

**ORA DATA REQUEST**  
**ORA-SCG-DR-042-TLG**  
**SOCALGAS 2016 GRC – A.14-11-004**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: JANUARY 21, 2015**  
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**Exhibit Reference:** SCG-12

**Subject:** Customer Service - Information

**Please provide the following:**

1. SCG forecasts \$28.033 million (\$24.625 million for Non-Shared, and \$3.398 million for Shared Services) for Test Year 2016 for its Customer Service - Information Operations and Maintenance (O&M) expenses. This is an increase of \$8.048 million or 40.27% (a 44.29% increase for Non-Shared and 16.69% increase for Shared Services) over 2013 recorded adjusted expenses of \$19.985 million. The five year average (2009-2013) is \$21.612 million and the three year average (2011-2013) is \$21.145 million.
  - a. SCG states on page ADA-3 that “Generally, my Test Year forecasts are reasonable because they account for cyclical fluctuations and recurring costs attributed to core business functions.” SCG’s CS-I O&M expenses have declined each year between 2010 and 2013 (see SCG-12-WP page 333). The highest recorded expenses of \$24.143 million were in 2010. Provide documentation that explains specifically what SCG means by “cyclical fluctuations and recurring costs” as it relates to recorded adjusted expenses for 2009-2013.
  - b. SCG states on page ADA-3 that “TY 2016 estimated O&M expenses adopted a consistent 5-year average forecast methodology to form a “baseline” forecast for all areas within CS-I.” Provide documentation that will clarify ORA’s understanding of SCG’s “baseline forecast”, using SCG’s Customer Engagement & Insights expenses as an example. Provide documentation that explains if ORA’s understanding is correct that SCG’s “baseline forecast”, utilized prior to calculating an increase of 33.96% for proposed incremental TY costs, for Customer Engagement & Insights, provides SCG with an increase of 12.13% over 2013 recorded adjusted expenses (\$33.186 million/5 years = \$6.637 million - \$5.919 million = \$0.718 million/\$5.919 million =12.13% increase over 2013 recorded adjusted expenses).
  - c. SCG states on page ADA-3 “This forecasting methodology reduces anomalies in the forecast by smoothing costs attributed to abnormal operating conditions, compliance with new mandates or regulations, employee attrition, and cost fluctuations.” Provide documentation that explains if SCG’s statement above in this question refers to the five year average (2009-2013)/“baseline forecast.”
  - d. Provide documentation that explains if SCG’s forecast 2016 expenses could have “costs attributed to abnormal operating conditions, compliance with new mandates or regulations, employee attrition, and cost fluctuations,” similar to recorded costs for 2009-2013. If SCG does not believe that its forecast 2016 costs will incur “costs attributed to abnormal operating conditions, compliance with new mandates or regulations, employee attrition, and cost fluctuations...”, state so.

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**Question 1 (Continued)**

- e. For SCG's CS-I, provide the recorded adjusted 2014 labor and non-labor expenses as of December 31, 2014 in the same manner as shown in workpapers on pages 333-334.
- f. For SCG's CS-I, provide the recorded 2014 capital expenditures for all projects listed in Table 18 on page ADA-71.
- g. SCG forecasts labor expenses of \$14.252 million for its CS-I which is \$3.118 million or 28% over 2013 recorded adjusted labor expenses of \$11.134 million. SCG's forecast includes incremental funding for 31.9 additional FTE positions in TY 2016 (see page 431 in workpapers). SCG's labor expenses have declined by \$0.996 million between 2010 and 2013 (see SCG-12-WP page 333-334) from \$12.130 million in 2010 to \$11.134 million in 2013. The five year average (2009-2013) of recorded adjusted labor expenses is \$11.726 million.

SCG forecasts non-labor expenses of \$13.779 million for its CS-I which is \$4.930 million or 55.71% over 2013 recorded adjusted non-labor expenses of \$8.849 million. SCG's non-labor expenses have declined by \$3.164 million between 2010 and 2013 (see SCG-12-WP page 333-334) from \$12.013 million in 2010 to \$8.849 million in 2013. The five year average (2009-2013) of recorded adjusted non labor expenses is \$9.886 million.

- i. Provide documentation that explains in detail if SCG's CS-I has failed to comply with any Commission directives, federal directives and regulatory decisions during 2009-2013.
- ii. Provide documentation that explains in detail all fines and penalties SCG's CS-I received for failure to comply with any Commission directives, federal directives and regulatory decisions during 2009-2013.
- iii. Provide documentation that explains in detail and demonstrates any declines in SCG's CS-I customer service, communication, experience, and satisfaction levels between 2009-2013.
- iv. Provide documentation that explains in detail if SCG's CS-I has deferred any required/mandated projects, programs or other activities associated with gas safety education and awareness to customers, outreach and training programs/events (i.e., medical baseline, community based organizations, gas assistance fund), social media messaging, natural gas appliance testing/carbon monoxide testing, maintenance of socialgas.com website, My Account and other e-Channels (including Web Content Accessibility Guidelines), etc.) during 2009-2013 to justify 31.9 additional FTE's and an increase of 55.71% in non-labor expenses.
- v. If projects, programs or other activities were deferred during 2009-2013, identify the projects and associated costs and state the cause of the deferral.

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**Question 1 (Continued)**

- vi. Provide documentation that explains if SCG requested and was authorized funding in its 2012 GRC (D.13-05-010) for any of the deferred projects identified in question g-iv and g-v.
- vii. Provide documentation that explains if SCG's 2016 CS-I GRC request includes projects that it also requested and received funding for in its 2012 GRC (D.13-05-010), if so, identify the projects and associated costs.

**SoCalGas Response:**

ORA Question 1 misstates the SoCalGas non-shared service TY2016 request as \$24.625 million. Table 1 in Ex. SCG-12 on page ADA-1 shows that figure to be \$24.635 million.

- a. SoCalGas does not agree that all of CS-I's O&M expenses have declined each year between 2010 and 2013. The following workpapers do not demonstrate a decline each year between 2010 and 2013 for the CS-I workpapers/cost centers:
  - 2IN002.000 Customer Assistance
  - 2IN003.000 Energy Markets & Capacity Products
  - 2200-0246.000 Energy Markets & Capacity Products Director
  - 2200-0328.000 Capacity Products Support
  - 2200-2158.000 Gas Scheduling
  - 2200-2329.000 Gas Transmission Planning

SoCalGas acknowledges that in the adjusted-recorded expenses between 2010 and 2013, the following workpapers/cost centers have demonstrated a decline:

- 2IN001.000 Customer Engagement & Insights
- 2IN004.000 Segment Services
- 2200-0330.000 Capacity Products Staff
- 2200-2282.000 VP Customer Solution

CS-I expense declines in the above workpapers/cost centers do not imply, nor should it be inferred, that base year spending levels for CS-I are sufficient to maintain and fund existing core business functions with recurring expenses and cyclical fluctuations that may not be reflected in the single base adjusted recorded expenses. The cyclical expenses occur in any of years in the 2009-2013 period and not necessarily be included in base year adjusted recorded expenses.

Examples of cyclical fluctuations and recurring costs as it relates to recorded adjusted expenses for 2009-2013 include (but are not limited to):

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**SoCalGas Response (Continued)**

- Website/intranet refreshes occur every 3-5 years based on drivers which can include: changes in customer needs for information and services, changes in web browser behavior/features/security, improve customer experience. *(Activity mostly not included in 2013. Majority of 2013 consisted of accessibility updates).*
- Photo and media licenses depend on how agreements are made with photographers/videographers, our licenses can expire approximately every 3 years, which then require replacement to replenish our media library for producing communication content. *(2013 base year was an average renewal activity year).*
- Large research studies vary and refresh every 2-5 years for various activities such as: a 2010 study to test the effectiveness of onserts versus inserts in mailings, ‘Voice of Customer’ comprehensive customer needs/perception assessment, crisis communications, secondary research vendor subscriptions. *(Many of these activities were not reflected in 2013 base year).*
- The timing of booked expenses for marketing/campaign invoices also fluctuates. See SoCalGas response to question 20.g for an example regarding the Medical Baseline expense recording disparity. *(December 2013 costs did not reflect until 2014).*
- Natural Gas Appliance Testing (NGAT) is driven by the home weatherization activities that SoCalGas performs for the Energy Savings Assistance (ESA) Program. This program has established goals based on a separate proceeding that directly impacts the volume of NGAT activity. The proceeding has cycles that are not aligned with SoCalGas’ GRC cycles, i.e., 2009-2011, 2012-2014, 2015-2017.
- Non-shared Energy Markets & Capacity Products FTE activity vary based on needs to provide regulatory support, operational support, train and advise Account Representatives, implementation of new mandates, intermittent core business activities (examples: Omnibus, Backbone Transportation Service, California Producer Access Proceeding, curtailments). *(California Producer Access, Biogas Producer Access, Southern California Edison’s Local Capacity Requirement Request For Offer evaluations activity was not reflected in 2013).*
- Account management support fluctuates due to new customer business activity, biennial non-core contract renewals, capacity bidding seasons, Backbone Transportation Service.
- Seasonal summer injection/winter withdrawal patterns that impact customer demand for services regularly vary.
- Shared-service Energy Markets & Capacity Products fluctuate due to long-term customer and supplier relationships.
- External training seminars vary based on necessity, topic, vendors, and attendance.

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**SoCalGas Response (Continued)**

- Employee membership dues, licensing/certification renewals, subscription renewals typically occur every 1-3 years.

