Table AP-018</b> <b>COVID-19 Global Pandemic</b> <b>Incremental O&amp;M Vehicle Expense by Activity</b> <b>(\$000)</b>		
<b>Line No.</b>	<b>COVID Activity</b>	<b>CEMA Recorded</b>
1	Fleet/Trailer Rentals	\$1,401
2	Facilities and Vehicle Enhanced Cleaning	511
3	Gas Control Sequestration	480
4	Temperature Health Screening/Medical Services	383
5	Other	8
6	Total	\$2,783

**5. Overhead Costs**

SoCalGas incurred a total of \$10.924 million of overhead costs applied through its overhead allocation process. As discussed in Section III., all overheads are considered non-incremental and therefore excluded from the CEMA since these costs would have been incurred in the same amounts absent the COVID-19 CEMA event.

**6. Payroll Taxes**

SoCalGas incurred \$0.410 million of incremental payroll tax related to incremental internal labor associated to COVID-19 activities. As discussed in Section III, SoCalGas applies a payroll tax rate of 7.6% to incremental labor. The rate includes both the Social Security and Medicare portions of FICA.

**7. Avoided O&M Costs**

As discussed earlier in Section III., SoCalGas recognized that as a result of the temporary and unusual operating conditions during the COVID-19 pandemic, certain costs related to the Gas Company Tower (GCT) facility, customer remittance processing, employee travel and training, and collection notices postage were below their expected spending levels. The costs

1 avoided identified in these activities as noted in Table AP-006 located in Section III., were  
2 recorded as an offset to the incremental O&M expenses related to COVID-19.

3 SoCalGas assessed that, when compared to the expected costs the company avoided  
4 \$3.443 million of costs in 2020, \$3.204 million in 2021, \$0.071 million in 2022. SoCalGas  
5 recorded an additional cost avoidance adjustment of \$1.631 million in 2023, representing a  
6 correction to the previously recorded amount for employee travel and training of \$0.298 million,  
7 as well as an additional cost avoidance of \$1.333 million between 2020 and 2023 in collection  
8 notices postage costs because of the disconnection moratorium established by the State of  
9 California. SoCalGas recorded a total cost avoidance credit of \$8.349 million to its CEMA. The  
10 rationale and process for determining the cost savings for each activity is discussed below.

11 **a. Facilities Costs**

12 SoCalGas reviewed facility costs across the enterprise and determined that most facility  
13 related costs were in-line with past trends and expectations, except for the GCT, the downtown  
14 Los Angeles corporate office. Due to the Stay Home order, a large proportion of employees  
15 assigned to the GCT worked remotely. As a result, the GCT experienced a reduction in costs  
16 related to the HVAC system, janitorial, pest control, utility usage, and parking validations  
17 compared to the cost expectation for these activities. After removing cost variances not related  
18 to the pandemic, SoCalGas recorded a cost avoidance of \$0.671 million in 2020 and \$0.338  
19 million in 2021 to its CEMA. The total cost avoidance for these facilities related costs is \$1.008  
20 million.

21 **b. Customer Remittance Processing**

22 The 2019 GRC authorized funding for full-service processing of customer payments at  
23 the SoCalGas branch offices, including personnel for front-office interface with walk-in  
24 customers and weekly and bi-weekly armored car transport of customer payments. To prevent

1 the spread of COVID-19 at its facilities and to protect the safety of its customers and employees,  
 2 SoCalGas temporarily modified full-service processing of customer payments at the branch  
 3 offices, accepting payments only through its door boxes and not in-person. The modification  
 4 was from March 23, 2020, through July 6, 2021. SoCalGas reduced working hours for part-time  
 5 personnel and delayed filling 9 vacant positions at the branch offices because of the  
 6 modification. Additionally, armored car transportation services were reduced from once per  
 7 week for thirty-four offices and twice per week for 9 offices, to twice per month for all offices.  
 8 The temporary change in branch office operations resulted in avoided costs of \$1.160 million in  
 9 2020 and \$0.949 million in 2021 for a total recorded cost avoidance of \$2.109 million.

<b>Table AP-019</b>			
<b>O&amp;M Cost Avoidance</b>			
<b>Customer Remittance Processing</b>			
<b>(\$000)</b>			
<b>Cost Type</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Part-time Labor	-\$868	-\$616	-\$1,484
Full-time Labor	-248	-302	-550
Armored Car Transport	-44	-31	-75
<b>Total</b>	<b>-\$1,160</b>	<b>-\$949</b>	<b>-\$2,109</b>

10  
 11 **c. Employee Travel and Training**

12 Compared to 2019 levels, SoCalGas recorded lower employee travel, transportation, and  
 13 lodging costs in 2020, 2021, and 2022 due to compliance with California’s Stay Home Order.  
 14 The requirement to stay at home caused employees to cancel planned business trips, cancel  
 15 participation in conferences, and participate in meetings via virtual means. As a result,  
 16 SoCalGas avoided a net \$1.613 million of employee related costs in 2020, \$1.918 million in  
 17 2021, and \$0.071 million in 2022. During further review in 2023, SoCalGas substantiated  
 18 additional cost avoidance in the previous years and therefore recorded an adjustment of \$0.298

1 million to its CEMA in 2023, for a total recorded net cost avoidance of \$3.899 million related to  
 2 employee travel and training cost.

