

Application of Southern California Gas Company  
for authority to update its gas revenue requirement  
and base rates effective on January 1, 2012.  
(U904G)

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Application 10-12-\_\_\_\_  
Exhibit No.: (SCG-08)

**PREPARED DIRECT TESTIMONY OF  
MICHAEL H. BALDWIN  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

**DECEMBER 2010**



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- Section II describes the nature of non-shared SCG Customer Service Office Operations services, and identifies the 2009 base year expenses and relevant adjustments and the rationale for O&M estimated non-shared expenses by organization for test year 2012 (“TY 2012”). This section also includes a forecast of the Uncollectible rate.
- Section III provides the rationale for O&M estimated expenses by shared service cost centers for TY 2012.
- Section IV focuses on Customer Service Office Operations components of miscellaneous revenues.
- Section V provides a description of Customer Service Office Operations capital projects and their respective business purposes. These capital project costs are sponsored in the testimony of Jeffrey C. Nichols, Exh. SCG-12.
- Section VI provides a conclusion.
- Section VII provides my witness qualifications.

The following table summarizes the TY 2012 changes related to O&M, miscellaneous revenue and capital expenses for Customer Service Office Operations.

**Table SCG-MHB-1  
Summary of TY 2012 Change  
(Thousands of 2009 dollars)**

<b>Description</b>	<b>2009 Adjusted- Recorded</b>	<b>TY 2012 Estimated</b>	<b>Change</b>	<b>Testimony Reference</b>
Total Non-shared Service	43,433	45,884	2,451	<b>Section II</b>
Total Shared Services (Booked Expense)	6,676	6,793	117	<b>Section III</b>
<b>Total O&amp;M</b>	<b>50,109</b>	<b>52,677</b>	<b>2,568</b>	
<b>Total Miscellaneous Revenue</b>	<b>1,086</b>	<b>1,236</b>	<b>150</b>	<b>Section IV</b>
<b>Total Capital</b>	<b>939</b>	<b>0</b>	<b>(939)</b>	<b>Section V</b>

1           **B.     Scope of Customer Service Office Operations**

2           Customer Service Office Operations include the following major  
3           activities:

- 4           •     Billing Services;
- 5           •     Measurement Data Operations;
- 6           •     Office Credit & Collections;
- 7           •     Remittance Processing and Bill Delivery;
- 8           •     Postage;
- 9           •     Customer Services Technology Support;
- 10          •     CS Operations Other; and
- 11          •     Uncollectibles.

12          **C.     Historical FYA (2005 – 2009) Expense Levels Used for Estimating TY**  
13          **2012 Expenses**

14          In almost all cases where specific historical expense data was available  
15          and was comparable for a given five year period (2005-2009), SCG calculated the  
16          FYA of recorded expenses. Adjustments were performed as necessary to account  
17          for partial year staffing and for incremental requirements not reflected by using  
18          the FYA methodology to estimate 2010-2012 expenses. This approach was used  
19          due to the work and staffing nature of Customer Service Office Operations which  
20          have a typical pattern that fluctuates year to year, but is for the most part  
21          consistent over a five year timeframe.

22          The only exception to the FYA expense level estimation methodology was  
23          the postage expense. The 2009 base year was used to estimate 2010-2012  
24          expenses adjusted by projected meter growth and paperless adoption rates. Since  
25          paperless adoption rates continue to increase, a FYA does not adequately  
26          represent future expenses.

27          The five-year average methodology is also applied for the 2010-12  
28          estimates for customer service related miscellaneous revenues, with the exception  
29          of the late payment charge. A four year average was used due to the fact that  
30          SCG only started charging a late payment charge in 2006.

31

1           **D.     Challenges Facing Operations and Impacts on Customer Service**  
2           **Office Operations**

3           While the historical FYA (2005 – 2009) was used to calculate the base  
4           expense level for TY 2012, adjustments were made to include funding  
5           requirements not fully represented in that methodology.

6           **1.     Compliance Activities with Regulatory or Government**  
7           **Agencies**

8           Compliance activities associated with California Public Utilities  
9           Commission (“Commission” or “CPUC”) proceedings and other  
10          regulatory agency directives impact several areas of customer service  
11          operations. For example, as part of its normal course of business, SCG  
12          implements new Commission, legislative and other government agency  
13          directives, rules or orders. Specifically, normal rate changes and  
14          modification of customer programs are typically within the base workload  
15          of staff groups and functional departments. However, in the case of  
16          significant new program obligations or specific Commission orders to  
17          address modifications or new program proposals in SCG’s next GRC,  
18          incremental costs have been included in estimated TY 2012 expenses.  
19          Areas impacted as a result of compliance with new safety, regulatory or  
20          other government agency directives are:

- 21                   • Bill Redesign (D.05-11-009)<sup>1</sup>;
- 22                   • Fair and Accurate Credit Transactions Act (“FACTA”)<sup>2</sup>; and
- 23                   • Biennial Cost Allocation Proceeding (“BCAP”).<sup>3</sup>
- 24

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<sup>1</sup> Decision D05-11-009 is included in supplemental workpapers, Exh. SCG-08-WP, 200000.000\_ Supp1.pdf.

<sup>2</sup> The relevant portion of FACTA, Appendix J, is included in supplemental workpapers, Exh. SCG-08-WP, 200003.000\_ Supp1.pdf.

<sup>3</sup> The SCG Gas BCAP decision is included in supplemental workpapers, Exh. SCG-08-WP, 200000.000\_ Supp2.pdf.

1  
2 **2. Increasing Support Services for Billing and Customer**  
3 **Information Systems, Project Management, and Process**  
4 **Improvement Activities**

5 In addition to the compliance activities identified in section I.D.1,  
6 other SCG programs and initiatives have impacted base workload of staff  
7 groups and functional departments. These include:

- 8
- 9 • Customer Self Service – eService applications that allow  
10 customers to perform tasks on-line or through the Interactive  
11 Voice Response (“IVR”) normally performed by the Customer  
12 Contact Center. For example, pay agreement requests;
  - 13 • Customer Relationship Management System – this system  
14 manages and tracks performance of SCG’s energy efficiency  
15 programs; and
  - 16 • Customer Privacy – Data Encryption – allows for the  
17 encryption of data on mobile data terminals (MDTs).

18 **3. Customer Growth**

19 Customer growth is a driver that impacts TY 2012 estimated  
20 expenses for the following operations:

- 21 • Billing Services;
- 22 • Office Credit & Collections;
- 23 • Remittance Processing; and
- 24 • Postage.

25 Customer growth results in increased activities for Billing  
26 Services, Office Credit and Collections, Remittance Processing, and an  
27 increase in items mailed. In some cases, an increasing customer base will  
28 increase the estimated expense above the amount initially derived from  
29 using the FYA methodology. For example, with respect to Billing  
30 Services, more customers equate to more billing exceptions and an  
increased need for staff to process the exceptions.



1                   **4.       Continuous Improvement**

2                   Continuous improvements have provided productivity  
3                   improvements reflected in TY 2012 expenses. Increasing the number of  
4                   customer self-service channels will reduce the increases in remittance  
5                   processing resulting from continuing customer growth. Self service  
6                   options offered through SCG eServices also reduces the growth in postage  
7                   costs. The replacement of envelope extraction machines in remittance  
8                   processing has also resulted in productivity enhancements. The new  
9                   machines extract and process the bill stub and customer check in a much  
10                  more efficient and streamlined process. These enhancements and savings  
11                  are reflected in the Section III.B.1.

12                  **5.       Changing Nature of Bill Payment Channels**

13                  Self-service options are available through the SCG website,  
14                  including electronic bill presentation and payment (“EBPP”) and bill and  
15                  usage history. Since its inception in 2006, customer adoption of paperless  
16                  billing has exceeded expectations. The current residential paperless  
17                  adoption rate at SCG for 2009 is 19.7%. Current adoption rates continue  
18                  to grow, however, at a diminishing rate. SCG’s projected growth rate  
19                  assumes adoption by new customers and conversions with the existing  
20                  customer base. The following table shows the 2007 – 2009 historical  
21                  paperless adoption rates, and the 2010 – 2012 forecasted paperless  
22                  adoption rate. The 2010 – 2012 forecasts were based on the current  
23                  trending of the adoption rate and consultation with bill payment channel  
24                  subject matter experts at SCG.

1 **Table SCG-MHB-2**

2 **SCG Paperless Adoption Rate**

<b>Year</b>	<b>Number of Accounts</b>	<b>% Base</b>
2007	598,766	11.51%
2008	245,306	4.72%
2009	180,528	3.47%
2010	129,996	2.50%
2011	91,200	1.75%
2012	52,200	1.00%

3 Based on 5,200,000 Accounts

4 **E. Customer Services and Information Activities**

5 Gillian A. Wright (Exh. SCG-9) provides testimony on customer services  
6 and information activities. These activities focus on customer research,  
7 development of customer information and education materials, eServices outreach  
8 and other outreach activities that are vital communications with customers.  
9 SCG's continuing customer communications and outreach ensure that customers  
10 are aware of and understand the availability of services described in Section I.B  
11 above. Moreover, the increased use of customer self-service or electronic  
12 delivery channels depends on the ability of SCG to communicate and highlight  
13 these new and growing delivery channels. The level of activity within payment  
14 processing, including postage expenses, depends on the overall effectiveness of  
15 SCG customer communications and outreach.

