

Company: Southern California Gas Company (U 904 G)
Proceeding: 2016 General Rate Case
Application: A.14-11-004
Exhibit: SCG-23-R

REVISED

SOCALGAS

DIRECT TESTIMONY OF MARK L. SERRANO

**OFFICE OF SCG PRESIDENT & CEO, COO AND VP OF
HUMAN RESOURCES, HUMAN RESOURCES DEPARTMENT,
AND WORKERS' COMPENSATION & LONG TERM
DISABILITY**

March 2015

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



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SUMMARY

OFFICE OF SCG PRESIDENT & CEO, COO, AND VP OF HUMAN RESOURCES, HUMAN RESOURCES DEPARTMENT, AND WORKERS' COMPENSATION & LONG TERM DISABILITY			
Shown in Thousands of 2013 Dollars	2013 Adjusted- Recorded	TY2016 Estimated	Change
Total Non-Shared	39,595	51,901	12,306
Total Shared Services (Incurred)	2,048	2,048	0
Total O&M	41,643	53,949	12,306

In this exhibit, Southern California Gas Company (“SCG” or “the Company”) requests an increase of \$12.306 million from 2013 adjusted recorded costs. This change represents a 30% increase from Base Year (“BY”) 2013. With the exception of the Workers’ Compensation costs, 2013 Base Year - Recorded costs were used as the starting point for all cost forecasts – both non-shared service and shared service costs. The two most significant factors impacting the increase in expense are expanded employee safety training programs (\$5.498 million of the \$6.049 million increase in the Safety, Wellness and Disability Services function) and forecast increases in Workers’ Compensation costs (\$3.798 million). Together, these two factors account for nearly 75.5% of the increase in Test Year (“TY”) 2016 costs.

The 2013 Base Year - Recorded costs were adjusted to reflect changes in O&M costs SCG anticipates will occur in future years. The specific “Adjustments” are described within the “Cost Driver” sections of this exhibit. The Workers’ Compensation costs are based upon a three year average (2011-2013) with standard labor and non-labor escalation. Medical costs were escalated at a premium rate.

- The TY2016 O&M expense for the Office of SCG President & CEO, COO, and VP of Human Resources, Human Resources Department, and Workers’ Compensation & Long Term Disability described above total \$53.949 million.
- The TY2016 costs presented within this exhibit for the Office of the President & CEO, COO, and VP of Human Resources are \$3.624 million, representing 6.7% of the total.
- The TY2016 costs presented for the Human Resources Department are \$23.899 million (\$21.851 million non-shared and \$2.048 million shared services), representing 44.3% of the total.

- The TY2016 costs for Workers' Compensation & Long Term Disability are \$26.426 million, representing 49.0% of the total.
- The TY2016 non-shared costs of \$51.901 million presented in this exhibit represent 96.2% of the total and the shared services costs represent 3.8% of the total. Shared services costs are only incurred within the Human Resources Department, specifically the Performance Management & Organizational Strategy, Diversity, and Safety, Wellness & Disability Services departments.
- There is no forecast of capital costs presented within this exhibit.

SOCALGAS DIRECT TESTIMONY OF MARK L. SERRANO
OFFICE OF SCG PRESIDENT & CEO, COO AND VP OF HUMAN RESOURCES,
HUMAN RESOURCES DEPARTMENT, AND WORKERS' COMPENSATION & LONG
TERM DISABILITY

I. INTRODUCTION

A. SUMMARY OF COSTS

I sponsor the Southern California Gas Company ("SCG") TY2016 forecasts for operations and maintenance ("O&M") costs (both non-shared and shared services) for the forecast years 2014, 2015, and 2016, associated with the Office of SCG President & Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), and Vice President ("VP") of Human Resources, Human Resources ("HR") Department, and Workers' Compensation & Long Term Disability. TABLE SCG-MLS-1 below summarizes my sponsored costs.

TABLE SCG-MLS-1
Summary of Exhibit Costs

OFFICE OF SCG PRESIDENT & CEO, COO, AND VP OF HUMAN RESOURCES, HUMAN RESOURCES DEPARTMENT, AND WORKERS' COMPENSATION & LONG TERM DISABILITY			
Shown in Thousands of 2013 Dollars	2013 Adjusted- Recorded	TY2016 Estimated	Change
Total Non-Shared	39,595	51,901	12,306
Total Shared Services (Incurred)	2,048	2,048	0
Total O&M	41,643	53,949	12,306

B. SUMMARY OF REQUEST

- The total TY2016 O&M expense for the Office of SCG President & CEO, COO, and VP of Human Resources, Human Resources Department, and Workers' Compensation & Long Term Disability costs described above total \$53.949 million.
- The TY2016 costs presented within this exhibit for the Office of the President & CEO, COO, and VP of Human Resources are \$3.624 million, representing 6.7% of the total. The TY2016 costs presented for the Human Resources Department total \$23.899 million (\$21.851 million non-shared and \$2.048 million shared services), representing 44.3% of the total. The TY2016 costs for Workers' Compensation & Long Term Disability are \$26.426 million, representing 49.0% of the total.

- 1 • The TY2016 non-shared costs of \$51.901 million presented in this exhibit represent
2 96.2% of the total. The shared services costs represent 3.8% of the total. Shared
3 services costs are only incurred within the Human Resources Department, specifically
4 within the Performance Management & Organizational Strategy, Diversity, and
5 Safety, Wellness & Disability Services function.
- 6 • With the exception of the Workers' Compensation costs, 2013 Base Year - Recorded
7 costs were used as the starting point for all cost forecasts (including both non-shared
8 service and shared service costs) in this exhibit. The 2013 Base Year - Recorded
9 costs were adjusted to reflect changes in O&M costs SCG anticipates will occur in
10 future years. The specific "Adjustments" are described within the "Cost Drivers"
11 sections of this exhibit.
- 12 • The Workers' Compensation costs presented within this exhibit are based upon the
13 Three Year Average (2011-2013) method with standard labor and non-labor
14 escalation. Medical costs were escalated at a premium rate.
- 15 • There is no forecast of capital costs presented within this exhibit.

16 **II. SHARED/NON-SHARED SERVICES COSTS**

17 As described in the testimony of Mark A. Diancin (Ex. SCG-25), Shared Services are
18 activities performed by a utility shared services department (i.e., functional area) for the benefit
19 of (i) San Diego Gas & Electric ("SDG&E") or SCG, (ii) Sempra Energy Corporate Center
20 ("SECC"), and/or (iii) any unregulated subsidiaries. The utility providing Shared Services
21 allocates and bills incurred costs to the entity or entities receiving those services. "Non-Shared
22 Services" are activities that are performed by a utility solely for its own benefit. As such, Non-
23 Shared Services costs stay within the utility. SECC provides certain services to the utilities and
24 to other subsidiaries. For purposes of this general rate case, the utility treats costs for services
25 received from SECC as Non-Shared Services costs, consistent with any other outside vendor
26 costs incurred by the utility.

27 This exhibit presents the costs associated with both shared services and non-shared
28 services. To describe more clearly the activities and costs outlined within the exhibit, first the
29 non-shared services costs are presented and then the shared services costs. The non-shared
30 services costs include 100% incurred (and booked) costs associated with each department or
31 functional area. The shared services costs presented within this exhibit represent 100% of the

1 incurred costs in the shared services cost centers. An explanation of the basis for the retained
2 costs can be found in my work papers (Ex. SCG-MLS-WP).

3 TABLE SCG-MLS-2 below is a matrix identifying which functional areas have non-
4 shared service cost centers, shared service cost centers, and which have both non-shared and
5 shared service cost centers.