Some of these types of fluctuations have also generally been demonstrated in Ex.SCG-12-WP Pages 400-426, and can also be found summarized in SoCalGas' response to question 17 in this data request response, including invoice examples in SoCalGas' response to question 8, and are also described in testimony Ex.SCG-12, Section I, Section II.B.2, Section II.C.2, Section II.D.1.b., Section II.D.2.b., Section III.B.2., and Section III.C.2.

- b. In the example of Customer Engagement & Insights, the 5-year historical average (2009-2013) base forecast totals \$6.637 million. In comparison, the 2013 base year adjusted-recorded expenses for Customer Engagement & Insights were \$5.919 million. CS-I concurs that in this example, the base forecast CS-I utilized represents a 12.13% increase over 2013 adjusted-recorded expenses ( $(\$6.637 - \$5.919) / \$5.919 = 12.13\%$ ).

CS-I proposes TY 2016 costs for Customer Engagement & Insights to be \$8.891 million to support incremental activities beyond the 5-year historical base forecast. In this example, CS-I concurs that it represents a 33.96% increase over the 5-year historical average ( $(\$8.891 - \$6.637) / \$6.637 = 33.96\%$ ).

Please see attachment "ORA-SCG-DR-042-TLG\_Q1b Attachment.xlsx" for further comparison of CS-I's base forecast, 2013 base year adjust-recorded expenses, and TY 2016 forecast.

- c. Yes, the statement above refers to the use of five-year historical average (2009-2013) as a baseline forecast.
- d. Yes, SoCalGas CS-I's base forecast of 2016 expenses is built on a 5-year (2009-2013) historic average, which reflects historical occurrences of costs from 2009-2013 considered to be attributed to abnormal operating conditions, non-recurring costs for compliance with new mandates or regulations, employee attrition, and cost fluctuations. The 5-year historical average assumes that SCG will continue to have abnormal and unpredictable operating conditions, continuing compliance activities, employee attrition and cyclical expenses.
- e. SoCalGas anticipates that its 2014 labor and non-labor adjusted-recorded expenses will be served to ORA in March 2015. The SCG CS-I 2014 labor and non-labor adjusted-recorded expenses will be provided in the same manner as shown in workpapers page 333-334 at that time.

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**SoCalGas Response (Continued)**

- f. SoCalGas anticipates that its 2014 adjusted-recorded capital expenditures will be served to ORA in March 2015. The SCG CS-I 2014 adjusted-recorded capital expenditures for all projects listed in Table 18 on page ADA-71 will be provided at that time.
- g.
- i. SoCalGas CS-I did not fail to comply with any Commission directives, federal directives and regulatory decisions during 2009-2013.
  - ii. SoCalGas has no fines and/or penalties for any failures to comply with any Commission directives, federal directives and regulatory decisions during 2009-2013.
  - iii. Within the CS-I scope and context of the Customer Insights & Analytics subgroup, there are no demonstrated declines in customer service, communication, experience, and satisfaction levels to internal stakeholders. SoCalGas’s CS-I activities includes the Customer Insights & Analytics subgroup, which manages all primary and secondary customer research to monitor customer satisfaction and experience, as described in Ex.SCG-12, Section II.B.1., “Customer Insights & Analytics”. Many CS-I supported research/data analysis projects measures customer service, communication, experience, and satisfaction for activities outside of the CS-I scope. However, within

A study administered by CS-I’s Customer Insights & Analytics subgroup, and contains some relevance to the customer service, communication, experience and satisfaction levels of CS-I activity of the Account Management subgroup would be the “2009 Major Markets Customer Survey”, which then transitioned into the “Major Markets Tracking Study” for the years 2010-2013. SoCalGas’s CS-I activities also includes the Segment Services workgroup, which includes customer facing interactions via the Account Representatives, as described in Ex.SCG-12, Section II.D.2., “Account Management” subgroup..

CS-I’s Customer Insights & Analytics subgroup also administers the Major Markets Tracking Study, which assesses the attitudes of business customers towards SoCalGas on:

- Overall performance,

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**SoCalGas Response (Continued)**

- Evaluation of SoCalGas programs and services,
- Account Executive/AE (also known as Account Representative/AR) awareness, satisfaction and interactions,
- Business-related programs, services and issues, and
- Energy-related issues.

Results of the study include, but are not limited to:

Favorability ratings, (which demonstrated a 1-2% difference year-to-year) were considered by Travis Research to be “consistently high”:

Year	2010	2011	2012	2013
Rating	79%	80%	78%	77%

And Satisfaction marks for their Account Representative, which demonstrated a 1-2% improvement from years 2011-2013:

Year	2010	2011	2012	2013
Rating	82%	82%	84%	85%

Please find the following attachments for the complete studies of:

- 2009 SCG CI Major Markets Survey,  
“ORA-SCG-DR-042-TLG\_Q1giii-2009 Attachment.pdf”
- 2010 Major Markets SCG Report,  
“ORA-SCG-DR-042-TLG\_Q1giii-2010 Attachment.pdf”
- 2011 Major Markets SCG Report,  
“ORA-SCG-DR-042-TLG\_Q1giii-2011 Attachment.pdf”
- 2012 Major Markets SCG Report,  
“ORA-SCG-DR-042-TLG\_Q1giii-2012 Attachment.pdf”
- 2013 Major Markets SCG Report,  
“ORA-SCG-DR-042-TLG\_Q1giii-2013 Attachment.pdf”

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**SoCalGas Response (Continued)**

- iv. SoCalGas CS-I requests an incremental 26.3 additional FTEs for expanded incremental activities, and an additional 5.6 FTEs over the 2013 base year to support existing core activities using a 5-year historical average base forecast, which totals to 31.9 additional FTEs for TY 2016 over 2013 base year. SoCalGas CS-I also requests 39.36% increase over 5-year historic base forecast (or 55.71% increase over 2013 base year forecast) in non-labor expenses. These labor and non-labor expenses are to support various activities that may consist of increased existing core activities or incremental new activities (please see Ex.SCG-12, ADA-iii to ADA-v), and activities that are required/mandated or activities that are not required/mandated within CS-I. The supporting documentation providing background and cost drivers of these incremental activities are detailed in the testimony, Ex.SCG-12, under the “Cost Drivers” for each workgroup (Customer Engagement & Insights, Customer Assistance, etc.) subsection. Also, a guiding roadmap is provided that associates each funding request with corresponding testimony and workpaper areas. The detailed breakdown is located in SoCalGas’s response to ORA Deficiency SCG-ORA-DEF-028-TLG-SCG-12, located in the Ex.SCG-12-WP-APP, pages 427 to 431 of 433.

Within the scope of SoCalGas’ CS-I activities (specifically related to Ex.SCG-12, Section II.B.1. “eServices & Data Analysis”), SoCalGas deferred one provision of the Memorandum of Understanding between SoCalGas and the Center for Accessible Technology (“CforAT Settlement”), which concerned Web Content Accessibility Guidelines. According to the Joint Motion for Adoption of Settlement A.10-12-005 submitted February 24, 2012, IV.A.2.d. “Accessibility of Third Party Vendor Software”, paragraph 3:

*“Within 24 months of the Effective Date, the third party vendor software used for My Account will be rewritten to utilize accessible web pages that are compliant with Priorities A and AA and produce PDF documents that will be in an accessible format that would allow for a reader to review them using a screen reader.”*

SoCalGas disclosed in the “Memorandum of Understanding Annual Report for year 2013” that compliance for PDF bills shown in My Account was still in progress and that it is anticipated that new accessible versions would be available in December of 2015. This date is past the 24 month timeframe in the MOU, but has been approved by the Center for Accessible Technology. This deferred activity does not contribute to the TY2016 incremental request and is considered a core, base activity.



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**SoCalGas Response (Continued)**

- v. Gas Scheduling advisor activities related to the California Producers Decision were deferred from 2009-2013 due to a delay in Commission approval that did not occur until February 11, 2014 via Advice Letter 4177-A. The California Producers Capital IT project was also deferred due to a delayed Commission ruling (Note: California Producers Capital IT project will be removed from TY2016 Capital request in the Errata filing).
- vi. SoCalGas requested and D.13-05-010 authorized SoCalGas 1 incremental FTE to support Gas Scheduling activities related to the California Producers Decision. In addition, SoCalGas also requested and D.13-05-010 authorized incremental costs for SoCalGas' California Producers Capital IT project.
- vii. SoCalGas CS-I's 2016 GRC request includes 1 incremental FTE that was approved in 2012 GRC to support Gas Scheduling advisor activities related to the California Producers Decision, which was approved on February 11, 2014 in AL 4177-A.

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2. Provide documentation that demonstrates the amount SCG's CS-I requested/forecast in its 2012 GRC and the amount it was authorized in its 2012 GRC (D.13-05-010). In the response provide the corresponding 2016 GRC account/Cost Center/Work Group. Provide the response in a spreadsheet similar to the one shown in workpapers on page 333-334.

**SoCalGas Response 02:**

Please see file attachment provided, "ORA-SCG-DR-042-TLG\_Q2 Attachment.xlsx".

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3. Provide documentation that demonstrates all recorded costs incurred for overtime/ double-time for 2009-2013 for SCG's CS-I. Provide the recorded overtime/double-time costs in a spreadsheet similar to the one shown in workpapers on page 333-334.

**SoCalGas Response 03:**

Please see the file attached in response to Question 17 for the detailed breakdown of overtime labor by workpaper group and shared service cost center within each of the labor cost categories.