16 **F. Information Technology Expenses for Supporting Customer Service  
17 Office Operations Are in Jeffrey Nichols' Testimony**

18 Information Technology activities that support Customer Services  
19 Operations, including maintenance and enhancement of Customer Services  
20 systems and software applications, are covered in Jeffrey C. Nichols' testimony  
21 (Exh. SCG-12). The daily support, maintenance and enhancement of a myriad of

1 Customer Service Office Operations technology applications is a critical  
 2 component of the functions and activities performed in billing, remittance  
 3 processing, and credit and collection operations. Without these information  
 4 systems and applications, Customer Service Office Operations would be severely  
 5 hindered in serving customers and providing timely responses to customer  
 6 inquiries.

7 **G. Summary of Request**

8 The following table (SCG-MHB-3) summarizes the O&M non-shared  
 9 services estimated TY 2012 O&M expenses compared with base year 2009  
 10 adjusted recorded expenses by functional groupings. The functional groupings  
 11 are groups of costs centers that support a specific business function.<sup>4</sup>

12 **Table SCG-MHB-3**  
 13 **O&M Non-Shared Services**  
 14 **Testimony Section II**  
 15 **(Thousands of 2009 dollars)**  
 16

Categories of Management	2009 Adj. Recorded	2012 Estimated	Change
Billing Services	7,378	7,512	134
Measurement Data Operations	1,036	1,223	187
Office Credit & Collections	5,333	5,760	427
Bill Delivery	5,855	5,491	(364)
Postage	20,424	21,130	706
CS Technology Support	2,304	3,133	829
CS Operations Other	1,103	1,635	532
<b>Total</b>	<b>43,433</b>	<b>45,884</b>	<b>2,451</b>

17  
 18 The following table (SCG-MHB-4) summarizes the O&M shared services  
 19 estimated TY 2012 O&M expenses compared with base year 2009 adjusted  
 20 recorded expenses broken down by functional groupings.  
 21

---

<sup>4</sup> This change was brought about by Ordering Paragraph 22 of D.08-07-046 (the 2008 GRC Decision) stating that SDG&E and SoCalGas shall file the next GRC using the then-current cost center system of internal accounting and control rather than convert and allocate the data to approximate the Federal Energy Regulatory Commission's Uniform System of Accounts or FERC accounts.

1 **Table SCG-MHB-4**  
2 **O&M Shared Services**  
3 **Testimony Section III**  
4 **(Thousands of 2009 dollars)**  
5

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
Customer Remittance & Bill Delivery	4,318	4,016	(302)
CS Technology Support	207	267	60
Business Planning & Budgets Manager	65	83	18
Major Markets Credit & Collections	865	836	(29)
VP Engineering & Ops Staff	247	387	140
Market Services	253	377	124
Billed-In From SDG&E	721	827	106
<b>Total</b>	<b>6,676</b>	<b>6,793</b>	<b>117</b>

6  
7 The following table (SCG-MHB-5) summarizes the Customer Service  
8 Office Operations miscellaneous revenues estimate for TY 2012 O&M expenses  
9 compared with base year 2009 adjusted recorded miscellaneous revenues.

10 **Table SCG-MHB-5**  
11 **Customer Service Office Operations Miscellaneous Revenues**  
12 **(Thousands of 2009 dollars)**  
13

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
<b>Misc Revenues</b>			
Late Payment Fees	523	632	109
Returned Check Charge	563	604	41
<b>Total Miscellaneous Revenues</b>	<b>1,086</b>	<b>1,236</b>	<b>150</b>

14  
15 The following table (SCG-MHB-6) summarizes the Customer Service  
16 Office Operations capital expenditures request for 2010 – 2012.  
17

**Table SCG-MHB-6**  
**Capital Expenditures**  
**(Thousands of 2009 dollars)**

Category Description	2010 Estimated	2011 Estimated	2012 Estimated
BCAP	833	0	0
Bill Redesign	228	0	0
<b>Total Capital</b>	<b>1,061</b>	<b>0</b>	<b>0</b>

**II. NON-SHARED SERVICES**

**A. Introduction**

This section of my testimony provides an explanation by functional groupings of estimated TY 2012 O&M expenses compared with base year 2009 adjusted recorded expenses and compared with the historical FYA for Customer Service Office Operations activities (summarized in table SCG-MHB-7). The functional groupings are groups of costs that support a specific business function.

**Table SCG-MHB- 7**  
**O&M Non-Shared Services**  
**(Thousands of 2009 dollars)**

Categories of Management	2009 Adj. Recorded	2012 Estimated	Change
Billing Services	7,378	7,512	134
Measurement Data Operations	1,036	1,223	187
Office Credit & Collections	5,333	5,760	427
Bill Delivery	5,855	5,491	(364)
Postage	20,424	21,130	706
CS Technology Support	2,304	3,133	829
CS Operations Other	1,103	1,635	532
<b>Total</b>	<b>43,433</b>	<b>45,884</b>	<b>2,451</b>

**B. Discussion of O&M Non-Shared Activities**

**1. Billing Services**

Customer billing expenses cover the cost of calculating customers' bills and maintaining accurate customer account information. The

1 customer billing function at SCG has two distinct organizations: (1)  
2 residential and small commercial and industrial customers; and (2) large  
3 commercial and industrial customers.

4 Residential, Small Commercial and Industrial Billing

5 Residential and small commercial and industrial billing includes services for core  
6 residential, commercial, and industrial customers. Billing activities generally fall into  
7 two categories: billing exception processing and processing of field service transactions  
8 for account maintenance purposes.

9 Each bill is subjected to an “electronic test” before being mailed. During the test,  
10 the bill is “validated” to ensure that it is accurate given the historic customer usage. Most  
11 billing statements pass the validations and are automatically issued. However, a small  
12 percentage of bills fail the validations and require further review. These are billing  
13 exceptions.

14 The other major billing activity is maintaining the accuracy of customer accounts  
15 and updating accounts for customers who initiate service, close service, or have a field  
16 service call. This activity also encompasses transactions that are initiated either by the  
17 customer or the company to correct account information that requires a further review of  
18 the customer account and a possible correction. Similar to the bill validation process,  
19 completed field service orders are also subjected to an electronic test to ensure the  
20 accuracy of the customer’s account data. Those orders that fail the validations cannot be  
21 routinely processed and must be handled manually for resolution.

22 Large Commercial and Industrial Billing

23 The large commercial and industrial (“C&I”) billing organization provides  
24 services to large C&I customers and specialized customers with special negotiated  
25 arrangements or complex metering configurations. It also generates billings for the NGV  
26 rate and for monthly gas balancing, storage, firm access rights and core aggregate  
27 transportation.

28 Processing bills for large C&I accounts is complex, beginning with the validation  
29 of measurement data and proceeding into bill calculations in compliance with authorized  
30 tariffs. The billing process involves data gathering and data validation procedures and

1 activities. For special negotiated contract arrangements, the billing process necessarily  
 2 involves manual intervention due to the uniqueness of the contracts in order to be in full  
 3 regulatory compliance.

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
Billing Services	7,378	7,512	134

4 SCG is requesting \$7,512,000 in TY 2012, an increase of \$134,000 from the 2009  
 5 adjusted recorded expense level, and an increase of \$150,000 from the FYA expense  
 6 level of \$7,362,000. The significant changes from the FYA historical expense level to  
 7 the TY 2012 estimated expense level are attributable to the factors described below in  
 8 Section II.B.1.a.

9 **a. Customer Growth**

10 In addition to a full year labor impact of \$35,000, SCG is  
 11 asking for a labor increase of \$115,000 due to forecasted customer  
 12 and meter growth over the period 2010 -2012 resulting in  
 13 additional billing activities.<sup>5</sup> These increased billing activities,  
 14 such as processing billing exceptions, will require additional labor  
 15 in order to process and resolve.

16 **2. Measurement Data Operations and Telemetry**

17 Measurement Data Operations (“MDO”) monitors and maintains  
 18 accurate and timely measurement reporting for all 1,405 large gas volume  
 19 meters equipped with electronic measurement devices collected by the  
 20 Measurement Collection System (“MCS”). MDO provides support to key  
 21 departments on the processing and reporting of measurement and gas  
 22 quality data pertaining to customers, suppliers, and storage operations.

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
Measurement Data Operations	1,036	1,223	187

23  
<sup>5</sup> The customer growth calculation is detailed in supplemental workpapers, Exh. SCG-08-WP, 200000.000\_ Supp3.pdf.

