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**SOUTHERN CALIFORNIA GAS COMPANY
ADVANCED METERING INFRASTRUCTURE
REBUTTAL TESTIMONY**

**CHAPTER 3
SOCALGAS AMI DEPLOYMENT PLAN, COSTS,
AND OPERATIONAL BENEFITS**

**Prepared Rebuttal Testimony
of
Mark L. Serrano**

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

May 7, 2009

TABLE OF CONTENTS

| | | |
|--------------|--|-----------|
| I. | BACKGROUND..... | 2 |
| II. | INTRODUCTION..... | 2 |
| III. | AVOIDED METER READER COST BENEFITS..... | 3 |
| | A. All parties agree that SoCalGas’ meter reading costs are low..... | 4 |
| | B. SoCalGas’ AMI cost/benefit analysis assumes that, in the absence of an approved AMI decision, meter reader compensation will return to market levels by 2016..... | 5 |
| | C. Union Negotiation Summary..... | 5 |
| | D. The new union labor agreement will increase AMI meter reading benefits by approximately \$5.5 million during the deployment period. | 8 |
| | E. Hypothetically, if SoCalGas were to assume the current part-time meter reader workforce were not to convert to full-time in 2016, the new union labor agreement is estimated to increase AMI benefits by \$65.7 million over the 26-year analysis period..... | 9 |
| | F. Summary | 9 |
| IV. | DEPLOYMENT DELAY IMPACTS..... | 11 |
| | A. DRA’s argument that SoCalGas AMI deployment will be delayed is hypothetical and fails to properly differentiate the SoCalGas AMI project from the AMI projects at California’s electric utilities..... | 11 |
| | B. DRA’s argument that potential AMI deployment delays will reduce benefits is not substantiated | 12 |
| | C. DRA’s calculation that a 4 percent downward adjustment is equal to \$33.4 million in present value is flawed. | 13 |
| V. | GAS AMI METER MODULE FAILURE COSTS..... | 14 |
| | A. Gas AMI Meter Module Failure Rates..... | 14 |
| | B. Expert Opinion on Battery Life..... | 16 |
| | C. Each of the AMI technology vendor products should satisfy SoCalGas’ 20-year battery life requirement..... | 16 |
| | A. Gas AMI Meter Module Warranty | 16 |
| | B. Cost to Replace Gas AMI Meter Modules that Fail | 17 |
| | C. Drive Time Costs..... | 18 |
| | D. If DRA believes additional travel time should be added to costs, then it is appropriate to also add it to benefits | 19 |
| VI. | OFFSET TO WORK DONE DURING DEPLOYMENT BENEFITS | 20 |
| | A. TURN’s understanding of SoCalGas’ “normal practices for replacing meters” is wrong | 21 |
| | B. SoCalGas is not replacing meters due to their age but due to other factors | 22 |
| | C. Accelerated Meter Replacements | 22 |
| | D. Retrofitting older meters likely to be replaced shortly after conclusion of AMI deployment is not cost effective and needlessly inconveniences customers..... | 24 |
| | E. TURN’s foundational meter information is no longer accurate | 24 |
| VII. | AS TRANSMISSION & DISTRIBUTION BENEFITS..... | 24 |
| | A. If AMI data causes SoCalGas to advance construction of a capacity project, it does not make AMI a net cost to ratepayers | 25 |
| | B. The methodology used by SoCalGas for estimating the benefits AMI will provide for pipeline capacity planning is consistent with that applied by PG&E in its AMI Application | 25 |
| VIII. | PRESSURE MONITORING BENEFITS | 26 |
| | A. TURN’s recommendation to reduce pressure monitoring benefits downward should not be adopted. TY2008 GRC information provided by SoCalGas has been misinterpreted by TURN, and there is TY2008 GRC testimony contradicting TURN’s claims | 27 |
| IX. | FACILITIES BENEFITS..... | 28 |

| | | |
|-------------|--|-----------|
| A. | SoCalGas’ estimate of the facilities benefits from AMI of approximately \$15 million may be understated..... | 30 |
| X. | ELECTRONIC BILL PRESENTMENT AND PAYMENT BENEFITS | 32 |
| XI. | CUSTOMER SERVICES FIELD ORDER BENEFITS | 33 |
| A. | SoCalGas policy and practices are constrained by Commission directive..... | 33 |
| XII. | CONCLUSION | 34 |

1 **I. BACKGROUND**

2 The purpose of this testimony is to respond to the prepared direct testimony submitted by
3 several intervening parties to Southern California Gas Company's (SoCalGas') Advanced
4 Metering Infrastructure (AMI) proceeding, A.08-09-023. I address recommendations, assertions
5 and analysis contained in the prepared testimonies of the California Public Utilities
6 Commission's (CPUC's or Commission's) Division of Ratepayer Advocates (DRA), The Utility
7 Reform Network (TURN) and the Utility Workers Union of America (UWUA) filed on April 23,
8 2009.

9 Specifically, this testimony will address issues raised by the above intervening parties
10 regarding Chapter III, SoCalGas AMI Deployment Plan, Costs and Operational Benefits; Errata
11 to Prepared Direct Testimony and Prepared Direct Supplemental Testimony.

12 **II. INTRODUCTION**

13 DRA, TURN and UWUA have made several claims or assertions that are not factually
14 based and/or contrary to the evidence SoCalGas has presented in Errata, Prepared Direct
15 Testimony, Supplemental Testimony or herein, Rebuttal Testimony.

16 DRA, TURN and UWUA are incorrect or draw flawed conclusions in several instances
17 of their prepared testimony. This testimony will address the following subjects raised by DRA,
18 TURN or UWUA:

- 19 1. Meter reader cost benefits should **NOT** be reduced \$48.4 million – DRA, TURN &
20 UWUA;
- 21 2. Hypothetical project delays should **NOT** reduce benefits or increase costs \$33.4 million –
22 DRA;
- 23 3. Gas AMI meter module maintenance costs will **NOT** increase \$45.9 million, \$3.0 million
24 during the deployment period – DRA & UWUA;
- 25 4. Offset to Work Done During Deployment benefits should **NOT** be reduced \$14.2 million
26 – TURN;

- 1 5. Gas Transmission & Distribution benefits should **NOT** be reduced \$1.6 million – TURN;
- 2 6. Electronic Pressure Monitoring benefits should **NOT** be reduced \$3.2 million –TURN;
- 3 7. Facilities benefits should **NOT** be reduced \$6.0 – \$7.1 million – TURN
- 4 8. Electronic Bill Presentment & Payment benefits should **NOT** be reduced \$3.9 million –
- 5 DRA;
- 6 9. Customer Services Field benefits for Gas-On Turn-On orders (\$220.6 million) and
- 7 Change-of-Account orders (\$72.2 million) should **NOT** be eliminated – DRA.

8 This testimony is based upon the costs and benefits SoCalGas expects to incur over a
9 period spanning approximately twenty-six years (2009 – 2034). The costs and benefits are based
10 upon reasonable assumptions and thorough analysis. SoCalGas’ conclusions are reasonably
11 accurate and representative of the impact AMI is anticipated to have upon operations.

12 **III. AVOIDED METER READER COST BENEFITS**

13 SoCalGas’ AMI cost/benefit analysis includes \$48.4 million (Present Value of Revenue
14 Requirement, or “PVRR”) in benefits associated with avoiding future meter reading workforce
15 cost increases because the current meter reading cost structure is not sustainable absent AMI
16 implementation. All three interveners propose to eliminate these benefits. TURN states,
17 “SoCalGas’ has artificially inflated AMI meter reading benefits by close to \$48.4 million
18 (PVRR).”¹ The testimony of UWUA mischaracterizes SoCalGas testimony in stating,

19 “In its errata filing SoCalGas has misled the Commission about the status of its
20 meter reading workforce and changed its estimate of operational benefits
21 associated with a conversion from part-time meter readers to full-time meter
22 readers that is not reflected in any agreement with the unions.”²

23 SoCalGas agrees with TURN’s assertion that SoCalGas has had “...some of the lowest
24 meter reading costs of any utility in the entire country.”³ While SoCalGas cannot confirm

26 ¹ TURN, p. 1

27 ² UWUA, p. 19, lines 24-27

28 ³ TURN, p 10

1 DRA’s statement, “SoCalGas’ cost per meter read is approximately 25 percent lower than the
2 average of PG&E, SCE, and SDG&E”⁴, it does not dispute that DRA’s conclusion is plausible.

3 SoCalGas participated in Customer Services benchmarking studies in 2005 and 2007.
4 Both study results indicated that SoCalGas’ manual meter reading costs were low compared to
5 those at other utilities.⁵

6 In 2006, a report commissioned by SoCalGas and DRA for SoCalGas’ TY2008 GRC
7 concluded that total meter reader compensation is significantly below market. The Hewitt
8 Associates Total Compensation Study Report dated July 21, 2006 compared the total
9 compensation of numerous positions within 27 utilities, including that of meter readers (part-
10 time and full-time). Study results indicated that SoCalGas meter reader base compensation is
11 well below market.⁶

12 **A. All parties agree that SoCalGas’ meter reading costs are low**

13 DRA, TURN and UWUA have failed to recognize the key driver behind SoCalGas’ low
14 meter reading costs. The key driver is that meter reader wage rates are well under market, a
15 wage structure that is not sustainable. SoCalGas negotiated the wage structure, as well as
16 shifting the entire meter reading workforce to part-time status, several years ago when it
17 appeared that automated meter reading was imminent. With a part-time workforce, SoCalGas
18 would be better positioned to eliminate meter reader positions as automated meter reading was
19 installed.

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24 ⁴ DRA, p. 6-5

25 ⁵ In the 2005 study, the SoCalGas “expense per manual meter read” was fourth lowest of 32 panel utilities and less
26 than 50% the utility average. In the 2007 study, the SoCalGas “expense per manual meter read” was second
27 lowest of 21 panel utilities and approximately 30% less than the utility average.

28 ⁶ Representatives of Sempra Energy and the Division of Ratepayer Advocates (“DRA”) of the California Public
Utilities Commission (“Commission”) engaged Hewitt Associates to conduct a competitive analysis of SoCalGas
total compensation levels. The study was conducted in conjunction with SoCalGas’ TY2008 GRC submittal.

1 **B. SoCalGas’ AMI cost/benefit analysis assumes that, in the absence of an**
2 **approved AMI decision, meter reader compensation will return to market**
3 **levels by 2016**

4 To estimate the associated cost increases (to bring meter reader wages to market levels)
5 for the AMI analysis, SoCalGas made the assumption that its part-time meter readers would
6 become full-time, rather than simply increasing total meter reader compensation to market levels.
7 This approach was used because operating efficiencies make a full-time meter reader workforce
8 more cost effective than a part-time workforce if there are no differences in their total
9 compensation.

10 SoCalGas believes this is a valid assumption for two reasons. First, if the Commission
11 rejects SoCalGas’ AMI proposal, the major premise underlying the part-time meter reading work
12 force (and less-than-market wages) vanishes. While DRA indicates SoCalGas can simply file
13 another application in 2012, the practical effect of rejecting this application is that the
14 Commission will have cast doubts on whether a SoCalGas AMI project will ever be approved.

15 Second, in the situation described above, SoCalGas believes that the union will push to
16 raise meter reader pay, and particularly push to eliminate part-time meter readers. While this
17 will be a matter of negotiation, the pay and benefits for part-time meter readers remains a focus
18 of the union. The union’s continued push for pay and benefit increases for meter readers, and the
19 resulting meter reading cost increases are substantiated in the following “union negotiation
20 summary.” This summary is presented to help the Commission understand why the benefits
21 associated with avoiding future workforce cost increases are real and why, in the absence of
22 AMI, SoCalGas ratepayers would likely incur future costs of approximately \$48.4 million
23 (“PVRR”).

24 **C. Union Negotiation Summary**

25 In the late 1990’s, SoCalGas reduced its meter reading costs when it created a fully part-
26 time meter reader workforce in anticipation that meter reading would soon be automated. In the
27
28

1 absence of an approved plan to automate its meter reading function, SoCalGas' rationale for
2 using a part-time workforce evaporates.

