

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

Application No. 10-12-____
Exhibit No.: (SCG-31-WP)

WORKPAPERS TO
PREPARED DIRECT TESTIMONY
OF SCOTT R. WILDER
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

DECEMBER 2010



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SoCalGas Escalation Factors: Utility Cost Indexes for 2012 GRC Filing (Base Year 2009=1.0000)

Scott Wilder; data based on Global Insight 1st Quarter 2010 utility cost forecast, May 7, 2010.

| <u>Series Name</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | |
|--|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------|
| SoCalGas Escalators | | | | | | | | | | | | |
| <u>Shared Services</u> | SHSVC_SCG | 0.8895 | 0.9182 | 0.9469 | 0.9853 | 1.0000 | 1.0216 | 1.0493 | 1.0760 | 1.1042 | 1.1339 | 1.1625 |
| <u>Operations & Maintenance</u> | | | | | | | | | | | | |
| Labor O&M Index | LABOR | 0.8933 | 0.9190 | 0.9436 | 0.9753 | 1.0000 | 1.0261 | 1.0571 | 1.0822 | 1.1108 | 1.1409 | 1.1712 |
| Gas Nonlabor O&M Index | JGTOTALMSX_SCG | 0.8907 | 0.9232 | 0.9541 | 1.0025 | 1.0000 | 1.0184 | 1.0437 | 1.0713 | 1.0985 | 1.1264 | 1.1525 |
| Post-Test-Year GOMPI | (calculated) | 0.8924 | 0.9204 | 0.9472 | 0.9847 | 1.0000 | 1.0235 | 1.0525 | 1.0784 | 1.1066 | 1.1359 | 1.1647 |
| <u>Capital-Related</u> | | | | | | | | | | | | |
| Total Gas Plant | JUG@PCF | 0.8798 | 0.9158 | 0.8984 | 1.0098 | 1.0000 | 1.0137 | 1.0480 | 1.0725 | 1.1032 | 1.1413 | 1.1664 |
| Components from Global Insight | | | | | | | | | | | | |
| <u>Labor O&M</u> | | | | | | | | | | | | |
| Util Svc Wkrs (adjusted with SEU=+3.5%/yr in 2009-2011) | CEU4422000008 (adjusted) | 0.8945 | 0.9181 | 0.9337 | 0.9662 | 1.0000 | 1.0350 | 1.0712 | 1.0959 | 1.1236 | 1.1521 | 1.1812 |
| Mgrs & Adminstrtrs | ECIPWMBFNS | 0.9018 | 0.9267 | 0.9577 | 0.9889 | 1.0000 | 1.0183 | 1.0411 | 1.0650 | 1.0942 | 1.1253 | 1.1575 |
| Profssnl & Techncl | ECIPWPARNs | 0.8861 | 0.9155 | 0.9511 | 0.9819 | 1.0000 | 1.0164 | 1.0439 | 1.0703 | 1.1001 | 1.1321 | 1.1630 |
| <u>Nonlabor O&M gas</u> | | | | | | | | | | | | |
| Underground Storage | JGUSOMMS | 0.9062 | 0.9378 | 0.9647 | 1.0196 | 1.0000 | 1.0170 | 1.0458 | 1.0740 | 1.1021 | 1.1309 | 1.1584 |
| Gas Transmission | JGTOMMS | 0.8930 | 0.9323 | 0.9636 | 1.0307 | 1.0000 | 1.0147 | 1.0415 | 1.0703 | 1.1003 | 1.1291 | 1.1585 |
| Gas Distribution | JGDOMMS | 0.8608 | 0.9053 | 0.9399 | 1.0045 | 1.0000 | 1.0141 | 1.0397 | 1.0691 | 1.0985 | 1.1286 | 1.1555 |
| Customer Accounts | JGCAOMS | 0.9069 | 0.9329 | 0.9606 | 0.9979 | 1.0000 | 1.0249 | 1.0484 | 1.0733 | 1.0961 | 1.1189 | 1.1404 |
| Customer Svc & Info | JGCSIOMS | 0.8898 | 0.9164 | 0.9445 | 0.9860 | 1.0000 | 1.0207 | 1.0468 | 1.0729 | 1.0949 | 1.1150 | 1.1344 |
| Admin & General except 926 | JGADGOMMS_X926 | 0.8897 | 0.9188 | 0.9512 | 0.9908 | 1.0000 | 1.0178 | 1.0425 | 1.0704 | 1.0985 | 1.1288 | 1.1566 |
| <u>Utility Plant Construction Cost Indexes, Pacific Region</u> | | | | | | | | | | | | |
| Total Gas Plant | JUG@PCF | 0.8798 | 0.9158 | 0.8984 | 1.0098 | 1.0000 | 1.0137 | 1.0480 | 1.0725 | 1.1032 | 1.1413 | 1.1664 |