6 **TABLE SCG-MLS-2**
7 **Shared/Non-Shared Services Cost Center Matrix**

Department	Non-Shared Cost Centers	Shared Cost Centers
Office of SCG President & CEO, COO and VP of HR	X	
Diversity		X
HR Services	X	
Labor Relations	X	
Organizational Effectiveness	X	
Performance Management & Organizational Strategy	X	X
Safety, Wellness & Disability Services	X	X
Workers' Compensation & Long Term Disability	X	

8
9 **III. NON-SHARED COSTS**

10 **A. Introduction**

11 TABLE SCG-MLS-1, above, showed a summary of the total non-shared services and
12 shared services O&M cost forecasts. TABLE SCG-MLS-3, below, presents the total non-shared
13 services forecast of O&M costs for each of the departments or functions sponsored in this
14 exhibit.

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16 [Remainder of page intentionally left blank]

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**TABLE SCG-MLS-3
Non-Shared Services Costs
(Thousands of \$2013)**

OFFICE OF SCG PRESIDENT & CEO, COO AND VP OF HUMAN RESOURCES, HUMAN RESOURCES DEPARTMENT, AND WORKERS' COMPENSATION & LONG TERM DISABILITY			
Categories of Management	2013 Adjusted- Recorded	TY2016 Estimated	Change
A. Office of SCG President & CEO, COO, and VP of Human Resources	3,624	3,624	0
B. Human Resources department	13,343	21,851	8,508
C. Workers' Compensation & Long Term Disability	22,628	26,426	3,798
Total	39,595	51,901	12,306

My work papers (Ex. SCG-MLS-WP) provide greater details regarding the non-shared services costs for each of the departments or functions listed above. The 2013 Base Year - Recorded costs were used as the starting point for all cost forecasts except Workers' Compensation, where a 3-year average was used. The 2013 Base Year - Recorded costs are the best basis for forecasting TY2016 costs because the Human Resources organization is expected to look very similar in the future to what it was in 2013. The 3-year and 5-year average cost methodologies were not used because the Human Resources functions were reorganized during the preceding years and most of the functions (and cost centers) changed from shared to non-shared. The 2013 Base Year - Recorded costs were "Adjusted" to reflect changes in O&M costs SCG anticipates will occur in future years. The specific "Adjustments" are described within the "Cost Drivers" sections of this exhibit.

The 3-year cost average methodology was used for Workers' Compensation because the claims payments change from year-to-year and the paid amounts contain a degree of variability that causes use of a single year's costs information to be less representative. Non-standard escalation factors were used to forecast Workers' Compensation & Long Term Disability costs because medical expenses have and are expected to continue to escalate at a greater rate than typical labor and non-labor cost escalation.

B. Offices of the SCG President & CEO, COO, and VP of Human Resources

TABLE SCG-MLS-4 that follows presents the costs for the SCG President & CEO, COO, and VP of Human Resources. These costs are all non-shared services costs.

TABLE SCG-MLS-4
SCG President & CEO, COO, and VP of Human Resources Costs
(Thousands of \$2013)

A. SCG President & CEO, COO, and VP of HR	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total	3,624	3,624	0

The President & CEO, COO, and VP of Human Resources provide executive leadership within SCG. These officers are ultimately responsible and accountable for the performance of SCG. Leadership provides the direction utility personnel follow in providing safe, reliable service to customers.

The President & CEO is the highest ranking officer at SCG. Reporting to the President & CEO are the COO, the VP & General Counsel, the VP of Human Resources, and the VP of Accounting and Finance.

The COO directs the activities of the organization in accordance with policies, goals, and objectives established by the President & CEO. Reporting to the COO are the VP of Gas Acquisition, the Senior Vice President (“SVP”) of Gas Operations & System Integrity, the SVP of Customer Services, Innovation & Business Strategy, and the Regional VP of External Affairs & Employee Communications.

The VP of Human Resources provides leadership and strategic direction within SCG. The VP of HR's responsibilities include: Establishing Human Resources policy, developing labor strategy, integrating diversity and affirmative action within utility culture, guiding short- and long-term workforce performance management and strategic planning, succession planning, employee development, and employee relations. The VP of HR also has broad responsibility for enhancing employee wellness and safety, and the benefits provided injured or disabled employees.

The SCG TY2016 request for the President & CEO, COO and VP of Human Resources is \$3.624 million, the same as Base Year 2013. The base year forecast methodology was used because this method most accurately represents the current and future structure of the organization and its related activities. The costs to support the leadership structure at SCG are consistent with the goals of the organization, as described in the testimony of witness J. Bret Lane (Ex. SCG-01).

1 TY2016 forecasted costs are described within the Incremental Cost Drivers section for each
2 function.

- 3 • Performance Management & Organizational Strategy: Continuous improvement and
4 operations research;
- 5 • HR Services: New hire staffing, workforce planning and workforce readiness;
- 6 • Labor Relations: Advisor staffing, staff turnover and collective bargaining;
- 7 • Organizational Effectiveness: Knowledge transfer, organizational health, and
8 employee development;
- 9 • Safety, Wellness & Disability Services: Safety training, wellness programs, and
10 disability services staffing.

11 Commission decision (“D.”) 10-04-027 authorized SCG to deploy Advanced Metering
12 Infrastructure (“AMI”) to approximately 6 million customers over a period of 7 years. Based on
13 this timing, SCG will not complete AMI deployment until 2017. Accordingly, as described in
14 witness Rene F. Garcia’s testimony (Ex. SCG-39) all SCG forecasts presented in this TY 2016
15 GRC, including the forecasts in this testimony, reflect business operations, processes and
16 practices without AMI deployment (i.e., “business as usual”). However, it should be noted that
17 implementation of AMI involves both costs (i.e., increases to revenue requirement) and benefits
18 (i.e., decreases to revenue requirement). The combined result is a net revenue requirement that is
19 then embedded in rates. Since a forecasted net revenue requirement for SCG AMI over the 2010
20 through 2017 timeframe was already approved in a SCG Advice Letter², a net revenue
21 requirement is already embedded in SCG rates. Accordingly, if the Commission authorizes
22 operating expenses in this GRC that are materially different than those assumed in SCG’s
23 approved AMI net revenue requirement that is currently in rates, then the differences will need to
24 be reconciled in an updated advice letter to ensure that embedded AMI operating benefits are
25 consistent with and no more or no less than what is authorized in this TY2016 GRC.

26 **1. Performance Management & Organizational Strategy**

27 TABLE SCG-MLS-6 that follows presents the non-shared service costs for the
28 Performance Management & Organizational Strategy function within the Human Resources
29 department. Both non-shared service costs and shared service costs are incurred within this

² AL-4110, U 904 G, effective April 8, 2010.

1 function. Non-shared service costs represent 76.1% of the total. Only the non-shared service
2 costs are presented in this section of the exhibit.

3 **TABLE SCG-MLS-6**
4 **Performance Management & Organizational Strategy Non-Shared Service Costs**
5 **(Thousands of \$2013)**

	2013 Adjusted- Recorded	TY2016 - Estimated	Change
TOTAL	960	1,350	390

6
7 The Performance Management and Organizational Strategy (“PM&OS”) department is
8 responsible for providing management with systems that can be used to effectively measure and
9 monitor workforce performance, and improve operational productivity, quality, efficiency or
10 effectiveness. The PM&OS staff applies operations research techniques, including: data
11 analytics, mathematical modeling, and customer segmentation analysis to better understand the
12 needs and desires of each customer segment. The staff works closely with operations personnel
13 to identify and implement process improvements using techniques such as Six Sigma and LEAN
14 (Industrial Engineering methods), process mapping, engineered labor standards, process control
15 metrics, and operational insight analytics.