3 Ever since the part-time workforce was created, SoCalGas' labor unions have argued to
4 increase meter reader compensation and create full-time meter reader positions. Attached as
5 Attachment III-1 is a timeline that summarizes the changes to SoCalGas' meter reading
6 operations impacting costs over the past 10 years. A narrative description of the union
7 negotiations that lead to those changes follows.

8 **1999-2002**

9 During union contract negotiations covering the period from 1999 - 2002, the
10 unions' bargaining position included the following assertions:

- 11 ○ "All provisions of this collective bargaining agreement, including pay,
12 benefits and working conditions, except as otherwise stated in this Letter
13 of Agreement apply to part-time employees in the same manner as full-
14 time employees."
- 15 ○ "Part-time employees shall be eligible for prorated sick leave and vacation
16 benefits... may elect coverage for themselves and their dependents under
17 the Company's medical plans, dental plans, vision plans, and life
18 insurance coverage at the same rate as full-time employees... be eligible
19 to become members of the Retirement Plans and Savings Plan..."
- 20 ○ "Any position occupied by part-time employees who accumulate 1560
21 hours in any one (1) year period, shall become a full-time position..."

22 As a result of negotiations, part-time meter readers became eligible for medical benefits
23 after working two consecutive years. SoCalGas made concessions in other areas of the
24 collective bargaining agreement so it could defer increases in meter reader compensation. (See
25 Attachment III-2)

1 **2002-2005**

2 During union contact negotiations covering the period from 2002-2005, the unions’
3 negotiating position was that the meter reading workforce should revert to “the way it was
4 before” 1998, when the SoCalGas meter reader workforce became fully part-time. The union
5 sought to increase the number of full-time meter readers, raise wages for all meter readers,
6 provide medical benefits, dental benefits, vacation time and sick time to part-time meter readers.

7 As a result of these negotiations, SoCalGas created 100 full-time meter reader positions.
8 Incumbents received the same complement of benefits as all other full-time union represented
9 employees. Part-time meter readers also began receiving paid Personal Business time off. (See
10 Attachment III-3)

11 **2005-2008**

12 During union contract negotiations covering the period from 2005-2008, the unions’
13 negotiating position was to increase the number of full-time meter reader positions and wage
14 rate. The unions also sought increases to part-time meter reader wages and benefits.

15 As a result of these negotiations, SoCalGas was successful in limiting the number of full-
16 time meter readers to the 100 agreed upon in the 2002-2005 Labor Agreement, although it added
17 about 20 more full-time meter reader positions for the drive-by Remote Automated (RAMR)
18 Meter Reading project. In 2008, SoCalGas had an average of 110 full-time meter reader
19 positions.⁷ SoCalGas increased full-time meter reader base pay by over 25% (from \$15.24/hour
20 to \$19.00/hour) while part-time meter reader base pay increased about 7% (from \$15.24 to
21 \$16.25/hour) over the 3-year period.

22 Prior to the most recent union contract negotiations covering the period from 2008-2011,
23 SoCalGas informed its labor unions that it would submit to the Commission its AMI
24 Application. Both parties agreed to discuss workforce implications after a 2008-2011 Labor
25 Agreement was reached. (See Attachment III-4)

26 _____
27 ⁷ In calculating full-time meter reader positions, SoCalGas does not include position vacancies. The meter reader
28 vacancy factor is impacted by the employee turnover rate, which is greater than it is for the other jobs at SoCalGas.

1 **2008-2011**

2 During the most recent union contract negotiations, which were completed earlier this
3 year, the unions’ negotiating position was that SoCalGas should “cap the part-time workforce at
4 current levels, create an additional 200 full-time meter reader positions within 60 days of
5 contract ratification, and not be allowed to lay off any employees due to implementation of new
6 technology.” (See Attachment III-5) Additionally, the unions asserted that SoCalGas should
7 “extend all aspects of the collective bargaining agreement to part-time employees upon
8 completion of 520 cumulative hours of service.” (See Attachment III-5)

9 Employee ratification of the current Labor Agreement did not occur easily. In the final
10 Agreement, both full-time and part-time meter reader wages increased a total of 10.5% over the
11 3-year contract period. Additionally, part-time meter readers received accelerated medical
12 benefits (after working twelve months instead of two years), as well as dental and vision benefits
13 for the first time. (See Attachment III-5)

14 **D. The new union labor agreement will increase AMI meter reading benefits
15 by approximately \$5.5 million during the deployment period.⁸**

16 The recent labor contract did not satisfy all the unions’ demands regarding meter reader
17 compensation. Total compensation, however, increased considerably from what was used in
18 SoCalGas’ AMI analysis. Although union contract periods are uncertain, SoCalGas expects to
19 engage in at least two union contract negotiations prior to 2016.

20 Whereas the SoCalGas AMI analysis was based upon forecast labor rate increases of
21 2.4%, 2.6% and 2.5% in 2009, 2010 and 2011 respectively, the latest union Labor Agreement
22 increased labor rates by 3.5% each of these three years. Based upon these changes, SoCalGas
23 meter reader costs (or benefits attributable to AMI) are estimated to increase by \$2.5 million
24 during the AMI deployment period.⁹

25
26 _____
27 ⁸ Undiscounted (loaded, escalated and taxed) labor costs

28 ⁹ Undiscounted (loaded, escalated and taxed)

1 In addition to the aforementioned change in meter reader labor rates, the recent SoCalGas
2 Labor Agreement gave part-time meter readers accelerated medical benefits and new dental and
3 vision benefits. These changes increase the part-time meter reader benefits loader to 9.98%, an
4 increase of over 200% from the 3.28% applied in the SoCalGas AMI analysis. Doing so is
5 estimated to increase AMI deployment period (2011-2015) benefits by approximately \$3.0
6 million.¹⁰

7 **E. Hypothetically, if SoCalGas were to assume the current part-time meter**
8 **reader workforce were not to convert to full-time in 2016, the new union**
9 **labor agreement is estimated to increase AMI benefits by \$65.7 million over**
10 **the 26-year analysis period**¹¹

11 As previously stated, the latest union Labor Agreement increased labor rates by 3.5% in
12 2009, 2010 and 2011 compared to the SoCalGas AMI analysis forecast of 2.4%, 2.6% and 2.5%
13 in years 2009, 2010 and 2011 respectively. Additionally, the part-time meter reader benefits
14 loader increased to 9.98%. If SoCalGas were to continue to operate with a part-time meter
15 reader workforce during both the deployment and post-deployment periods, SoCalGas' meter
16 reading costs would be approximately \$65.7 million greater than stated in SoCalGas' Errata to
17 Prepared Direct Testimony. This change would result in a corresponding increase to AMI
18 benefits.

18 **F. Summary**

19 In the event that the SoCalGas AMI application is not approved by the Commission,
20 manual meter reading at SoCalGas will no longer be viewed as short-term. As such, SoCalGas
21 expects that over time, meter reader compensation will rise to market levels, or the equivalent of
22 today's full-time meter readers. SoCalGas will be ill-positioned to object to ongoing union
23 demands that "All provisions of the collective bargaining agreement, including pay, benefits and
24 working conditions... apply to part-time employees in the same manner as full-time employees."
25 (See Attachment III-5)

26 _____
27 ¹⁰ Ibid

28 ¹¹ Ibid

1 SoCalGas' explanation as to why its current meter reading costs are low relative to other
2 utilities, and why in the absence of an approved AMI Application SoCalGas expects its meter
3 reader compensation will increase to "market" addresses the following intervenor statements:

- 4 • "DRA finds that SoCalGas' use of a hypothetical full-time meter-reader labor force as
5 the basis to estimate operational benefits is not credible and should be rejected."¹²
- 6 • "SoCalGas artificially inflates its meter reading benefits by assuming that in 2016 it
7 will convert its current meter reading workforce from its current split of 90% part-time
8 employees/10% full-time employees to a meter reading workforce that is comprised
9 of 100% full time employees (SCG-3, p. 29). This assumption does not reflect the
10 makeup of its past meter reading workforce nor its current meter reading workforce
11 and runs counter to a 2004 utility study (discussed later) concluding that a full-time
12 meter reading workforce would inappropriately increase its operating costs."¹³
- 13 • "SoCalGas claimed that its current part-time metering readers would shortly become
14 full-time meter readers due to the impact of current negotiations with its unions."¹⁴

15 These DRA, TURN and UWUA statements are not based upon reality. In the absence of
16 an approved AMI Application, SoCalGas has demonstrated how and why its meter reading costs
17 will likely change. Indeed, whereas DRA, TURN and UWUA argue that SoCalGas has
18 artificially inflated its meter reading costs by \$48.4 million (PVRR) or \$198 million,¹⁵ if
19 SoCalGas were to retain a part-time meter reader workforce, the most recent union labor
20 agreement has already increased SoCalGas' costs (and AMI benefits) by \$78.7 million over the
21 AMI deployment and post-deployment periods. Approximately \$65.7 million of these costs are
22 in Meter Reading and \$13.0 million is in other departments with union-represented employees.¹⁶

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24
25 ¹² DRA, p. 6-3

26 ¹³ TURN, p. 14

27 ¹⁴ UWUA, p. 14

28 ¹⁵ Undiscounted (loaded, escalated and taxed)

¹⁶ Includes the Customer Services Field, Billing, the Customer Contact Center departments

1 While the current labor agreement did not entirely close the gap between meter reader
2 compensation and market, it narrowed it considerably, and SoCalGas expects to negotiate two
3 more collective bargaining agreements prior to 2016. The Commission should reject the
4 arguments of DRA, TURN and UWUA regarding the AMI benefits related to changes in the
5 meter reading workforce.

6 **IV. DEPLOYMENT DELAY IMPACTS**

7 DRA suggests that SoCalGas will experience AMI deployment delays that will, “result in
8 delays in expected operational benefits and cause an overall reduction in the Present Value
9 Revenue Requirement (“PVRR”) of AMI operational benefits.”¹⁷ DRA then recommends what it
10 calls, “a conservative downward adjustment of 4% in SoCalGas’ estimated operational benefit,
11 based upon a likely six-month delay of its December 31, 2015 date for full AMI deployment.”¹⁸
12 DRA calculates a 4 percent downward adjustment is equal to \$33.4 million in present value.

13 DRA asserts that SoCalGas will experience AMI implementation delays because, “AMI
14 implementation delays have become common. The AMI projects of PG&E, SDG&E, and SCE
15 have all experienced implementation delays for various reasons discussed below.”¹⁹ DRA then
16 goes on to cite issues PG&E had with its electric metering system and that PG&E encountered
17 when implementing Critical Peak Pricing. DRA cites delays at SCE due to meter data
18 management system (MDMS) scalability and home area network (HAN) security issues. DRA
19 also sites a deployment delay at SDG&E forecast to reduce the number of electric meter
20 installations to be completed in 2009 from 700,000 to 200,000 meters.

21 **A. DRA’s argument that SoCalGas AMI deployment will be delayed is** 22 **hypothetical and fails to properly differentiate the SoCalGas AMI** 23 **project from the AMI projects at California’s electric utilities**

24 DRA cites PG&E’s July 2008 Semi-Annual Assessment Report that indicated “*As of*
25 *June 2008, PG&E had installed only 742,000 meters.*” DRA might have also stated that just 9

26 ¹⁷DRA, p. 6-6, dated April 23, 2009.

27 ¹⁸DRA, p. 6-9, dated April 23, 2009.

28 ¹⁹DRA, p. 6-6, dated April 23, 2009.

1 months later, at the end of the first quarter of 2009, PG&E had deployed 2.3 million meters.
2 SoCalGas contacted PG&E and found that of the 2.3 million meters deployed, over 1.7 million
3 were gas AMI meters (See Attachment III-6). Clearly, PG&E's gas AMI deployment project –
4 the AMI project that most closely parallels that proposed by SoCalGas – is progressing rapidly.

5 DRA fails to distinguish the differences between the SoCalGas AMI project and those at
6 SCE and SDG&E where “new-to-market” electric AMI meters (and in the case of SDG&E gas)
7 and communication technology is being deployed. Second, DRA overlooks the fact that many of
8 the Information Technologies (IT) personnel who will work to integrate the SoCalGas AMI
9 systems with its legacy systems will benefit from the experience they gained implementing AMI
10 at SDG&E. And third, in calculating the impact of a potential 6-month SoCalGas AMI
11 deployment delay, DRA fails to recognize that there would also be a delay in when SoCalGas
12 field deployment costs would be incurred.