Removing Pensions & Benefits Component from Non-Labor O&M Cost Index

from Global Insight 2010q1 Cost Forecast (published May 2010)

JGADG926MS= O&M Cost Index, Pensions and Benefits (same for gas and electric)

JGADGOMMS= A&G Non-Labor O&M cost index, gas utilities (_X926 without P&B costs)

0.228 weight is per Armine Thompson, April 2009, Global Insight Utility Cost Service
(from "OM Nonlabor Weights 2009q1.xls")

| <u>2009=1.0000</u> | <u>JGADG926MS</u> | JGADG926MS wt.=.228 <u>JGADGOMMS</u> | w/o JGADG926MS <u>JGADGOMMS X926</u> |
|--------------------|-------------------|---|---|
| 2005 | 0.8572 | 0.8823 | 0.8897 |
| 2006 | 0.8942 | 0.9132 | 0.9188 |
| 2007 | 0.9332 | 0.9471 | 0.9512 |
| 2008 | 0.9683 | 0.9857 | 0.9908 |
| 2009 | 1.0000 | 1.0000 | 1.0000 |
| 2010 | 1.0312 | 1.0209 | 1.0178 |
| 2011 | 1.0653 | 1.0477 | 1.0425 |
| 2012 | 1.1065 | 1.0787 | 1.0704 |
| 2013 | 1.1502 | 1.1103 | 1.0985 |
| 2014 | 1.1939 | 1.1436 | 1.1288 |
| 2015 | 1.2409 | 1.1758 | 1.1566 |

SoCalGas O&M Escalation Component Weightings (from actual 2009 O&M expenses)

| <u>Post-Test-Year GOMPI</u> | SoCalGas Non-Labor Weightings for JGTOTALMSX_SCG | | | | Global Insight-based |
|-----------------------------|---|-----------------------|-------------------|---|-----------------------|
| <u>Weights with Labor</u> | <u>Weighting</u> | <u>Actual 2009 \$</u> | <u>FERC Accts</u> | <u>Description</u> | <u>Series Name</u> |
| 0.6553 | | \$270,444,586 | | Labor | |
| | | | | Non-Labor | |
| | 0.0967 | \$13,750,817 | 814-837 | Underground Storage | JGUSOMMS |
| | 0.1304 | \$18,548,763 | 850-867 | Gas Transmission | JGTOMMS |
| | 0.1697 | \$24,140,623 | 870-894 | Gas Distribution | JGDOMMS |
| | 0.2536 | \$36,074,792 | 901-905 | Gas Customer Accounts | JGCAOMS |
| | 0.0401 | \$5,709,742 | 907-910 | Gas Customer Svc & Info | JGCSIOMS |
| | <u>0.3095</u> | <u>\$44,017,910</u> | 920-935 x926 | <u>Gas Admin & General except 926</u> | <u>JGADGOMMS_X926</u> |
| 0.3447 | 1.0000 | \$142,242,648 | | Non-Labor TOTAL | JGTOTALMSX_SCG |