16 The PM&OS staff’s role and activities are expanding in the field of data analytics, where
17 one new Operations Research Analyst position will be staffed to work with advanced meter
18 interval data to measure and assess the effectiveness of customer conservation programs.

19 SCG’s TY2016 non-shared services request for the PM&OS function is \$1.350 million, a
20 \$0.390 million increase from Base Year 2013. The specific cost drivers that contribute to the
21 cost increase are described below.

22 **a. Incremental PM&OS Cost Drivers**

23 **(i) Continuous Improvement and Operations Research**

24 Within the operations research discipline, a person who in 2013 devoted a significant
25 portion of his time to refundable programs will be working on O&M projects and an additional
26 Business Systems Analyst position will be created and staffed. Additionally, the non-labor costs
27 associated with expansion of the Six Sigma and LEAN process improvement work performed
28 within SCG will increase.

29 The costs associated with enhancing the organization’s capabilities in these areas are
30 estimated to be approximately \$0.390 million in TY2016.

1 internal moves and promotions annually. Pre-employment testing, such as work behavior and
2 aptitude testing is administered by the work unit; ensuring individuals hired into SCG have the
3 right skills, abilities and other characteristics to perform their jobs effectively. Staffing ensures
4 that the selection and hiring process complies with the legal requirements of the Equal
5 Employment Opportunity Commission and Department of Labor's Office of Federal Contract
6 Compliance Programs ("OFCCP"). This includes maintaining applicant tracking in accordance
7 with the OFCCP, following Department of Transportation ("DOT") requirements when
8 performing pre-employment drug testing, and completing the documentation required by the
9 Department of Homeland Security. Staffing makes union position placements (both moves and
10 transfers) by applying eligibility and seniority rules as specified in the Collective Bargaining
11 Agreement.

12 This work unit prepares reports and responds to a growing number of requests for
13 information from community organizations and for the California Public Utilities Commission's
14 ("CPUC") Annual En Banc hearing. Generally, the requests summarize information regarding
15 progress on our hiring practices, diversity goals and good faith efforts to meet externally set
16 goals. The information prepared by this staff is also shared at meetings of the California Utility
17 Diversity Council ("CUDC") established by the Commission.

18 The Staffing work unit manages the relocation program which is intended for out-of-area
19 new employees and internal transferees. This program provides the necessary assistance and
20 resources to support job-related geographic moves.

21 c. Personnel Research & Workforce Planning Work Unit

22 The Personnel Research & Workforce Planning work unit is responsible for establishing
23 and validating the appropriateness of criteria used to assess employee qualifications for jobs
24 within SCG. The staff is responsible for development and maintenance of the performance
25 management process for management & associate employees. This staff conducts workforce
26 trend analyses, forecasts workforce needs, and applies analytics to support union negotiations.
27 Human Resources system reporting & website maintenance is also performed by personnel
28 within this work unit.

29 The Personnel Research & Workforce Planning work unit provides guidance and support
30 to organizations that train young people in the underserved communities of Southern California
31 in jobs that can lead to future careers. The work unit collaborates with local communities to

1 identify and train potential candidates for highly skilled trades. This work unit collaborates with
2 community based agencies, workforce investment boards, community colleges, and high schools
3 to develop classes and training programs to prepare young adults to work in the utility industry.

4 **d. HR Projects & Compensation Work Unit**

5 HR Projects & Compensation is responsible for developing and delivering competitive
6 compensation programs and ensuring legal compliance and adherence to the Department of
7 Labor's Wage and Hour laws. The work unit assesses job demands and collaborates with
8 business unit management to create cost effective jobs for the organization that are necessary to
9 meet customer needs and create organizational efficiencies. Compensation maintains an
10 extensive centralized hierarchy of job descriptions and performs annual reviews to ensure
11 internal equity and external competitiveness in job leveling. The work unit performs market
12 studies so SCG can provide competitive and legally compliant compensation, administer
13 performance driven incentive rewards, and maintain effective recognition programs. This work
14 unit also develops HR-related communications to management, supervisors, and the SCG
15 workforce.

16 Cost effective compensation programs are a crucial element in attracting, retaining, and
17 motivating a high performing workforce. SCG's compensation programs are designed to pay for
18 both organizational and individual performance, which helps motivate employees to perform at
19 their best to achieve key business objectives.

20 SCG's TY2016 request for the HR Services function within the Human Resources
21 Department is \$4.757 million, which is an \$822 million increase from Base Year 2013. The cost
22 drivers that contribute to the cost increase are described below.

23 **e. Incremental HR Services Cost Drivers**

24 **(i) New Hire Employment Process**

25 SCG began to transition its manual Meter Reading operations to automation in late 2012.
26 By the end of 2017, SCG will no longer maintain its Meter Reading workforce. The part-time
27 entry-level positions that traditionally served to transition new employees into the company and
28 concurrently develop their physical conditioning will no longer exist. To improve the likelihood
29 that newly hired employees will be physically capable of effectively and safely performing the
30 essential, physically demanding and/or repetitively performed functions of the job, HR plans to
31 implement a medically safe, post-offer means of matching a worker's functional capabilities with

1 the essential functions of the job. This assessment is in addition to any pre-employment physical
2 demands assessment and is intended to ensure a safe work environment and mitigate Workers'
3 Compensation claims.

4 The incremental costs associated with this new process are estimated to be \$0.168 million
5 in TY2016.

6 (ii) Workforce Readiness

7 Given the significant number of SCG employees eligible for retirement, SCG must work with
8 local communities to ensure there is an adequate workforce available to fill jobs within the
9 service area. Human Resources will provide guidance and support to organizations that train
10 young people in the underserved communities of Southern California for jobs that can lead to
11 future careers at SCG. HR Services will augment its existing staff with a Workforce Readiness
12 Advisor to drive and manage this effort. The Advisor will collaborate with local communities to
13 identify and train potential candidates for highly skilled trades and work closely with
14 community-based agencies, workforce investment boards, community colleges, and high schools
15 to ensure curriculum and training programs are ready to prepare young adults to work in the
16 utility industry. Some of the key colleges and programs include the following:

- 17 • INROADS
- 18 • MESA (Mathematics Engineering Science Achievement)
- 19 • TELACU
- 20 • Los Angeles Trade Tech ("LATTC")
- 21 • East LA College

22 This position will also be involved in implementing processes to verify that skill and
23 competency requirements are met during hiring and training. The incremental costs associated
24 with implementing this new process are estimated to be approximately \$0.117 million in
25 TY2016.

26 (iii) Workforce Planning

27 To assist in workforce planning, the HR Services department plans to add two additional
28 staff positions and license software that can track workforce attributes and assist in forecasting
29 hiring and staffing needs. The costs associated with the two incremental staff positions and
30 software licensing is estimated to be approximately \$0.326 million in TY2016.

1 (iv) External Staffing

2 The entry-level position within the SCG field operations has historically been that of a
3 meter reader. With automation of the meter reading function via AMI, HR Services will no
4 longer recruit, test, screen and staff these positions. The costs to perform these functions for the
5 meter reader position were included in the AMI business case and are scheduled to be
6 eliminated. To recruit, test, screen and ultimately staff new entry-level positions, two additional
7 staff personnel will be required. Testing costs will also be incurred. The costs associated with
8 the two incremental staff positions and testing are estimated to be approximately \$0.211 million
9 in TY2016.