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4. Provide SCG's CS-I end of the year headcount and FTE count for 2009-2013 and the associated labor cost. In the response also provide the job classification and the assigned Cost Center/Work Group.

**SoCalGas Response 04:**

Please see attachment "ORA-SCG-042-TLG\_Q4 Attachment.xlsx" for end of the year headcount by job classification, annual full time equivalent ("FTE") count, and the associated labor cost for 2009-2013 by non-shared workgroup or shared service cost center. SoCalGas does not track FTEs by job classification therefore FTEs are reported in aggregate by workgroup or cost center.

Customer Service-Information developed its GRC forecast based on "FTE" not "Headcount". "Headcount" does not equal "FTE". An FTE position is an indication of activity level and not a specific headcount in any given year. In some cases, headcount may be less than the FTE count. For example, the activity level driving the forecasted incremental FTE in an operational area may ultimately be performed using internal labor, outside contractors, overtime or a mix of each. In other cases, headcount may be more than the FTE count if the positions are filled with part-time employees.

SoCalGas prepares a forecast of "Headcount" which is used for forecasting employee benefits only (Exhibit SCG-21). Headcount forecast encompasses all employees, including those whose work responsibilities are included in the GRC, as well as those whose duties are related to a Refundable program or other functional area with costs approved through a non-GRC proceeding. Headcount is not used in the operating areas to forecast cost.

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5. In SCG’s workpapers on pages 427-431, SCG lists lump sum labor forecasts for 31.9 additional FTE positions for TY 2016. SCG’s workpapers are insufficient and incomplete. Provide all supporting documentation for the calculation of the labor forecasts (i.e., the documentation that demonstrates the individual breakdown of all costs included in each of the labor calculations, including but not limited to labor, benefits, bonuses, overtime, etc.).

**SoCalGas response 05:**

ORA states SoCalGas has listed 31.9 additional FTEs for TY 2016 over the 2013 base year. SoCalGas CS-I requests an incremental 26.3 additional FTEs for expanded incremental activities. SoCalGas also proposes a base forecast methodology of 5-year average instead of 2013 base year as SoCalGas believes a 5-year history of expenses presents a reasonable period of time to capture periodic and recurring expenses without selectively isolating historical expenses to overstate or understate costs, and is consistent with forecast methodologies in previous SoCalGas general rate cases for this area.(Please see Data Request response to question 1.a, 1.b. and Ex. SCG-12 “Forecast” subsections in II.B.2., II.C.2., II.D.1.b., II.D.2.b., III.B.2, and III.C.2. for further explanation regarding the use of 5-year historical average as base forecast). The 5-year historic base forecast represents an additional 5.6 FTEs over the 2013 base year historical.

SoCalGas CS-I estimated labor costs for each forecasted incremental FTE using the mid-range of the 2013 Market Reference Range (please see attached the Sempra Energy Management Pay Bands and Market Reference Range (“MRR”) in the file “ORA-SCG-DR-042-TLG\_Q5 Attachment1.pdf”) and Code that corresponds to the scope and level of activity we require for specific roles. These are forecasted expenses that SoCalGas considers a mid-range estimate as reasonable, as SoCalGas cannot precisely anticipate a specific future candidate’s negotiated salary since specific skills, knowledge, experience and other attributes vary on an individual basis and must be valued accordingly.

CS-I has provided the attached document “ORA-SCG-DR-042-TLG\_Q5 Attachment2.xlsx” to provide the mid-range calculation used for each pay band, to also further elaborate what MRR code was used for each identified role in every individual FTE request, and to also provide a reference page to the specific Table in the testimony.

Benefits and bonuses are not within CS-I scope and are addressed in the testimony of D. Robinson, Ex. SCG-21 “Compensation, Health, and Welfare”. All incremental labor costs (except for 1.5 intern FTEs) are management positions and overtime expenses were not factored into the forecast.

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6. SCG utilized a Market Reference Range to forecast its proposed 31.9 additional FTE positions. SCG states on page 400 of its workpapers that “Labor costs decreased due to salary fluctuations based on the level of experience of workforce, the type of work required, and market reference range.”
  - a. Provide the source document for the Market Reference Range that SCG utilized to calculate its labor forecast.
  - b. Provide documentation that explains if the proposed salary shown for the proposed 31.9 FTE’s will be adjusted for experience of workforce and the type of work required, if so, state why SCG’s testimony and workpapers does not provide any discussion or calculations for salary adjustments in TY 2016.
  - c. Provide documentation that explains if the labor costs shown on workpaper pages 427-431 are the actual annual salaries that the new FTE will receive. If not, state so and explain any differences in the amount that will be paid for each proposed FTE.

**SoCalGas Response 06:**

- a. Please see the source document Attachment 1 provided in response to question 5.
- b. Yes, the proposed salary shown for the proposed FTEs will be adjusted for experience of workforce and the type of work required. Ex.SCG-12-WP, Page 400 states “Labor costs decreased due to salary fluctuations based on the level of experience of workforce, the type of work required, and market reference range.” This statement refers to a historic cost variance summary which identifies an estimated cost variance driver specific to the years 2010-2011 for the CS-I Customer Engagement & Insights workgroup. This statement was made in observation of an attrition year where workforce changeover realized a cost variance between 2010-2011.

SoCalGas CS-I requests an incremental 26.3 additional FTEs for expanded incremental activities. SoCalGas CS-I estimated labor costs for each forecasted incremental FTE using the midrange of the 2013 Market Reference Range (please see the source document Attachment 2 provided in response to question 5) and Code that corresponds to the scope and level of activity required for specific roles. These are forecasted expenses that SoCalGas considers a mid-range estimate as reasonable, as SoCalGas cannot precisely anticipate a specific future candidate’s negotiated salary since specific skills, knowledge, experience and other attributes vary on an individual basis and must be valued accordingly.

Please see Data Request response to question 1.a., 1.b. and Ex. SCG-12 “Forecast” subsections in II.B.2., II.C.2., II.D.1.b., II.D.2.b., III.B.2, for further explanation regarding SoCalGas’s forecast methodology for CS-I.

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**SoCalGas Response (Continued)**

Such potential year-to-year variances as ORA has identified in Question 6.b. is one of the reasons SoCalGas believes a 5-year historic average is appropriate as a base forecast – to smooth costs attributed to a variety of factors, which may include: employee attrition, cost fluctuations, salary adjustments...etc.

- c. No, the labor costs shown on workpaper pages 427-431 are not the actual annual salaries that the new FTE will receive. See SoCalGas response to Question 6.a. Incremental activity FTE labor costs are estimated using midrange Market Reference Range and are a forecast of the actual annual salaries that the new FTE will receive. These are forecasted expenses that SoCalGas considers a midrange estimate as reasonable, as SoCalGas cannot precisely anticipate a specific future candidate's negotiated salary since specific skills, knowledge, experience and other attributes vary on an individual basis and must be valued accordingly..

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7. SCG states on page ADA-4 of its testimony that “We are requesting capital investment dollars to support an anticipated final decision related to the Federal Energy Regulatory Commission’s Notice of Proposed Rulemaking to align nationwide gas and electric operational practices of pipelines and electric generators for energy scheduling.”
  - a. Provide documentation that explains in more detail specifically what SCG’s CS-I is being mandated to do “to support an anticipated final decision related to the Federal Energy Regulatory Commission’s Notice of Proposed Rulemaking to align nationwide gas and electric operational practices of pipelines and electric generators for energy scheduling.”
  - b. In the response to question 7-a, provide documentation that identifies the specific duties/activities and associated costs related to the “anticipated final decision related to the Federal Energy Regulatory Commission’s Notice of Proposed Rulemaking.”
  - c. Provide all source documentation for the calculation of the capital investment forecast.
  - d. Provide documentation that explains how long SCG’s CS-I has known about the “anticipated final decision related to the Federal Energy Regulatory Commission’s Notice of Proposed Rulemaking to align nationwide gas and electric operational practices of pipelines and electric generators for energy scheduling.”
  - e. Provide documentation that explains if SCG requested funding in its 2012 GRC (D.13-05-010) or another proceeding to prepare for the activities associated with this “anticipated final decision.”

**SoCalGas Response 07:**

- a. Provided as attachments are :
  - The FERC’s Notice of Proposed Rulemaking (“NOPR”), Coordination of the Scheduling Process of Interstate Natural Gas Pipelines and Public Utilities, Docket No. RM14-2-000 (see file “ORA-SCG-DR-042-TLG\_Q7a Attachment1.pdf”), and
  - NAESB’s Report to FERC in response to this NOPR. The NOPR was issued by the FERC on March 20, 2014 and NAESB’s Report is dated September 29, 2014 (see file “ORA-SCG-DR-042-TLG\_Q7a Attachment2.pdf”).

Beginning on page 4 of the referenced NAESB’s Report, the Report outlines the modifications adopted by NAESB and its membership (SoCalGas is a NAESB member). If these modifications are adopted by the FERC, pipelines under its jurisdiction will be mandated to incorporate the modifications into their tariffs. As an interconnecting pipeline with several of these jurisdictional interstate pipelines, SoCalGas will need to adopt these same modifications for its tariff and procedures as well in order to sync up its operations with the national pipeline grid.

- b. The FERC’s Draft NOPR for gas and electric harmonization proposed to implement a 2:00 a.m. Pacific Gas Day Start with 2 day-ahead and 3 intraday scheduling cycles. SoCalGas implementation of the NOPR would require major system enhancements to the



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**SoCalGas Response (Continued)**

SoCalGas ENVOY system in order to maintain coordination with upstream pipelines to Modify gas day from 7:00 a.m. start to 2:00 a.m. start.