13 This last point is particularly important. As SoCalGas witness Mr. Fong states in his
14 testimony, to fully analyze the impacts of a delay, both operational benefits and the associated
15 field installation and deployment costs would also need to be delayed in the analysis. The DRA
16 computation is flawed because embedding a delay in benefits without a comparable delay in
17 costs is essentially penalizing the PVRR twice for the same delay. The costs of potential delays
18 are covered in the 10% contingency and therefore have already lowered the PVRR net benefits.

19 **B. DRA's argument that potential AMI deployment delays will reduce**
20 **benefits is not substantiated**

21 DRA states, “As experienced by PG&E, SDG&E and SCE, even a slight setback in the
22 AMI deployment schedule results in a reduction in projected benefits and a corresponding
23 increase in costs.”²⁰ Yet DRA provides no evidence that utility benefits decrease as a result of
24 deployment delays. DRA cites PG&E project delays as an example of how costs can increase,
25
26

27 ²⁰DRA, p. 6-9, dated April 23, 2009.
28

1 (cost increases primarily due to changes to its electric AMI metering technology), but is silent
2 when it comes to benefits.

3 DRA states in its testimony, “Although much of the above discussion of the delays in the
4 AMI projects of PG&E, SDG&E and SCE is linked to electric meters and home area networks,
5 DRA believes that the IT, meter data management, and systems integration issues are
6 representative of problems all AMI projects encounter.”²¹ DRA fails to explain how the benefits
7 SoCalGas ratepayers will realize could be impacted due to any IT, meter data management, or
8 systems integration issues. If unexpected installation delays were to occur, SoCalGas ratepayers
9 will still realize the expected operational benefits. Those operational benefits are effective 5
10 months after the installation and operation of the AMI gas meter module.

11 The project contingency SoCalGas requested (and included in its analysis) will account
12 for unforeseen costs that could be incurred due to delays occurring during deployment. It would
13 be duplicative to also reduce the benefits that will be realized due to AMI deployment. The
14 testimony of SoCalGas witness Mr. Fong describes SoCalGas’ proposed sharing mechanism, and
15 how it provides an incentive for SoCalGas to stay on schedule and minimize costs.

16 **C. DRA’s calculation that a 4 percent downward adjustment is equal to \$33.4**
17 **million in present value is flawed.**

18 If SoCalGas were to experience a delay due to issues such as those described by DRA,
19 the deployment of field technology would also be delayed, as would the associated costs. Such
20 delays would not reduce the useful life of the AMI system. The benefits to ratepayers might
21 begin a little later in time, but they would also extend a little later in time.

22 The SoCalGas AMI deployment schedule is reasonable and achievable, although some
23 degree of acceleration or compression of gas module retrofits would be possible if the actual start
24 date for installations is delayed. Although the AMI technologies are very different from those at
25

26
27

²¹Ibid
28

1 SCE and SDG&E and at PG&E for electric metering, SoCalGas will benefit from “lessons
2 learned” during the AMI deployments at the other California utilities.

3 DRA’s recommendation that the Commission adjust SoCalGas AMI benefits downward
4 by 4 percent is unfounded, and its calculation that a six-month delay would reduce benefits by
5 approximately \$33.4 million in present value is flawed.

6 **V. GAS AMI METER MODULE FAILURE COSTS**

7 **A. Gas AMI Meter Module Failure Rates**

8 The DRA and UWUA position that the gas AMI meter module failure rates used in the
9 SoCalGas AMI analysis are *underestimated* is unsupported and incorrect. If anything, SoCalGas
10 may have *overestimated* the failure rates it is likely to experience in the last four years of the gas
11 AMI meter modules’ useful life.

12 DRA states, “SoCalGas’ chosen failure rate over time does not simulate a normal
13 bell curve distribution. Instead, SoCalGas employs a flat 0.5% failure rate for the
14 first 16 years, a 0.75% failure rate for years 17 and 18 and a 1% failure rate for
15 years 19 and 20. This may overstate the failure rate in early years but leave
16 ratepayers seriously vulnerable in late years. It also falls well short of the average
17 annual 1% meter failure rate used most recently by SDG&E in its AMI
18 proceeding.”²²

19
20 DRA references SDG&E testimony and workpapers regarding electric module failure
21 rates. The testimony of SDG&E witness Mr. Carranza pertaining to gas meter module failure
22 rates states, “*Incremental gas operations and maintenance costs include the labor, materials and*
23 *vehicle costs related to AMI communication module failures, at a rate **less than 1%**”²³ (emphasis*

24
25
26 ²² DRA, p. 4-8, lines 7-12

27 ²³ Application 05-03-015, Chapter 12, Gas modules, meter& module installations, July 14, 2006 Amendment, page
28 JLC-6, line 32 through JLC-6, line 3. Reference Attachment III-7

1 added). The workpapers of Mr. Carranza state SDG&E’s assumption regarding the AMI
2 communication module “*Assume .8 module failure rate per **RFP responses***”²⁴ (emphasis added).

3 SoCalGas does not find fault in SDG&E’s testimony or analysis. SDG&E used
4 information provided to it by the vendors who responded to its AMI technology Request for
5 Proposals (RFP). If SoCalGas was consistent with SDG&E, and had estimated its failure rates
6 solely upon AMI vendor responses to its RFP, SoCalGas would have forecast a flat 0.5% AMI
7 meter module failure rate for the 20-year useful life. Instead, SoCalGas estimated greater failure
8 rates the last four years of AMI meter module life. Had SoCalGas used a flat 0.5% AMI meter
9 module failure rate for the full 20-year useful life, SoCalGas costs would have been \$35.5
10 million²⁵ or \$3.9 million²⁶ less than the \$39.4 million²⁷ estimated in its analysis.

11 DRA continues, “There is evidence from other utilities that have relied on battery-
12 powered gas meter modules that such a failure rate will significantly exceed the estimates relied
13 upon by SoCalGas in its Application,”²⁸ but provides no references that cite greater failure rates
14 at other utilities. UWUA agrees, “The gas meter module being used by AMI will require a
15 battery to send data to the utility and then for the utility to transmit the data back to the
16 customer’s in-home display, resulting in a significant increase in the use of the battery and a
17 decrease in the operational life of the battery.”²⁹

18 The first half of UWUA’s statement “The gas meter module being used by AMI will
19 require a battery to send data to the utility” is true - and is what the battery is designed to do,
20 while the remainder “...and then for the utility to transmit the data back to the customer’s in-
21 home display, resulting in a significant increase in the use of the battery and a decrease in the
22 operational life of the battery” is not true.

23
24 _____
24 ²⁴ Application 05-03-015, Chapter 12 workpapers, Yearly maintenance costs tab, upper left hand corner

25 ²⁵ In direct 2008 dollars

26 ²⁶ Ibid

26 ²⁷ Ibid

27 ²⁸ UWUA, p. 5, lines 1-6

27 ²⁹ UWUA, p. 10, lines 15-18

1 **B. Expert Opinion on Battery Life**

2 To address the concerns expressed by presiding Judge Hecht, SoCalGas prepared and
3 submitted Supplemental Testimony pertaining to battery life and testing on February 11, 2009.
4 In an effort to further understand the matters of interest to ALJ Hecht, SoCalGas hired
5 Tavormina and Associates, Inc. (TAV) to conduct a technical review of gas AMI meter module
6 battery life projections supplied by prospective vendors. The Tavormina and Associates, Inc.,
7 AMI Battery Life Evaluation, dated May 4, 2009 is attached as Attachment III-8.

8 **C. Each of the AMI technology vendor products should satisfy SoCalGas’
9 20-year battery life requirement**

10 TAV reviewed the battery life projections supplied to SoCalGas by the involved AMI
11 technology vendors. TAV validated vendor modeling results were correctly predictive of a 20-
12 year battery life. As a result of its more rigorous analysis, TAV concluded that each of the AMI
13 technology vendor products show projected battery life of 20 years or more.

14 The TAV battery life analysis was based upon the gas AMI meter modules initiating four
15 data transmissions per day. DRA’s claim that the SoCalGas, “...proposal involves four data
16 transmissions per day, while industry estimates of battery life are not based on such heavy
17 transmission loads,” is not supported.

18 **A. Gas AMI Meter Module Warranty**

19 SoCalGas examined AMI technology vendor warranty proposals and concluded that
20 based upon expected gas AMI meter module failure rates it would not be prudent for SoCalGas
21 to purchase an extended warranty. For this reason, warranty costs are omitted from the
22 SoCalGas analysis. Yet SoCalGas appreciates DRA’s concern, that;

1 “Without an extended warranty or service plan, SoCalGas could incur future costs
2 for module replacements well beyond the level included in SoCalGas’ cost-
3 benefit analysis.”³⁰

4 DRA fails to recognize that if SoCalGas were to purchase an extended warranty or
5 service plan, SoCalGas ratepayers would likely pay millions of dollars for performance
6 assurances they will not likely need. While failure rates in excess of those shown in the AMI
7 analysis are possible, SoCalGas believes them to be.

8 Nonetheless, to address this risk, SoCalGas requested its AMI technology vendors to
9 provide two warranty options. One option covers parts replacement if gas AMI meter module
10 failure rates exceed 0.5% and the second option covers parts and labor replacement if failure
11 rates exceed 0.5%. The options provided by AMI technology vendors will enable SoCalGas to
12 make future warranty decisions on a year-by-year basis. These options will enable SoCalGas to
13 analyze gas AMI meter module performance and make warranty decisions based upon
14 experience. Although it is unlikely the warranty options will need to be exercised, SoCalGas
15 will ensure they are included in the gas AMI technology contract with the selected vendor.

16 **B. Cost to Replace Gas AMI Meter Modules that Fail**

17 DRA suggests that SoCalGas has underestimated the costs it may incur for replacement
18 of gas AMI meter modules that fail, due to use of an inappropriate labor rate. DRA states,

19 “Should the module fail, however, SoCalGas will use in-house labor to replace
20 the equipment. The replacement task is being assigned to pay grade 5 workers
21 (\$26.16 per hour, 2007). However, the average pay of the current Customer
22 Service Field (CSF) workers is 13% higher (\$29.60 per hour, 2007). Module
23 replacements might be a task that can be done by a pay grade 5 worker. But to
24 actualize these labor savings, SoCalGas must provide them with their own trucks
25 and routes. If there are not currently enough workers available at this pay grade,
26

27 ³⁰ DRA, p. 4-8, lines 3-5

1 reassignment or new hires and training might also be necessary. By suggesting a
2 lower wage, SoCalGas is implying a tiered system where tasks are rigidly
3 assigned by experience / pay level. However, the status quo for CSF workers is
4 that they are trained to handle all field service orders. By chance or design, some
5 lesser experienced CSFs would get assigned this task, but also some more
6 experienced and senior CSFs would perform the task as well (overall,
7 approaching the average CSF rate).³¹

8 DRA's suggestion is based upon three false assumptions. First, SoCalGas has not
9 determined that it will use in-house labor to replace failed equipment. Second, if SoCalGas does
10 use in-house labor, it may be done by employees paid less than grade 5.³² Even DRA recognizes
11 SoCalGas may retain "*lower wage part-time employees to handle minor gas AMI equipment*
12 *problems.*"³³ Third, DRA's suggestion that a tiered wage system cannot be cost effective is
13 flawed and contradicts current SoCalGas Customer Services Field practice of using Field Service
14 Assistants and Field Technicians (paid pay grade 5 wages) to perform meter maintenance work.
15 In 2008, SoCalGas had an average of 92 total full-time equivalents (FTEs) in the Field Service
16 Assistant and Field Tech positions.

17 SoCalGas does not believe it appropriate to use the average pay of current Customer
18 Services Field workers to estimate gas AMI meter module maintenance costs. It would also not
19 be appropriate to adjust SoCalGas' estimate of the AMI system maintenance costs it will incur.