10 3. Labor Relations

11 TABLE SCG-MLS-8 that follows presents the costs for the Labor Relations function
12 within the Human Resources department. The costs incurred by the Labor Relations function are
13 all non-shared services costs.

14 TABLE SCG-MLS-8
15 Labor Relations Costs
16 (Thousands of \$2013)

Labor Relations	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total	1,546	1,859	313

17
18 The Labor Relations staff is responsible for the labor strategy, union relations, Collective
19 Bargaining Agreement (“CBA”) negotiations, contract administration, grievances, mediations,
20 arbitrations, and National Labor Relations Board (“NLRB”) actions. The Labor Relations staff
21 works to maintain compliance with the terms of the CBA and the laws and regulations impacting
22 represented employees not addressed by the CBA. In addition, Labor Relations provides
23 guidance to business clients including the supervisors of represented employees on matters
24 pertaining to the CBA. Services provided include: employee and local union relations advice,
25 contract interpretation, performance management guidance, dispute resolution, and discipline.
26 Labor Relations conducts employee investigations, provides guidance pertaining to work rules,
27 company policy and procedure, and other business practices.

28 The TY2016 request for the Labor Relations function is \$1.859 million which is a \$0.313
29 million increase from Base Year 2013. The cost drivers that contribute to the cost increase are
30 described below.

1 **a. Incremental Labor Relations Cost Drivers**

2 **(i) CBA Negotiations**

3 During 2015, SCG will conduct CBA negotiations with its labor unions. During this
4 period, additional workforce support will be required to prepare negotiations materials and assess
5 proposals received from its unions. Additionally, SCG anticipates there will be costs incurred
6 associated with off-site meetings, site security, communications materials, and printing of the
7 final agreement.

8 The CBA negotiations process did not occur in Base Year – 2013. The incremental costs
9 associated with the 2015 CBA negotiations process are estimated to be approximately \$0.426
10 million. The CBA period is expected to span a period of three years, with the next CBA
11 negotiations taking place in 2018. The TY2016 request is based upon a three-year average,
12 which results in a cost forecast of approximately \$0.142 million.

13 **(ii) Labor Relations Advisor**

14 The Labor Relations department has historically maintained a significant backlog of
15 grievance and arbitration cases awaiting resolution. To expedite the decision-making process
16 and resolve longstanding issues, the department increased its staffing by one position. The costs
17 associated with the incremental staff position are estimated to be approximately \$0.121 million
18 in TY2016.

19 **(iii) Labor Relations Staff Training**

20 The Labor Relations department is comprised of a relatively small staff. The most
21 senior managers and advisors are nearing retirement, resulting in an extraordinary need for
22 additional staff development and training. The costs associated with the incremental staff
23 development and training are estimated to be approximately \$0.050 million in TY2016.

24 **4. Organizational Effectiveness**

25 TABLE SCG-MLS-9 that follows presents the costs for the Organizational Effectiveness
26 function within the Human Resources department. The costs for the Organizational
27 Effectiveness function are all non-shared services costs.

28 **TABLE SCG-MLS-9**
29 **Organizational Effectiveness Costs**
30 **(Thousands of \$2013)**

Organizational Effectiveness	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total	1,508	2,442	934

1
2 The Organizational Effectiveness (“OE”) department provides leadership, organizational
3 and employee development programs, instructional design services, and knowledge transfer and
4 management programs for SCG. OE consists of four work units providing services to SCG:
5 Organizational Development, Employee Development, Instructional Design & Technology and
6 Knowledge Transfer & Management.

7 **a. Organizational Development Work Unit**

8 Organizational Development (“OD”) manages programs designed to enhance
9 organizational performance through team interventions and culture change. The work unit
10 provides services in the areas of strategic planning, organization design, team effectiveness,
11 change management, and managerial coaching. OD is responsible for managing succession
12 planning tools and using the information to place high performing and high potential employees
13 on key projects or into key positions to develop their skills for broader responsibility within the
14 organization. In addition, the OD work unit manages the employee engagement survey, high-
15 potential development and leadership assessment processes at SCG.

16 **b. Employee Development Work Unit**

17 Employee Development (“ED”) designs, develops, implements and manages programs
18 designed to enhance organizational performance through individual skill development. The work
19 unit uses a variety of learning and development methodologies and technologies to provide
20 programs specific to leadership development, employee development, individual effectiveness,
21 and employee coaching, seeking to close organizational performance gaps at the individual
22 employee level. ED is responsible for the selection, implementation and maintenance of learning
23 platforms such as getAbstract, HarvardManageMentor, and Adobe Connect.

24 **c. Instructional Design & Technology (“ID&T”) Work Unit**

25 ID&T designs, develops, and evaluates classroom, on-line, and just-in-time training for
26 job skill acquisition and professional development for both individual contributors and
27 supervisors. The work unit is responsible for partnering with all departments across the
28 organization to create and maintain relevant learning tools and programs, including compliance,
29 leadership and soft-skills training curricula. Training topics include the understanding of, and
30 compliance with: labor laws, business policies, safety practices and procedures, and the CBA.
31 ID&T also designs job-skill training courses, individual development programs, and evaluation

1 processes. All design work supports SCG's goals of maintaining high levels of performance in
2 safety, leadership excellence, customer satisfaction, operational excellence, and cost
3 management.

4 **d. Knowledge Transfer & Management Work Unit**

5 The Knowledge Transfer & Management work unit is responsible for driving a culture of
6 ongoing knowledge transfer through the use of innovative processes and technologies. In
7 addition to developing a broad organization-wide strategy to imbed Knowledge Management
8 into the culture (becoming 'the way we do our work'), the work unit provides guidance and
9 support to organizations that anticipate the turnover of key personnel. The Knowledge Transfer
10 staff helps organizations identify the critical skills and attributes that must be transitioned to new
11 employees prior to the departure of work unit staff. Together with client groups, the Knowledge
12 Transfer staff develops transition plans to ensure customer needs are met and operational
13 knowledge is effectively transitioned from experienced employees.

14 SCG's TY2016 request for the Organizational Effectiveness function within the Human
15 Resources department is \$2.442 million, which is a \$0.934 million increase from Base Year –
16 2013. The cost drivers that contribute to the cost increase are described below.

17 **e. Incremental Organizational Effectiveness Cost Drivers**

18 **(i) Workforce Knowledge Transfer**

19 SCG's diverse workforce must have the skills and competencies necessary to provide
20 safe, reliable, and sustainable natural gas services in an efficient and customer-focused manner.
21 Technology changes adopted over the last several years require both existing and new employees
22 receive updates and in many cases retraining. Technology and procedural changes are expected
23 to continue to unfold for the foreseeable future. Organizational Development will support
24 programs designed to effectively transfer organizational, and in some cases, individual
25 knowledge.

26 To centrally plan and manage the knowledge transfer for key positions throughout the
27 SCG organization, the Organizational Development department will increase its staffing by one
28 position. In addition, specialized software will be acquired and customized to meet SCG
29 requirements. The costs associated with the incremental staff position and software is estimated
30 to be approximately \$0.144 million in TY2016.