- Modify timely cycle from 9:30 a.m. deadline to 11:00 a.m. deadline.
- Modify intraday timeline to increase processing load from 2 intraday cycles to 3 intraday cycles per day.
- Decrease processing time between nomination deadline & confirmation deadline from timely 4 hours, evening/intraday 3 hours to timely 3 ½ hours, evening/intraday 2 ½ hours.
- Decrease processing time between confirmation deadline & scheduled quantity posting from 1 hour to ½ hour.
- Modify associated reports, user interface screens and internal computer confirmation processes.

SoCalGas will need additional labor force because additional nominations cycles are being added to in the middle of the Gas Day. This will require back-to-back confirmation and processing of gas deliveries for the additional nomination cycles added.

- c. Information Technology capital project cost estimates are not within the scope CS-I testimony, and are addressed in the testimony of C. Olmsted, Ex. SCG-18. Please see SoCalGas CS-I source document attachment “ORA-SCG-DR-042-TLG\_Q7c Attachment-CONFIDENTIAL.pdf” for the IT Project Concept Document and also the capital project workpapers which have been copied from the IT workpapers into the CS-I workpapers Ex. SCG-12-WP pages 365-369.
- d. Please see the response to 7.a. for the links to the FERC’s Notice of Proposed Rulemaking (“NOPR”), Coordination of the Scheduling Process of Interstate Natural Gas Pipelines and Public Utilities, Docket No. RM14-2-000, and NAESB’s Report to FERC in response to this NOPR. The NOPR was issued by the FERC on March 20, 2014 and NAESB’s Report was dated September 29, 2014.
- e. SoCalGas has not requested funding in its 2012 GRC or another proceeding to prepare for the activities associated with the anticipated final decision for Gas and Electric Harmonization.

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8. In SCG’s workpapers on pages 427-431, SCG lists lump sum figures for its non-labor forecasts that is proposed to increase by 55.71% over 2013 recorded adjusted expenses. SCG’s workpapers are insufficient and incomplete. Provide all supporting documentation and the basis used for the calculation of the non-labor forecast (i.e., the documentation that demonstrates the individual breakdown of all costs included in each estimate along with a source document).

**SoCalGas Response 08:**

Please see attachment “ORA-SCG-DR-042-TLG\_Q8 Attachment.xlsx” for the requested documentation. There are also several additional **CONFIDENTIAL** supporting attachments included that are separately named for each of the tabs within the Excel workbook that they support.

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9. Provide documentation that explains if SCG’s CS-I activities have been increasing between 2009 and 2013, and if so, state specifically how SCG has been able to meet its required work responsibilities during a time when its recorded adjusted labor and non-labor expenses have declined.

**SoCalGas Response 09:**

Certain core CS-I activities have increased, which include, but is not limited to, the volume of customer communication messages, variety of customer communication channels, Segment Services combined heat and power (“CHP”) technical support, safety messaging, Medical Baseline enrollment, and air quality support. These activities were achieved during a time when recorded adjusted labor and non-labor expenses have declined due to various drivers, which include (but are not limited to):

- Increased effectiveness from experienced FTEs,
- Improved training experiences to build experienced FTEs,
- Effective management of funding resources,
- Leveraging partnership opportunities when possible,

Also to note, timing of expenses when booked (See SoCalGas response to question 20.g. as an example) may contribute to misrepresenting 2013 base year costs as abnormally low.

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10. Provide documentation that explains in detail and demonstrates why the current funding levels of SCG's CS-I are insufficient to meet proposed TY projects and activities.

**SoCalGas Response 10:**

SoCalGas CS-I's 2013 base year funding levels are insufficient to perform the activities proposed for Test Year 2016. The activities in CS-I fluctuate year-to-year, driven by cyclical fluctuations, abnormal operating conditions, employee attrition, cost fluctuations, as further elaborated on in SoCalGas response to question 1.a. and stated in the testimony Ex.SCG-12 "Forecast Method". Furthermore, CS-I identifies incremental new or expanded existing activities in TY 2016 which require additional funding based on considerations such as identified in SCG-12, ADA-3:

- Increasing diversity of SoCalGas' customer segments;
- Customer information technology adoption, dynamic and expanding communication e-channels leading to increased customer expectations;
- Heightened community interest with respect to gas safety;
- Expanded special needs, hard-to-reach customer outreach efforts to ensure all customers are uniformly served;
- Enhanced technical engineering services and support; and
- Expanded and more complex state and federal energy, air quality, policy and regulatory environment.

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11. Provide documentation that explains in detail why utilizing a straight five year average method to forecast proposed TY 2016 activities for SCG’s CS-I, which captures recurring, on-going and routine costs and fluctuations in expenses from year to year, is insufficient considering the decline in labor and non-labor expenses between 2010 and 2013.

**SoCalGas Response 11:**

Using a straight five-year historic average method is a reasonable methodology to model core existing activities, as SoCalGas CS-I has proposed in testimony and also elaborates further on in response to question 1.a and 1.b. However, in forecasting TY 2016 activities, CS-I must also account for new mandated activities and additional requirement because of

- Increasing diversity of SoCalGas’ customer segments;
- Growing customer information technology adoption, dynamic and expanding communication e-channels leading to increased customer expectations;
- Heightened community interest with respect to gas safety;
- Expanded special needs, hard-to-reach customer outreach efforts to ensure all customers are uniformly served;
- Enhanced technical engineering services and support; and
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12. In SCG’s workpapers pages 400 through 426, SCG lists 2009-2013 recorded adjusted expenses for each Work Group/Cost Center and provides brief narratives to explain the year to year variances. On workpaper pages 427 through 431, SCG provides lump sum numbers for its 2016 forecast for each Work Group/Cost Center along with a brief narrative to justify the incremental funding. Provide documentation that explains in detail why SCG’s CS-I is requesting an increase of 40.27% over 2013 recorded adjusted expenses in the TY to address the same or similar projects associated with routine core business projects and recurring and on-going activities that already have costs embedded, from ongoing or completed projects, in SCG’s historical (2009-2013) expenses. If the forecast costs and proposed activities are totally different from historical projects, provide the documentation that clearly and fully explains the differences to justify incremental funding of 40.27% over 2013 recorded adjusted expenses.

**SoCalGas Response 12:**

CS-I proposes a 5-year historic base forecast to support core business activities and recurring and on-going activities at historic average levels, as discussed in testimony Ex. SCG-12, Section I.B. The 5-year historic base forecast in total for CS-I amounts to \$21.613 million, and is used to capture recurring expenses and cyclical fluctuations that occur within a five year span that may not be captured when basing a forecast on an individual year. SoCalGas provides examples of the types of costs that fluctuate from year-to-year in its response to question 1.a. The TY2016 forecast total of \$ 28.033 million represents an incremental \$6.420 million request for new or expanded activities and is 29.70% over 5-year base forecast base forecast.

SCG-12-WP Pages 427 through 431 does provide brief summaries of the incremental activities request that are discussed in testimony subsection titled “Cost Drivers” for each workpaper group. SCG-12-WP pages 427 through 431 also provides a ‘testimony section’ reference and ‘testimony page number’ reference as a roadmap to the testimony detail which further discusses the proposed incremental activities over base forecast. The incremental expenses forecasted are for both new/different activities as well as expanding/supporting larger volumes of similar, existing activities.

- SoCalGas response to question 19.b. also provides further discussion regarding the incremental FTE request as it relates to Customer Engagement & Insights.
- SoCalGas response to question 20.a. also provides further discussion regarding the incremental non-labor requests as it relates to Customer Assistance.
- SoCalGas response to question 21.f also provides further discussion regarding the Segment Services Small/Medium Business incremental activity.
- SoCalGas response to question 21.j. also provides further discussion regarding growing activities of the Segment Services – Residential Market Services and Builder Services activity that began in 2012/2013.

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13. Provide documentation that explains in detail and demonstrates why SCG’s current staffing levels are insufficient to perform the work activities proposed for Test Year 2016.

**SoCalGas Response 13:**

SoCalGas CS-I’s 2013 base year staffing levels are insufficient to perform the activities proposed for Test Year 2016. The activities in CS-I fluctuate year-to-year, driven by cyclical fluctuations, abnormal operating conditions, employee attrition, cost fluctuations, as further elaborated on in SoCalGas response to question 1.a and stated in the testimony Ex.SCG-12 “Forecast Method”. Furthermore, CS-I identifies incremental new or expanded existing activities that require incremental staff in TY 2016 based on considerations such as identified in SCG-12, ADA-3:

- Increasing diversity of SoCalGas’ customer segments;
- Customer information technology adoption, dynamic and expanding communication e-channels leading to increased customer expectations;
- Heightened community interest with respect to gas safety;
- Expanded special needs, hard-to-reach customer outreach efforts to ensure all customers are uniformly served;
- Enhanced technical engineering services and support; and
- Expanded and more complex state and federal energy, air quality, policy and regulatory environment.

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14. SCG states on page ADA-4 of its testimony that “The activities within my CS-I testimony represent SoCalGas’ commitment to our customers by focusing on safety, reliability, customer service, and compliance.” Provide documentation that explains in detail if O&M costs incurred during 2004-2013 by SCG’s CS-I were associated with activities to maintain and/or enhance safety, reliability, customer service, and compliance. If during 2004-2013 SCG’s CS-I focus was not on safety, reliability, customer service, and compliance, state specifically what the focus was during 2004-2013 associated with O&M costs incurred during that period for SCG’s CS-I.