20 **C. Drive Time Costs**

21 Both SoCalGas and DRA agree that SoCalGas incurs costs associated with driving from
22 location to location and that the time SoCalGas field employees spend driving will increase in
23 future years. There is disagreement, however, as to how rapidly the time spent driving will
24 increase.

25 _____
26 ³¹ DRA, p. 4-8, lines 21-23, p. 4-9, lines 1-9

27 ³² Meter readers, whose compensation is less than Pay Grade 1, have done this type of work during RAMR
deployment.

28 ³³ DRA, p. 6-3 footnote 179.

1 SoCalGas included an increasing amount of vehicle travel time (6 seconds per order per
2 year) in estimating both the Customer Services Field costs and benefits identified in its AMI
3 analysis. SoCalGas did not, however, assume that the time meter readers spend driving would
4 increase. In so doing, SoCalGas was consistent with the approach used in its recent TY2008
5 GRC.

6 DRA suggests that SoCalGas has underestimated the costs associated with travel between
7 Customer Services Field orders. Rather than use the estimated increase in travel time authorized
8 in the SoCalGas TY2008 GRC of 6 seconds per order per year, DRA believes it would be
9 appropriate to use an annual increase of 2.5%, and that, “for a 10.24 minute trip, this would mean
10 that after four years it would be approximately 10% higher, or 11.26 minutes.”³⁴

11 DRA’s 2.5% factor for increasing vehicle travel time each year is not reasonable, nor has
12 DRA substantiated that it would be appropriate to apply it to SoCalGas’ field operations.
13 Furthermore, DRA has not applied its hypothetical 2.5% factor to benefits associated with
14 elimination of Customer Services Field work, or with elimination of 6.3 million miles driven
15 annually by meter readers.

16 When considering the reasonableness of either of these estimates, consider how each was
17 developed and applied. SoCalGas’ estimate was developed based upon SoCalGas’ operational
18 experience. It was applied to Customer Services Field operations throughout SoCalGas’ 20,000
19 square mile service territory – specifically, to the time spent driving between service orders.
20 DRA has provided no credible evidence indicating why it would be appropriate to apply its
21 travel estimate to conditions in SoCalGas’ service territory.

22 **D. If DRA believes additional travel time should be added to costs, then it is**
23 **appropriate to also add it to benefits**

24 If DRA’s theoretical 2.5% factor for increased drive time were applied to the 6.3 million
25 miles currently driven annually by meter readers (assuming an average driving speed of 20-25
26 miles per hour) – AMI would enable SoCalGas to avoid meter reading labor costs of an

27 ³⁴ DRA, p 4-10, lines 13-14

1 additional \$43.0 to \$53.8 million during the deployment period.³⁵ Furthermore, if this factor
2 were applied to Customer Services Field operations, AMI would enable SoCalGas to realize a
3 net *increase* in benefits of approximately \$47.2 million.³⁶

4 SoCalGas did not include the AMI benefits that would result if SoCalGas were to
5 increase travel time by 2.5% per year as DRA suggests in its cost/benefit analysis. SoCalGas
6 does not have a predictive model that can be used to forecast how the time meter readers spend
7 driving will increase in future years. In this regard, SoCalGas may have understated the AMI
8 benefits for its meter reading operations.

9 In conclusion, the costs SoCalGas included in its business case for AMI meter module
10 maintenance are reasonable and should not be increased as suggested by DRA and UWUA.
11 SoCalGas, its vendors and industry experts have all produced evidence that the projected gas
12 AMI meter module failure rates used in the SoCalGas cost benefit analysis are reasonable and no
13 credible evidence to the contrary has been presented.

14 It is reasonable to expect that the gas AMI meter modules SoCalGas selects will have a
15 useful life of 20 years. The gas AMI meter modules SoCalGas selects to use will be similar in
16 function to those being deployed at PG&E. In PG&E's AMI decision, the Findings of Fact,
17 Statement 10 reads,

18 "The useful life of the AMI modules is 20 years. The appropriate depreciation
19 life is 20 years, the same as the useful life."³⁷

20 **VI. OFFSET TO WORK DONE DURING DEPLOYMENT BENEFITS**

21 During the AMI deployment period, SoCalGas will change approximately 850,600
22 above-ground meters and 201,500 curb vault meters that would otherwise have been changed in
23 future years. The costs incurred to change these meters during the AMI deployment period are
24 recorded as costs. The costs SoCalGas would have incurred to change the meters during the

25 _____
³⁵ In direct 2008 dollars (\$92.4 million undiscounted)

26 ³⁶ In direct 2008 dollars (\$104.1 million undiscounted)

27 ³⁷ Decision 06-07-027, Final Opinion Authorizing Pacific Gas And Electric Company to deploy Advanced
28 Metering Infrastructure, dated July 20, 2006, p. 63.

1 post-deployment are recorded as benefits because these activities will already have been
2 completed.

3 TURN's recommendation, that the Commission, "adjust the value of this benefit
4 downward because SoCalGas' calculation of this benefit is inconsistent with its normal practices
5 for replacing meters," should not be adopted for three reasons. First, TURN's interpretation of
6 "the normal practices for replacing meters" is incorrect. TURN sites SoCalGas testimony during
7 the TY2008 GRC that described the "bookend" as to when meters are typically replaced, and
8 uses it as a representation of the average number of years meters are in service before being
9 replaced. Second, TURN does not appear to recognize why these meters are being replaced.
10 SoCalGas is not replacing meters due to age, but primarily to prevent early meter module
11 obsolescence.³⁸ Third, the supporting data upon which TURN makes its forecast is outdated.
12 The data supporting TURN's statement, "In that same testimony, SoCalGas includes a table that
13 shows the utility has only 323,040 meters older than 35 years versus its entire inventory of
14 meters of 5,477,120"³⁹ pertains to the 2005 SoCalGas meter population.

15 **A. TURN's understanding of SoCalGas' "normal practices for replacing**
16 **meters" is wrong**

17 The TY2008 GRC testimony of Mr. Petersilia, referred to by TURN, is not identifying
18 the average, or "normal" age in which gas meters are changed. Instead it is highlighting the fact
19 that meters that remain deployed after their book life, and have exceeded that book life by as
20 many as 9 years, are typically replaced. Mr. Petersilia's TY2008 GRC testimony states,
21

22 "If it has not already been replaced, SCG typically replaces a meter between 35
23 and 40 years of service."⁴⁰
24

25 ³⁸ As described later in testimony, the performance trends for some meters indicate they would likely have been
26 replaced in the 2016-2020 period, and others will be replaced because screws break during gas AMI meter
module installation.

27 ³⁹ TURN, p. 22, V-C. Offset for Work Done During Deployment

28 ⁴⁰ Ibid

1 Mr. Petersilia does not state, nor imply, that SoCalGas normally replaces its meters 35 to
2 40 years after they have been deployed.

3 **B. SoCalGas is not replacing meters due to their age but due to other factors**

4 SoCalGas is accelerating the replacement of approximately 650,000 meters into the AMI
5 deployment period (2011-2015). Approximately 530,000 of these meters will be changed during
6 deployment because the meters would be changed shortly after deployment and the gas AMI
7 meter modules that fit them could not be re-installed on SoCalGas' new meters. Approximately
8 120,000 will be changed due to performance trends indicating they would likely have been
9 changed between 2016 and 2020.

10 In addition to these meter replacements, SoCalGas will replace approximately 201,500
11 meters located in curb vaults, 155,600 meters where there are no compatible gas AMI meter
12 modules, approximately 39,000 meters SoCalGas expects be damaged during AMI deployment
13 and 6,000 incompatible Electronic Corrector meters. Deployment period costs include replacing
14 the meters in these categories and the Offset to Work Performed During Deployment contains
15 the benefits associated with each category. A description of the meter module compatibility and
16 meter performance issues follows.

17 **C. Accelerated Meter Replacements**

18 Although the internal design and function of gas AMI meter modules does not differ,
19 their outer shell is very much brand and design specific. For example, a gas AMI meter module
20 designed to fit an American meter can in no way be installed on meters manufactured by
21 Sprague.

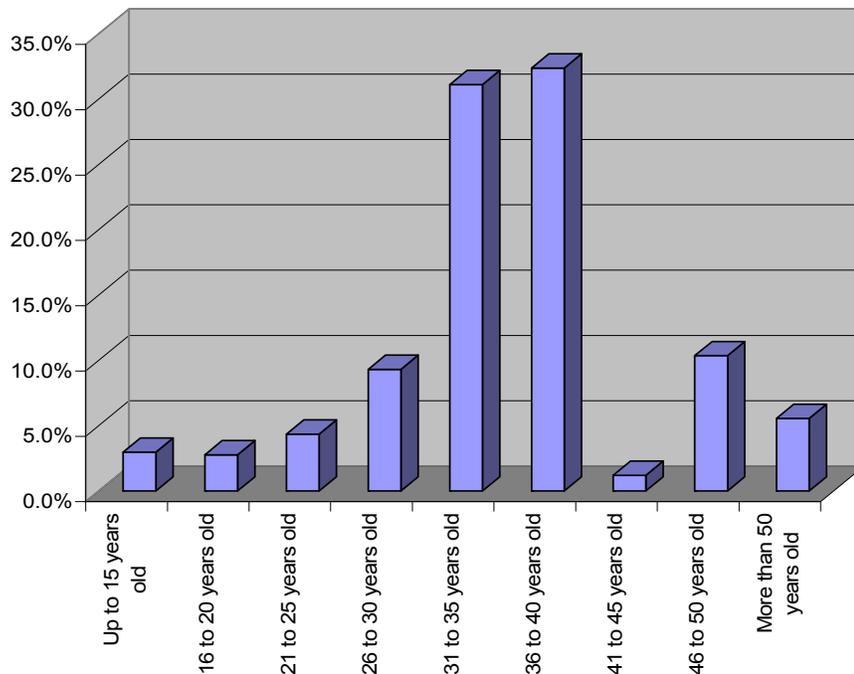
22 Over the years, SoCalGas has deployed large numbers of meters manufactured by the
23 Sprague Meter Company. The Sprague meter requires a gas AMI meter module form that is
24 unique in its design.⁴¹ Beginning in 1985, SoCalGas ceased to purchase this brand of meter.

25 ⁴¹ For years, SoCalGas operated a meter repair and reconditioning facility, allowing older meters to be rebuilt and
26 returned to service. Sprague meters purchased prior to 1969 had a "Flat Face" style of meter body. Beginning in
27 1969 Sprague meters were manufactured with a "Slant Face" style meter body. Just over 50% of the Sprague-
28 type meters in this accelerated meter group are "Flat Face" meters and require an additional adapter plate to
accept the industry standard "Slant Face" meter module.

1 Since then, SoCalGas has continued to purchase very small numbers of Actaris meters, which
 2 use the same Sprague-type meter body. Currently, there are approximately 772,000 Sprague and
 3 Actaris meters in service at SoCalGas. This population of gas meters is aging and large numbers
 4 will need to be replaced in the coming years. Table III-1 illustrates the age distribution of these
 5 meters.

6
 7 **Table III-1**

8 **Age of Accelerated Sprague-type meter bodies in 2020**



20 If these meters were to be equipped with AMI technology during the deployment period,
 21 and then be removed from service, their meter modules would also need to be removed from
 22 service. Since SoCalGas is no longer purchasing this type of meter, and there are few Actaris
 23 meters with the same type body, the removed meter modules and adapter plates could not be
 24 redeployed, resulting in stranded assets.

25 SoCalGas identified approximately 120,000 Rockwell brand meters that will be 31 years
 26 of age and older in 2020. Results from the Company's statistical meter sampling program
 27
 28

1 indicate the performance of this brand of gas meter is trending toward being unacceptable. It is
2 likely, but not certain, that the meter families contained in this population will require
3 replacement in approximately 2020.

4 **D. Retrofitting older meters likely to be replaced shortly after conclusion of**
5 **AMI deployment is not cost effective and needlessly inconveniences**
6 **customers**

7 By replacing the meters that would otherwise be replaced shortly after AMI deployment,
8 SoCalGas avoids the labor costs associated with retrofitting the meters, non-labor costs
9 associated with purchasing the unique adapter plates they would require, and time associated
10 with scheduling two visits to customer premises. Customers will also not need to provide
11 SoCalGas with access to its meters.