1 SCG is requesting \$1,223,000 in TY 2012, an increase of \$187,000 from  
2 the 2009 adjusted recorded expense level, and an increase of \$53,000 from  
3 the FYA expense level of \$1,170,000.

4 The increase in labor is a result of three full-time employees  
5 returning from disability, a Technical Advisor, Gas Measurement Analyst,  
6 and an Administrative Clerk. During the workforce shortage, these  
7 responsibilities were temporarily absorbed by management employees,  
8 other represented employees, and some of the work was temporarily  
9 delayed.

### 10 **3. Office Credit & Collections**

11 Office Credit and Collections costs are comprised of turn on  
12 service investigations, sundry bill collection, management of residential  
13 customer accounts, and bankruptcy processing, analysis, and reporting.  
14 These activities are critical in assessing risk exposure and managing bad  
15 debt expense by securing payment of balances on active and final  
16 accounts. Meter Revenue protection (“MRP”) is also part of office credit  
17 and collections. The major function of MRP is to prevent and investigate  
18 customer energy theft.

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
Office Credit & Collections	5,333	5,760	427

19 SCG is requesting \$5,760,000 in TY 2012, an increase of \$427,000  
20 from the 2009 adjusted recorded expense level. The amount is composed  
21 of \$4,282,000 for departmental costs, and \$1,478,000 for postage costs.  
22 The departmental costs represent an increase of \$396,000 from the FYA  
23 expense level of \$3,886,000. The significant changes from the FYA  
24 historical expense level to the TY 2012 estimated expense are attributable  
25 to the factors described below in Section II.B.3.a. The postage costs are  
26 equal to the base year amount. The United States Postal Service has  
27 requested a postage rate increase of the Postal Rate Commission to be



1 effective on January 2, 2011.<sup>6</sup> SCG will file update testimony reflecting  
2 changes in forecasts of its witnesses consistent with the approved change  
3 in postage rate.

4 **a. Fair & Accurate Credit Transactions Act**

5 The Fair & Accurate Credit Transactions Act (“FACTA”)  
6 was signed into law by the Department of Treasury on December  
7 2, 2003.<sup>7</sup> The provisions added to FACTA under appendix J are  
8 relevant to SCG requiring the company to take reasonable security  
9 measures in accordance to Red Flag rules. FACTA is intended  
10 primarily to help consumers fight the growing crime of identity  
11 theft. Accuracy, privacy, limits on information sharing, and new  
12 consumer rights to disclosure are included in FACTA. SCG is  
13 required to be in full compliance with the FACTA act by  
14 December 31, 2010.

15 In response to this law, SCG has put into place processes to  
16 detect, prevent, and mitigate identity theft (Red Flags) in  
17 connection with the opening of a residential account or any  
18 existing covered account, as appropriate. The process developed  
19 by the Office Credit and Collections organization to address the  
20 detection of Red Flags is to validate a residential customer’s  
21 identity upon applying for gas service that have not had their  
22 identity previously authenticated. This process is completed over  
23 the telephone using the customer’s social security number and  
24 customer’s name and matching this information to a credit bureau  
25 database when given the customer’s authorization. There are times  
26 when a positive identification cannot be obtained over the  
27 telephone. When this occurs, the ID validation process requires

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<sup>6</sup> Supplemental workpapers, Exh. SCG-08-WP, 200003.001\_ Supp1.pdf - contains the July 6, 2010 USPS Postal News.

<sup>7</sup> The relevant portion of FACTA, Appendix J, is included in supplemental workpapers, Exh. SCG-08-WP, 200003.000\_ Supp1.pdf.

1 the customer to submit two valid forms of specified identification  
2 either in person at a branch office or by faxing the documentation  
3 to secured fax machines. The customer information is reviewed  
4 and positive identification is determined. Service is approved or  
5 denied dependant on the customer documentation provided.

6 SCG also offers a secure and confidential method for  
7 customers to report acts of fraud. In addition to assisting  
8 customers, a secure and timely reporting process enhances the  
9 company's overall risk management objectives and fraud  
10 protection efforts to help reduce losses. Customers who suspect  
11 identity theft or fraud may contact SCG's Customer Contact  
12 Center. Representatives receiving calls are instructed to initiate the  
13 Identity Theft Inquiry process. The Office Credit and Collections  
14 department follows-up with the customers who complete and  
15 return an ID Theft Affidavit packet.

16 To support the new FACTA/Red Flag business process,  
17 SCG is requesting an increase of \$396,000. The increase includes  
18 a labor increase of \$278,000 and a non-labor increase of \$118,000.  
19 The non-labor increase is for credit bureau costs for the customer  
20 authentication processing.

21 The labor increase consists of 4.4 FTEs in the Office Credit  
22 and Collection department. These positions are needed to process  
23 an estimated 20,500 annual customer authentication requests<sup>8</sup> and  
24 will perform the following activities:

- 25 • retrieve, sort, and present faxed documents (faxed  
26 documents consist of identity documentation from a  
27 service applicant);
- 28 • stuff and mail Identity Theft Notification letters and  
29 manage return mail (notification letters are mailed to

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<sup>8</sup> Supplemental workpapers, Exh. SCG-08-WP, 20O003.000\_ Supp2.pdf - details the FTE and labor calculation needed to support FACTA.

1 the service applicant when documentation has not been  
2 received);

- 3 • process turn-on investigations (this involves: initiating  
4 mailing of ID Theft Notification letters; making  
5 customer contact; updating ID log to track incoming,  
6 outgoing and status of investigations; receiving and  
7 reviewing ID theft documents; and determining if ID  
8 theft occurred or verify customer as to identity and  
9 process as appropriate, which in turn may involve  
10 processing a system generated letter for service turn-on;  
11 scheduling service close orders; creating a Legal Action  
12 Referral on the customer account; removing the social  
13 security number from the customer account; and  
14 suspending collection activity);
- 15 • notify applicant of investigation status;
- 16 • create and update memo documentations on the  
17 customer account;
- 18 • maintain documents in accordance with company's  
19 records management and retention policy; and
- 20 • handle elevated customer calls pertaining to  
21 investigations.

22 **4. Bill Delivery**

23 Bill Delivery costs are comprised of printing and inserting services  
24 for customer bills, notices, letters, and customer correspondences.

Categories of Management	2009 Adj. Recorded	2012 Estimated	Change
Bill Delivery	5,855	5,491	(364)

25  
26 SCG is requesting \$5,491,000 in TY 2012, a decrease of \$364,000  
27 from the 2009 adjusted recorded expense level and an increase of \$93,000  
28 from the FYA expense level of \$5,398,000. During the years 2007-2009,

1 the department averaged 5 employees on long term disability. Due to the  
2 uncertainty of when these employees would return to active duty, the work  
3 performed by these employees was performed by contracted labor and  
4 accounted for in the non-labor category. The employees have returned  
5 from disability leave and their salaries are once again reflected in the labor  
6 cost category. The additional labor dollars are partially offset by a  
7 corresponding reduction in the non-labor category, necessitating a net  
8 adjustment of \$93,000 above the FYA result.

9 **5. Postage**

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
Postage	20,424	21,130	706

10 SCG is requesting \$21,130,000 in TY 2012, an increase of  
11 \$706,000 from the 2009 adjusted recorded expense level. The 2009 base  
12 year was used to estimate 2010-2012 expenses adjusted by projected meter  
13 growth and paperless adoption rates. Since meter growth and paperless  
14 adoption rates continue to increase, a FYA does not adequately represent  
15 future expenses. The \$706,000 postage increase is the result of an  
16 increase of \$1,653,000 due to meter growth, and a decrease of (\$947,000)  
17 for additional electronic bill and paperless adoption.<sup>9</sup>

18  
19 As noted above, the United States Postal Service has requested a  
20 postage rate increase of the Postal Rate Commission to be effective on  
21 January 2, 2011. SCG will file update testimony reflecting changes in  
22

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<sup>9</sup>Supplemental workpapers, Exh. SCG-08-WP, 200004.001\_ Supp1.pdf - details the postage calculation.

1 forecasts of its witnesses consistent with the approved change in the  
2 postage rate.<sup>10</sup>

### 3 **6. Customer Service Technology Support**

4 Customer Services Technology (“CST”) consists of staff with  
5 experience in customer service technologies and specialized knowledge of  
6 customer service operating functions and activities such as Field  
7 Operations, Customer Contact, Collections, Web Services, and Billing.  
8 These employees provide the major point of contact with the Information  
9 Technology (“IT”) system application development, maintenance, and  
10 enhancement organizations. These subject matter experts are the front-  
11 line support for major Customer Service IT applications (e.g. customer  
12 information system, customer services field technician scheduling, routing  
13 and dispatch). CST is comprised of both non-shared and shared services.  
14 The functions of the field systems include the routing and completion of  
15 customer and company generated work orders. CST provides advanced  
16 support of SCG’s routing, dispatching, mobile applications and MDT  
17 hardware during regular business hours to resolve issues that impact  
18 customer service field safety, efficiency, and customer satisfaction.