<b>Table AP-020</b> <b>COVID-19 O&amp;M Cost Avoidance</b> <b>Employee Travel &amp; Training</b> <b>(\$000)</b>					
<b>Cost Type</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Transportation	-\$1,082	-\$1,368	-\$227	-\$292	-\$2,969
Lodging	-946	-468	142	-2	-1,275
Training	415	-81	15	-3	345
<b>Total</b>	<b>-\$1,613</b>	<b>-\$1,918</b>	<b>-\$71</b>	<b>-\$298</b>	<b>-\$3,899</b>

3  
 4 **d. Collection Notice Postage**

5 Mailing certain collection notices was suspended because of the COVID-related  
 6 disconnection moratorium. As a result, SoCalGas realized a reduction of 3.4 million collection  
 7 notices that were mailed to customers compared to 2019. The reduction in the volume of notices  
 8 mailed resulted in avoided postage costs of \$1.333 million beginning in March of 2020 through  
 9 the end of February 2023 when the governmental orders were lifted.

<b>Table AP-021</b> <b>O&amp;M Cost Avoidance</b> <b>Collections Notices Postage</b> <b>(\$000)</b>		
<b>Year</b>	<b>Costs Savings</b>	<b>Volume</b>
2020	-\$363	-891
2021	-508	-1,232
2022	-407	-1,112
2023	-56	-186
<b>Total</b>	<b>-\$1,333</b>	<b>-3,421</b>

10

**B. Incremental Capital Expenditures (COVID-19)**

SoCalGas incurred a total of \$1.942 million of capital expenditures related to the COVID-19 global pandemic of which \$1.759 million is incremental. Table AP-022 summarizes the incremental capital expenditures by major cost category. MSA Airline Respirators and the Pico Training Facility A/V Upgrade are discussed in testimony Chapter 2.

Table AP-022 COVID-19 Global Pandemic Capital Expenditures (\$000)						
Line No.	O&M Expense	Total Expenditure	Non-Incremental Expenditure	Incremental Expenditure	COVID-19 ACTIVITY	
					MSA Airline Respirators	PICO Training A/V Upgrade
1	<u>Internal Labor</u>					
2	SCG Labor	\$13	\$13	\$0	\$0	\$0
3	Total Internal Labor	\$13	\$13	\$0	\$0	\$0
4	<u>Materials</u>					
5	Material	\$6	\$0	\$6	\$6	\$0
6	Tools	1,350	0	1,350	1,350	0
7	Total Materials	\$1,356	\$0	\$1,356	\$1,356	\$0
8	<u>Services/Other</u>					
9	Consultants and Contractors	\$471	\$68	\$403	\$0	\$403
10	Miscellaneous	-2	-2	0	0	0
11	Total Services/Other	\$469	\$66	\$403	\$0	\$403
12	<u>Vehicle Costs</u>					
13	Internal Vehicle Utilization	\$0	\$0	\$0	\$0	\$0
14	Outside Vehicle Costs	0	0	0	0	0
15	Total Vehicle Costs	\$0	\$0	\$0	\$0	\$0
16	Overheads	\$104	\$104	\$0	\$0	\$0
17	Payroll Tax	\$0	\$0	\$0	\$0	\$0
18	Total Capital Expenditures	\$1,942	\$183	\$1,759	\$1,356	\$403

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Leslie F. Hayles and I am currently employed by the Southern California Gas  
3 Company. My business address is 555 W. Fifth Street, Los Angeles, California, 90013. I am  
4 currently the Business Innovations and Reporting Manager for the Operational Planning  
5 Department of the Accounting and Finance Division. I currently manage enterprise reporting  
6 and analysis of operating costs and the development and administration of several cost reporting  
7 dashboards.

8 I am a certified public accountant in active status with the state of California and hold a  
9 Bachelor of Science degree in Business Administration with an Accounting option. I started my  
10 career with the Sempra family of Companies in 1993 and since then have held several leadership  
11 positions in Internal Audit, Centralized Business Planning, Asset Management, and Operational  
12 Planning. I have a thorough understanding of Generally Accepted Accounting Principles,  
13 Regulatory Balancing Accounts, Operational Planning and Analysis, and Sarbanes-Oxley  
14 Business Controls.

**EXHIBIT 3-1**

Account Level Determination of Eligible and Ineligible CEMA Costs

**Exhibit 3-1**  
**Southern California Gas Company**  
**Account-Level Determination of Eligible (Incremental) & Ineligible (Non-Incremental) CEMA Costs <sup>1</sup>**