12 **E. TURN's foundational meter information is no longer accurate**

13 The information upon which TURN supports its argument is representative of the
14 SoCalGas meter population in 2005. The information SoCalGas used in its AMI analysis is
15 more recent and accurately describes the SoCalGas meter population today.

16 For all the aforementioned reasons, SoCalGas believes TURN's position to move,
17 "...back the years in the analysis from replacing the meters when they are approximately 31
18 years old to avoiding replacement of meters when they reach approximately 38 years old,"⁴² is
19 entirely inappropriate.

20 Therefore, TURN's recommendation that expected AMI benefits should be reduced by
21 \$14.2 million is without merit.

22 **VII. AS TRANSMISSION & DISTRIBUTION BENEFITS**

23 SoCalGas estimates that the increased precision AMI will provide in estimating peak day
24 demand will result in SoCalGas delaying some capacity-related construction projects. To
25 quantify AMI benefits in this area, SoCalGas used a pressure betterment project that has been
26 identified in resource planning. By delaying that project just one year, SoCalGas estimated the

27 ⁴² TURN, p. 22, V-C. Offset for Work Done During Deployment

1 net present value of discounted cash flow represents a one-time benefit of approximately \$1.6
2 million (PVRR).

3 TURN’s position on this matter was stated as follows, “TURN agrees that additional and
4 more precise data can aid the utility in its forecasting and planning functions. However, TURN
5 does not agree that increased data precision and data evaluation will necessarily result in only
6 “deferring” capacity construction projects. SoCalGas could just as easily realize that, after
7 analyzing daily consumption data, it needs to advance construction of a capacity project by one
8 year. In this case, AMI becomes a net cost to ratepayers not a net benefit.”⁴³

9 **A. If AMI data causes SoCalGas to advance construction of a capacity**
10 **project, it does not make AMI a net cost to ratepayers**

11 SoCalGas agrees that AMI information may result in advancing capacity projects, as
12 TURN postulates, although SoCalGas believes this scenario is less likely due to the conservative
13 nature of pipeline capacity planning. In any case, advanced recognition of a necessary
14 improvement is also a positive benefit of AMI. Providing sufficient pipeline capacity to
15 ratepayers improves the economic well-being of the community and increases the reliability of
16 the SoCalGas pipeline network. In the extreme condition SoCalGas failed to increase pipeline
17 capacity prior to the point in time it was needed, and the pipeline system failed to meet demand
18 requirements, SoCalGas customers would likely lose gas service and SoCalGas would incur
19 costs to restore it. Although difficult to estimate, these costs could well exceed \$1.6 million.

20 **B. The methodology used by SoCalGas for estimating the benefits AMI will**
21 **provide for pipeline capacity planning is consistent with that applied by**
22 **PG&E in its AMI Application**

23 SoCalGas appreciates the difficulty in quantifying pipeline capacity planning benefits.
24 But SoCalGas is not alone in applying the methodology used in its AMI analysis. PG&E used
25
26

27 ⁴³ TURN, p. 23, V-D. Transmission & Distribution Benefits
28

1 the same approach when estimating AMI benefits for its capacity planning, although PG&E
2 concluded their benefits to be greater than SoCalGas' estimated benefits.

3 PG&E AMI testimony stated the pipeline capacity planning benefit, "...is estimated to
4 provide a net present value (NPV) benefit equivalent to an annual gas transmission savings of
5 about \$1 million during the 2010-2014 timeframe and \$0.5 million beginning in 2015. The
6 lower \$0.50 million annual benefit beginning in 2015 is due to an estimated reduction in capacity
7 investments as relatively large gas transmission capacity jobs are completed by 2014. For gas
8 distribution, the benefit is estimated to provide an equivalent annual savings of \$0.2 million
9 beginning in 2010."⁴⁴

10 The Commission ultimately agreed with PG&E in finding that, "the project benefits, as
11 stipulated (see Table 2), are reasonable and within the range of a likely litigated outcome."⁴⁵

12 Table 2, which includes the Gas Transmission and Distribution "Annualized Benefit
13 After Implementation" amount of \$1.2 million, is presented in Attachments III-9 and III-10 of
14 this testimony.

15 TURN's recommendation, "...that the Commission reject this proposed benefit...and
16 reduce the net benefits associated with SoCalGas' AMI project by \$1.6 million (PVRR),"⁴⁶
17 should be rejected.

18 **VIII. PRESSURE MONITORING BENEFITS**

19 SoCalGas currently uses both older mechanical pressure chart recorders and newer
20 electronic pressure monitors (EPMs) to monitor pipeline pressure. The EPMs transmit
21 information to SoCalGas' offices electronically using telephone communication. After the AMI
22 network is deployed, SoCalGas will equip EPMs to communicate over the AMI wireless
23
24

25 ⁴⁴ Pacific Gas and Electric Company AMI Project Sponsorship Prepared Testimony Redacted-Updated,
26 Application No.: 05-06-028, Chapter 7, Gas Transmission and Distribution Related Benefits, p. 7-2, lines 2-10

27 ⁴⁵ Decision 06-07-027, Final opinion authorizing Pacific Gas and Electric Company to deploy Advanced Metering
Infrastructure, p. 64 Findings of Fact 13 and p. 30 Stipulated AMI Project Benefits.

28 ⁴⁶ TURN, p. 23, V-D. Transmission & Distribution Benefits

1 network. The benefits associated with eliminating the telephone communication fees are
2 estimated to be approximately \$13.8 million over the 20-year post deployment period.

3 TURN recommends that the SoCalGas' benefits forecast, "...be adjusted downward
4 consistent with information provided by SCG in its 2008 GRC and SCG's workpapers."⁴⁷

5 **A. TURN's recommendation to reduce pressure monitoring benefits**
6 **downward should not be adopted. TY2008 GRC information provided**
7 **by SoCalGas has been misinterpreted by TURN, and there is TY2008**
8 **GRC testimony contradicting TURN's claims**

9 SoCalGas has approximately 2,400 pressure monitoring stations, of which currently
10 approximately 700 are EPMs that communicate using telephone communications. In the
11 TY2008 GRC, SoCalGas requested incremental O&M funding for anticipated telephone
12 communication fees and capital funding to purchase and process new EPM devices.⁴⁸ These
13 funding requests were associated with converting an average of 125 older mechanical pressure
14 chart recorders to EPMs each year over an eight year period, as presented in SoCalGas' response
15 to TY2008 GRC data request DRA-SCG-010-DAO, question 3.⁴⁹

16 TURN's assertion, "SCG fails to take into account the fact that it has not factored in the
17 cost for converting paper records to an electronic format in either this proceeding or its 2008
18 GRC (TURN #5-10(a))"⁵⁰ is incorrect. As discussed above, SoCalGas requested funding to
19 purchase and process approximately 125 new EPM devices per year in the TY2008 GRC.

20 TURN is incorrect in arguing, "SCG's assumption that it will convert 100% of all paper
21 records to electronic format also conflicts with its practice of, "gradually converting paper
22 charges to EPM" (TURN #5-10(b))."⁵¹ SoCalGas plans to complete the conversion by 2016.
23 Incremental funding to convert the remaining mechanical charts will be requested in SoCalGas'
24 TY2012 GRC.

25 ⁴⁷TURN, p. 24, V-E. Avoided Communication Cost for Electronic Pressure Monitoring

26 ⁴⁸ TY2008 GRC capital workpapers (SCG-2-CWP) under Budget Code 181 included as Attachment III-12

27 ⁴⁹ Data request DRA-SCG-010-DAO included as Attachment III-11

28 ⁵⁰ TURN, p. 24, V-E. Avoided Communication Cost for Electronic Pressure Monitoring

⁵¹ Ibid

1 TURN continues its challenge to the AMI benefits for pressure monitoring by stating
2 SoCalGas' AMI workpapers indicate they will not be achievable in the SCE joint service
3 territory.⁵²

4 The footnote in SoCalGas' AMI workpapers to which TURN refers pertains to the
5 **Hybrid Scenario**, where the SCE AMI network could not be used to transmit electronic pressure
6 monitoring data to SoCalGas. With the **Stand Alone** AMI solution – the scenario for which
7 SoCalGas is requesting funding – all EPM communication costs will be eliminated.

8 In conclusion, SoCalGas reaffirms the benefits for use of the AMI wireless network
9 instead of telephone communications from EPMs will reduce SoCalGas costs by appropriately
10 \$13.8 million. TURN's assertion that the benefits for pressure monitoring are overstated and
11 should be decreased is simply not correct.

12 **IX. FACILITIES BENEFITS**

13 Once AMI is deployed, there will be a reduction in the SoCalGas field workforce.
14 SoCalGas estimates its workforce will decrease in size by 1,085 people working in its Meter
15 Reading department and by 208 people working in its Customer Services Field organization, as
16 shown in the Errata to Prepared Direct Testimony of SoCalGas witness Mr. Fong (Chapter II,
17 Table II-5).

18 DRA's question, "Given the SoCalGas forecasted reduction in meter reading headcount
19 without AMI, why would SoCalGas spend \$15 million in capital to expand district facilities and
20 purchase land for two additional parking lots,"⁵³ can be answered simply. If the Meter Reading
21 workforce were entirely full-time, there would still be approximately 718 people in the SoCalGas
22 Meter Reading department (see SoCalGas Errata to Prepared Direct Testimony of Mr. Ed Fong,

23
24 ⁵² TURN, p. 25, V-E. Avoided Communication Cost for Electronic Pressure Monitoring, states, "In addition, SCG's
25 AMI workpapers indicate that this AMI benefit is not available where its service territory overlaps with Edison's
26 service territory. The workpapers provide percentage adjustments downward to SCG's total EPM communication
27 costs for overlapping territory."¹⁵

28 ⁵³ DRA, p. 6-14, IV-C. Reduced Costs for Facilities, "Absent AMI, it proposes to convert to a fulltime meter
reading labor force of between 200 and 300 personnel. Given the SoCalGas' forecasted reduction in meter reading
headcount without AMI, why would SoCalGas spend \$15 million in capital by to expand district facilities and
purchase land for two additional employee parking lots?"

1 Table II-5). DRA’s statement, “Absent AMI, it proposes to convert to a full-time meter reading
2 labor force of between 200 and 300 personnel,”⁵⁴ is incorrect. The reduction of approximately
3 367 people would be spread among the 46 district offices where meter readers work, resulting in
4 an average decrease of about 8 people per office. SoCalGas would still likely incur facilities
5 costs because space would be needed in the locations where there is high customer growth or a
6 significant increase in system maintenance work and where existing facilities are near capacity.

7 In its testimony, TURN states, “TURN primarily recommends eliminating this benefit
8 entirely and reducing AMI benefits by \$7.14 million (PVRR). TURN’s alternative
9 recommendation reduces AMI benefits by \$6.026 million (PVRR).”⁵⁵

10 TURN supports its recommendation arguing, “SoCalGas cannot identify where it may or
11 may not need additional parking facilities (TURN #5-7). Despite this general lack of knowledge,
12 SCG knows, with laser-like precision, that it will need two new 2.5 acre parking facilities in the
13 year 2016 and 2018 (somewhere presumably in its service territory) and that the cost for the land
14 and improvements are precisely \$7.514 million - \$50/sq ft for the land and \$19/sq ft for the
15 improvements.”⁵⁶

16 SoCalGas does not know specifically where and how SoCalGas facilities will need to be
17 expanded to accommodate workforce increases that would occur in the absence of AMI. As
18 stated previously, SoCalGas would likely incur these costs in areas where there is high customer
19 growth or a significant increase in system maintenance work, and where existing SoCalGas
20 facilities are near capacity. SoCalGas does not claim “laser-like precision” in estimating
21 facilities benefits of approximately \$15 million. SoCalGas’ estimate is, in fact, an estimate, but
22 an estimate that SoCalGas believes is reasonable.