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
CS Technology Support	2,304	3,133	829

19  
20 SCG is requesting \$3,133,000 in TY 2012, an increase of  
21 \$829,000 from the 2009 adjusted recorded expense level and an increase  
22 of \$917,000 from the FYA expense level of \$2,216,000. The adjustments  
23 are described below in section II.B.6.a.

24  
25  
26  

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<sup>10</sup>Supplemental workpapers, Exh. SCG-08-WP, 200003.001\_ Supp1.pdf - contains the July 6, 2010 USPS Postal News.



1 Project which is scheduled to be implemented in 2011,  
2 the SCG dispatch and routing applications will be  
3 enhanced to use complex algorithms to determine when  
4 to automatically close the SCG Order Completion  
5 Deferment Schedule (“OCDS”) in order to better  
6 manage associated field overtime. Additionally, new  
7 functionality and screens will be developed to be able  
8 to:

- 9 ○ set parameter thresholds and manually reopen  
10 schedules;
- 11 ○ view technician available capacity and geographical  
12 location in order to more efficiently load balance  
13 same day work orders;
- 14 ○ provide reporting on when technicians may be in  
15 jeopardy of working overtime;
- 16 ○ forecasting which will be able to balance both  
17 compliance and customer generated work, and the  
18 potential impacts to overtime and customer  
19 satisfaction; and
- 20 ○ improve routes in order to minimize associated  
21 travel time and costs.

22 CST will need to support these new complex functionalities  
23 added to SCG dispatch and routing applications.

- 24
- 25 • Increased use of wireless technology associated with  
26 the replacement of approximately 100 MDTs by the end  
27 of 2010. These replacement laptop computers will be  
28 used by SCG commercial service technicians to receive  
29 emergency and commercial customer requested service  
30 orders wirelessly over a commercial broadband system.  
31 Immediate response is critical to ensure

1 communications between Dispatch and Field  
2 Operations is not impacted and to maintain our high  
3 level of service to our customers. The introduction of  
4 additional wireless cards to the environment will place  
5 added demand on the CST support team to resolve  
6 wireless connectivity issues, replacement of wireless  
7 cards, and billing reconciliation of transfers within the  
8 service territory.

- 9 • Support of newly installed Multi Gas Detector  
10 Calibration Stations –SCG is installing Multi Gas  
11 Detector Calibration Stations at all of its 50+ operating  
12 districts to support the quality performance of vital gas  
13 sniffing and carbon monoxide detection equipment. On-  
14 going support will require CST staff to arrange for  
15 certification of new and replacement units and ensure  
16 calibration stations are listed properly within SCG’s  
17 information system to maintain proper security  
18 controls.
- 19 • Increased maintenance due to the complexity of new  
20 SCG Customer Service MDTs and added functionality.  
21 Replacement of current MDTs will increase  
22 opportunities to add needed functionalities that will  
23 improve safety and contribute to increasing efficiency  
24 and customer satisfaction. MDTs with increased  
25 memory and processing power will allow the  
26 introduction of visual aids and faster electronic access  
27 to SCG policies and technical manuals to technicians in  
28 the field. Improved mapping applications and driving  
29 direction software support by new MDTs will improve  
30 field and dispatching efficiencies. Ensuring these new  
31 functionalities and SCG’s existing dispatching and



1 information applications work properly together will  
2 require increased levels of testing in support of  
3 common fixes and identified software enhancements  
4 and consistently maintained high level of response to  
5 issues encountered by SCG technicians in the field.

6 The requested labor increase also includes \$594,000  
7 for seven Business Systems Analysts. These positions are needed  
8 to support the following activities:

- 9 • SCG is requesting \$150,000 for two Business Systems  
10 Analysts to support Single View of the Customer  
11 (“SVOC”). A new SVOC database was added to the  
12 customer information system (“CIS”) with a goal to  
13 provide the Customer Service Representatives  
14 (“CSRs”) with a more complete view of recent  
15 customer contact history. This new technology  
16 integrates customer interaction data from various  
17 systems into one database so that Customer Contact  
18 Center (“CCC”) representatives can provide more  
19 efficient service to customers during a call. The new  
20 system also allows for the collection of data that will be  
21 the cornerstone of initiatives to increase self service  
22 adoption and to understand and modify customer  
23 service behavior. Examples of data now available  
24 through SVOC include: survey participation, letters  
25 from the CCC, e-mail communication with the CCC,  
26 Interactive Voice Response (“IVR”) transactions,  
27 outbound dialer notifications, service transaction by  
28 CCC representatives and customer transactions in My  
29 Account. This is incremental functionality that requires  
30 support to maintain the quality assurance testing,  
31 production maintenance and client support.

- SCG is requesting \$225,000 for three Business Systems Analysts to support the enhancements to self service options. The MyAccount and www.socalgas.com website applications added significant functionality that requires additional support. The on-line features include start service, stop service, transfer service, customer service orders and payment extensions. These features will be available to utility customers both inside and outside of the MyAccount application. Self Service business goals are aggressive and more and more internal and external demands are increasing the business application change requests, data analysis and maintenance support for the on-line applications. For example, the support staffs need to perform quality assurance testing on three approved browsers. In the past the testing was limited to Microsoft Internet Explorer. The number of browsers that the application will need to work with is increasing which will require replication of test cycles and more resources for quality assurance testing. Also, Customer Communications is beginning to market on-line transaction capability to new utility customers at the time of turn-on and at various touch point opportunities with the customers. The anticipated growth for the self service options is projected to increase over the next several years. Technology continues to evolve and in order to increase adoption rates and ensure self-service options meet the needs for those customers that may need additional help (e.g., vision and/or hearing impaired, elderly), increased staff support is needed. Security of customer information on-line is also an important function of the

1 staff support, and with the increasing legislation in the  
2 areas of customer privacy, identity theft and consumer  
3 protection, the volume and complexity of the workload  
4 will increase. For example, there are new  
5 recommended features for password protection that  
6 include secret questions and answers that need to be  
7 maintained for on-line customer service. In the past,  
8 customers simply needed a log on ID and password to  
9 access their on-line account. Also, in order to reduce  
10 customer identify theft, FACTA now requires customer  
11 authentication prior to a customer establishing service<sup>11</sup>.

- 12 • SCG is requesting \$150,000 for two Business Systems  
13 Analysts to support increasing demands for equipment  
14 and/or usage data. Changes to the CIS application are  
15 needed to support mobile computing for the field work  
16 force. For example, a new equipment database was  
17 added to CIS which requires additional maintenance,  
18 and there are many pending work requests to add  
19 additional fields to the database and/or to have more  
20 robust, accurate and complete equipment information,  
21 such as when an energy audit was performed by  
22 Customer Programs and when an Account Executive  
23 updates equipment information for the large customers  
24 assigned to them. Energy equipment and appliance  
25 information is becoming an important element of  
26 customer data, with the emphasis on energy efficiency  
27 in the State of California. New program efforts to  
28 encourage conservation and use clean energy are  
29 driving customers to the utility to seek information on

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<sup>11</sup> The relevant portion of FACTA, Appendix J, is included in supplemental workpapers, Exh. SCG-08-WP, 200003.000\_ Supp1.pdf.

1 consumption and appliance history. As new clients  
2 have access to the equipment data there are increasing  
3 business application support demands on CST. These  
4 demands cover the broad spectrum of implementing  
5 secured means of electronic data sharing, encrypting  
6 fields and data elements that are sensitive, and  
7 continually reviewing security practices to ensure only  
8 those employees that need application access to  
9 perform their job have such access.

- 10 • SCG is requesting \$69,000 for a partial Business  
11 Systems Analyst for on-going production support of  
12 system enhancements resulting from the  
13 implementation of the BCAP and Bill Redesign  
14 projects (see Sections V.B.1 – V.B.2, below).

15  
16 The requested labor increase also includes \$95,000 for one  
17 Supervisor. This position provides direct supervision to two  
18 advisors supporting Customer Program’s technology needs and  
19 one advisor and one analyst supporting eServices. The Supervisor  
20 role is to provide day-to-day work assignments, performance  
21 reviews and coaching for these positions. Roles and  
22 responsibilities also include working with the Customer Contact  
23 Center and Customer Programs group to establish priorities for any  
24 enhancements to and/or production fixes for the My Accounts  
25 applications and the Customer Relationship Management  
26 Application. This supervisor also works with the application  
27 programming team in Information Technology on system design  
28 and release of both business and technical change requests.

29 SCG is requesting a labor decrease of (\$112,000)  
30 for a Supervisor position previously budgeted in this CST SCG

1 cost center and moved to a CST SDG&E shared cost center (Exh.  
2 SDGE-14 (III.B.2.c)) that supports SCG business functions.