**SoCalGas Response 14:**

Safety, reliability, customer service, and compliance are all commitments that SoCalGas’ Policy witness testifies to (see Ex. SCG-01). These historically and continue to be SoCalGas’ commitments, and CS-I activities continue to evolve and grow to maintain and reinforce this focus.



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15. SCG states on page ADA-4, that “Subsequently, our activities have grown to increase gas safety education and awareness to customers through a multitude of communication channels and delivery methods, which include: one-on-one customer engagement, outreach events, social media messaging, as well as supporting increased natural gas appliance testing and CO testing.”

Provide documentation that explains in detail if SCG’s CS-I recorded adjusted expenses for 2009-2013 include O&M costs associated with activities “to increase gas safety education and awareness to customers through a multitude of communication channels and delivery methods, which include: one-on-one customer engagement, outreach events, social media messaging, as well as supporting increased natural gas appliance testing and CO testing.”

**SoCalGas Response 15:**

Embedded within SoCalGas CS-I’s 2009-2013 core activities, includes increased gas safety education and awareness to customers through a multitude of communication channels and delivery methods. For example: Segment Services Account Representatives have been provided Talking Points as a tool to help foster increased dialogue with customers to educate on gas safety, Segment Services Staff Support began to incorporate an informal gas safety dialogue in annual Gas Market Outlook presentations at local Association of Energy Engineers and Inland Counties Water Association events, the Customer Engagement & Insights’ Customer Marketing & Communication subgroup extended their gas safety campaign from (historically) 3 weeks to nearly twice as long (6 weeks), and Customer Segment Markets added in mid-2013, a Residential Market Services subgroup which has been tasked to focus on developing, implementing, and continuously improving residential customer services which includes improving communication strategies to promote gas safety, natural gas appliance testing, and CO testing.

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16. SCG states on page ADA-4 that “Customer interest with respect to gas safety has heightened due to increased attention on the shale gas industry boom and recent pipeline safety accidents that occurred outside of SoCalGas’ service territory.” Provide documentation that explains SCG’s statement in more detail and demonstrates the specific time period of the “shale gas industry boom and recent pipeline safety accidents” that SCG is referring to in its testimony.

**SoCalGas Response 16:**

The 2010 San Bruno pipeline explosion and its aftermath continue to generate customer interest with respect to gas safety as customers identify with continual SoCalGas Pipeline Integrity and Pipeline Safety Enhancement Plan (“PSEP”) activities. As an example, SoCalGas Northern San Joaquin nonresidential customers were affected with a gas curtailment on December 27, 2012 for over a week when SoCalGas received a transmission line pigging inspection report that necessitated lowering pressure on the line to facilitate further inspection. SoCalGas’s Account Representatives fielded an influx of customer visits, calls, and e-mails with customers interested in their safety, their proximity to high pressure transmission lines, asking to learn more about SoCalGas’ pipeline maintenance and inspection process, and whether there should be any concern for safety of a magnitude similar to the San Bruno pipeline explosion. As the pipeline integrity and PSEP efforts continue and move through more customer dense/localized areas, Account Representatives have been providing increased gas safety education and fielding more frequent customer inquiries.

The shale gas industry boom is evident (particularly in the last five years) based on the continual growth of shale gas production (please see U.S. Energy Information Administration, “Outlook for shale gas and tight oil development in the U.S.”, April 4, 2013, Slides 5-6, provided in attachment “ORA-SCG-DR-042-TLG\_Q16 Attachment.pdf”). As customers continue to track natural gas costs (a top nonresidential business issue, as indicated in our 2013 SoCalGas Major Markets Tracking Study, Page 30-31, provided in SoCalGas response to question 1.g.iii), customers are becoming more aware of natural gas production sources such as shale, are learning more about fracking, are exposed to documentaries such as *Gasland* (2010) and *Gasland Part II* (2013), and nationwide policies and debates over the safety of fracking (in 2012 Vermont became the first state to ban the practice of hydraulic fracturing).

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17. For SCG's CS-I for 2009-2013 provide, in a spreadsheet similar to the one shown in workpapers on pages 333-334, a detailed and itemized listing of all labor and non-labor expenses (note: do not lump expenses together in the response, separate and identify the expenses by the categories as requested below) incurred for 1) employee meals, 2) employee luncheons, 3) vendor payments for offsite meetings and events (provide copies of contracts for costs and services provided), 4) all entertainment expenses, 5) employee recognition activities, 6) sporting events, 7) bonuses/awards, 8) employee/company memberships and dues, 9) all contributions, 10) charitable events, 11) brand awareness and loyalty surveys/campaigns/events, and 12) other employee reimbursable expenses.

**SoCalGas Response 17:**

The expenses shown in the attachment "ORA-SCG-DR-042-TLG\_Q17 Attachment.xlsx" reflect the dollars spent in 2009-2013 as charged by the operating areas. The data shows that there is variation in categories used, which is dependent upon the people responsible for assigning costs. All recorded costs are included in the attachment. Not all categories requested by ORA are specifically or separately identifiable. For example, sporting event related activities are not separately identified from other employee reimbursable expenses. Also, SoCalGas does not explicitly conduct brand awareness or customer loyalty campaigns. SoCalGas does conduct customer surveys that measure customer satisfaction, customer awareness and effectiveness of SoCalGas communications.

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18. For SCG’s CS-I, provide, in a spreadsheet similar to the one shown in workpapers on pages 333-334, a detailed and itemized listing of all costs incurred for one-time, unusual, or non-recurring costs for the years 2009 through 2013, including but not limited to studies, equipment demonstrations and testing, special projects and programs, surveys, training, contract expenses, product/project development, testing and/or implementation, etc.

**SoCalGas Response 18:**

Please see the attachment provided in response to question 17 above. The data shows that expenses fluctuate from year to year and across various cost categories, so it is more prudent to analyze the data aggregated to the total expense level.

One-time, unusual or non-recurring items were separately identified in workpaper adjustments. This includes the removal of items that have a separate recovery mechanism outside of the GRC. Please see the table below for the adjustments that were made for Customer Information in SCG-12-WP.

Work- paper	Workpaper Description	Cost Type	Workpaper Page	Cost Adjustment	Nominal (\$000)				
					2009	2010	2011	2012	2013
2IN002 .000	CI-Customer Assistance	Non- Labor	71	NGAT Expenses			\$1,854		
2IN003 .000	CI-Energy Markets	Labor	119-122	Montebello Storage	(\$13)	(\$11)	(\$10)	(\$10)	(\$10)
2IN003 .000	CI-Energy Markets	Non- Labor	119-122	Montebello Storage	(\$15)	(\$15)	(\$15)	(\$15)	(\$16)
2200- 0328	PIPE PROD & CONT MGR	Non- Labor	293-294	Montebello Storage		(\$5)	(\$7)	(\$6)	(\$7)

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19. SCG's Customer Engagement & Insights Work Group forecasts \$8.891 million (\$26.673 million over three years) in TY 2016. This is an increase of \$2.972 million or 50.21% over 2013 recorded adjusted expenses of \$5.919 million. The five year average (2009-2013) is \$6.637 million. SCG's expenses declined each year between 2010 and 2013 from \$8.376 million in 2010 to \$5.919 million in 2013.
- a. SCG's forecast is \$2.972 million over 2013 recorded adjusted expenses. On page ADA-18 Table 5, SCG shows costs for incremental funding of \$2.254 million for nine additional FTE's (social media advisor, communication advisor, research analyst, community outreach advisor, creative services advisor, e-Service designer, e-Service analysts, and a web editor) and associated non-labor costs. Provide documentation that explains the proposed activities in more detail and which shows the calculation breakdown for \$0.718 million (the difference between the \$2.972 million and \$2.254 million).
  - b. Provide documentation that explains in detail if the same or similar activities as the ones shown on page ADA-18 are currently being performed by CS-I FTEs (i.e., coordinating information and printed information for hard to reach residential and business customers, ad campaigns, production of videos, maintaining/updating/enhancing social media pages, maintaining/updating/enhancing socialgas.com web and My Account, maintaining/updating/enhancing mobile applications and software, performing various customer/market research and surveys, community and customer outreach events, various one-time development and implementation costs, etc.).
  - c. Provide documentation that shows the costs incurred during 2009-2013 for activities associated with coordinating information and printed information for hard to reach residential and business customers, ad campaigns, production of videos, maintaining/updating/enhancing social media pages, maintaining/updating/enhancing socialgas.com web and My Account, maintaining/updating/enhancing mobile applications and software, performing various customer/market research and surveys, community and customer outreach events, various one-time development and implementation costs, etc.).
  - d. On page ADA-18, SCG's Table 5 shows lump sum figures that total its forecasts of \$2.254 million. SCG's testimony and workpapers are insufficient and incomplete to justify an incremental funding of 50.21%. Provide all supporting documentation and the basis for each number used in the calculation of the forecast expenses (i.e., the documentation that demonstrates the individual breakdown of all costs included in each estimate along with source documentation).
  - e. Provide documentation that explains in detail if the forecast costs of \$2.254 million shown in SCG's Table 5 on page ADA-18 are the total costs for each of the proposed projects or are the costs listed the amount that will be incurred annually for a total forecast of \$6.762 million over three years.