Cost Element	CE Description	Incremental	Non-Incremental	Cost Type	Cost Type II
6110010	SAL-EXEC		X	Internal Labor	SCG Labor
6110020	SAL-MGMT S/T		X	Internal Labor	SCG Labor
6110030	SAL-MGMT T&1/2	X		Internal Labor	SCG Labor
6110040	SAL-MGMT D/T	X		Internal Labor	SCG Labor
6110080	SAL-CLERICAL/TECH ST		X	Internal Labor	SCG Labor
6110090	SAL-CLERICAL/TEC T&H	X		Internal Labor	SCG Labor
6110100	SAL-CLERICAL/TECH DT	X		Internal Labor	SCG Labor
6110110	SAL-UNION S/T		X	Internal Labor	SCG Labor
6110120	SAL-UNION T&1/2	X		Internal Labor	SCG Labor
6110130	SAL-UNION D/T	X		Internal Labor	SCG Labor
6110141	SAL-EMP CNTR MGT S/T		X	Internal Labor	SCG Labor
6110151	SAL-EMP CNTR MGT T&H	X		Internal Labor	SCG Labor
6110161	SAL-EMP CNTR MGT D/T	X		Internal Labor	SCG Labor
6110171	SAL-PT TIME MGT S/T		X	Internal Labor	SCG Labor
6110172	SAL-PT TIME C&T S/T		X	Internal Labor	SCG Labor
6110173	SAL-PT TIME UN S/T		X	Internal Labor	SCG Labor
6110181	SAL-PT TIME MGT T&H	X		Internal Labor	SCG Labor
6110183	SAL-PT TIME UN T&H	X		Internal Labor	SCG Labor
6110256	SAL-MISC	X		Internal Labor	Employee Recognition Cash Award
6110330	SAL-OTHER CASH AWDS	X		Internal Labor	Employee Recognition Cash Award
6110334	SAL-SPOT CASH AWARD		X	Internal Labor	Employee Recognition Cash Award
6110335	SAL-DEL LUNCH PREM	X		Internal Labor	Lunch Premium
6120011	EMP BEN-LT DISABILIT	X		Services/Other	Employee Benefits
6120012	EMP BEN-EMP RECOGNI	X		Services/Other	Employee Recognition Gift Award
6120075	EMP BEN-RANDOM TEST	X		Services/Other	Employee Benefits
6120086	EMP BEN-RETIREACT	X		Services/Other	Employee Recognition Gift Award
6120145	EMP BEN-GIFT CARDS	X		Services/Other	Employee Recognition Gift Award
6120151	EMP BEN-GIFT CRD INV	X		Services/Other	Employee Recognition Gift Award
6120153	EMP BEN-EMP RECOG CA	X		Services/Other	Employee Recognition Gift Award
6130001	EMP TRVL-AIR	X		Services/Other	Employee Travel, Meals, Lodging
6130002	EMP TRVL-RAIL	X		Services/Other	Employee Travel, Meals, Lodging
6130009	MEALS&TIP&ENT100% ND	X		Services/Other	Employee Travel, Meals, Lodging
6130010	MEALS &TIP & ENT 100	X		Services/Other	Employee Travel, Meals, Lodging
6130011	EMP TRVL-INCIDENTALS	X		Services/Other	Employee Travel, Meals, Lodging
6130012	EMP TRVL-MILEAGE	X		Services/Other	Employee Travel, Meals, Lodging
6130013	EMP TRVL-PER DIEM	X		Services/Other	Employee Travel, Meals, Lodging
6130014	EMP TRVL-PARKING	X		Services/Other	Employee Travel, Meals, Lodging
6130015	MEALS & TIP & ENT 50	X		Services/Other	Employee Travel, Meals, Lodging
6130016	EMP TRVL-CAR RENTAL	X		Services/Other	Employee Travel, Meals, Lodging
6130017	EMP TRVL-TAXI/SHUTTL	X		Services/Other	Employee Travel, Meals, Lodging
6130020	EMP TRVL-HOTEL/LODG	X		Services/Other	Employee Travel, Meals, Lodging
6130023	EMP BEN-CORP EVENTS	X		Services/Other	Employee Benefits
6130040	EMP OTH-LIVNG EXP-IM	X		Services/Other	Employee Travel, Meals, Lodging
6130050	EMP TRVL-OTHER	X		Services/Other	Employee Travel, Meals, Lodging
6210000	PURCHASED MATERIALS	X		Materials	Material
6210220	MATL-SCRAP MATL EXP	X		Materials	Material
6211380	MATL-ELECTRIC PARTS	X		Materials	Parts & Supplies
6211470	MATL-PRINTED MATERLS	X		Materials	Material
6211485	MATL-RAINGEAR/APPARL	X		Materials	Material
6211500	MATL-SAFETY EVENT	X		Materials	Material
6211535	MATL-VEHICLES	X		Materials	Material
6213005	MATL-OFFICE SUPPLIES	X		Materials	Parts & Supplies
6213010	MATL-PCARD/FIELD CD	X		Materials	Parts & Supplies
6213015	MATL-OFC FURNITURE	X		Materials	Equipment
6213020	MATL-OFFICE EQUIPMNT	X		Materials	Equipment
6213025	MATL-COMPUTER EQUIP	X		Materials	Equipment
6213030	MATL-SOFTWARE	X		Materials	Parts & Supplies

**Exhibit 3-1**  
**Southern California Gas Company**  
**Account-Level Determination of Eligible (Incremental) & Ineligible (Non-Incremental) CEMA Costs <sup>1</sup>**

