

**ORA DATA REQUEST  
ORA-SCG-DR-032-GSD  
SOCALGAS 2016 GRC – A.14-11-004  
SOCALGAS RESPONSE  
DATE RECEIVED: DECEMBER 18, 2014  
DATE RESPONDED: JANUARY 13, 2015**

**Exhibit Reference:** SCG-24

**Subject:** Regulatory Affairs, Accounting and Finance, Legal and External Affairs

**Please provide the following:**

1. Provide SCG's 2009-2013 recorded costs (in 2013 dollars) for Meals and Entertainment, broken down by functional area and, if possible, by account within each functional area.

**SoCalGas Response 01:**

Please see Attachment, ORA-DR-032-GSD Question 1.xlsx, for information.

**ORA DATA REQUEST**  
**ORA-SCG-DR-032-GSD**  
**SOCALGAS 2016 GRC – A.14-11-004**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: DECEMBER 18, 2014**  
**DATE RESPONDED: JANUARY 13, 2015**

2. Please explain how SCG's 2016 Meals and Entertainment expenses are forecast in this GRC, and in which exhibits the forecasts appear.

**SoCalGas Response 02:**

Meals and Entertainment (M&E) expenses are non-labor costs incurred by SoCalGas, subject to a 50% tax deduction, and, in past GRCs, shown as a tax Schedule M line item (and therefore addressed by DRA/ORA in its Report on Income Taxes). In the 2012 GRC decision, the Commission stated that “[s]hould DRA decide to address the meals and entertainment issue in future GRC applications, it should raise the meals and entertainment issue in connection with the A&G expenses.” D.13-05-010, p. 943. SoCalGas forecasts these expenses in the non-labor section of various witness areas; there is no sponsoring direct witness given the M&E expenses are not centralized in the A&G cost centers. Instead, M&E expenses reside throughout the organization. While they are included in non-labor in various cost centers and witness areas, they are not specifically separated on distinct line items for the forecast years. However, as provided in response to question 1, the M&E expenses are visible in historical general ledger line items. Thus, each witness area has not forecasted M&E expenses specifically in their forecasting of non-labor expense.

By law, the tax deduction is limited to 50% of the full amount, even though M&E expenses may serve a legitimate business purpose. In prior GRCs, the M&E expenses appear as a tax deduction add-back (please see A.10-12-006 Direct Testimony of tax witness Randall Rose, Exhibit SCG-28, at page RGR-13 and Table RGR 4-4 on page RGR-25). This GRC (A.14-11-004), the Direct Testimony of tax witness Ragan Reeves (Exhibit SCG-28) at page RGR-13 does not include a forecast for the deduction add-back:

“Consistent with the final decision in its 2012 General Rate Case (“GRC”), the tax adjustment limiting the deduction for meals and entertainment costs to 50% is a function of administrative and general (“A&G”) costs.<sup>1</sup> The company has not specified an amount for recovery of meals and entertainment in the A&G revenue requirement request; accordingly, there is no tax adjustment to add back 50% of meals and entertainment expenses for TY 2016.”

The cost category for “Employee Travel - M&E” records M&E expenses incurred by employees on business travel, or meals at local meetings. The 3 other cost categories that are used for the M&E tax deduction are “Spouse Travel” (self-explanatory) and “Event & Tickets” and chargeback for Event & Tickets (which can be used either for business development or employee recognition purposes to acknowledge employees’ work contributions).

---

<sup>1</sup> D.13-05-010 at 942.