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**SoCalGas Response 19:**

- a. On Ex. SCG-12, page ADA-18 Table 5, the incremental funding of \$2.254 million indicates expenses for incremental costs attributed to increased Customer Marketing & Communications activities, expanded Customer Insight & Analytics activities, new Creative Services activities, and additional eServices & Data Analysis activities in addition to the 5-year historical base forecast's existing activities. The \$0.718 million is the difference from 5-year average historical base forecast and 2013 base year expenses incurred for core activities (core activities as described in testimony, Ex. SCG-12, Section II.B.1). See the attachment provided in question 1b for a summary break down of the 5-year historical base forecast, 2013 base year expenses incurred, and forecasted TY 2016 expenses at workpaper level.

SoCalGas CS-I proposes a base forecast methodology of 5-year average instead of 2013 base year as SoCalGas-CSI believes a 5-year history of expenses presents a reasonable period of time to capture periodic and recurring expenses without selectively isolating historical expenses to overstate or understate costs, and is consistent with forecast methodologies in previous SoCalGas general rate cases for this area.(See Data Request response 1.a. and Ex. SCG-12 Section II.D.1.b., for further explanation regarding the use of 5-year historical average as base forecast).

The proposed activities for these incremental 9 FTEs are further described in SoCalGas response 19.b.

- b. Pertaining to Ex. SCG-12, Table 5, on page ADA-18:
- Customer Marketing & Communications
    - Historically, CS-I has 1 existing FTE dedicated to supporting social media. As indicated by the growing activity and continued growth trend of social media and volume of communications in Ex. SCG-12, Figure 2, and also described in Ex. SCG-12, Section II.B.3., the volume of activity has increased to necessitate an additional 2 FTEs to support.
  - Customer Insight & Analytics
    - CS-I has existing research analyst FTEs, however, growing requests from internal stakeholders for research and studies necessitates an additional FTE to support the increased volume of activity.
  - Creative Services
    - A Customer Engagement & Insights in-house community outreach advisor is a new activity for CS-I.
    - A creative services advisor to provide comprehensive purview and unify communication messaging content (which demonstrated growth trends of nearly 3x magnitude from 2012 to 2014) is a new role that CS-I does not historically have a dedicated FTE to perform.

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- eServices & Data Analysis
  - e-Service designer: The My Business Account is a new platform that will require ongoing support, and is a new activity.
  - E-Service analyst: 0.25 of this 1 FTE is to provide ongoing support for a new, completed capital IT project (My Business Account), and to support an existing socialgas.com and My Account platform, which currently does not have dedicated FTEs to provide continual maintenance and enhancement support, and is considered a new activity.
  - E-Service analyst: This FTE is to support Integrated Customer Data Analytics, a new, completed capital IT project that will require ongoing support and is a new activity.
  - Web editor: 0.75 of this 1 FTE is to support My Account Mobile 1C, a new, completed capital IT project that will require ongoing support and is a new activity. 0.25 of this 1 FTE is to support an existing socialgas.com and My Account platform, which currently does not have dedicated FTEs to provide continual maintenance and enhancement support, and is considered a new activity.
- c. Please see SoCalGas attachment in question 17 for 2009-2013 historic costs for activities as listed above, which are performed within Workpaper 2IN001.000.
- d. SoCalGas CS-I is requesting \$2.254 million incremental over the five-year historical base forecast of \$6.637 million, which represents an incremental funding of 33.96% for both expanded existing activities and new activities.

SoCalGas CS-I proposes a base forecast methodology of 5-year average instead of 2013 base year as SoCalGas-CSI believes a 5-year history of expenses presents a reasonable period of time to capture periodic and recurring expenses without selectively isolating historical expenses to overstate or understate costs, and is consistent with forecast methodologies in previous SoCalGas general rate cases for this area. Please see Data Request response 1.a, and Ex. SCG-12 “Forecast” subsections in II.B.2 for explanation regarding the use of 5-year historical average as base forecast.

Supporting documentation and the basis for each incremental FTE requested was provided in SoCalGas CS-I’s response to question 5. Supporting documentation and the basis used for the calculation of the non-labor forecast (i.e., the documentation that demonstrates the individual breakdown of all costs included in each estimate along with a source document) was provided in SoCalGas CS-I’s response to question 8.

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- e. In Ex.SCG-12, Table 5, \$2.254 million are the forecasted total costs of the incremental Customer Engagement & Insights activities presented as incurred annually.



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20. SCG's Customer Assistance Work Group forecasts \$4.253 million (\$12.759 million over three years) in TY 2016. This is an increase of \$1.419 million or 50.07% over 2013 recorded adjusted expenses of \$2.834 million. The five year average (2009-2013) is \$3.196 million. SCG's expenses declined each year between 2011 and 2013 from \$3.620 million in 2011 to \$2.834 million in 2013.
- a. SCG's forecast is \$1.419 million over 2013 recorded adjusted expenses. On page ADA-34 Table 8, SCG shows costs for incremental funding of \$1.057 million. Provide documentation that explains the proposed activities in more detail and that shows the calculation breakdown for \$0.362 million (the difference between the \$1.419 million and \$1.057 million).
  - b. On page ADA-34, SCG's Table 8 shows lump sum figures that total its forecasts of \$1.057 million. SCG's testimony and workpapers are insufficient and incomplete to justify an incremental funding of 50.07%. Provide all supporting documentation and the basis for each number used in the calculation of the forecast expenses (i.e., the documentation that demonstrates the individual breakdown of all costs included in each estimate along with source documentation).
  - c. Provide documentation that explains in detail if the forecast costs of \$1.057 million shown in SCG's Table 8 on page ADA-34 are the total costs for each of the proposed projects or are the costs listed the amount that will be incurred annually for a total forecast of \$3.171 million over three years.
  - d. Provide documentation that explains in detail if during 2009-2013 SCG's Customer Assistance Work Group performed activities associated with achieving the "Commission's mandated number of homes to be treated by 2020" that were related to the Energy Savings Assistance (ESA) program, Natural Gas Appliance Testing, and engaged in outreach activities for Medical Baseline.
  - e. Provide documentation that shows the costs incurred during 2009-2013 for activities associated with achieving the "Commission's mandated number of homes to be treated by 2020" that were related to the Energy Savings Assistance (ESA) program, Natural Gas Appliance Testing, and outreach activities for Medical Baseline.
  - f. Provide documentation that explains in detail how long SCG was aware that the "Most recent study of SoCalGas's Medical Baseline eligible population continues to be from the 2010 report from Athens Research."

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**Question 20 (Continued)**

- g. SCG states on page ADA-32 that “At the end of 2013, approximately 32,000 customers were enrolled in MBL [Medical Baseline].” The 2010 report from Athens Research estimates an MBL eligible population of approximately 71,000. Provide documentation that explains in detail if during 2011-2013 SCG failed to perform outreach, enrollment and application processing activities and failed to coordinate with Community Based Organizations on MBL. If not, explain what SCG has been doing to increase the MBL enrollment since reviewing the 2010 Athens Research study and considering that its recorded adjusted expenses have declined between 2011-2013.

**SoCalGas Response 20:**

- a. On Ex. SCG-12, page ADA-34 Table 8, the incremental funding of \$1.057 million indicates expenses for incremental costs attributed to NGAT activities and additional Medical Baseline outreach/education and research over the 5-year historical base forecast’s existing activities. The \$0.362 million is the difference from 5-year historical base forecast and 2013 base year expenses incurred for core activities (core activities as described in testimony, Ex. SCG-12, Section II.C.1). See attachment provided in question 1b for a summary break down of the 5-year historical base forecast, 2013 base year expenses incurred, and forecasted TY 2016 expenses at workpaper level.

Please see Data Request response 1.a., 1.b. and Ex. SCG-12 “Forecast” subsections in II.B.2., II.C.2., II.D.1.b., II.D.2.b., III.B.2, for further explanation regarding SoCalGas’s forecast methodology for CS-I.

- b. SoCalGas CS-I is requesting \$1.057 million incremental over the five-year historical base forecast of \$3.196 million, which represents an incremental funding of 33.07% to support a larger volume of Natural Gas Appliance Testing over the 5-year historical average, and for incremental (non-labor) costs for expanded outreach and education to support Medical Baseline enrollment.

Please see Data Request response 1.a., 1.b. and Ex. SCG-12 “Forecast” subsections in II.B.2., II.C.2., II.D.1.b., II.D.2.b., III.B.2, for further explanation regarding SoCalGas’s forecast methodology for CS-I.

As stated in Ex. SCG-12, ADA-34, Table 8, the NGAT component is \$807,000 incremental to the NGAT program’s 5-year average \$2.703 million (See Ex. SCG-12-WP, Page 105 of 433, “NGAT Cost Components Calculation” for detailed breakdown of NGAT historical numbers), and is presented as an annual incremental basis.