Cost Element	CE Description	Incremental	Non-Incremental	Cost Type	Cost Type II
6213035	MATL-GAS&DIESEL FUEL	X		Materials	Parts & Supplies
6213040	MATL-GAS FUEL	X		Materials	Parts & Supplies
6213050	MATL-NGV FUEL	X		Materials	Parts & Supplies
6213051	MATL-LIQFD PROP GAS	X		Materials	Parts & Supplies
6213060	MATL-VEHICLE PARTS	X		Materials	Parts & Supplies
6213070	MATL-PARTS	X		Materials	Parts & Supplies
6213080	MATL-REPAIR PARTS	X		Materials	Parts & Supplies
6213085	MATL-MISCELLANEOUS	X		Materials	Material
6213090	MATL-FREIGHT	X		Materials	Material
6213095	MATL-SUBSCR&PUBLICN	X		Materials	Material
6213115	MATL-ASPHALT	X		Materials	Material
6213120	MATL-AUDIO VISUAL EQ	X		Materials	Equipment
6213125	MATL-VEHICL SUPPLIES	X		Materials	Parts & Supplies
6213130	MATL-BOTTLED WATER	X		Materials	Parts & Supplies
6213140	MATL-BUILDING MATERI	X		Materials	Material
6213165	MATL-CHEMICALS	X		Materials	Material
6213175	MATL-COMPRESSR EQUIP	X		Materials	Equipment
6213180	MATL-COMPUTR HARDWAR	X		Materials	Equipment
6213200	MATL-CONSTRUCTION EQ	X		Materials	Equipment
6213225	MATL-ELECTRIC EQUIP	X		Materials	Equipment
6213240	MATL-ENGINES	X		Materials	Material
6213255	MATL-FAX MACHINES	X		Materials	Equipment
6213260	MATL-FITTINGS	X		Materials	Parts & Supplies
6213290	MATL-GAS POLY PIPE	X		Materials	Material
6213295	MATL-GAS REGULATORS	X		Materials	Parts & Supplies
6213300	MATL-GASES-INDSTRIAL	X		Materials	Parts & Supplies
6213305	MATL-GASKETS	X		Materials	Parts & Supplies
6213310	MATL-GAUGES	X		Materials	Parts & Supplies
6213315	MATL-GENERATORS	X		Materials	Equipment
6213325	MATL-HARDWARE	X		Materials	Equipment
6213340	MATL-LABORATORY SUPP	X		Materials	Parts & Supplies
6213361	MATL-MAINT CONSUMABL	X		Materials	Parts & Supplies
6213365	MATL-MEASURMT INSTRU	X		Materials	Equipment
6213370	MATL-MECHANICAL EQUIP	X		Materials	Equipment
6213375	MATL-MECHANICAL FITTG	X		Materials	Parts & Supplies
6213385	MATL-ELEC MISC	X		Materials	Parts & Supplies
6213390	MATL-MRO&SAFETY SUPP	X		Materials	Parts & Supplies
6213405	MATL-PACKAGING MATL	X		Materials	Material
6213425	MATL-PETROLEUM PROD	X		Materials	Parts & Supplies
6213435	MATL-PIPE WRAPPING	X		Materials	Material
6213455	MATL-TOOLS	X		Materials	Tools
6213470	MATL-PRESS CNTRL FTG	X		Materials	Parts & Supplies
6213480	MATL-PROMOTNL ITEMS	X		Materials	Material
6213485	MATL-PUMPS	X		Materials	Equipment
6213500	MATL-ROCK SAND DIRT	X		Materials	Material
6213505	MATL-SAFETY	X		Materials	Material
6213510	MATL-SAFETY EQUIPMNT	X		Materials	Equipment
6213525	MATL-METAL PIPE&FITG	X		Materials	Parts & Supplies
6213535	MATL-VALVES	X		Materials	Parts & Supplies
6213541	MATL-WELDING EQUIPMT	X		Materials	Equipment
6213560	MATL-TELECOM EQUIPMT	X		Materials	Equipment
6213590	MATL-JANITORIAL SUPP	X		Materials	Parts & Supplies
6213610	MATL-LAMPS/LIGHTING	X		Materials	Material
6215111	MATL-CPD Z61/Z62 ADJ	X		Materials	Material
6215112	MATL-CPD Z61/Z62 ADJ	X		Materials	Material
6215565	MI-PRECHRGDOFFSUPPL	X		Materials	Material
6215566	MI-OTHER PRECHRGDMAT	X		Materials	Material

**Exhibit 3-1**  
**Southern California Gas Company**  
**Account-Level Determination of Eligible (Incremental) & Ineligible (Non-Incremental) CEMA Costs <sup>1</sup>**

Cost Element	CE Description	Incremental	Non-Incremental	Cost Type	Cost Type II
6215567	MI-PIPE	X		Materials	Material
6215568	MI-NON PIPE	X		Materials	Material
6220000	PURCHASED SERVICES	X		Services/Other	Outside Services
6220002	SRV-CONSULTING	X		Services/Other	Consultants and Contractors
6220004	SRV-CONTRACT LABOR	X		Services/Other	Consultants and Contractors
6220005	SRV-CONTR-MAJOR PROJ	X		Services/Other	Consultants and Contractors
6220006	SRV-C/SVC DEPT ONLY	X		Services/Other	Outside Services
6220007	SRV-CONTR-TIME&EQUIP	X		Services/Other	Consultants and Contractors
6220008	SRV-CONTRACTORS	X		Services/Other	Consultants and Contractors
6220009	SRV-CONTR-SPECFC JBS	X		Services/Other	Consultants and Contractors
6220025	SRV-HLNG AND DISPSAL	X		Services/Other	Outside Services
6220040	SRV-ADVTG IMAGE&BRND	X		Services/Other	Outside Services
6220050	SRV-ADVRTSNG&MKTG	X		Services/Other	Outside Services
6220060	SRV-CATERING	X		Services/Other	Outside Services
6220062	SRV-FOOD-MAINT (CBS)	X		Services/Other	Outside Services
6220067	SRV-FOOD SRV 100% ND	X		Services/Other	Outside Services
6220190	SRV-SECURITY	X		Services/Other	Outside Services
6220200	SRV-LEGAL	X		Services/Other	Outside Services
6220270	SRV-IT-CONSULTING	X		Services/Other	Consultants and Contractors
6220280	SRV-IT-OTHER	X		Services/Other	Outside Services
6220360	SRV-CMPTR ORD FLFLMT	X		Services/Other	Outside Services
6220380	SRV-TEMP AGENCY LABOR	X		Services/Other	Consultants and Contractors
6220390	SRV-PRINT/GRAPHICS	X		Services/Other	Outside Services
6220412	SRV-COPY-CONVEN	X		Services/Other	Outside Services
6220422	SRV-COPY-SERVICE CTR	X		Services/Other	Outside Services
6220432	SRV-MAIL-O/NIGHT EXP	X		Services/Other	Outside Services
6220433	SRV-MAIL-COURIER	X		Services/Other	Outside Services
6220450	SRV-MAIL-POSTAGE	X		Services/Other	Outside Services
6220470	SRV-MAIL OTHER	X		Services/Other	Outside Services
6220480	SRV-ENGINEERING	X		Services/Other	Outside Services
6220500	SRV-GOV T/K-DSGN/BLD	X		Services/Other	Outside Services
6220530	SRV-CONSTRUCTN OTHER	X		Services/Other	Consultants and Contractors
6220535	SRV-GOVT PERMITS	X		Services/Other	Licensing and Permits
6220560	SRV-CONSTRUCTN PAVNG	X		Services/Other	Consultants and Contractors
6220570	SRV-DESIGN	X		Services/Other	Outside Services
6220580	SRV-ONLINE SRV MISC	X		Services/Other	Outside Services
6220590	SRV-MISCELLANEOUS	X		Services/Other	Outside Services
6220600	SRV-CONSULTING-OTHER	X		Services/Other	Consultants and Contractors
6220670	SRV-RESRCH & DEVEL	X		Services/Other	Outside Services
6220790	SRV-MEDICAL	X		Services/Other	Outside Services
6220810	SRV-CUSTOMER SERVCS	X		Services/Other	Outside Services
6220811	SRV-CUSTOMER EVENT	X		Services/Other	Outside Services
6220840	SRV-VEH&EQUIP RENTAL	X		Vehicle	Outside Vehicle Costs
6220842	SRV-VEH REPAIR & MNT	X		Vehicle	Outside Vehicle Costs
6220843	SRV-VEHICLE WASHING	X		Vehicle	Outside Vehicle Costs
6220844	SRV-VEH PAINT & BODY	X		Vehicle	Outside Vehicle Costs
6220846	SRV-VEHICLE TOWING	X		Vehicle	Outside Vehicle Costs
6220850	SRV-VEH&EQUIP W/OPER	X		Vehicle	Outside Vehicle Costs
6220860	SRV-MAINT/REPAIR	X		Services/Other	Outside Services
6220880	SRV-CONSTR-GAS PIPE	X		Services/Other	Consultants and Contractors
6220890	SRV-LANDSCAPING	X		Services/Other	Outside Services
6220900	SRV-TRASH COLLECTION	X		Services/Other	Outside Services
6220910	SRV-HAZ WASTE DISPOS	X		Services/Other	Outside Services
6220920	SRV-SAFETY RELATED	X		Services/Other	Outside Services
6220950	SRV-AUCTIONING	X		Services/Other	Outside Services
6220980	SRV-JANITORIAL	X		Services/Other	Outside Services
6221000	SRV-CONSTRUCTN-ELECT	X		Services/Other	Consultants and Contractors