3  
4  
5 **7. Customer Service Operations – Other**

6 Customer Service Operations – Other is comprised of the  
7 Customer Operations Vice President and Market Services. The Customer  
8 Operations Vice President is a new position being added as a result of the  
9 recent customer services reorganization, which is described generally in  
10 the testimony of SCG witness Anne Smith (Exh. SCG-1). In the past, this  
11 position was held by an SDG&E Vice President and was a shared service.  
12 The Customer Operations Vice President has responsibilities managing  
13 Customer Operations, which include the Billing, Credit and Collections,  
14 Customer Contact Center, Remittance Processing, and Meter Reading  
15 organizations.

16 Customer Service Operations – Other also includes the SCG non-  
17 shared portion of the Market Services organization. The Customer  
18 Service Continuous Improvement area of Market Services provides  
19 consulting and project management services across Customer Services.  
20 Current projects include Engineered Labor Standards (which involves  
21 conducting time studies on fielded orders to derive standardized times to  
22 complete on an order type basis to improve employee productivity) and  
23 identification and implementation of process improvements related to  
24 Collections and Branch Office Strategies. They also provide analytical  
25 support and recommendations to the Customer Contact Center and other  
26 analytical support for the field and customer satisfaction objectives.

<b>Categories of Management</b>	<b>2009 Adj. Recorded</b>	<b>2012 Estimated</b>	<b>Change</b>
CS Operations Other	1,103	1,635	532

1 SCG is requesting \$1,635,000 in TY 2012, an increase of \$532,000  
2 from the 2009 adjusted recorded expense level, and an increase of  
3 \$578,000 from the FYA expense level of \$1,057,000. The changes from  
4 the FYA historical expense level to the TY 2012 estimated expense level  
5 are attributable to the factors described below in Sections II.B.7.a –  
6 11.B.7.b.

7 **a. Senior Industrial Engineer**

8 SCG is requesting \$245,000 to support the addition of an  
9 industrial engineer position and two intern positions. These new  
10 positions would support the existing senior industrial engineer,  
11 hired in March 2009, to establish engineered labor standards in  
12 Field Services and other Customer Service organizations like the  
13 Customer Contact Center. The industrial engineer position is  
14 needed to support logistics (scheduling on site time and motion  
15 studies), communications (with sponsors, Labor Relations, Union,  
16 and Field Services personnel both union and management) and  
17 analysis of data (information from the actual time study). The  
18 Industrial Engineered studies would allow SoCalGas to define  
19 optimal order completion times that satisfy customer and employee  
20 safety, customer satisfaction, and employee productivity. The  
21 engineered times would then be used for work force planning and  
22 for evaluating employee productivity. The two intern positions  
23 are to support and assist the two industrial engineers with  
24 engineered labor standards.

25 **b. Utility Reorganization**

26 In early 2010, SDG&E and SCG re-organized the  
27 Customer Service organization by utility. The reorganization  
28 resulted in a non-shared Customer Operations Vice President  
29 position at SCG. SCG is requesting \$350,000 comprised of  
30 \$300,000 labor and \$50,000 non-labor. The costs to support this

1 department are consistent with the goals of the 2010  
2 reorganization, as described in the testimony of witness Anne  
3 Smith (see Exh. SCG-1). While the reorganization results in an  
4 increase in costs in this department, there is an overall net decrease  
5 in costs for SCG, SDG&E, and Corporate Center on a combined  
6 basis.

7  
8 **8. Uncollectible Rate**

9 SCG is requesting an uncollectible rate of 0.278% compared to the  
10 current authorized rate of 0.238%. The requested uncollectible rate is  
11 based on a FYA (2005-2009). The volatility or cyclical nature of the  
12 uncollectible rate depends on macroeconomic, microeconomic, and  
13 regional economic factors and the variability of seasonal energy bills  
14 (colder winters mean higher natural gas bills for heating). However, the  
15 precise incremental impact to the uncollectible rate due to each of the  
16 independent variables (and in some cases collinear variables) is difficult to  
17 quantify and correlate. Nevertheless, a larger energy bill means that a  
18 greater proportion of customers will have difficulty paying their energy  
19 bills and therefore increases the likelihood of an uncollectible expense.  
20 The FYA of the uncollectible rate implicitly includes the unpredictability  
21 of such economic related factors, energy bill related variability and credit  
22 practice changes (whether mandated or voluntarily instituted).

23 The proposed uncollectible rate of 0.278% does not address any  
24 impacts resulting from the Commission's Disconnection Order to Institute  
25 Rulemaking ("OIR") (R.10-02-005).<sup>12</sup> The Phase I final decision is  
26 expected to be issued in summer of 2010. SCG may file additional  
27 testimony if the proceeding has a bearing on the uncollectible rate  
28 forecast.

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<sup>12</sup>Supplemental workpapers, Exh. SCG-08-WP, 200003.000\_Supp3.pdf - contains the details of Commission's Disconnection Order to Institute Rulemaking ("OIR"), R.10-02-005.

The following table (SCG-MHB-8) displays the historical uncollectible rate from 2000 – 2009 and a 10-year, 5-year, and 3-year average.

**Table SCG-MHB-8**  
**SCG Uncollectibles Data 2000 – 2009**

Year	Recorded Uncollectible Expense (a)	Sales Revenues (b)	Uncollectible Rate (a) / (b)
2000	\$6,000,952	\$2,509,808,893	0.239%
2001	\$14,482,228	\$3,864,115,062	0.375%
2002	\$6,081,877	\$2,443,894,521	0.249%
2003	\$5,867,717	\$2,928,674,991	0.200%
2004	\$8,182,287	\$3,355,120,242	0.244%
2005	\$8,394,216	\$3,912,321,384	0.215%
2006	\$10,003,466	\$4,438,082,207	0.225%
2007	\$9,827,895	\$3,880,230,669	0.253%
2008	\$14,615,146	\$4,325,636,960	0.338%
2009	\$12,855,059	\$3,443,047,146	0.373%
	\$96,310,843	\$35,100,932,074	
10-Yr Average			0.274%
5-Yr Average	(Proposed	Rate)	0.278%
3-Yr Average			0.320%

### III. SHARED SERVICES

#### A. Introduction

The purpose of this Section is to present SCG's Customer Service Office Operations shared service estimated expenses required to provide services for both SCG and SDG&E operations. J. Steve Rahon sponsors testimony for the complementary section of SDG&E customer service office operations that are shared with SCG, Exh. SDG&E-14, Section III. The Customer Service Office Operations shared services expenses include services for management of operations and support staff spanning both utilities. Specifically, SDG&E and



1 SCG Customer Service Office Operations staff functions are managed and  
2 supported, in part, by SCG employees. Therefore, labor and non-labor expenses  
3 for these employees must be allocated across both utilities.

4 The following table summarizes the Shared Services O&M expense request.  
5

1  
2  
3

**Table SCG-MHB-9**  
**O&M Shared Services**  
**(Thousands of 2009 dollars)**

*CS - OFFICE OPERATIONS*

	2009 Adjusted- Recorded	TY 2012 Estimated	Change
Incurring Costs (100% Level)			
A. Customer Remittance & Bill Delivery	4,429	4,622	193
B. CS Technology Support	243	350	107
C. Business Planning & Budgets Manager	91	83	(8)
D. Major Markets Credit & Collections	1,452	1,515	63
E. VP Engineering & Ops Staff	441	441	0
F. Market Services	318	464	146
Incurring Costs Sub-Total	6,974	7,475	501
Allocations Out To SDG&E			
A. Customer Remittance & Bill Delivery	109	606	497
B. CS Technology Support	36	83	47
C. Business Planning & Budgets Manager	26	0	(26)
D. Major Markets Credit & Collections	587	679	92
E. VP Engineering & Ops Staff	194	54	(140)
F. Market Services	65	87	22
Allocations Out To SDG&E SubTotal	1,017	1,509	492
Allocations Out To CORP			
A. Customer Remittance & Bill Delivery	2	0	(2)
B. CS Technology Support	0	0	0
C. Business Planning & Budgets Manager	0	0	0
D. Major Markets Credit & Collections	0	0	0
E. VP Engineering & Ops Staff	0	0	0
F. Market Services	0	0	0
Allocations Out To CORP SubTotal	2	0	(2)
Allocations Out To Unreg			
A. Customer Remittance & Bill Delivery	0	0	0
B. CS Technology Support	0	0	0
C. Business Planning & Budgets Manager	0	0	0
D. Major Markets Credit & Collections	0	0	0
E. VP Engineering & Ops Staff	0	0	0
F. Market Services	0	0	0
Allocations Out To Unreg SubTotal	0	0	0
Retained by SCG			
A. Customer Remittance & Bill Delivery	4,318	4,016	(302)
B. CS Technology Support	207	267	60
C. Business Planning & Budgets Manager	65	83	18
D. Major Markets Credit & Collections	865	836	(29)
E. VP Engineering & Ops Staff	247	387	140
F. Market Services	253	377	124
SCG Retained Sub-Total	5,955	5,966	11
Billed-In From SDG&E	721	827	106
SCG Book Expense	6,676	6,793	117

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**B. Discussion of O&M Shared Services Activities**

**1. Customer Remittance & Bill Delivery 2200-0355, 2200-2026, 2200-2247**

Remittance processing expenses cover the cost of processing payments through the U.S. Postal Service, as well as through home banking, electronic data interchange, wire transfers and electronic pay programs which include direct debit, pay-by-phone, and My Account.