23
24
25
26 ⁵⁴ DRA, p. 6-14, IV-C. Reduced Costs for Facilities

27 ⁵⁵ TURN, p. 27, V-F. AMI Saves SoCalGas Two Theoretical Parking Lots

28 ⁵⁶ TURN, p. 26, V-F. AMI Saves SoCalGas Two Theoretical Parking Lots,

A. SoCalGas' estimate of the facilities benefits from AMI of approximately \$15 million may be understated

Historically, SoCalGas has incurred significant facilities costs to accommodate increases in field workforce and changes to its operations. The estimated facilities benefits of approximately \$15 million over the 20-year AMI post-deployment period are conservative. As can be seen in Table III-2, in the 7-year period between 2001 and 2007 SoCalGas invested approximately \$20.3 million in facilities work that was related in varying degrees to accommodating workforce and workload changes. If SoCalGas were not to deploy AMI technology, it would not be at all surprising if over the 20-year post deployment period SoCalGas incurred facilities costs associated with workforce and workload changes that significantly exceed the benefits SoCalGas estimated in its AMI analysis.

Table III-2

| FACILITIES WORK AT BASES TO SUPPORT WORKFORCE CHANGES (2001 - 2007) | | | |
|--|---------------------|---|-------------|
| YEAR | LOCATION | DESCRIPTION OF WORK PERFORMED | COST |
| 2001 | Oxnard Base | Construction - expansion of the building and site to support expanded operations | \$5,800,000 |
| 2003 | Alhambra Base | Modifications to the building to maximize space utilization & accommodate operations | \$750,000 |
| 2003 | Yukon Base | Construction of a new base in Pacific Region to accommodate Region operations; building & site improvements, including parking & storage (land costs were zero because SoCalGas already owned the land) | \$5,200,000 |
| 2003 | Bakersfield Base | Land purchase to construct a facility that will accommodate expanded base operations | \$900,000 |
| 2004 | Oxnard Base | Remodel of building to provide additional storeroom space in support of expanded operations | \$500,000 |
| 2005 | El Centro Base | Construction of new facility at new site to support expanded base operations | \$6,500,000 |
| 2006 | San Bernardino Base | Expansion of the north parking lot, including paving, fencing, security to support expanded operations; improvements to existing parking lot and material storage areas | \$550,000 |
| 2006 | Whittier Base | Reconfiguration of office space to accommodate operations | \$25,000 |
| 2006 | Monterey Park Base | Modifications to existing site to accommodate relocation of Meter Reading personnel from Compton base to support operations and mitigate overcrowding | \$20,000 |
| 2006 | Alhambra Base | Various site improvements, including parking | \$50,000 |

As can be seen in Table III-2, when SoCalGas has needed to expand its facilities, not only has it needed to increase parking space, but SoCalGas has also needed to modify or replace existing structures. SoCalGas did not include the costs associated with major structural work in its analysis. If it had, the avoided facilities benefits would have been much greater than SoCalGas' estimate of approximately \$15.0 million.

In addition to questioning the likelihood that facility benefits will result from AMI deployment, TURN suggests that SoCalGas has overstated future facilities benefits by inflating land costs. TURN suggests that the cost of a parcel of land in El Centro should be used as the

1 proxy for average SoCalGas service territory land costs.⁵⁷ The comparison is simply
2 inappropriate. It would be no more appropriate for SoCalGas to use the El Centro land costs
3 (\$850,000 for a 2 to 3 acre parcel of land) than the Hollywood district land costs used in the
4 RAMR project cost-benefit analysis (\$900,000 for 10 parking spaces).

5 SoCalGas' estimate was based upon reasonably conservative land and improvement
6 costs. The data referenced included market opportunity information received from the real estate
7 community as well as an appraisal of land value at the SoCalGas Olympic Base facility. The \$50
8 per square foot cost that SoCalGas used in its analysis was for land, "at a strategically located
9 site with good freeway access, zoned for commercial versus industrial use."⁵⁸

10 In conclusion, SoCalGas recommends the Commission accept SoCalGas' estimate that
11 AMI will likely result in reduced facilities costs, and that it is reasonable to estimate these
12 benefits to be approximately \$15 million.

13 **X. ELECTRONIC BILL PRESENTMENT AND PAYMENT BENEFITS**

14 In its testimony, DRA, "questions whether this benefit is properly considered a benefit of
15 AMI. Customers of other utilities are already electing paperless electronic bill presentment and
16 payment options, even where AMI has not been deployed."⁵⁹

17 SoCalGas agrees that AMI is not a prerequisite for utilities to obtain benefits from
18 paperless electronic bill presentment and payment (EBPP). SoCalGas is simply expecting AMI
19 will enable it to achieve greater benefits from paperless EBPP than it otherwise would.

20 AMI will enable SoCalGas customers to view gas consumption information via its
21 website. SoCalGas will promote customer use of website information, as described in the
22 testimony of SoCalGas witness Mr. Martin. As a result, SoCalGas anticipates more customers
23 will visit its website and that when doing so, some of these customers will elect paperless EBPP.

24 ⁵⁷ TURN, p. 26, V-F. AMI Saves SoCalGas Two Theoretical Parking Lots, "The El Centro Relocation project is a
25 good example of how SoCalGas has inflated its benefits assumptions in this proceeding."

26 ⁵⁸ In May of 2006, SoCalGas appraised the surplus land associated with its Olympic Base. CB Richard Ellis
27 appraised the land at a value of \$55.00 per square foot for land area only. In its analysis, CB Richard Ellis
28 analyzed sales comparables for industrial land that ranged from approximately \$39 per square foot up to \$109
per square foot.

⁵⁹ DRA, Operational & Maintenance and Capital Benefits, Reduced Costs in Customer Billing Services, p. 6-14.

1 When customers elect paperless EBPP, SoCalGas no longer needs to mail them hard-copy bills,
2 which reduces SoCalGas' postage and paper costs.

3 SoCalGas confirms that its original estimate that AMI will enable it to reduce postage
4 and paper costs by approximately \$3.9 million is appropriate.

5 **XI. CUSTOMER SERVICES FIELD ORDER BENEFITS**

6 SoCalGas estimates that the benefits from eliminating Gas-On Turn-On orders are
7 approximately \$220.6 million and the benefits from eliminating Change of Account orders are
8 approximately \$72.2 million.

9 DRA states, "A significant amount of Customer Field Service benefit comes from
10 elimination of activities that are not currently performed for PG&E or SDG&E by field service
11 personnel. DRA questions whether these benefits are truly AMI-related. SoCalGas could
12 simply petition the Commission to allow a less costly means of providing comparable service, or
13 make cost-reducing changes at its own initiative if not constrained by Commission directives.
14 To the extent these actions could be undertaken with, or without AMI, there may be benefits, but
15 such benefits would not be properly considered benefits of AMI."⁶⁰

16 **A. SoCalGas policy and practices are constrained by Commission directive**

17 SoCalGas policy and practices were established as the result of a Commission decision
18 and based upon a thorough analysis conducted by Commission staff. At the time the analysis
19 was conducted, differences between California's combination utilities and the gas-only utility
20 likely contributed to the differences in utility policies.

21 Today, Customer Services Field personnel visit customer premises to obtain meter reads
22 that can be used as the basis for "opening" and "closing" bills. SoCalGas has not sought to
23 change its policy and practices for want of an enabling technology that would enable it to
24 maintain the service quality it provides to ratepayers.

25
26
27 ⁶⁰ DRA, Operational & Maintenance and Capital Benefits, Customer Service Field Operations, p. 6-13.

1 The past practice at other utilities has been to estimate “off cycle” meter reads and base
2 customer bills upon the estimates. AMI is now enabling these utilities to base their customers’
3 “opening” and “closing” bills upon accurate (AMI-based) meter reads.

4 AMI enables SoCalGas to avoid making physical visits to customer’s premises while at
5 the same time increasing the accuracy of customer bills and the services provided to ratepayers.
6 Simply changing SoCalGas policy and practice without also implementing AMI will clearly not
7 achieve these same results.

8 DRA’s suggestion that in the absence of AMI, SoCalGas make a fundamental change to
9 its policies and practices – changes that no party has previously proposed, endorsed or supported
10 – is not appropriate. These changes would inevitably result in a degradation of service to
11 ratepayers and such alternatives are not appropriate in assessing the benefits of AMI.

12 **XII. CONCLUSION**

13 In conclusion, this testimony has demonstrated that SoCalGas’ estimates of gas AMI
14 costs and benefits are based upon reasonable assumptions and SoCalGas’ conclusions are
15 reasonably accurate and representative of the impact AMI will have upon operations. The claims
16 or assertions of DRA, TURN and UWUA to the contrary are not factually based and should not
17 be accepted as reasonable estimates of the true costs and benefits of gas AMI at SoCalGas.

18
19 This concludes my rebuttal testimony.
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ATTACHMENT III-1

**SoCalGas Meter Reading Timeline
(Results of Union Negotiations)**

SoCalGas Meter Reading Timeline

| <u>YEAR</u> | <u>EVENTS</u> | <u>COMPENSATION CHANGES</u> |
|-------------|--|---|
| 1998 | ◀ Convert to 100% Part-time Meter Readers | Wages did not increase (1996 – 1998) |
| 1999 | | Wages increased 4.12% per year (1999 – 2001) Greater Los Angeles Area CPI average 3.09% per year |
| 2002 | ◀ Create 100 Full-time Meter Reader positions (with benefits) | Wages increased 3.19% per year (2002 – 2004) Greater Los Angeles Area CPI average 2.98% per year |
| 2005 | ◀ TY2008GRC Compensation Study; Meter Reader compensation 41% below market | Full-time wages increased 8.22% per year (2005 – 2007) Part-time wages increased 2.21% per year (2005 – 2007) Greater Los Angeles Area CPI average 4.17% per year |
| 2008 | ◀ Part-time Meter Reader benefits increased over 200% | Wages increased 3.5% per year (2008 - 2011) Meter reader benefits loader increased from 3.28% to 9.98% (2008 – 2011) |
| 2011 | | Next Union contract period (2011 - 2014) |
| 2014 | | Next Union contract period (2014 - 2016) |
| 2017 | ◀ Assume Meter Reader compensation at market | |

ATTACHMENT III-2

**1999-2002 Union Labor Contract
Negotiation Proposals**

4/12/00

Union Proposals

Union One (A) – Article One: Open for modification.

Union One (B) – Article Two: Open for modification.

2.1 – Management Rights: Open for modification.

2.2 – Union Rights: Open for modification.

2.4 – Conclusion of Bargaining & Management Rights: Open for modification.

— 2.5 – Labor-Management Activities: Open for modification.

Union One – (C) – Article Three: Open for modification.

3.2 – Scope: Open for modification.

3.3 – Determination of Seniority: Open for modification.

3.4 – Seniority in Demotion: Open for modification.

3.6 – Seniority in Schedule Assignments: Open for modification.

3.7 – Seniority in Rehiring: Open for modification.

3.8 – Classification Policy: Open for modification. —

3.9 – Classification Changes: Open for modification.

3.10 – Refusal of Duties: Open for modification.

Union One – (D) Article Four: Open for modification.

4.1 – Pay Structure: Open for modification.

4.2 – Overtime: Open for modification.

4.3 – Premiums: Open for modification.

4.4 – Benefits: Open for modification.

4.5 – Special Provisions: Open for modification.

Union One – (E) Article Five: Open for modification.

- 5.2 – Workday and Workweek: Open for modification.
- 5.3 – Modification of Schedules: Open for modification.
- 5.4 – Job Site Reporting: Open for modification.
- 5.5 – Special Work Assignments: Open for modification.
- 5.7 – Job Assignments During Inclement Weather: Open for modification.
- 5.8 – Flexible Work Force: Open for modification.
- 5.9 – Temporary Relief Assignments: Open for modification.
- 5.10 – Position Opportunity and Placement: Open for modification.
- 5.11 – Job Profiles: Open for modification.
- 5.12 – Certification: Open for modification.
- 5.13 – Technical Layoff: Open for modification.
- 5.14 – New or Modified Regions: Open for modification.
- 5.15 – Employee Redeployment – Workforce Balancing: Open for modification.

Union One (F) – Article Six: open for modification.