**Exhibit 3-1**  
**Southern California Gas Company**  
**Account-Level Determination of Eligible (Incremental) & Ineligible (Non-Incremental) CEMA Costs <sup>1</sup>**

Cost Element	CE Description	Incremental	Non-Incremental	Cost Type	Cost Type II
6221010	SRV-STORAGE	X		Services/Other	Outside Services
6221040	SRV-FREIGHT AUDIT	X		Services/Other	Outside Services
6221050	SRV-LABORATORY	X		Services/Other	Outside Services
6221085	SRV-SITE ASSESS&MIT	X		Services/Other	Outside Services
6230380	SRV-CONTRACT LABOR	X		Services/Other	Consultants and Contractors
6230390	SRV-PNTG GRPH VIDEO	X		Services/Other	Outside Services
6230460	SRV-BILL POSTAGE	X		Services/Other	Outside Services
6230540	SRV-HOLIDAY EVENTS	X		Services/Other	Outside Services
6230610	SRV-WATER	X		Services/Other	Outside Services
6230641	SRV-TRNG & SEMIN EXT	X		Services/Other	Training
6230680	SRV-EVENT & TICKETS	X		Services/Other	Outside Services
6250001	DUES-BUSINESS/PROFES	X		Services/Other	Outside Services
6261050	VEH UTIL-LABOR		X	Vehicle	Internal Vehicle Utilization
6262050	VEH UTIL-NONLABOR		X	Vehicle	Internal Vehicle Utilization
6270202	RE OP LEASE- ROU EXP	X		Services/Other	Rents and Leases
6270402	VAR LEASE COSTS RE	X		Services/Other	Rents and Leases
6280001	GOV PYMNTS-PERMITS	X		Services/Other	Licensing and Permits
6290400	MISC REIMBURSEMENTS	X		Services/Other	Employee Benefits
6310020	PMT FOR EASEMENT / R	X		Services/Other	Rents and Leases
6320002	TELE-CELLULAR PHONES	X		Services/Other	Outside Services
6340000	Cash Discounts on Pu	X		Services/Other	Outside Services
6350710	CREDIT FOR CASH COLL	X		Services/Other	Insurance Reimbursements <sup>2</sup>
6350742	MISC CHARGES	X		Services/Other	Miscellaneous
6400365	RENTS	X		Services/Other	Rents and Leases
6400450	A&G-OTHER MISC	X		Services/Other	Miscellaneous
6405012	A&G-GOVT PMTS-PERMIT	X		Services/Other	Licensing and Permits
6610123	CAP PROP TAX - CWIP		X	Overheads	Overheads
6900004	AFUDC-DEBT		X	Overheads	Overheads
6900005	AFUDC-EQUITY		X	Overheads	Overheads
6900200	ACCOUNTING ADJ.-NO O		X	Services/Other	Miscellaneous
9121100	V&S L (CS)		X	Overheads	Overheads
9121200	ICP L (CS)		X	Overheads	Overheads
9121400	PLPD L (CS)		X	Overheads	Overheads
9121410	PLPD L (CS) SCG		X	Overheads	Overheads
9121500	Wk Comp L (CS)		X	Overheads	Overheads
9121510	Wk Comp L (CS) SCG		X	Overheads	Overheads
9121600	P&B L (CS)		X	Overheads	Overheads
9121610	P&B L (CS) SCG		X	Overheads	Overheads
9122300	PR Tax NL (CS)		X	Overheads	Overheads
9122301	PR Tax NL ICP (CS)		X	Overheads	Overheads
9122310	PR Tax NL (CS) SCG		X	Overheads	Overheads
9122311	PR Tax NL ICP(CS)SCG		X	Overheads	Overheads
9122400	PLPD NL (CS)		X	Overheads	Overheads
9122410	PLPD NL (CS) SCG		X	Overheads	Overheads
9122500	Wk Comp NL (CS)		X	Overheads	Overheads
9122510	Wk Comp NL (CS) SCG		X	Overheads	Overheads
9122600	P&B NL (CS)		X	Overheads	Overheads
9122610	P&B NL (CS) SCG		X	Overheads	Overheads
9122900	P&B REF NL (CS)		X	Overheads	Overheads
9122910	P&B REF NL (CS) SCG		X	Overheads	Overheads
9123100	V&S L (CL)		X	Overheads	Overheads
9123200	ICP L (CL)		X	Overheads	Overheads
9123400	PLPD L (CL)		X	Overheads	Overheads
9123410	PLPD L (CL) SCG		X	Overheads	Overheads
9123500	Wk Comp L (CL)		X	Overheads	Overheads
9123510	Wk Comp L (CL) SCG		X	Overheads	Overheads
9123600	P&B L (CL)		X	Overheads	Overheads