Additional functions performed in this cost center include processing of returned checks; payment investigations (e.g., payments received with a check but no account information provided); processing of all miscellaneous non-gas revenues (e.g., oil lease revenues); and, payment inquiries from banking institutions and authorized payment locations.

**Table SCG-MHB-10  
Customer Remittance & Bill Delivery O&M Shared Services  
(Thousands of 2009 dollars)**

A. Customer Remittance & Bill Delivery			
Customer Remittance & Bill Delivery Cost Center 2200-0355, 2200-2026, 2200-2247	<b>Base Year 2009</b>	<b>Forecast 2012</b>	<b>2009-2012 Incr. (Decr.)</b>
<b>SCG Incurred Costs</b>	<b>4,429</b>	<b>4,622</b>	<b>193</b>
Allocations Out			
To SDG&E from SCG	109	606	497
To Corp. Center/Other	2	0	(2)
Subtotal Allocations Out	<b>111</b>	<b>606</b>	<b>495</b>
Book Expense			
SCG Retained	4,318	4,016	(302)
Billed from SDG&E	0	0	0
SCG Book Expense	<b>4,318</b>	<b>4,016</b>	<b>(302)</b>

1  
2 SCG is requesting \$4,622,000 in TY 2012, an increase of \$193,000  
3 from the 2009 adjusted recorded expense level and decrease of \$15,000  
4 from the FYA expense level of \$4,637,000.

5 Cost Center 2200-0355 – Remittance Processing and Bill Delivery

6 This cost center includes the staff that performs remittance processing. In  
7 December 2007, Remittance Processing implemented a capital project that increased  
8 automation and allowed for the reduction of five FTEs and a labor reduction of  
9 (\$240,000) from the FYA.

10 The capital project consisted of two OPEX Eagle extraction and scanning  
11 machines purchased to replace envelope extraction machines that were purchased in 1996  
12 and had reached the end of useful life. By implementing this updated technology, various  
13 processes previously required were completely eliminated. Under the old technology,  
14 envelopes were scanned to determine contents, either single stub/single check with the  
15 check properly faced, single stub/single check with check not properly faced or other  
16 envelopes with any number of other combinations including correspondence, staples or  
17 paper-clipped checks and stubs, currency/coin, or folded checks. Once scanned, these  
18 sorted envelopes were taken to specific extraction machines. Once extracted, stubs and  
19 checks were taken to a high speed transport that scanned the customer stub for account  
20 and amount owed information and scanned the check to determine the amount the  
21 customer was paying. This information was then imported into the payment processing  
22 system. Under the new technology, the machines sort by contents, extract payment from  
23 the envelope, scan stubs and check and transfer all account and payment information to  
24 the system all in one high-speed pass. Envelopes with other than a single stub/single  
25 check are still out sorted and opened manually, but up to 90% of all payments are  
26 processed with no additional extraction/scanning processes needed.

27 The functions of this cost center support both SDG&E and SCG and are allocated  
28 based on total payments processed for each company with 11.84% being allocated to  
29 SDG&E (which represents SDG&E's percentage share of total payments processed).  
30

1 Cost Center 2200-2026 – Bill Presentment & Payment Channel Manager

2 This cost center includes the Payment Channel Manager. This manager is  
3 responsible for managing the customer bill presentment and payment channel strategies  
4 with awareness of current and future technology. They interact with other departments to  
5 ensure that payment and billing channels are operationally effective and are offered at the  
6 most competitive price within the market place. They also work with marketing to  
7 develop strategies to cost-effectively promote electronic billing and payment options. In  
8 addition, they are also responsible for Sarbanes Oxley compliance and testing for  
9 remittance processing. A labor increase of \$10,000 from the FYA is being requested to  
10 adjust for 2009 current salary. The functions of this cost center support both SDG&E and  
11 SCG and are allocated based on items and dollars processed for each company with  
12 34.27% being allocated to SDG&E (which represents SDG&E percentage share of the  
13 total payments and dollars processed).

14 Cost Center 2200-2247– Manager of Remittance Processing

15 This cost center includes the Manager of Remittance Processing, a Project  
16 Manager, a Business Advisor, a Business Systems Analyst, and an Administrative  
17 Assistant. This cost center provides overall leadership and support to the organization.  
18 For example, staff manages and reports on the budget, department metrics, and provides  
19 business, systems, and technical support to the organization. This cost center was only  
20 created in 2007 so only three years of data were used to develop a forecast. A labor  
21 increase of \$203,000 and non-labor increase of \$12,000 from the FYA is being requested  
22 to bring the cost center in-line with current staffing levels. The functions of this cost  
23 center support both SDG&E and SCG and are allocated based on the percentage total  
24 payment volume processed for each utility with 22.93% being allocated to SDG&E.

25 **2. Customer Service Technology Support 2200-2111**

26 Customer Service Technology (“CST”) consists of staff with  
27 experience in customer service technologies and specialized knowledge of  
28 customer service operating functions and activities. These employees  
29 provide the major point of contact with the Information Technology (“IT”)  
30 system application development, maintenance and enhancement  
31 organizations. The subject matter experts are the front-line support for

major Customer Service IT applications (e.g., customer information system, customer services field technician scheduling, routing and dispatch). These applications are mission critical to the customer service line organizations and back office operations. CST is comprised of both non-shared and shared services. The shared services covered in this section cover the leadership of the SCG field systems.

**Table SCG-MHB-11**  
**CS Technology Support O&M Shared Services**  
**(Thousands of 2009 dollars)**

B. CS Technology Support			
CS Technology Support Cost Centers 2200-2111	Base Year 2009	Forecast 2012	2009-2012 Incr. (Decr.)
<b>SCG Incurred Costs</b>	<b>243</b>	<b>350</b>	<b>107</b>
Allocations Out			
To SDG&E from SCG	36	83	47
To Corp. Center/Other	0	0	0
Subtotal Allocations Out	<b>36</b>	<b>83</b>	<b>47</b>
Book Expense			
SCG Retained	207	267	60
Billed from SDG&E	0	0	0
SCG Book Expense	<b>207</b>	<b>267</b>	<b>60</b>

SCG is requesting \$350,000 in TY 2012, an increase of \$107,000 from the 2009 adjusted recorded expense level and an increase of \$190,000 from the FYA expense level of \$160,000.

Cost Center 2200-2111 – CS Field Systems Manager

This cost center includes the CST Field Systems manager and support staff. A labor increase of \$183,000 and a non-labor increase of \$7,000 from the FYA is requested to bring this cost center to its current staffing level. This increase includes the full impact of a Supervisor and Technical Advisor. The Supervisor is responsible for application support for the SCG field system (PACER) and MDT support. The Technical Advisor is

1 responsible for working with IT on the investigation and troubleshooting of any PACER  
 2 problems and issues and the day-to-day support of the field clients

3 The functions of this cost center support both SCG and SDG&E and are allocated  
 4 based on department headcount which support each company with 23.38% being  
 5 allocated to SDG&E.

7 **3. Business Planning & Budgets 2200-2110**

8 This organization performs data collection, creates consolidated  
 9 reports, analyzes monthly results, and provides special project support as  
 10 needed. This includes providing timely information and analysis that  
 11 supports SCG senior management decision making, including  
 12 consolidated monthly budget and financial data for all of the  
 13 organizations.

14 **Table SCG-MHB-12**  
 15 **Business Planning & Budgets Manager O&M Shared Services**  
 16 **(Thousands of 2009 dollars)**

C. Business Planning & Budgets Manager			
Business Planning and Budgets Cost Centers 2200-2110	<b>Base Year 2009</b>	<b>Forecast 2012</b>	<b>2009-2012 Incr. (Decr.)</b>
<b>SCG Incurred Costs</b>	<b>91</b>	<b>83</b>	<b>(8)</b>
Allocations Out			
To SDG&E from SCG	26	0	(26)
To Corp. Center/Other	0	0	0
Subtotal Allocations Out	<b>26</b>	<b>0</b>	<b>(26)</b>
Book Expense			
SCG Retained	65	83	18
Billed from SDG&E	0	0	0
SCG Book Expense	<b>65</b>	<b>83</b>	<b>18</b>

1 SCG is requesting \$83,000 in TY 2012, a decrease of (\$8,000)  
2 from the 2009 adjusted recorded expense level and equal to the FYA  
3 expense level.

4 Cost Center 2200-2110 – Business Planning & Budgets

5 Business Planning & Budgets is a staff group that provides support for division  
6 level budget and financial planning and analysis. Due to the recent customer service  
7 reorganization, this cost center will only support SCG and will have a 0% allocation to  
8 SDG&E.