1 **(ii) Organizational Health**

2 To enhance both specific skill sets and cultural aspects of the SCG management
3 workforce, SCG is implementing a program to formally assess the skills and attributes of its
4 management personnel (below the key manager and director level), identify specific and targeted
5 opportunities for development, construct development plans, and initiate actions to achieve
6 desired results. The organizational health effort is based upon an initial organizational
7 assessment conducted in 2014, and supported by individual assessments (below the key manager
8 and director level) occurring in both 2015 and 2016. SCG plans to implement a program that
9 will include periodic third party assessments that can be used to identify individual strengths and
10 development opportunities. The assessment information pertaining to individual management
11 personnel will be grouped by organization and compared to organizational needs as a means for
12 targeting the optimal approach to continuous improvement (development).

13 The costs associated with the organizational health activities are estimated to be
14 approximately \$0.500 million in TY2016.

15 **(iii) Employee Development**

16 The curriculum and training for new supervisors within the company was dated and
17 required improvement. The program was enhanced and re-launched in 2014. Follow-up
18 coaching and training for the participants became an integral part of the leadership development
19 program and is expected to continue. To accelerate the development of key managers and
20 directors within SCG, the Organizational Development department will build a key manager and
21 director development program. The program will be integrated with other development
22 assignments and succession planning activities. To augment these efforts, external professional
23 development programs will be used to extend the capabilities of high potential (executive
24 potential) leaders.

25 The costs associated with the employee development program enhancements are
26 estimated to be approximately \$0.290 million in TY2016.

27 **5. Safety, Wellness & Disability Services**

28 TABLE SCG-MLS-10 that follows presents the non-shared services costs for the Safety,
29 Wellness and Disability Services function within the Human Resources Department. The
30 department's costs are all non-shared service costs with the exception of the Employee Care
31 Services work unit, which also has shared service costs.

TABLE SCG-MLS-10
Safety, Wellness & Disability Services Non-Shared Service Costs
(Thousands of \$2013)

Safety, Wellness & Disability Services	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total	5,394	11,443	6,049

The Safety, Wellness and Disability Services (“SW&DS”) department is responsible for positioning SCG employees to lead healthy and productive lives. The services provided by the department extend from pre-employment health testing through the end of employment at SCG. Services include: physical & mental wellness education; safety and industrial hygiene education and compliance; incident prevention, analysis and reporting; Workers’ Compensation administration; short-term & long-term disability management; leave-of-absence administration; and return-to-work services.

There are three distinct work units within SW&DS department. The non-shared service costs associated with each work unit are summarized in TABLE SCG-MLS-11 that follows.

TABLE SCG-MLS-11
Safety, Wellness & Disability Services Non-Shared Service Costs by Work Unit
(Thousands of \$2013)

Safety, Wellness & Disability Services	2013 Adjusted-Recorded	TY2016 Estimated	Change
Health & Safety	3,399	8,991	5,592
EAP & Wellness	644	892	248
Employee Care Services	1,351	1,560	209
Total	5,394	11,443	6,049

a. Health & Safety Work Unit

The Health & Safety work unit is responsible for ensuring SCG is, at a minimum, in compliance with all required health and safety regulations. The Health & Safety work unit is responsible for positively influencing the SCG safety culture and works closely with SCG personnel to provide education and training that can result in an incident-free lifestyle. As reflected in others’ testimony and based on the National Safety Council’s Safety Barometer³ survey, SCG is among the leaders in the country in having created a robust (“world class”) safety culture. SCG is will continue to treat safety as a critical value. We are continuing to implement

³ National Safety Council Safety Barometer, March 2013.

1 programs to address employee safety risks. The Health & Safety staff teaches management,
2 safety committees and other relevant groups within SCG how incidents can be prevented and
3 safety can become an even more relevant aspect of the organizational culture. The staff
4 benchmarks its safety practices against those of other companies and identifies improvement
5 potential. The Health & Safety staff also participates in incident analysis and reporting, facility
6 inspections, and administers numerous facets of the SCG occupational health and safety
7 program.

8 **b. EAP & Wellness Work Unit**

9 The Employee Assistance Program (“EAP”) & Wellness work unit promotes adoption of
10 a safe and healthy lifestyle to employees and their families by promoting health and wellness,
11 substance abuse education and intervention, and mental health programs. It educates the SCG
12 workforce in ways to best reach their potential. It works to motivate employees to make positive
13 behavioral changes to improve their health, safety and well-being. The EAP and Wellness staff
14 educates employees in topics such as proper hydration, nutrition, sleep and activities that can
15 contribute to preventing workplace injuries. The EAP & Wellness staff manages and administers
16 the company’s drug testing programs, employee assistance program, and wellness programs and
17 activities.

18 The EAP & Wellness work unit provides oversight and administration of pre-
19 employment, random, and other DOT required drug testing of employees in safety sensitive
20 positions. The work unit also oversees the DOT required programs of its contractors to verify
21 they are also in compliance with regulations. The EAP & Wellness work unit case manages
22 unique and sometimes complex employee issues (i.e., workplace substance abuse, mental health
23 behaviors affecting job performance, workplace violence threats or critical incidents requiring
24 EAP or other intervention). EAP and Wellness also provides guidance and support to HR
25 departments, employees, supervisors, and managers regarding employee substance abuse, mental
26 health and workplace violence issues.

27 The EAP & Wellness work unit administers programs designed to improve employee
28 health and productivity. Wellness programs promote healthy lifestyle changes and illness
29 prevention, facilitate early detection and management of illness and disease, and help ensure that
30 employees diagnosed with health conditions receive optimal and effective treatment. By
31 investing in employee health and wellness, SCG benefits from reduced absenteeism, lower health

1 care costs, and greater employee productivity than it would otherwise have. These programs and
2 the associated administrative costs are covered in the testimony of witness Debbie Robinson (Ex.
3 SCG-21).

4 **c. Employee Care Services Work Unit**

5 The Employee Care Services (“ECS”) work unit is responsible for managing and
6 administering Workers’ Compensation programs, short- and long-term disability, leaves of
7 absence, and return-to-work programs. ECS manages cases in a regulated, time-sensitive, and
8 complex environment. Employee benefits are delivered in an integrated manner providing
9 employees with a single point of contact. ECS managed approximately 4,300 cases in 2012 and
10 4,400 cases in 2013. In addition to managing and administering these programs, ECS also
11 provides guidance to employees, supervisors, and managers on disability-related issues. The
12 Workers’ Compensation and Long Term Disability costs are presented in the next section of this
13 exhibit.

14 The work performed by the ECS staff is largely for SCG, but it also performs shared
15 services work for Sempra corporate, Sempra affiliates, and SDG&E. Although the shared
16 services work for other organizations is relatively minor, the appropriate costs are reallocated in
17 TY2016 based on the percentage of workers’ compensation, disability, and leave of absence
18 cases associated with employees from each company. The allocation methodology is updated
19 annually based upon the caseload of the previous calendar year. These costs are presented in the
20 Shared Services section within this exhibit.

21 SCG’s TY2016 request for the Safety, Wellness and Disability Services function within
22 the Human Resources department is \$11.443 million, which is a \$6.049 million increase from
23 Base Year 2013. The cost drivers that contribute to the cost increase are described below.

24 **d. Incremental SW&DS Cost Drivers**

25 **(i) Overview**

26 Safety is a value impacting work practices that SCG works to embed in its culture. The
27 safety cultural experience begins with the formalized training employees receive when they
28 begin their career. It is emphasized on the job, and then re-emphasized during the training
29 employees receive as they advance into new jobs. SCG conducts frequent, and in many cases
30 daily, meetings with employees who work in field jobs during which time health and safety
31 topics are discussed. SCG maintains training programs, produces written and electronic

1 communications, and has a system for employees to report hazards, close calls and “near miss”
2 incidents. Job observations are also conducted where employees’ safe behaviors are reinforced
3 and they receive coaching in how to eliminate or improve at-risk behaviors that could jeopardize
4 their safety – or the safety of others. SCG has a broad safety program that incorporates
5 employee involvement in furthering the safety culture.