**Exhibit 3-1**  
**Southern California Gas Company**  
**Account-Level Determination of Eligible (Incremental) & Ineligible (Non-Incremental) CEMA Costs <sup>1</sup>**

Cost Element	CE Description	Incremental	Non-Incremental	Cost Type	Cost Type II
9123610	P&B L (CL) SCG		X	Overheads	Overheads
9124300	PR Tax NL (CL)		X	Overheads	Overheads
9124310	PR Tax NL (CL) SCG		X	Overheads	Overheads
9124400	PLPD NL (CL)		X	Overheads	Overheads
9124410	PLPD NL (CL) SCG		X	Overheads	Overheads
9124500	Wk Comp NL (CL)		X	Overheads	Overheads
9124510	Wk Comp NL (CL) SCG		X	Overheads	Overheads
9124600	P&B NL (CL)		X	Overheads	Overheads
9124610	P&B NL (CL) SCG		X	Overheads	Overheads
9124900	P&B REF NL (CL)		X	Overheads	Overheads
9124910	P&B REF NL (CL) SCG		X	Overheads	Overheads
9131080	FLT GT Cap&3rd L(CS)		X	Overheads	Overheads
9131090	FLT GD Cap&3rd L(CS)		X	Overheads	Overheads
9131150	Purchasing L (CS)		X	Overheads	Overheads
9131250	Warehouse L (CS)		X	Overheads	Overheads
9131560	DOH Rplc L (CS)		X	Overheads	Overheads
9131650	Eng EDS L (CS)		X	Overheads	Overheads
9131660	Eng ETS L (CS)		X	Overheads	Overheads
9131700	Shop Order L (CS)		X	Overheads	Overheads
9131850	Small Tools L (CS)		X	Overheads	Overheads
9131900	Capital A&G L (CS)		X	Overheads	Overheads
9131910	Affil A&G L (CS)		X	Overheads	Overheads
9132080	FLT GT Cap&3rdNL(CS)		X	Overheads	Overheads
9132090	FLT GD Cap&3rdNL(CS)		X	Overheads	Overheads
9132150	Purchasing NL (CS)		X	Overheads	Overheads
9132250	Warehouse NL (CS)		X	Overheads	Overheads
9132320	Expt Mat MPM NL (CS)		X	Overheads	Overheads
9132330	Expt Mat Pipe NL(CS)		X	Overheads	Overheads
9132560	DOH Rplc NL (CS)		X	Overheads	Overheads
9132650	Eng EDS NL (CS)		X	Overheads	Overheads
9132660	Eng ETS NL (CS)		X	Overheads	Overheads
9132700	Shop Order NL (CS)		X	Overheads	Overheads
9132850	Small Tools NL (CS)		X	Overheads	Overheads
9132900	Capital A&G NL (CS)		X	Overheads	Overheads
9132910	Affil A&G NL (CS)		X	Overheads	Overheads
9312010	Cap A&G DNL 3		X	Overheads	Overheads
9312150	Cap A&G DNL 1		X	Overheads	Overheads
9322010	Aff Bill A&G DNL 3		X	Overheads	Overheads
9322150	Aff Bill A&G DNL 1		X	Overheads	Overheads
9372010	C&J A&G DNL 3		X	Overheads	Overheads
9372150	C&J A&G DNL 1		X	Overheads	Overheads

<sup>1</sup> Incremental designations are consistently applied to all CEMA events and expenditure types (e.g.: O&M, Capital), however any cost assigned to Capital Cost of Removal are considered non-incremental regardless of the account level determination.

<sup>2</sup> Cost element 6350710 is generally used for a variety of cost reimbursements from external sources; the Cost Type II "Insurance Reimburements" designation is specific to this CEMA application filing only.

**EXHIBIT 3-2**

2017 Wildfires O&M Expense

**Exhibit 3-2**  
**2017 Wildfires**  
**Operating and Maintenance Expense**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$3,186	\$1,163	\$2,023
3	Lunch Premium	23	0	23
4	Employee Recognition Cash Award	115	115	0
5	Total Internal Labor	\$3,324	\$1,278	\$2,046
6	<u>Materials</u>			
7	Material	\$131	\$0	\$131
8	Equipment	31	0	31
9	Parts & Supplies	636	0	636
10	Tools	20	0	20
11	Total Materials	\$819	\$0	\$819
12	<u>Services/Other</u>			
13	Consultants and Contractors	\$1,279	\$0	\$1,279
14	Employee Travel, Meals, Lodging	761	0	761
15	Licensing and Permits	41	0	41
16	Outside Services	598	0	598
17	Rents and Leases	6	0	6
18	Total Services/Other	\$2,685	\$0	\$2,685
19	<u>Vehicle Costs</u>			
20	Internal Vehicle Utilization	\$235	\$235	\$0
21	Outside Vehicle Costs	56	0	56
22	Total Vehicle Costs	\$291	\$235	\$56
23	Overheads	\$2,323	\$2,323	\$0
24	Payroll Tax	\$155	\$0	\$155
25	<b>Total O&amp;M Expense</b>	<b>\$9,597</b>	<b>\$3,836</b>	<b>\$5,761</b>