In Ex. SCG-12-WP, Page 105 of 433, the following information is presented:

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**SoCalGas Response 20 (Continued)**

- “# of Treated Homes”: the recorded number of home weatherization activities associated with Energy Savings Assistance (“ESA”) is provided for each historic year (from 2009-2013). NGAT is driven by ESA activity (see Ex.SCG-12, Section II.C.1. “Energy Savings Assistance Programs Related to Natural Gas Appliance Testing” for further explanation);
- “# of Homes That Received NGAT”: the recorded number of related homes from ESA weatherization activities (from 2009-2013) that also received NGAT;
- “Homes Treated %”: the calculated equivalent percentage of ESA homes treated for NGAT each year (“# of Homes That Received NGAT” divided by “# of Treated Homes”);
- “NGAT Annual Cost”: the recorded nominal cost of NGAT for the program each year;
- “NGAT Cost Per Unit”: the calculated equivalent nominal cost per unit (“NGAT Annual Cost” divided by “# of Homes That Received NGAT”);
- “NGAT Cost Per Unit (2013 \$s)”: the NGAT Cost Per Unit escalated to constant 2013\$ for GRC purposes, (“NGAT Cost Per Unit” multiplied by “escalation rates, Non\_Labor\_Rate”); and
- “NGAT Annual Cost (2013 \$s)”: the calculated annual NGAT cost escalated to constant 2013\$ for GRC purposes, (“NGAT Cost Per Unit (2013 \$s)” multiplied by “# of Homes That Received NGAT”).

In each year of the period 2009-2013, NGAT expenditures have been driven by the following three factors:

- The number of units treated under the ESAP program. This figure has averaged 113,742 over 2009-2013, but from year-to-year the figure has been as high as 161,020 and as low as 83,493 based on the opportunities that occur in the delivery of that program and Commission requirements as discussed in testimony, Ex. SCG-12, Section II.C.1. “Energy Savings Assistance Programs Related to Natural Gas Appliance Testing”.
- The proportion of ESAP-treated homes that need NGAT, based on the safety requirements of the energy efficiency measures installed under the program.
- The average cost per NGAT service. SoCalGas has paid a nominal \$28.50 per service to its ESAP contractors for this service throughout 2009-2013, resulting in a 5-year average \$29.68 in 2013 dollar terms.

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Below is the 5-year history of these three key factors:

<b>Year</b>	<b># Of ESA Treated Homes</b>	<b>% Of Homes Receiving NGAT</b>	<b>NGAT cost per unit (2013 \$s)</b>
<b>2009</b>	83,493	80%	\$31.82
<b>2010</b>	120,358	80%	\$30.98
<b>2011</b>	161,020	72%	\$28.72
<b>2012</b>	96,893	94%	\$29.48
<b>2013</b>	106,948	81%	\$27.41
<b>5-year Average</b>	113,742	81%	\$29.68

SoCalGas’ 5-year historical average NGAT expenditure of \$2.703 is the product of these three factors. SoCalGas’ TY2016 forecast is higher for all three factors as discussed below, resulting in the incremental \$807 forecast:

- SoCalGas forecasts homes treated in TY 2016 will be 118,000 as discussed in Ex. SCG-12, Section II.C.3. While higher than the 5-year average, this figure is substantially lower than SoCalGas’ current annual goal of 136,836 treated units per year adopted in D.12-08-044.
- SoCalGas forecasts that in TY 2016, 85% of homes will require NGAT as discussed in Ex.SCG-12, Section II.C.3. While the 2009-2013 5-year historic average was 81%, when treating the lowest year (2009: 83,493 homes treated) and highest year (2011: 161,020 homes) of ESAP-treated homes as outliers, and looking at the proportion trend (ESA treated homes receiving NGAT) in years 2010, 2012, and 2013 (where a more similarly number of treated homes as we anticipate will be treated in TY2016 will be performed), the average was 85%.
- SoCalGas expects the average cost of NGAT service to increase to \$35 per test by TY2016, as discussed in detail at Ex.SCG-12, Section II.C.3.

The product of these figures (118,000 treated units x 85% receiving NGAT x \$35/NGAT) amounts to an annual program funding requirement of \$3.511 million, or \$0.807 million above the 5-year cost average of \$2.703 million as stated in Table 8.

For Medical Baseline, see SoCalGas response in Question 8 for supporting documentation and the basis for each number used in the calculation of the forecast non-labor expenses (documentation that demonstrates the individual breakdown of costs included in each estimate along with source documentation).

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- c. In Ex.SCG-12, Table 8, \$1.057 million are the forecasted total costs for NGAT and Medical Baseline activities presented as incurred annually.
- d. As discussed in SoCalGas' Response to Question 20b, during the 2009-2013 period, the Customer Assistance Work Group performed NGAT activities on an average of 91,463 homes (corresponding to 113,742 ESA treated units per year x 81% requiring NGAT) at an average cost of \$29.68 per unit, for an average annual expenditure of \$2.703 million. All such activities were performed by SoCalGas' contractors in the course of delivering ESA services associated with achieving the Commission's 2020 goal.

In order to achieve the 2020 goal, SoCalGas expects that the annual rate of ESA treated homes per year will increase to 118,000 from its average level 113,742. In general, this increase is driven by the need to achieve the 2020 goal, as discussed above at 20b and at Ex. SCG-12, Section II.B.3. SoCalGas further anticipates that 85% of treated units will require NGAT, consistent with historical experience, as discussed above at 20b and at Ex. SCG-12, Section II.B.3. Finally, SoCalGas anticipates that the average cost per NGAT service will increase to \$35/unit from its 5-year average \$29.68. This expected increase is driven by market pressure on the rate SoCalGas pays for the service, which has not yet experienced adjustments for inflation or market conditions throughout the period of 2009-2013, as discussed above at SoCalGas response to question 20.b. and in Ex. SCG-12, Section II.B.3.

Medical Baseline (MBL) is not associated with achieving the "Commission's mandated number of homes to be treated by 2020." MBL is a stand-alone program and is not associated directly with the Energy Savings Assistance Program.

- e. Please see SCG-12-WP, Page 105 of 433, as well as response to question 20.d.for documentation that shows the GRC-relevant costs incurred during 2009-2013 for activities associated with achieving the "Commission's mandated number of homes to be treated by 2020" that were related to the Energy Savings Assistance ("ESA") program, which consists of Natural Gas Appliance Testing.

Medical Baseline (MBL) is not associated with achieving the "Commission's mandated number of homes to be treated by 2020." MBL is a stand-alone program and is not associated directly with the Energy Savings Assistance Program.

- f. SoCalGas' Medical Baseline ("MBL"), a subgroup of Customer Assistance, was aware that the Athens Research study had limitations; however, at the time, it was the primary source document utilized by the four Investor Owned Utilities ("IOUs") to identify potential population for the MBL program. The structure of the study as described by Athens Research, made minor use of statewide RASS \*2003\* data. The study relied on

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**SoCalGas Response 20f (Continued)**

data from Southern California Edison (“SCE”). The SCE data provided an aggregate/confidential historical frequency table that illustrated the disease/condition percentage composition of MBL recipients. This came from historical data when the utilities would capture such data but eventually stopped storing disease condition electronically due to privacy issues; the SCE data was used to identify the major players among MBL allocations, and determine groupings of ailments to use in estimating a ratio adjustment to provide rough eligibility or potential estimates. In addition, the SCE data was used to work out "reasonable" enrollment to population prevalence estimates to apply to utilities.

The methodology utilized in the 2010 Athens Research Study has become outdated and therefore, SoCalGas is requesting incremental funding for a new study to ensure that SoCalGas can identify and enroll those customers who qualify for the MBL program.

- g. The Medical Baseline (“MBL”) program at SoCalGas only applies to customers with space heating. As such, MBL outreach activities typically ramp up prior to the winter season, and expenses are typically incurred at the 4th quarter of each year. Subsequently, the timing of these charges have facilitated the appearance of significant cost variances year-to-year when expenses have been mischarged at the end of the year (such as December), and corrected the following month of a new year (January).

An example of this would be the 2013 adjusted-recorded historical expenses for Medical Baseline, which does not include an adjustment for an additional \$67,425 of Medical Baseline expenses that was mistakenly posted to the CARE Outreach cost account (GRC excluded) by error in December 2013, but was corrected in January 2014. In Ex. SCG-12-WP, Page 404 through 407, similar mischarges and corrections have been indicated.

These inconsistent timing of recording expenses is another example for why SoCalGas CS-I proposed base forecast methodology of 5-year average instead of 2013 base year. See SoCalGas CS-I Data Request response to Question 1.a. and Ex. SCG-12 “Forecast” subsections in II.C.2 for further explanation regarding the use of 5-year historical average as base forecast. SoCalGas-CSI believes a 5-year history of expenses presents a reasonable period of time to capture periodic and recurring expenses without selectively isolating historical expenses to overstate or understate costs, and is consistent with forecast methodologies in previous SoCalGas general rate cases for this area.

Average spending over the 5-year 2009-2013 historic period was \$159,000. The 2013 base year spend for MBL was above the 5-year historic at \$165,000. During 2011 - 2013 SoCalGas CS-I took the following steps to increase participation in the MBL program:

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- Twenty-one months out of the 36-month period, MBL was included in our “For Your Information” Safety and Billing insert, and it was featured in an article in our Gas Company News bill insert,
- Completed an MBL campaign targeting doctor’s offices,
- Participated in outreach events that targeted individuals with disabilities such as the Southern California MS Walks, and participated in the CHANGES program, and
- Produced a Customer Assistance video which included Medical Baseline. The video was shown at presentations with Social Workers who could share information about the program with their clients.