6 SCG has approximately 500-600 employees who serve on safety committees.
7 Membership on these committees rotates among the workforce. Safety committee members
8 work on projects to reduce or eliminate hazards, prevent injuries and raise safety awareness. The
9 committee members meet regularly with employees to share the results of their work. Safety
10 committee members participate in events (Safety Congresses, Stand-downs, Safety Summits,
11 etc.) where they are exposed to different safety-related topics and where “best practices” are
12 shared. Over the next several years, several enhancements to the SCG safety programs are
13 planned.

14 **(ii) Safety Committee Member Training**

15 The first safety program enhancement involves the roll-out of safety committee member
16 training to prepare safety committee members to better influence safety culture. The focus of
17 this training is to enhance the skills of safety committee members so safety improvement projects
18 and person-to-person interaction are more effective. SCG seeks to enhance the mindset that
19 makes employees “one-another’s keeper”. The estimated incremental cost associated with this
20 training is estimated to be approximately \$0.225 million in TY2016.

21 **(iii) New Hire Defensive Driver Training**

22 The second safety program enhancement involves defensive driver training for new-hire
23 employees. Currently, new hire employees undergo one full day of defensive driver training
24 when they first enter the Company, then received periodic coaching. When new hires move to
25 other positions, they may receive an additional day of defensive driver training, followed by
26 periodic coaching. SCG plans to expand the existing one-day defensive driver training course to
27 three days. This change in practice should help new employees improve their driving skills and
28 more consistently apply defensive driver principles. As a consequence, the additional training
29 should enable SCG to decrease the number of controllable motor vehicle incidents that occur at
30 the utility and improve the safety of employees, customers and the general public. The estimated

1 incremental cost for expanding defensive driver training for new hires is approximately \$0.237
2 million annually.

3 **(iv) Defensive Driver Refresher Training**

4 The third safety program enhancement involves augmenting defensive driver coaching
5 with “refresher” training that focuses upon defensive driving principles and application of those
6 principles while operating a motor vehicle. The “refresher” course is currently envisioned to
7 include eight hours of in-vehicle demonstration, practice (with coaching and feedback) and an in-
8 vehicle test to confirm knowledge transfer and skill acquisition. All field personnel who are
9 assigned use of a company vehicle will undergo eight hours of “refresher” training annually.
10 The estimated incremental cost of the “refresher” training is estimated to be \$2.653 million in
11 TY2016.

12 **(v) New to Supervision – Safety Essentials**

13 The fourth safety program enhancement is an in-depth safety orientation for people who
14 are new to supervision. The course covers topics from SCG’s Injury and Illness Prevention Plan,
15 including an in-depth orientation to supervisor responsibilities and employee responsibilities.
16 New supervisors will also learn about incident investigation techniques, job observation and
17 coaching techniques, safety management systems and incident reporting. The estimated
18 incremental cost of the “New to Supervision – Safety Essentials” training is estimated to be
19 \$0.103 million in TY2016.

20 **(vi) Real Time In-Vehicle Driver Safety Feedback**

21 New hire and annual “refresher” defensive driver training can provide the foundation
22 necessary for employees to acquire and maintain defensive driving skills, but ongoing feedback
23 as to how well an employee is applying those skills can positively impact the effectiveness of
24 that training. Ongoing feedback to the driver can reinforce defensive driving principles, assist in
25 behavior modification, and decrease the likelihood of incident. According to the Bureau of
26 Labor statistics, “Transportation incidents accounted for more than 2 out of every 5 fatal work
27 injuries in 2012... Of the 1,789 transportation-related fatal injuries, about 58 percent (1,044
28 cases) were roadway incidents involving motorized land vehicles... About 16 percent of fatal

1 transportation incidents in 2012 involved pedestrians who were struck by vehicles.”⁴ Motor
2 vehicle incidents endanger employees, other drivers and pedestrians.

3 While it is not practical to have another person provide motor vehicle operators with
4 ongoing feedback, there is technology available that can provide drivers with real-time feedback
5 regarding their driving characteristics (speed relative to the posted speed limit, cornering,
6 braking, acceleration, idle time, backing, seatbelts, etc.). This technology typically includes real-
7 time GPS tracking systems and accelerometers, and is tied into a vehicle’s electronics
8 system. These “telematics” systems are also capable of providing third parties (supervisors or
9 fleet departments) both real time and pre-scheduled alerts regarding vehicle conditions (check
10 engine lights, mechanical failures, mileage, mileage rates, etc.) or vehicle operations
11 characteristics. Reports can be generated as needed or on a pre-scheduled basis for fleet and
12 operator performance monitoring (daily, weekly, monthly, etc.).

13 The “telematics” systems inform motor vehicle operators how they can modify their
14 behaviors to be safer or more fuel efficient via audible tone, voice or visual signal. They can
15 help supervisors better understand who would benefit from one-on-one defensive driver
16 coaching sessions or specific types of defensive drivers training.

17 The incremental costs associated with providing drivers with real-time in-vehicle safety
18 feedback are estimated to be \$2.280 million in TY2016.

19 (vii) Field Safety Advisor

20 Prior to CPUC approval of Application No. 08-09-023 (“AMI”) and the subsequent
21 deployment of Advanced Meters, the Safety staff included five Field Safety Advisors.
22 Approximately one Field Safety Advisor Full-Time Equivalent employee was allocated to
23 support the meter reading organization. In the Advanced Metering Infrastructure benefits, SCG
24 committed to eliminating one Field Safety Advisor position. This position was eliminated in late
25 2012, when the deployment of Advanced Meters was initiated. Because the labor (and
26 associated non-labor) was not included in Base Year 2013 costs, and will be removed from SCG
27 authorized O&M, it is being added back into TY2016 costs.

28 The incremental costs associated with the Field Safety Advisor position are \$0.094
29 million in TY2016.

⁴ United States Department of Labor, Bureau of Labor Statistics @
<http://www.bls.gov/news.release/cfoi.nr0.htm>

1 **(viii) EAP and Wellness Operations Staffing**

2 Regulatory changes impacting company oversight of contractor adherence to DOT drug
3 testing program requirements have been increasing. The workload associated with monitoring
4 and reporting contractor DOT drug testing activities will increase the Wellness work unit staff by
5 one analyst position in 2015. Similarly, the Federal Motor Carrier Administration regulations
6 now require increased oversight of employees who must possess a Commercial Driver's License
7 to perform their job at SCG. To provide this oversight, the Wellness work unit will increase staff
8 by one analyst position in TY2016. This position is also expected to be assigned responsibility
9 for implementing a Department of Motor Vehicle Pull-Notice program for SCG. Finally, the
10 Wellness work unit will be increasing its staffing by one position to assist in promoting topics
11 that can impact employee safety and prevent employee illnesses and injuries within SCG. This
12 position may also assist in management of cases involving employee use (or abuse) of
13 prescription drugs.

14 The incremental costs associated with an additional staff person within the EAP and
15 Wellness work unit are estimated to be approximately \$0.248 million in TY2016.