| SoCalGas Shared Services Weightings for SHSVC_SCG | | | | | Global Insight-based |
|--|-----------------------|-------------------|---|-----------------------|----------------------|
| <u>Weighting</u> | <u>Actual 2009 \$</u> | <u>FERC Accts</u> | <u>Description</u> | <u>Series Name</u> | |
| 0.4682 | \$48,097,420 | | Labor | --- | |
| | | | Non-Labor | | |
| 0.0018 | \$180,692 | 814-837 | Underground Storage | JGUSOMMS | |
| 0.0153 | \$1,568,080 | 850-867 | Gas Transmission | JGTOMMS | |
| 0.0768 | \$7,886,548 | 870-894 | Gas Distribution | JGDOMMS | |
| 0.0166 | \$1,703,933 | 901-905 | Gas Customer Accounts | JGCAOMS | |
| 0.0277 | \$2,844,709 | 907-910 | Gas Customer Svc & Info | JGCSIOMS | |
| <u>0.3936</u> | <u>\$40,417,639</u> | 920-935 x926 | <u>Gas Admin & General except 926</u> | <u>JGADGOMMS_X926</u> | |
| 1.0000 | \$102,699,022 | | TOTAL | SHSVC_SCG | |

Source: file "GRC_USS_NSS by FERC 2009 for Esc Weights 3-11-10.xls", from GRC & Revenue Requirements Dept.

O&M Labor Component Weightings -- based on actual 2009 SEU Labor Earnings

| <u>Job Area</u> | <u>SEU Categories</u> | <u>Weights</u> | <u>SEU 2009 Earnings \$</u> | <u>Global Insight Description</u> | <u>Global Insight series</u> |
|-----------------|-------------------------|----------------|-----------------------------|-----------------------------------|------------------------------|
| Union | Union & Associate | 50.446% | \$555,014,508.94 | (Utility Svc Wkrs) | CEU4422000008 |
| Supervisory | Exec & MgmtSuperv | 19.088% | \$210,006,373.55 | (Mgrs & Adminstrtrs) | ECIPWMBFNS |
| NonUnion NonSup | Management (non-superv) | 30.466% | \$335,190,146.26 | (Profssnl & Techncl) | ECIPWPARNs |

Source: SEU Compensation & Benefits Dept, per EV3 SRERPT 05/05/2010 (2009 earnings by job function)

For 2012 General Rate Case: SCG Employment

The aggregated "Big 6" counties that account for about 90% of economic activity in SoCalGas' service area: Kern, Los Angeles, Orange, Riverside, San Bernardino, Ventura.

| <u>Year</u> | <u>Nonfarm Employment (millions)</u> | <u>Nonfarm Employment (% change)</u> |
|-------------|--|--|
| 2000 | 6.918 | |
| 2001 | 7.000 | 1.2% |
| 2002 | 6.982 | -0.2% |
| 2003 | 7.003 | 0.3% |
| 2004 | 7.111 | 1.5% |
| 2005 | 7.250 | 2.0% |
| 2006 | 7.410 | 2.2% |
| 2007 | 7.444 | 0.4% |
| 2008 | 7.306 | -1.8% |
| 2009 | 6.995 | -4.3% |
| 2010 | 6.961 | -0.5% |
| 2011 | 7.089 | 1.8% |
| 2012 | 7.272 | 2.6% |
| 2013 | 7.445 | 2.4% |
| 2014 | 7.549 | 1.4% |
| 2015 | 7.615 | 0.9% |
| 2016 | 7.679 | 0.8% |
| 2017 | 7.743 | 0.8% |
| 2018 | 7.814 | 0.9% |
| 2019 | 7.890 | 1.0% |
| 2020 | 7.966 | 1.0% |

Source: From Global Insight's Feb 2010
Regional forecast (released Feb 22, 2010)

March 5, 2010