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21. SCG's Customer Segment Markets Work Group forecasts \$11.491 million (\$34.473 million over three years) in TY 2016. This is an increase of \$3.171 million or 38.11% (increase of 44.39% for Segment Services over 2013 expenses of \$6.519 million and a 15.38% increase for Energy Markets & Capacity Products over 2013 expenses of \$1.801 million) over 2013 recorded adjusted expenses of \$8.320 million. The five year average (2009-2013) for Energy Markets & Capacity Products is \$1.861 million. The five year average (2009-2013) for Segment Services is \$6.822 million. SCG's expenses for both Work Groups have remained relatively stable between 2010 and 2013.
- a. SCG forecasts \$2.078 million for its Energy Markets & Capacity Products in TY 2016, which is \$277,000 over 2013 recorded adjusted expenses. On page ADA-46 Table 11, SCG shows costs for incremental funding of \$217,000 for two additional FTE's (Account representative and Staff advisor). Provide the documentation that explains the forecast activities and shows the calculation breakdown for \$60,000 (the difference between the \$277,000 and \$217,000).
  - b. Provide documentation that explains in detail if during 2009-2013 SCG's FTEs performed activities to "meet the increased account management activities for EG [electric generation] and EOR [enhanced oil recovery] customers and increased account management and new tariff implementation activities for California gas producer and biogas producer interconnectors" and performed activities to "ensure adequate tools, communications, controls and analysis capabilities are in place to support the increased account management activities." (Citing Ex. SCG-12, p. ADA-45).
  - c. Provide documentation that shows the costs incurred during 2009-2013 for account management activities for electric generation (EG) and enhanced oil recovery (EOR) customers, account management for new tariff implementation activities for California gas producer and biogas producer interconnectors, and activities to ensure adequate tools, communications, controls and analysis capabilities were in place to support account management activities.
  - d. SCG states on page ADA-45 that it needs additional FTEs to "meet the increased account management activities for EG and EOR customers and increased account management and new tariff implementation activities for California gas producer and biogas producer interconnectors." Provide documentation that explains in detail and demonstrates "the increased account management activities for EG and EOR customers and increased account management and new tariff implementation activities" that has taken place between 2009-2013 considering SCG's recorded costs have remained relatively stable over the last five years.
  - e. SCG forecasts \$9.413 million for its Segment Services in TY 2016, which is \$2.894 million over 2013 recorded adjusted expenses. On page ADA-56 Table 12, SCG shows costs for incremental funding of \$2.562 million. Provide documentation that explains the



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**Question 21e (Continued)**

forecast activities and shows the calculation breakdown for the \$0.332 million (the difference between the \$2.894 million and \$2.562 million).

- f. Provide documentation that explains in detail if the same or similar activities as the ones shown on page ADA-56 are currently being performed and related costs incurred by CS-I FTEs (i.e., performing market research, preparing communication and promotional materials, preparing educational and outreach materials associated with My Business, employee travel, development and implementation costs, etc.).
- g. Provide documentation that shows the costs incurred during 2009-2013 for market research, communication and promotional materials, educational and outreach materials associated with My Business, employee travel and other expenses, development and implementation costs, etc.
- h. On page ADA-56, SCG's Table 12 shows lump sum figures that total its forecast of \$2.562 million. SCG's testimony and workpapers are insufficient and incomplete to justify incremental funding of 44.39%. Provide all supporting documentation and the basis for each number used in the calculation of the forecast expenses (i.e., the documentation that demonstrates the individual breakdown of all costs included in each estimate along with source documentation).
- i. Provide documentation that explains in detail if the forecast costs of \$2.562 million shown in SCG's Table 12 on page ADA-56 are the total costs for each of the proposed projects or are the costs listed the amount that will be incurred annually for a total forecast of \$7.686 million over three years.
- j. Regarding activities performed by FTEs in SCG's Residential Market Services and its Clean Energy Builder Services, SCG states on pages ADA-51 and ADA-50 that these two groups perform data analytics to define customer needs and expectations and that these activities are "complementary to, but not duplicative of the market research performed by the Customer Engagement & Insights group." Provide the documentation that specifically shows all FTEs, recorded costs (2009-2013) and identifies all projects, programs, and activities for SCG's Residential Market Services, Clean Energy Builder Services, and Customer Engagement & Insights group that had costs that were considered "complementary to, but not duplicative of the market research performed by the Customer Engagement & Insights group."

**SoCalGas Response 21:**

- a. On Ex. SCG-12, page ADA-46 Table 11, the incremental funding of \$217,000 indicates expenses for expanded or additional activities over the 5-year historical average base forecast's existing core activities (core activities as described in testimony, Ex. SCG-12, Section II.D.1.a). The \$60,000 is the difference from 5-year historical average base forecast and 2013 base year expenses incurred. See attachment provided in question 1b for a summary break down of the 5-year historical base forecast, 2013 base year expenses incurred, and forecasted TY 2016 expenses at workpaper level.

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**SoCalGas Response 21a (Continued)**

Please see Data Request response 1.a., 1.b. and Ex. SCG-12 “Forecast” subsections in II.B.2., II.C.2., II.D.1.b., II.D.2.b., III.B.2, for further explanation regarding SoCalGas’s forecast methodology for CS-I.

- b. Commission orders that would drive incremental activities described in testimony were not issued in 2013 or after 2013. For example, the Southern California Edison Local Capacity Requirements Request for Offer (SCE LCR RFO) for new generation was approved in February 2013 and the RFO was not issued until September 12, 2013. The Commission resolution approving the CA Producer interconnection decision implementation advice letter was not approved until December 2013, and the decision implementing the AB 1900 Biomethane implementation tasks in R.13-02-008, was not issued until after 2013. Energy Markets responded to CA Producer, biogas producer, large EG and EOR inquiries that were anticipating final decisions in these proceedings or acting on expectation of sustained high oil prices with existing resources.
- c. Please see SoCalGas’ response to question 21.b above.
- d. Please see SoCalGas’ response to question 21.b above.
- e. On Ex. SCG-12, page ADA-56 Table 12, the incremental funding of \$2.562 million indicates expenses for expanded or additional activities over the 5-year historical base forecast’s existing core activities. The \$0.332 million is the difference from 5-year historical base forecast and 2013 base year expenses incurred for core activities (core activities as described in testimony, Ex. SCG-12, Section II.D.2.a). Please see attachment provided in 1b for a summary break down of the 5-year historical base forecast, 2013 base year expenses incurred, and forecasted TY 2016 expenses at workpaper level.

Please see Data Request response 1.a., 1.b. and Ex. SCG-12 “Forecast” subsections in II.B.2., II.C.2., II.D.1.b., II.D.2.b., III.B.2, for further explanation regarding SoCalGas’s forecast methodology for CS-I.

- f. With respect to Ex. SCG-12, Table 12, ADA-56, “Small/Medium Business Support Services”, no activities are currently being performed, nor related costs incurred by CS-I FTEs for market research, communication and promotional materials, travel and trade show expenses, and education and outreach material to support promotion of the My Business portal. The My Business portal is a new service with an anticipated first release expected in April 2015, with additional phases to continue providing further enhancements.

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The 2009-2013 SoCalGas historical expenses do not include dedicated FTEs for a Small/Medium Business Support Services subgroup. See Ex.SCG-12, Table 9, ADA-39: currently there are dedicated Account Representatives (and other Advisor and Project Manager roles) to support Energy Markets, Select Industry, Geographically Assigned Commercial & Industrial Customers, and (as of mid-2013) the growth of a dedicated subgroup of FTEs to support Residential, Home Builders, and Developers. Geographically Assigned Commercial & Industrially Customer Account Representatives support Small/Medium Business customers on a reactionary basis. The Small/Medium Business Support Services incremental request is to provide proactive support to this customer segment (see Ex. SCG-12, Section II.D.2.c for further detail).

- g. No costs were incurred. For further explication, please see SoCalGas' response to question 21f above.
- h. SoCalGas's forecast of \$2.562 million incremental is 37.55% over the 5-year base average expenses (\$6,822) of labor and non-labor combined.

Please see SoCalGas' response to question 8 above for supporting documentation and the basis for each number used in the calculation of the forecast non-labor expenses (documentation that demonstrates the individual breakdown of costs included in each estimate along with source documentation).

Please see SoCalGas' response to question 6 above for supporting documentation and the basis for each number used in the calculation of the forecast labor expenses.

- i. In Ex.SCG-12, Table 12, \$2.562 million are the forecasted total costs of the incremental Segment Services activities presented as incurred annually.
- j. Residential Market Services and Clean Energy Builder Services are responsible for managing their respective customer segments and developing market strategies. These activities entail utilizing numerous data sources for analysis to define customer needs and expectations. This includes, but is not limited to, requesting Customer Engagement & Insights to provide: internal operational data, external/public data, primary and secondary customer research to Residential Market Services and Clean Energy Builder Services as a business owner/client (see Ex.SCG-12, page ADA-B-1). Residential Market Services and Clean Energy Builder Services aggregate this data to develop/ create/ enhance/ improve programs and services that meet customer needs and drive engagement.

In comparison, Customer Engagement & Insights are responsible for developing and executing primary quantitative and qualitative customer research for internal stakeholders

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(see Ex.SCG-12, page ADA-B-1). This includes, but is not limited to, working with outside research suppliers in designing research scope, developing the questionnaire/moderator's guide, determining the target sample, oversee data collection and report writing. Findings from these activities are one of many data inputs used by the Residential Market Services and Clean Energy Builder Services team.

Please see attached file ORA-SCG-DR-042-TLG-21j Attachment.xlsx that provides the historic recorded non-labor and labor cost details for Residential Services and Builder Services. Research specifically commissioned to support Residential Services and Builder Services are costs incurred by Residential Services and Builder Services as business owners/clients of Customer Engagement & Insights. The one exception when Residential Services and Builder Services do not incur research costs from Customer Engagement & Insights is when Residential and Builder Services seek existing research or data already available in-house which is managed and made available by Customer Engagement & Insights.