9 **4. Major Markets Credit & Collections 2200-0354**

10 The Major Market Credits & Collection (“MMCC”) group is a  
11 shared service organization providing service to both SCG and SDG&E.  
12 The group is responsible for the credit establishment, mitigation of credit  
13 risk, contract and collateral maintenance, accounts receivable monitoring,  
14 and collection follow-up for several areas. Some of these areas include:  
15 SCG Gas Acquisition; SDG&E Electric & Fuel Procurement; Contracted  
16 Marketer program; Core Aggregation Transportation program; Capacity  
17 Products; California Producers; Renewable Energy & Long-Term Power  
18 Contracts; Large Commercial & Industrial Customers; Sundry account  
19 activity; and any contractual negotiations that contain credit provisions.

20 //

21 //

22 //

23



1 **Table SCG-MHB-13**

2 **Major Markets Credit & Collections O&M Shared Services**  
 3 **(Thousands of 2009 dollars)**

D. Major Markets Credit & Collections			
Major Markets Credit & Collections Cost Center 2200-0354	<b>Base Year 2009</b>	<b>Forecast 2012</b>	<b>2009-2012 Incr. (Decr.)</b>
<b>SCG Incurred Costs</b>	<b>1,452</b>	<b>1,515</b>	<b>63</b>
Allocations Out			
To SDG&E from SCG	587	679	92
To Corp. Center/Other	0	0	0
Subtotal Allocations Out	<b>587</b>	<b>679</b>	<b>92</b>
Book Expense			
SCG Retained	865	836	(29)
Billed from SDG&E	0	0	0
SCG Book Expense	<b>865</b>	<b>836</b>	<b>(29)</b>

4 SCG is requesting \$1,515,000 in TY 2012, an increase of \$63,000  
 5 from the 2009 adjusted recorded expense level, and an increase of  
 6 \$212,000 from the FYA expense level of \$1,303,000.

7 Cost Center 2200-0354 – Major Markets Credit & Collections

8 In addition to existing work, new programs have been launched that have dictated  
 9 the need for additional resources. These new programs include the SCG Firm Access  
 10 Rights program (Schedule No. G-RPA<sup>13</sup>), the SCG Secondary Market Transactions of  
 11 Storage Rights (Schedule No. G-SMT<sup>14</sup>), the SCG Operational Hub services (Schedule

<sup>13</sup> Schedule G-RPA is included in supplemental workpapers, Exh. SCG-08-WP, 2200-0354.000\_Supp1.pdf.

<sup>14</sup> Schedule G-SMT is included in supplemental workpapers, Exh. SCG-08-WP, 2200-0354.000\_Supp2.pdf.

1 No. G-PAL<sup>15</sup>), and the SDG&E Renewable Power Program (California Governor's  
2 Executive Order S-14-08<sup>16</sup> and S-21-09<sup>17</sup>).

3 In order to address these new programs and continue to review the current  
4 customer population in a timely manner, SCG added two FTEs in 2009, necessitating an  
5 incremental labor increase of \$155,000, and a \$20,000 non-labor increase for two user  
6 accounts for credit reporting services, to bring the FYA to the current staffing level. In  
7 addition, a labor increase of \$35,000 and associated non-labor increase of \$2,000 is being  
8 requested due to activities being shifted from the SDG&E Office Credit and Collections  
9 organization (see Exh. SDG&E-14 at II.B.2.d). In the past, SDG&E Office Credit and  
10 Collections performed credit and collection activities on large commercial and industrial  
11 customers. These activities were centralized in the shared services SCG Major Markets  
12 Credit organization.

13 The functions of this cost center support both SCG and SDG&E and are allocated  
14 based on hours spent performing credit analysis for each company with 44.75% being  
15 allocated to SDG&E.

## 17 **5. VP Engineering & Ops Staff 2200-0225**

18 This cost center contains the Engineering and Operations Staff  
19 Vice President who is responsible for the engineering of all gas systems  
20 and the operation of the transmission, storage and distribution functions at  
21 SDG&E and SoCalGas as well as the customer service staff organizations.

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15 Schedule G-PAL is included in supplemental workpapers, Exh. SCG-08-WP, 2200-0354.000\_ Supp3.pdf.

16 California Governor's Executive Order S-14-08 is included in supplemental workpapers, Exh. SCG-08-WP, 2200-0354.000\_ Supp4.pdf.

17 California Governor's Executive Order S-21-09 is included in supplemental workpapers, Exh. SCG-08-WP, 2200-0354.000\_ Supp5.pdf.

**Table SCG-MHB-14**  
**VP Engineering & Ops Staff O&M Shared Services**  
**(Thousands of 2009 dollars)**

E. VP Engineering & Ops Staff			
VP Engineering & Ops Staff Cost Center 2200-0225	<b>Base Year 2009</b>	<b>Forecast 2012</b>	<b>2009-2012 Incr. (Decr.)</b>
<b>SCG Incurred Costs</b>	<b>441</b>	<b>441</b>	<b>0</b>
Allocations Out			
To SDG&E from SCG	194	54	(140)
To Corp. Center/Other	0	0	0
Subtotal Allocations Out	<b>194</b>	<b>54</b>	<b>(140)</b>
Book Expense			
SCG Retained	<b>247</b>	<b>387</b>	<b>140</b>
Billed from SDG&E	<b>0</b>	<b>0</b>	<b>0</b>
SCG Book Expense	<b>247</b>	<b>387</b>	<b>140</b>

SCG is requesting \$441,000 in TY 2012, equal to the 2009 adjusted recorded expense level and equal to the FYA expense level of \$441,000.

*Cost Center 2200-0225 – VP Engineering & Ops Staff*

This position is a new position being added as a result of the recent customer services reorganization. This Vice President position previously supported customer service functions related to field activities, customer contact centers, and account executives. The activities for this cost center at SCG are consistent with the goals of the 2010 reorganization, as described in the testimony of SCG witness Anne Smith (see Exh. SCG-1). While the reorganization results in different activities for this cost center, there is an overall net decrease in costs for SCG, SDG&E, and Corporate Center on a combined basis. This cost center is allocated based on activity and support level with 13.21% being allocated to SDG&E.

1                   **6.       Market Services 2200-2201**

2                   This cost center is part of the Market Services organization and is  
3 involved in planning and managing SDG&E's and SoCalGas' customer  
4 experience analysis and strategy development, including analysis of  
5 customer transactions and behavioral, socio-economic, demographic and  
6 psychographic (attributes relating to personality, values, attitudes,  
7 interests, or lifestyles) data.

8                   The objectives of the Customer Service Strategies group are to: (1)  
9 identify the needs and issues of residential customers, (2) develop  
10 customer experience blueprint and roadmaps that will facilitate major  
11 changes in customer service offerings, contact and delivery channels, (3)  
12 develop recommendations regarding customer segmentation strategies and  
13 customer experience management, and (4) support the management team  
14 to prioritize the allocation of resources and funding for program and  
15 service offerings. This group works closely with Customer Service  
16 Operations, Communications and Research and Customer Care. This  
17 group also provides data support for many entities, such as Regulatory  
18 Affairs, Customer Satisfaction, CARE and others, as customer needs and  
19 customer experience insight are required.

20

1 **Table SCG-MHB-15**

2 **Market Services O&M Shared Services**  
 3 **(Thousands of 2009 dollars)**

F. Market Services			
Market Services Cost Center 2200-2201	<b>Base Year 2009</b>	<b>Forecast 2012</b>	<b>2009-2012 Incr. (Decr.)</b>
<b>SCG Incurred Costs</b>	<b>318</b>	<b>464</b>	<b>146</b>
Allocations Out			
To SDG&E from SCG	65	87	22
To Corp. Center/Other	0	0	0
Subtotal Allocations Out	<b>65</b>	<b>87</b>	<b>22</b>
Book Expense			
SCG Retained	253	377	124
Billed from SDG&E	0	0	0
SCG Book Expense	<b>253</b>	<b>377</b>	<b>124</b>

4  
 5 SCG is requesting \$464,000 in TY 2012, an increase of \$146,000  
 6 from the 2009 adjusted recorded expense level and an increase of  
 7 \$136,000 from the FYA expense level of \$328,000.

8 Cost Center 2200-2201 – Market Services

9 SCG is requesting a labor increase of \$136,000 from the FYA amount. This  
 10 includes a full adjustment of one project manager and the addition of one project manager  
 11 to support and implement the objectives of the organization. The cost center is allocated  
 12 based on the budget magnitude for the supported organizations with 23.33% being  
 13 allocated to SDG&E.