16 **(ix) Employee Care Services Staffing**

17 The Employee Care Services work unit within the Safety, Wellness and Disability
18 Services function is currently staffed with 34 employees. Two Claims Supervisors, one
19 Operations Supervisor and eleven Claims Examiners manage the Workers' Compensation cases.
20 The average Workers' Compensation caseload at the end of 2013 was 148 cases per Claims
21 Examiner, which is greater than the optimal level of 125 cases per Claims Examiner. Workers'
22 Compensation reform has increased the complexity of Workers' Compensation case
23 management as well as established shorter time frames for processing claims. Due to the single-
24 point-of-contact integrated approach to case management, SCG Claims Examiners also provide
25 other services to employees and manage sickness and long term disability benefits that can be
26 associated with Workers' Compensation cases.

27 Handling a high volume of Workers' Compensation cases increases the risk for error and
28 negatively impacts effective cost management and Customer Service. To adequately control
29 Workers' Compensation costs and improve the management of cases, an additional Claims
30 Examiner will be added to the staff in 2015 and another will be added in 2016. With the addition

1 of two Claims Examiners, the average caseload of the Claims Examiners will be reduced to
2 approximately 125 cases per Examiner.

3 Four Claims Associates currently support the eleven Claims Examiners and two Claims
4 Supervisors plus clerical support for other ECS Supervisors. The ratio of Claims Examiners to
5 Claims Associates is currently about 3.25:1. To improve support for Examiners, one additional
6 Claims Associate is planned for TY2016. The ratio of Claims Examiners to Claims Associates
7 will be approximately 3:1 in TY2016.

8 The incremental cost of the staff increases within the Employee Care Services work unit
9 is estimated to be approximately \$0.209 million in TY2016.

10 **D. Workers' Compensation and Long-Term Disability ("LTD")**

11 TABLE SCG-MLS-12 that follows presents the costs for Workers' Compensation and
12 LTD. The Workers' Compensation and LTD costs are all non-shared services costs.

13 **TABLE SCG-MLS-12**
14 **Workers' Compensation and LTD Costs**
15 **(Thousands of \$2013)**

Workers' Compensation & Long Term Disability	2013 Adjusted- Recorded	TY2016 Estimated	Change
Workers' Compensation	17,275	20,006	2,731
Long Term Disability	5,353	6,420	1,067
Total	22,628	26,426	3,798

16
17 Workers' Compensation benefits are mandated benefits provided to employees working
18 in the State of California who are injured on the job. The benefit amounts and processes used to
19 manage the cases of injured workers are regulated by the State. The Employee Care Services
20 work unit within the Safety, Wellness and Disability Services function of the Human Resources
21 department at SCG manages the program. The Workers' Compensation function is regularly
22 audited by the state, and company internal Audit Services department.

23 Employees who are injured on the job receive benefits through SCG's self-insured
24 Workers' Compensation program. Depending on the injury, injured employees may receive
25 indemnity payments including temporary disability, permanent disability, and vocational
26 rehabilitation. The costs of medical treatment, legal fees, and other claim-related expenses are
27 included in the costs presented within this exhibit.

1 SCG's TY2016 request for Workers' Compensation and LTD costs of \$26.426 million
 2 represents a \$3.798 million increase from Base Year - 2013. The primary drivers for the increase
 3 in Workers' Compensation costs are labor and non-labor escalation and medical premium
 4 escalation described in the testimony of witness Scott Wilder (Ex. SCG-31). The TY2016
 5 Workers' Compensation cost forecast is based on a 3-year historical average of Workers'
 6 Compensation costs, escalated for the aforementioned factors. The LTD cost forecast is based
 7 upon the Base Year 2013 cost forecast methodology.

8 **IV. SHARED SERVICES COSTS**

9 **A. INTRODUCTION**

10 I am sponsoring the forecasts on a total incurred basis, as well as the shared services
 11 allocation percentages related to those costs. Those percentages are presented in my shared
 12 services work papers, along with a description explaining the activities being allocated (see Ex.
 13 SCG-MLS-WP). The dollar amounts allocated to affiliates are presented in the Shared Services
 14 Policy and Procedures testimony of witness Mark Diancin (Ex. SCG-25).

15 TABLE SCG-MLS-13 that follows presents the total shared services portion of O&M
 16 costs for the Office of the President & CEO, COO and VP of Human Resources, Human
 17 Resources department and Workers' Compensation and LTD costs sponsored in this exhibit.
 18 Only the Human Resources department has shared services costs.

19 **TABLE SCG-MLS-13**
 20 **Summary of Shared Services Costs**
 21 **(Thousands of \$2013)**

HUMAN RESOURCES DEPARTMENT			
Incurred Costs (100% Level)			
Categories of Management	2013 Adjusted-Recorded	TY2016 Estimated	Change
Performance Management & Organizational Strategy	423	423	0
Diversity	539	539	0
Safety, Wellness and Disability Services	1,086	1,086	0
Total Shared Services (Incurred)	2,048	2,048	0

22
 23 My work papers (Ex. SCG-MLS-WP) provide greater details into the shared services
 24 costs for each of the functions listed above.

1 **B. HUMAN RESOURCES DEPARTMENT**

2 Within the Human Resources department, only the PM&OS, Diversity, and SW&DS
3 functions have shared services costs to be presented. The Performance Management and
4 Organizational Strategy function and Safety, Wellness and Disability Services function have
5 both non-shared services costs and shared services costs. The Diversity function has only shared
6 service costs.

7 **1. Performance Management & Organizational Strategy**

8 TABLE SCG-MLS-14 that follows presents the shared services costs for the PM&OS
9 function within the HR department. The PM&OS function has both non-shared services costs
10 and shared services costs. The shared services costs represent approximately 23.9% of the total
11 costs of the PM&OS function. Only the shared services costs and functions are presented in this
12 section of the exhibit. The other costs and functions performed by the PM&OS functions are
13 presented in the non-shared services section of this exhibit.

14 The PM&OS department has a key role in managing the utility’s General Rate Case
15 preparation work for Customer Services. Project Managers oversee, direct, guide, and integrate
16 the work of functional operations personnel who assess and forecast costs, respond to data
17 requests and prepare direct and rebuttal testimony, briefs, reply briefs, and other required
18 communications.

19 **TABLE SCG-MLS-14**
20 **Performance Management & Organizational Strategy Shared Services Costs**
21 **(Thousands of \$2013)**

PM&OS	2013 Adjusted-Recorded	TY2016 – Estimated	Change
Total Shared Services (Incurred)	423	423	0

22
23 SCG’s TY2016 request for the PM&OS function shared services costs are \$0.423
24 million, no increase from Base Year 2013.

25 **2. Diversity**

26 TABLE SCG-MLS-15 that follows presents the costs for the Diversity function within
27 the Human Resources department. The Diversity function costs are all shared services costs.

**TABLE SCG-MLS-15
Diversity Department Costs
(Thousands of \$2013)**

Diversity	2013 Adjusted- Recorded	TY2016 Estimated	Change
Total Shared Services (Incurred)	539	539	0

The Diversity department is responsible for developing and directing the company-wide strategic business objectives for managing workplace diversity. Its responsibilities include the preparation of federally-required affirmative action plans, Equal Employment Opportunity reports and the Federal Contractor Veterans’ Contracting Reports (“VET-100 reports”). The Diversity department develops and directs the diversity strategic plan, policies, and programs. It develops and conducts training for all supervisory employees on AB1825, as required by California law. It also develops and conducts training for all employees on prevention of workplace harassment, discrimination, and sexual harassment.

The Diversity department conducts investigations into any complaints that have to do with harassment or discrimination on the basis of sex, race, national origin, religion, color, disability, sexual orientation or any other protected class, including Title VII complaints. It provides coaching, counseling, and guidance to management and represented employees regarding Title VII.