- 6.1 – General Statement: Open for modification.
- 6.2 – Job Performance Appraisals: Open for modification.
- 6.3 – Causes for Disciplinary Action: Open for modification.
- 6.4 – Advance Warning of Intention to Discipline: Open for modification.
- 6.5 – Disciplinary Procedure: Open for modification.
- 6.6 – Disciplinary Interviews: Open for modification.
- 6.7 – Termination Wages: Open for modification.
- 6.8 – Open for modification.

Union One (G) –Article Seven: open for modification.

7.1 – Scope: Open for modification.

7.2 – Seniority Layoff: Open for modification.

Union One (H) – Appendix A: open for modification.

Union One (I) – Appendix B: open for modification.

Union One (J) – Letters of Agreement: open for modification.

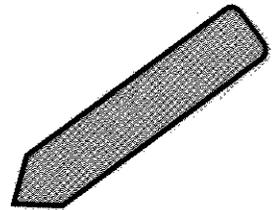
Union One (K) – Miscellaneous

Union Two – Create Two Energy Tech Classifications.

Union Three – Provide Benefits and Job Protections for Part-time Employees.

Union Four – Increase Wages and Premiums.

The Union reserves the right to add delete or modify these proposals at anytime during negotiations.



Negotiations 2000

Union Three

Union Three – Provide Benefits and Job Protections for Part-time Employees.

To be discussed.

2/10/00

Union Three:

Letter of Agreement – Part-Time Employee Benefits

Definition:

Employees in part-time positions shall be scheduled to work no less than twenty (20) hours per week and no more than thirty (30) scheduled hours per week. Local Shop Committees will determine the weekly work schedules for part-time employees. Part-time work schedules will be posted a minimum of ten (10) days in advance.

Newly hired part-time employees must successfully complete a six-month probation period in the same manner as full time employees. Part-time employee benefits and contractual provisions shall take affect after successful completion of the six-month probation period. Incumbent part-time employees as of the signing of this Agreement shall be grandfathered from serving the probationary period.

All provisions of this collective bargaining agreement, including pay, benefits and working conditions, except as otherwise stated in this Letter of Agreement, apply to part-time employees in the same manner as full-time employees.

Part-time employees seniority shall be calculated as follows: Total hours worked since initial hire by the Company divided by 2080 hours.

Part-time employees shall be eligible for prorated sick leave and vacation benefits, in accordance with the provisions of this collective bargaining agreement, based on their base pay for their regularly scheduled shift.

Part-time employees may elect coverage for themselves and their dependents under the Company's medical plans, dental plans, vision plans and life insurance coverage at the same rate as full-time employees. Part-time employees shall be eligible to become members of the Retirement Plans and Savings Plan for full time employees in accordance with the plans' eligibility requirements.

Full-time employees shall be eligible to bid for part-time positions based on their Company seniority. Part-time benefits identified with this Letter of Agreement shall apply to full-time employees who accept part-time positions. Those full-time employees who accept part-time positions shall maintain their Company seniority and shall not have a probationary period requirement. However, subsequent seniority will accrue calculated under the part-time employee formula until such employees return to full-time positions.

Part-time positions shall be identified by classification, position, date position opened, work location, day and shift.

Part-time hours shall be tracked by classification, position, date position opened, work location, day and shift. A report listing part-time employees referenced by the above criteria shall be supplied to the International Unions as well as each local union representing employees at the Gas Company on a bi-weekly basis.

Any position occupied by part-time employees who accumulate ¹⁵⁶⁰~~1920~~ hours in any one (1) year period, shall become a full time position subject to bidding through POS. No part-time employee shall be furloughed, laid-off or terminated to circumvent this rule on part-time employees.

Total part-time workforce shall be determined based on total part time hours worked using September 9, 1996, as a baseline maximum for future part-time positions in each classification presently utilizing such employees. Available part-time hours shall not exceed this figure or twenty (20) percent of the total available work hours for all classes of employees. In no case will the use of part-time employees be expanded into classifications not currently utilizing classes of employees other than regular full-time employees.

WAGE AND EXTENSION AGREEMENT

April 1, 1999

The undersigned parties agree to the following:

1999 Wages:

- **3.0% increase to base wages for all full-time and part-time bargaining unit employees, excluding part-time Meter Readers.**
- **3.0% increase to the following Premiums: Swing Shift, Graveyard Shift, Split Days Off, Sunday Work, On Call Pay: Week-long, Week-long including a holiday, Ordinary weekend, weekend preceded or followed by a holiday; and a holiday alone and Bilingual.**
- **Based on employees' straight-time salary for regular job as of 3/31/99.**
- **Wage offer effective April 1, 1999.**
- **Change pay for Part-time Meter Reader - Stage 1 (Trainee) and Part-time Meter Reader Stage 2 (Trainee) to \$10.00 per hour.**
- **Change Part-time Meter Reader - Stage 3 (Base) wage to \$13.50 per hour, compensated under existing Pay-Per-Route System.**
- **Change Transitional Meter Reader (Base) wage to \$13.50 per hour, compensated under existing Pay-Per-Route System.**
- **Red circle existing Part-time Meter Reader - Stage 1 (Trainee) employees at \$11.02 per hour until they move to Part-time Meter Reader - Stage 3, or October 1, 1999, whichever occurs first.**
- **Red circle existing Part-time Meter Reader - Stage 2 (Trainee) employees at \$11.68 per hour until they move to Part-time Meter Reader - Stage 3, or July 1, 1999, whichever occurs first.**
- **All Part-time Meter Readers hired on or after April 1, 1999 will start at the Trainee wage of \$10.00 per hour.**

Contract Extensions:

The Medical Plan, Pension and Benefit Agreement and the Savings Plan will be extended to December 31, 2000.

Profit/Gain Sharing:

The parties agree to discuss a profit/gain sharing plan during the collective bargaining negotiations in 2000.

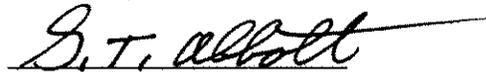
Union Membership Recommendation:

The Joint Steering Committee agrees to recommend a "yes" vote to the membership for ratification of this agreement on wages and contract extensions. This agreement is contingent upon ratification by the membership.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the 1st day of April, 1999.

For SOUTHERN CALIFORNIA GAS COMPANY:


J. B. Lane
Director, Labor Relations


G. T. Abbott
Manager, Labor Relations

For UTILITY WORKERS UNION OF AMERICA, AFL-CIO, and
INTERNATIONAL CHEMICAL WORKERS UNION COUNCIL, UFCW, AFL-CIO:


Beatty Henson
President, Local 132 - UWUA, AFL-CIO

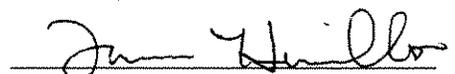

Michael L. Bowling
President, Local 170-UWUA, AFL-CIO


Dennis C. Zukowski
President, Local 483-UWUA, AFL-CIO


Eugene Stewart
President, Local 522-UWUA, AFL-CIO


John Lewis
Sp. Representative, ICWUC AFL-CIO


Robert Gonzalez,
President, Local 47-ICWUC AFL-CIO


Jaime Hermosillo
President, Local 58-ICWUC AFL-CIO


James T. O'Donnell
President, Local 78-ICWUC AFL-CIO


JoAnn C. Rizzi
President, Local 350-ICWUC AFL-CIO


Raquel G. Eooney
President, Local 995-ICWUC AFL-CIO

COMPANY PROPOSED AGREEMENT

Medical Plan

The Union and the Company agree to the following changes to the current Medical Plan Agreement:

- Eliminate Aetna, CIGNA, and Health Net
- Add PacifiCare

Part-time employees: The Company will provide medical benefits for part-time employees:

- Part-time workers who have accrued **1000 hours in a calendar year for two consecutive years** can choose Low Cost HMO medical coverage or **\$100** per month. **Employees continue to be eligible as long as they continue to maintain 1000 hours per calendar year.** Part-time employees will be able to purchase EE+1 and EE+2 coverage at Company cost.
- Transitional Meter Readers will be provided Low Cost HMO for employee, employee+1 and employee+2.

Modify Employee Contributions as follows:

| | Blue Cross Plus | CalCare HMO | Out Of Area | MaxiCare | PacifiCare | Kaiser | Safety Net |
|------|-----------------|-------------|-------------|----------|------------|--------|------------|
| EE | 30.00 | 5.00 | 30.00 | 14.14 | 8.98 | 50.80 | 0.00 |
| EE+1 | 60.00 | 15.00 | 60.00 | 21.30 | 23.36 | 111.12 | 0.00 |
| EE+2 | 90.00 | 25.00 | 90.00 | 40.77 | 36.96 | 162.38 | 0.00 |

Add option for Domestic Partner participation to Blue Cross Plus (currently HMOs only).

This rate structure is dependent upon acceptance of triple option Rx benefit.

Future year increases for Blue Cross Plus will be shared 90/10 between the Company and the employee.

Future year increases for low cost HMO will be shared 90/10 between the Company and the employee.

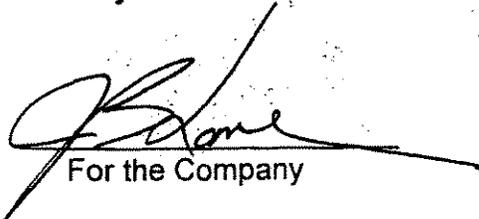
COMPANY COUNTER TO UNION COUNTER
DATED September 21, 2000

RE: Section 6.8

The Union may file a grievance under Section 6.8 on behalf of a part-time employee to address the following issue only -- whether the Company's actions were solely to prevent the part-time employee from becoming or remaining eligible for medical benefits under the terms and conditions for eligibility set forth in the Medical Plan Agreement. Such a grievance could be heard in the grievance procedure when the employee and/or Union believe the employee will be declared ineligible for medical benefits.

If the affected part-time employee believes that retaliation has affected qualifications for eligibility, the employee may file a grievance in accordance with Section 6.8.

All grievances arising from this agreement will be heard as combined first and second step. If unresolved at that level, the grievance will move directly to mediation or arbitration.


For the Company


For the Union

ATTACHMENT III-3

**2002-2005 Union Labor Contract
Negotiation Proposals**



7200 Greenleaf Ave., Suite #380
Whittier, California 90601
(562) 696-0142

**JOINT STEERING COMMITTEE
U.W.U.A. - I.C.W.U.C.**



8530 Stanton Ave., Suite 2-C
Buena Park, California 90620
(714) 816-1922

January 23, 2002

The Union wishes to discuss or modify the following items during negotiations:

1. Peace Principles – modify section 1.11
2. Management's Rights
 - a) Section 2.1(A) Strike "unquestionable"
 - b) Section 2.1(B1) Fence in all classifications
 - c) Section 2.1(B2) Strike "to avoid payment of overtime rates"
3. Union Rights
 - a) Modify section 2.2(H) to allow 10 members from the UWUA and 7 members from ICWUC to be excluded from shifts and details system wide.
4. Seniority and Job Classifications
 - a) Part-time employees to become regular
 - b) Determination of Seniority Section 3.3 – strike exceptions for FMLA and Union Leave
 - c) Seniority in shift Assignments Section 3.6 – modify to increase seniority rights and include the call centers
5. Total Compensation
 - a) Provide for general wage increases in all years of the agreement as well as increases in all premiums and meal allowances
 - b) Modify section 4.1(D) to provide for pay adjustment immediately upon acceptance in classification
 - c) Modify Section 4.2(A) zeroing out of overtime
 - d) Modify Section 4.2(E) to provide for meal allowances after 1 ¼ hours
 - e) Modify Section 4.2(G1) on the discussion of exhaustion with the supervisor
 - f) Modify Section 4.3(A) to provide for triple premiums for all workers

- g) Create new Section 4.3(G) to provide premiums for workers in particular classifications who do special projects requiring skills not used otherwise in the classification
 - h) Modify section 4.3(B) to change the definitions of shifts *changed etc*
 - i) Modify section 4.3(F) by striking bumping language
 - j) Modify section 4.4(E) to include Caesar Chavez day as an extra holiday
 - k) Modify section 4.4(F) to expand military leave to 2 weeks
 - l) Modify section 4.4(H) to match contract to legal requirements for jury duty
- 6. Modify section 5.10 Position Opportunity and Placement
 - 7. Modify section 5.12 on certifications
 - 8. Modify section 6.9 to Strike the "all or nothing" clause for terminations
 - 9. Create new entry level jobs in Transmission Station Assistant and Pipeline Assistant; Create a number of Lead jobs in Transmission