**EXHIBIT 3-3**

2018 Wildfires O&M Expense

**Exhibit 3-3**  
**2018 Wildfires**  
**Operating and Maintenance Expense**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$798	\$164	\$634
3	Lunch Premium	8	0	8
4	Employee Recognition Cash Award	0	0	0
5	Total Internal Labor	\$806	\$164	\$642
6	<u>Materials</u>			
7	Material	\$21	\$0	\$21
8	Equipment	8	0	8
9	Parts & Supplies	2	0	2
10	Tools	2	0	2
11	Total Materials	\$33	\$0	\$33
12	<u>Services/Other</u>			
13	Consultants and Contractors	\$243	\$0	\$243
14	Employee Travel, Meals, Lodging	89	0	89
15	Licensing and Permits	5	0	5
16	Outside Services	41	0	41
17	Rents and Leases	0	0	0
18	Total Services/Other	\$378	\$0	\$378
19	<u>Vehicle Costs</u>			
20	Internal Vehicle Utilization	\$104	\$104	\$0
21	Outside Vehicle Costs	3	0	3
22	Total Vehicle Costs	\$106	\$104	\$3
23	Overheads	\$481	\$481	\$0
24	Payroll Tax	\$49	\$0	\$49
25	Total O&M Expense	\$1,853	\$748	\$1,104

**EXHIBIT 3-4**

2019 Wildfires O&M Expense

**Exhibit 3-4**  
**2019 Wildfires**  
**Operating and Maintenance Expense**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$305	\$152	\$152
3	Lunch Premium	2	0	2
4	Employee Recognition Cash Award	0	0	0
5	Total Internal Labor	\$307	\$152	\$155
6	<u>Materials</u>			
7	Material	\$35	\$0	\$35
8	Equipment	44	0	44
9	Parts & Supplies	80	0	80
10	Tools	24	0	24
11	Total Materials	\$183	\$0	\$183
12	<u>Services/Other</u>			
13	Consultants and Contractors	\$2,227	\$0	\$2,227
14	Employee Travel, Meals, Lodging	2	0	2
15	Licensing and Permits	0	0	0
16	Outside Services	45	0	45
17	Rents and Leases	0	0	0
18	Insurance Reimbursements	-1,333	0	-1,333
19	Total Services/Other	\$941	\$0	\$941
20	<u>Vehicle Costs</u>			
21	Internal Vehicle Utilization	\$30	\$30	\$0
22	Outside Vehicle Costs	0	0	0
23	Total Vehicle Costs	\$30	\$30	\$0
24	Overheads	\$237	\$237	\$0
25	Payroll Tax	\$12	\$0	\$12
26	<b>Total O&amp;M Expense</b>	<b>\$1,709</b>	<b>\$419</b>	<b>\$1,290</b>

**EXHIBIT 3-5**

2017 Winter Storms O&M Expense

**Exhibit 3-5**  
**2017 Winter Storms**  
**Operating and Maintenance Expense**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non- Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$16	\$10	\$6
3	Lunch Premium	0	0	0
4	Employee Recognition Cash Award	0	0	0
5	Total Internal Labor	\$16	\$10	\$6
6	<u>Materials</u>			
7	Material	\$0	\$0	\$0
8	Equipment	0	0	0
9	Parts & Supplies	0	0	0
10	Tools	0	0	0
11	Total Materials	\$0	\$0	\$0
12	<u>Services/Other</u>			
13	Consultants and Contractors	\$176	\$0	\$176
14	Employee Travel, Meals, Lodging	0	0	0
15	Licensing and Permits	0	0	0
16	Outside Services	4	0	4
17	Rents and Leases	0	0	0
18	Total Services/Other	\$181	\$0	\$181
19	<u>Vehicle Costs</u>			
20	Internal Vehicle Utilization	\$1	\$1	\$0
21	Outside Vehicle Costs	0	0	0
22	Total Vehicle Costs	\$1	\$1	\$0
23	Overheads	\$11	\$11	\$0
24	Payroll Tax	\$0	\$0	\$0
25	Total O&M Expense	\$209	\$22	\$187

**EXHIBIT 3-6**

2019 Winter Storms O&M Expense

**Exhibit 3-6**  
**2019 Winter Storms**  
**Operating and Maintenance Expense**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$0	\$0	\$0
3	Lunch Premium	0	0	0
4	Employee Recognition Cash Award	0	0	0
5	Total Internal Labor	\$0	\$0	\$0
6	<u>Materials</u>			
7	Material	\$0	\$0	\$0
8	Equipment	0	0	0
9	Parts & Supplies	0	0	0
10	Tools	0	0	0
11	Total Materials	\$0	\$0	\$0
12	<u>Services/Other</u>			
13	Consultants and Contractors	\$80	\$0	\$80
14	Employee Travel, Meals, Lodging	0	0	0
15	Licensing and Permits	0	0	0
16	Outside Services	-1	0	-1
17	Rents and Leases	0	0	0
18	Total Services/Other	\$79	\$0	\$79
19	<u>Vehicle Costs</u>			
20	Internal Vehicle Utilization	\$0	\$0	\$0
21	Outside Vehicle Costs	0	0	0
22	Total Vehicle Costs	\$0	\$0	\$0
23	Overheads	\$1	\$1	\$0
24	Payroll Tax	\$0	\$0	\$0
25	Total O&M Expense	\$80	\$1	\$79