To support its mission and strategy, the Diversity department oversees the functioning of the company-wide Employee Diversity Council, as well as a matrix of local diversity committees operating at various company facilities.

To insure that diversity and inclusion are part of the fabric of the company, the Diversity department facilitates the involvement of fourteen local diversity councils in an annual Diversity Summit with the charter of educating employees in areas of diversity and inclusion that are essential to the ongoing success of the company in the diverse climate that is Los Angeles.

SCG’s TY2016 request for the Diversity function costs of \$0.539 million has no increase from Base Year 2013.

3. Safety, Wellness and Disability Services

TABLE SCG-MLS-16 that follows presents the shared service costs incurred by the Safety, Wellness and Disability Services function within the Human Resources department. The

Safety, Wellness and Disability Services function has both non-shared service costs and shared service costs. All of the shared service costs are incurred within the Employee Care Services work unit. A description of the functions performed by the Employee Care Services work unit was presented in the non-shared service cost section of this exhibit.

TABLE SCG-MLS-16
Safety, Wellness and Disability Services Shared Service Costs
(Thousands of \$2013)

Safety, Wellness and Disability Services Incurred Costs (100% Level)			
Safety, Wellness and Disability Services	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total Shared Services (Incurred)	1,086	1,086	0

There are three cost centers within the ECS work unit of the Safety, Wellness and Disability Services function that incur shared service costs, including: ECS System Reporting, ECS Operations and ECS Regulations and training. The breakdown of shared services costs within these three cost centers can be seen in TABLE SCG-MLS-17. The SCG retained shared services cost allocation percentages are 72.89%, 89.96% and 92.87% respectively, as can be seen in my work papers (see Ex. SCG-MLS-WP). Only the shared services costs incurred by the Safety, Wellness & Disability Services function are presented in this section of the exhibit. No change in 2013 shared service costs is anticipated to occur in TY2016.

TABLE SCG-MLS-17
Safety, Wellness and Disability Services Shared Service Costs
(Thousands of \$2013)

Safety, Wellness and Disability Services Incurred Costs (100% Level)			
Categories of Management	2013 Adjusted-Recorded	TY2016 Estimated	Change
1. ECS System Reporting	267	267	0
2. ECS Operations	515	515	0
3. ECS Regulations & Training	304	304	0
Total Shared Services (Incurred)	1,086	1,086	0

a. ECS System Reporting

The ECS System Reporting cost center within the Safety, Wellness and Disability Services function of the Human Resources department maintains and operates the electronic systems used to manage Employee Care Services work. Personnel within this cost center also

1 prepare operating reports used by management to monitor the status of Workers' Compensation,
2 Leave and Return to Work activities as well as staff performance. The ECS System Reporting
3 costs are all shared service costs. Costs are presented at 100% incurred level; SCG retains 89%
4 of these costs.

5 **b. ECS Operations**

6 The ECS Operations cost center within the Safety, Wellness and Disability Services
7 function of the Human Resources department provides administrative support to Employee Care
8 Services personnel. Personnel within this cost center: Administer Workers' Compensation
9 "medical-only" claims; Provide technical and administrative support to Claims Examiners in the
10 administration of Workers' Compensation disability and sickness claims; Input sickness claim
11 information into the claims management system; Research and compile data for analysis; Process
12 payments and letters; Sort mail via electronic work flows; Resolve payroll discrepancies; Assist
13 field supervisors with Workers' Compensation questions; and respond to a high volume
14 of telephone calls. These costs are all shared service costs. Costs are presented at 100%
15 incurred level; SCG retains 89.96% of these costs.

16 **c. ECS Regulations & Training**

17 The ECS Regulations & Training cost center within the Safety, Wellness and Disability
18 Services function of the Human Resources department audits the performance of department
19 personnel, provides training and coaching as necessary, and assists in ensuring operations are in
20 compliance with evolving state regulations and company policy. The ECS Regulations &
21 Training costs are all shared service costs. Costs are presented at 100% incurred level; SCG
22 retains 92.87% of these costs.

23 **V. CONCLUSION**

24 The total TY2016 O&M expense for the Office of SCG President & CEO, COO, and VP
25 of Human Resources, Human Resources department, and Workers' Compensation & Long Term
26 Disability described in this exhibit total \$53.949 million. This represents a \$12.306 million
27 increase over 2013 Base Year - Actual. The two most significant factors impacting the increase
28 in expense are expanded employee safety training programs (\$5.498 million) and forecast
29 increases in Workers' Compensation costs (\$3.798 million). Together, these two factors account
30 for nearly 75.5% of the increase in TY2016 costs. Other significant factors include labor and
31 non-labor escalation.

1 The TY2016 costs presented within this exhibit for the Office of the President & CEO,
2 COO, and VP of Human Resources are \$3.624 million – no increase from 2013 Base Year -
3 Recorded. The TY2016 costs presented for the Human Resources department total \$23.899
4 million (\$21.851 million non-shared and \$2.048 million shared services) – a \$8.508 million
5 increase from 2013 Base Year - Recorded (about 65% of this amount is for expanded employee
6 safety training programs). The TY2016 costs for Workers' Compensation & Long Term
7 Disability are \$26.426 million – a 16.8% increase from 2013 Base Year - Recorded.

8 The cost forecasts included in this exhibit are just and reasonable, and should be
9 approved by the commission.

10 This concludes my revised prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Mark L. Serrano, and I am presently employed by the Southern California
3 Gas Company. My business address is 555 W Fifth St., Los Angeles, California, 90013. I am
4 currently the Director of Safety, Wellness and Disability Services. I am directly responsible for
5 directing, managing and planning the functions performed by the Safety, Wellness and Employee
6 Care Services departments within SCG. The staffs within these departments provide services that
7 impact both employees and customers.

8 I have been employed by SCG since 1980. I have served as a witness in two other
9 proceedings before the CPUC, those being the Advanced Metering Infrastructure proceeding
10 (A.08-09-023) and the Application of Southern California Gas Company for authority to update
11 its gas revenue requirement and base rates effective on January 1, 2012 (A.10-12-006).

12 Between 1980 and 1994 I worked in various positions within the Industrial Engineering,
13 and later Performance Measurement department within the Human Resources organization. Over
14 that period, my primary responsibilities were to support, lead, supervise or manage performance
15 improvement and performance measurement projects. From 1995 until recently, my primary
16 responsibility was to manage the meter reading function and coordinate and support other special
17 projects and initiatives, including the Advanced Meter (“AMI”) project. I received a Bachelor of
18 Science degree in Engineering from the University of California, Los Angeles in 1979.

SoCal Gas 2016 GRC Testimony Revision Log – March 2015

Exhibit	Witness	Page	Line	Revision Detail
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>Title</i>		<i>Changed Exhibit number from "SCG-23" to "SCG-23-R"</i>
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>Title</i>		<i>Changed date from "NOVEMBER 2014" to "MARCH 2015"</i>
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>MLS-ii</i>	<i>9</i>	<i>Changed "\$5.826" to "\$5.498"</i>
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>MLS-ii</i>	<i>12</i>	<i>Changed "78.2%" to "75.5%"</i>
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>MLS-30</i>	<i>28</i>	<i>Changed "\$5.826" to "\$5.498"</i>
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>MLS-30</i>	<i>30</i>	<i>Changed "78.2%" to "75.5%"</i>
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>MLS-31</i>	<i>4</i>	<i>Changed "\$14.429" to "\$8.508"</i>
<i>SCG-23-R</i>	<i>Mark Serrano</i>	<i>MLS-31</i>	<i>5</i>	<i>Changed "40%" to "65%"</i>