14 The primary responsibilities of the Project Managers are to provide internal  
 15 consulting and project management services to support the implementation of various  
 16 Customer Services initiatives. This includes planning, shaping, designing and analyzing  
 17 the customer experience across all interactions and channels. As the in-house residential  
 18 segment experts, they will continue to identify customer segment needs/issues and  
 19 develop recommendations on bundled service offerings for various customer segments  
 20 through channels of their choice. Examples of this include:

- 1 • Develop IVR and web channel self-service migration strategy to support OpEx  
2 20/20 Customer Care goals. This strategy included aggressive measures to help  
3 achieve the self-service goals and understanding customer interaction behaviors  
4 including where customers are failing/bailing within the channel to ensure  
5 channel containment.
- 6 • Review extensive research relative to best practices to attract and retain customers  
7 in self-service channels and incorporate the most successful approaches into the  
8 strategy. For example, the self-service research shows relatively small  
9 incentives/disincentives could have a tremendous impact on customers changing  
10 behaviors. This assignment also analyzed customer behavior data to determine  
11 self-service channel failure points and considered that analysis in building the  
12 strategy. It also initiated data analysis of high-volume service transactions to  
13 appropriately target what would deliver the most value/benefit.
- 14 • Work with Customer Communications to develop a communications plan to  
15 support self-service migration strategy. Self-service promotions have been  
16 included in email newsletters, and bill inserts. Also worked with Customer  
17 Assistance and Customer Programs for potential leverage with their programs.
- 18 • Support the customer-centric design training to continue to apply the Customer  
19 Services guiding principles against all major recommendations and decisions and  
20 educate the internal business teams to incorporate customer centric focus in their  
21 program planning.

22 **C. Expenses Allocated/Billed To SCG by SDG&E for Shared Activities**  
23 **Are Reasonable**

24 Table SCG-MHB-16 reflects the shared activities that are billed to SCG  
25 from SDG&E. SDG&E shared functional activities that are provided to SCG are  
26 discussed in J. Steve Rahon's Customer Service Office Operations testimony Exh.  
27 SDG&E-14. SCG has reviewed SDG&E billed shared service expenses to SCG  
28 Customer Service Office Operations as identified in table SCG-MHB-16 and has  
29 concluded that these expenses are reasonable. SCG has identified shared service  
30 expenses for shared management, staff and operational activities in Customer  
31 Service Office Operations. The shared expenses that are allocated to SDG&E

1 have been reviewed with SDG&E management and are also reasonable (Exh.  
2 SDG&E-14, table SDG&E-JSR-14).

3 **Table SCG-MHB-16**  
4 **O&M Shared Services Allocated to SCG from SDG&E**  
5 **(Thousands of 2009 dollars)**

	2009 Adjusted- Recorded	TY 2012 Estimated	Change
A. SOX Project Management	52	31	(21)
B. CS Technology Support	360	484	124
C. Business Planning & Budgets	123	191	68
D. Director of Market Services	186	121	(65)
Allocations Out To SCG Total	<b>721</b>	<b>827</b>	<b>106</b>

6  
7 **IV. CUSTOMER SERVICE OFFICE OPERATIONS MISCELLANEOUS**  
8 **REVENUES**

9 **A. Introduction**

10 Miscellaneous Revenues are comprised of fees and revenues collected by  
11 the utility from non-rate sources for the provision of specific products or services.  
12 The forecast of TY 2012 miscellaneous revenues are included in Todd J. Cahill's  
13 testimony, Exh. SCG-32. Mr. Cahill provides the forecast of specific customer  
14 service activities that generate miscellaneous revenues from the associated  
15 customer services fees. Specific Customer Service Office Operations  
16 miscellaneous revenue activities and associated fees include:

- 17 • Late Payment Charges for Commercial & Industrial Customers
- 18 • Returned Check Charges

19 The Customer Service Office Operation miscellaneous revenue activities  
20 and associated fees are summarized in the following table.

**Table SCG-MHB-17  
Miscellaneous Revenues  
(Thousands of 2009 dollars)**

	<b>Recorded 2009</b>	<b>Estimated 2012</b>	<b>2009- 2012 Change</b>
<b>Misc Revenues</b>			
Late Payment Fees	523	632	109
Returned Check Charges	563	604	41
<b>Total Miscellaneous Revenues</b>	1,086	1,236	150

**B. Summary of Miscellaneous Revenues**

**1. Late Payment Charges for Commercial & Industrial Customers**

SCG charges commercial and industrial (“C&I”) customer accounts 0.7% per month on the past due outstanding balance. This charge is authorized under Rule 12.<sup>18</sup> C&I customer bills are past due if not paid within 15 days after the bill mailed date and the late payment charge is assessed when the subsequent (next month’s) bill is calculated.

SCG estimates TY 2012 Late Payment Charge miscellaneous revenues by computing the historical 2006-2009 four year average for C&I customer late payment charges. A four year average was used due to the fact that SCG only started charging a late payment charge in 2006.<sup>19</sup>

**2. Return Check Charges**

SCG charges \$7.50 per customer returned check or electronic payment (non-sufficient funds). This charge is authorized under Rule 12<sup>20</sup>.

<sup>18</sup> Rule 12 is included in supplemental workpapers, Exh. SCG-08-WP, 2200-2201.000\_Supp1.pdf.

<sup>19</sup> The late payment charge calculation is included in supplemental workpapers, Exh. SCG-08-WP, 2200-2201.000\_Supp2.pdf.

<sup>20</sup> Rule 12 is included in supplemental workpapers, Exh. SCG-08-WP, 2200-2201.000\_Supp3.pdf.



1 SCG estimates TY 2012 returned check charges miscellaneous  
2 revenues by applying the five-year average methodology on 2005-2009<sup>21</sup>.

3  
4 **V. CAPITAL**

5 **A. Introduction**

6 SCG Customer Service Office Operations testimony sponsors several  
7 capital projects. This section identifies such capital projects and provides an  
8 explanation and business rationale for each project. For most of the Customer  
9 Service Office Operations sponsored capital projects, capital expense requests are  
10 included in the Information Technology testimony of Jeffrey C. Nichols (Exh.  
11 SCG-12). Customer Service Operation capital expenditures can be classified into  
12 two categories: (1) regulatory directives and compliance; and (2) obsolescence  
13 and technology replacement.

14 The following table shows a summary of the requested capital  
15 expenditures.

16 **Table SCG-MHB-18**  
17 **Capital Expenditures**  
18 **(Thousands of 2009 dollars)**

<b>Category Description</b>	<b>2010 Estimated</b>	<b>2011 Estimated</b>	<b>2012 Estimated</b>
BCAP	833	0	0
Bill Redesign	228	0	0
<b>Total Capital:</b>	<b>1,061</b>	<b>0</b>	<b>0</b>

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<sup>21</sup> The return check charge calculation is included in supplemental workpapers, Exh. SCG-08-WP, 2200-2201.000\_Supp4.pdf.

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**B. Capital Request Detail**

**1. BCAP (Budget Codes:754.4)**

**Table SCG-MHB-19  
Capital Expenditures  
(Thousands of 2009 dollars)**

<b>Description</b>	<b>2010 Estimated</b>	<b>2011 Estimated</b>	<b>TY 2012 Estimated</b>
BCAP	833	0	0

BCAP is a regulatory project to support new cost allocation and related rate designs that require significant changes and enhancements to the SCG billing related systems for large customer accounts. In the final BCAP decision, the CPUC adopted new cost allocation and related rate designs that require significant changes and enhancements to the billing-related systems for large customer-accounts. The most common changes involve firm and interruptible rate structures affecting defined sub-customer classes. Billing requirements can include the need to address in detail such considerations as daily and hourly billing determinants, load balancing and related imbalance tracking, use-or-pay requirements, and special provisions in negotiated long-term agreements. While these required system changes principally affect noncore customers, there are changes ordered in the BCAP that affect complex core customer accounts that cannot be billed by the CIS and must be billed through the billing systems for large customers.<sup>22</sup>

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<sup>22</sup>The SCG Gas Biennial Cost Allocation (“BCAP”) decision is included in supplemental workpapers, Exh. SCG-08-WP, 200000.000\_ Supp2.pdf.



1 capital projects and a discussion of components of miscellaneous revenues that are  
2 related to Customer Service Office Operations activities.

3 This concludes my prepared direct testimony.

4

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Michael H. Baldwin. My business address is 1801 South Atlantic  
3 Boulevard, Monterey Park, California, 91754. I was appointed to my current position of  
4 Manager of Remittance Processing and Bill Delivery in December of 2007. My primary  
5 responsibility is the management of the strategy and policy for the overall customer bill  
6 presentment and payment processing channels for both Southern California Gas  
7 Company and San Diego Gas & Electric. For customer billing, this includes bill printing  
8 and inserting as well as all electronic bill presentment channels. For payment processing,  
9 this includes mail, walk-in including branch offices and authorized payment locations, as  
10 well as all customer self-service electronic payment channels. Prior to this position, I  
11 have held various managerial and supervisory positions in the Payment Processing and  
12 Bill Print areas of the company as well as Mass Markets Customer Billing Manager. I  
13 also managed the California Alternate Rates for Energy (“CARE”) program from 1995-  
14 2002. I began my career at the Gas Company as a meter reader in 1972.

15 I have a Bachelor’s of Science Degree in Business Management from Pepperdine  
16 University in Malibu, California – 1981,

17 I have not previously submitted testimony before the California Public Utilities  
18 Commission.