**EXHIBIT 3-7**

2017 Wildfires Capital Expenditures

**Exhibit 3-7**  
**2017 Wildfires**  
**Capital Expenditures**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$1,157	\$875	\$282
3	Lunch Premium	5	4	1
4	Total Internal Labor	\$1,162	\$879	\$283
5	<u>Materials</u>			
6	Material	\$519	\$171	\$348
7	Equipment	26	4	22
8	Parts & Supplies	52	17	35
9	Tools	4	1	3
10	Total Materials	\$601	\$193	\$407
11	<u>Services/Other</u>			
12	Consultants and Contractors	\$13,031	\$5,018	\$8,013
13	Employee Travel, Meals, Lodging	60	25	35
14	Licensing and Permits	9	3	6
15	Outside Services	864	252	613
16	Rents and Leases	399	119	280
17	Training	0	0	0
18	Total Services/Other	\$14,364	\$5,417	\$8,947
19	<u>Vehicle Costs</u>			
20	Internal Vehicle Utilization	\$111	\$111	\$0
21	Outside Vehicle Costs	4	1	3
22	Total Vehicle Costs	\$114	\$111	\$3
23	Overheads	\$2,805	\$2,805	\$0
24	Payroll Tax	\$21	\$0	\$21
25	<b>Total Capital Expenditures</b>	<b>\$19,068</b>	<b>\$9,406</b>	<b>\$9,661</b>

**EXHIBIT 3-8**

2019 Wildfires Capital Expenditures

**Exhibit 3-8**  
**2019 Wildfires**  
**Capital Expenditures**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$81	\$81	\$0
3	Lunch Premium	0	0	0
4	Total Internal Labor	\$81	\$81	\$0
5	<u>Materials</u>			
6	Material	\$170	\$1	\$169
7	Equipment	34	5	30
8	Parts & Supplies	179	135	44
9	Tools	9	0	9
10	Total Materials	\$393	\$141	\$252
11	<u>Services/Other</u>			
12	Consultants and Contractors	\$1,009	\$285	\$725
13	Employee Travel, Meals, Lodging	0	0	0
14	Licensing and Permits	0	0	0
15	Outside Services	791	786	5
16	Rents and Leases	0	0	0
17	Training	0	0	0
18	Insurance Reimbursements	-354	0	-354
19	Total Services/Other	\$1,446	\$1,071	\$375
20	<u>Vehicle Costs</u>			
21	Internal Vehicle Utilization	\$1	\$1	\$0
22	Outside Vehicle Costs	0	0	0
23	Total Vehicle Costs	\$1	\$1	\$0
24	Overheads	\$476	\$476	\$0
25	Payroll Tax	\$0	\$0	\$0
26	<b>Total Capital Expenditures</b>	<b>\$2,397</b>	<b>\$1,770</b>	<b>\$627</b>

**EXHIBIT 3-9**

2017 Winter Storms Capital Expenditures

**Exhibit 3-9**  
**2017 Winter Storms**  
**Capital Expenditures**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$25	\$19	\$7
3	Lunch Premium	0	0	0
4	Total Internal Labor	\$26	\$19	\$7
5	<u>Materials</u>			
6	Material	\$15	\$1	\$14
7	Equipment	0	0	0
8	Parts & Supplies	24	0	24
9	Tools	0	0	0
10	Total Materials	\$39	\$1	\$38
11	<u>Services/Other</u>			
12	Consultants and Contractors	\$234	\$23	\$211
13	Employee Travel, Meals, Lodging	0	0	0
14	Licensing and Permits	0	0	0
15	Outside Services	0	0	0
16	Rents and Leases	0	0	0
17	Training	0	0	0
18	Total Services/Other	\$233	\$23	\$211
19	<u>Vehicle Costs</u>			
20	Internal Vehicle Utilization	\$11	\$11	\$0
21	Outside Vehicle Costs	0	0	0
22	Total Vehicle Costs	\$11	\$11	\$0
23	Overheads	\$102	\$102	\$0
24	Payroll Tax	\$1	\$0	\$1
25	<b>Total Capital Expenditures</b>	<b>\$411</b>	<b>\$155</b>	<b>\$256</b>

**EXHIBIT 3-10**

2019 Winter Storms Capital Expenditures

**Exhibit 3-10**  
**2019 Winter Storms**  
**Capital Expenditures**  
**(\$000)**

Line No.	O&M Expense	Total Expense	Non-Incremental Expense	Incremental Expense
1	<u>Internal Labor</u>			
2	SCG Labor	\$291	\$174	\$116
3	Lunch Premium	1	0	0
4	Total Internal Labor	\$291	\$175	\$116
5	<u>Materials</u>			
6	Material	\$10	\$3	\$7
7	Equipment	5	2	4
8	Parts & Supplies	66	21	45
9	Tools	2	1	2
10	Total Materials	\$84	\$27	\$57
11	<u>Services/Other</u>			
12	Consultants and Contractors	\$2,246	\$707	\$1,539
13	Employee Travel, Meals, Lodging	17	5	12
14	Licensing and Permits	7	2	5
15	Outside Services	254	81	173
16	Rents and Leases	0	0	0
17	Training	0	0	0
18	Total Services/Other	\$2,524	\$796	\$1,728
19	<u>Vehicle Costs</u>			
20	Internal Vehicle Utilization	\$53	\$53	\$0
21	Outside Vehicle Costs	0	0	0
22	Total Vehicle Costs	\$53	\$53	\$0
23	Overheads	\$408	\$408	\$0
24	Payroll Tax	\$9	\$0	\$9
25	<b>Total Capital Expenditures</b>	<b>\$3,368</b>	<b>\$1,458</b>	<b>\$1,910</b>