Discussion Items

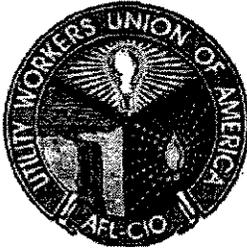
- 1. Overtime Tracking including Saturday, Sunday and double time
- 2. Tracking of all contractors
- 3. Sections 2.5(C&D) Safety Committees
- 4. Job Profiles
- 5. Short Notice Call-Out
- 6. On Call
- 7. FMLA Definition of hours for qualification purposes including LTS rating for Union Officers
- 8. Flexible workforce including:
 - a) staffing levels on Saturday and split days off
- 9. Reporting to work during inclement weather
- (10. Insurance on personal vehicle when used as a SoCal Gas vehicle)
- 11. Alternative Dispute Resolution
- 12. Appendix B
- 13. PAQ
 - a) Create level 9 pay grade
 - b) Re-PAQ a number of jobs
 - c) Rules for PAQ

14. Eliminate 30 min rule for workers assigned a company vehicle
15. Out of Town expenses including travel to and from home during training
16. Discuss prequalification testing for jobs in progression and bidding down in progression
17. Discuss the duration of V-assignments in management
18. Posting of Open jobs to Intranet 15 days prior to filling
19. Discuss creation of Corrosion Specialist in Transmission and fill CP jobs in Storage with that classification
20. Discuss Training including mentoring programs, including "testing out" of formal classroom training.
21. 12 hour shift agreement

Housekeeping:

1. Vacation Holiday Credits
2. Shop Committee language for Transmission/Storage

Local 132 - The Union wishes to discuss or modify the following items during negotiations: Page 1 of 4



Local 132

January 29, 2002

The Union wishes to discuss or modify the following items during negotiations:

U = Union Proposal

U-1 Peace Principles - open for modification in section 1.11 "with the integration the language no longer makes sense"

U-2 Management's Rights

- Section 2.1(A) Strike "unquestionable" (pg.3)

U-3 Section 2.1(B1) Fence in all classifications (pg.4)

- Section 2.1(B2) Strike "to avoid payment of overtime rates"

U-4 Union Rights

- Modify section 2.2(H) to allow 10 members from the UWUA and 7 members from ICWC to be excluded from shifts and details system wide. (pg.15)

U-5 Seniority and Job Classifications

- 3.2-Scope (Part-time employees to become regular)

U-6 Determination of Seniority Section 3.3 – strike exceptions for FMLA and Union Leave (pg.28) First I would like to ask the Company what is covered for determining seniority?

U-7 Seniority in shift Assignments Section 3.6 – modify and include the call centers (pg.30)

U-8 Total Compensation

Local 132 - The Union wishes to discuss or modify the following items during negotiations: Page 2 of 4

- Provide for general wage increases in all years of the agreement as well as increases in all premiums and meal allowances (pg.36)

U-9 Modify section 4.1(D) to provide for pay adjustment immediately upon acceptance into different classification (pg.38)

U-10 Modify Section 4.2(A) zeroing out of overtime (pg.39)

U-11 Modify Section 4.2(E) to provide increase for meal allowances after 1 ¼ hours (pg.41)

- The meal allowance has been \$10 since 1994-but this Company took a step backwards when it proposed to implement a meal allowance after 10hours and 30 minutes-The Company fails to recognize that returning to the 1 ¼ hours will provide a small incentive. (encourage volunteers)

U-12 Modify Section 4.2(G1) on the discussion with supervisor regarding exhaustion (pg.46)

U-13 Modify Section 4.3(A) to provide for triple premiums for all workers (pg.48)

U-14 Create new paragraph (G) to Section 4.3 to provide premiums for workers in particular classifications who do special projects requiring skills not used otherwise in the classification (pg.52)

U-15 Modify section 4.3(B) to change the definitions of shifts (pg.48)

U-16 Modify section 4.3(F) by striking bumping language (pg.51)

U-17 Modify section 4.4(E) to include Caesar Chavez day as an extra holiday (pg.67) The state of California has recognized Cesar Chavez' birthday as a paid holiday for its state employees-we propose that this Company take a giant leap forward and agree to adding this as a paid holiday denies

U-18 Modify section 4.4(F) to expand military leave to 2 weeks (pg.69)

U-19 Modify section 4.4(H) to match contract to legal requirements for jury duty (pg.74)

U-20 Modify section 5.10 Position Opportunity "The Union will introduce a proposal regarding POS. (pg.89-100)

U-21 Modify section 5.12 on certifications-the language no longer meets the needs. The union is looking for premium compensation.

U-22 Modify section 6.9 Strike the "all or nothing" clause. (pg.131)

U-23 Create new entry level jobs in Transmission Station Assistant and Pipeline Assistant; Create a number of Lead jobs in Transmission

Local 132 - The Union wishes to discuss or modify the following items during negotiations: Page 3 of 4

Discussion Items

UD = Union Discussion Items

U/D-1 Overtime Tracking including Saturday, Sunday and double time

U/D-2 Tracking of all contractors

U/D-3 Sections 2.5(C&D) Safety Committees. " modify to incorporate more union oversight of process. (pg.20)

U/D-4 Job Profiles The Union is concerned about securing that job profiles remain in effect for the length of the agreement. (pg.34) Union to propose new section to address job profiles.

U/D-5 Short Notice Call-Out

U/D-6 On Call (address the rest periods)

U/D-7 FMLA Definition of hours for qualification purposes, including LTS rating for Union Officers

U/D-8 Flexible workforce including: (a) staffing levels on Saturdays and split days (pg48)

U/D-9 Reporting to work during inclement weather

U/D-10 Modify section 4.4(J) to provide for insurance on personal vehicle when used as a SoCal Gas vehicle (pg.75)

U/D-11 Alternative Dispute Resolution

U/D-12 Appendix B

U/D-13 PAQ

- a) Create level 9 pay grade
- b) Re-PAQ a number of jobs
- c) Rules for PAQ

U/D-14 Eliminate 30 min rule for workers assigned a company vehicle (transmission)

U/D-15 Out of Town expenses including travel to and from home during training (pg.82)
Our problem is employees while training are not compensated when returning home during training with the exception of one round trip-training may take up to several weeks and employees should be paid the round trip mileage to return home on weekends.

U/D-16 Discuss pre-qualification testing for jobs in progression and bidding down in progression (pg.94)

Local 132 - The Union wishes to discuss or modify the following items during negotiations: Page 4 of 4

U/D-17 Discuss the duration of V-assignments in management

U/D-18 Posting of Open jobs to Intranet 15 days prior to filling

U/D-19 Discuss creation of Corrosion Specialist in Transmission and fill CP jobs in Storage with that classification

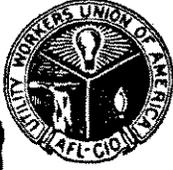
U/D-20 Discuss Training including mentoring programs, including "testing out" of formal classroom training.

U/D-21 12 hour shift agreement

Housekeeping:

1. Vacation Holiday Credits
2. Shop Committee language for Transmission/Storage

Send mail to webmaster@local132.com with questions or comments about this web site.
Last modified: February 13, 2002



7200 Greenleaf Ave., Suite #380
Whittier, California 90601
(562) 696-0142

**JOINT STEERING COMMITTEE
U.W.U.A. - I.C.W.U.C.**

PERIOD 2002-2005



8530 Stanton Ave., Suite 2-C
Buena Park, California 90620
(714) 816-1922

Negotiations 2002 / January 29, 2002

The items briefly discussed during January 23, 2002 are now assigned proposal numbers. Proposals may also be assigned to items labeled U/D (Union Discussion) pending outcome of discussion.

- U-1. Peace Principles – modify section 1.11
- U-2. Management's Rights
Section 2.1(A) Strike "unquestionable" (pg.3)
- U-3. Section 2.1(B1) Fence in all classifications (pg.4)
Section 2.1(B2) Strike "to avoid payment of overtime rates"
- U-4. Union Rights
Modify section 2.2(H) to allow 10 members from the UWUA and 7 members from ICWC to be excluded from shifts and details system wide. (pg.15)
- U-5. Seniority and Job Classifications
3.2-Scope (Part-time employees to become regular)
- U-6. Determination of Seniority Section 3.3 – strike exceptions for FMLA and Union Leave (pg.28)
- U-7. Seniority in shift Assignments Section 3.6 – modify to increase seniority rights and include the call centers (pg.30)
(Total Compensation)
- U-8. Provide for general wage increases in all years of the agreement as well as increases in all premiums and meal allowances (pg.36)
- U-9. Modify section 4.1(D) to provide for pay adjustment immediately upon Acceptance into classification (pg 38)
- U-10. Modify Section 4.2(A) zeroing out of overtime (pg.39)
- U-11. Modify Section 4.2(E) to provide increase for meal allowances after 1 ¼ hours (pg.41)
- U-12. Modify Section 4.2(G1) on the discussion with supervisor regarding exhaustion (pg.46)
- U-13. Modify Section 4.3(A) to provide for triple premiums for clerical workers (pg48)

Negotiations 2002/ January 29, 2002

- U-14 Create new Section 4.3(G) to provide premiums for workers in particular classifications where special projects requiring skills not used otherwise in the classification (pg.52)
- U-15 Modify section 4.3(B) to change the definitions of shifts (pg.48)
- U-16 Modify section 4.3(F) by striking bumping language (pg.51)
- U-17 Modify section 4.4(E) to include Caesar Chavez day as an extra holiday (pg.67)
- U-18 Modify section 4.4(F) to expand military leave to 2 weeks (pg.69)
- U-19 Modify section 4.4(H) to match contract to legal requirements for jury duty (pg.74)
- U-20 Modify section 5.10 Position Opportunity and Placement
- U-21 Modify section 5.12 on certifications (pg.89-100)
- U-22 Modify section 6.9 to strike the "all or nothing" clause for terminations (pg.131)
- U-23 Create new entry-level jobs in Transmission Station Assistant and Pipeline Assistant; Create a number of Lead jobs in Transmission

Discussion Items

- U/D-1 Overtime Tracking including Saturday, Sunday and double time
- U/D-2 Tracking of all contractors
- U/D-3 Sections 2.5(C&D) Safety Committees
- U/D-4 Job Profiles ✓
- U/D-5 Short Notice Call-Out
- U/D-6 On-Call
- U/D-7 FMLA Definition of hours for qualification purposes including LTS rating for Union Officers
- U/D-8 Flexible workforce Section 5.8 including: (a) staffing levels on Saturday & split days offs

Negotiations 2002/January 29, 2002

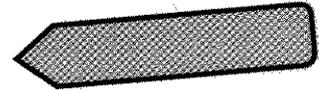
- U/D-9 Reporting to work during inclement weather
- U/D-10 Insurance on personal vehicle when used as a SoCal Gas vehicle

- U/D-11 Alternative Dispute Resolution
- U/D-12 Appendix B
- U/D-13 PAQ –to include:
 - a. Create level 9 pay grade
 - b. Re-PAQ a number of jobs
 - c. Rules for PAQ
- U/D-14 Eliminate 30 min rule for workers assigned a company vehicle-transmission
- U/D-15 Out of Town expenses including travel to and from home during training (p82)
- U/D-16 Discuss pre-qualification testing for jobs in progression and bidding down in progression (pg94)
- U/D-17 Discuss the duration of V-assignments in management
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- U/D-19 Discuss creation of Corrosion Specialist in Transmission and fill CP jobs in Storage with that classification
- U/D-20 Discuss Training including mentoring programs, including “testing out” of formal classroom training.
- U/D-21 12 hour shift agreement -transmission

Housekeeping:

1. Vacation Holiday Credits
2. Shop Committee language for Transmission/Storage

**Part Time Employees and Transitional Meter Reader
Side Letter Agreement**



The Company and Union agree,

Part Time employees with 6 months of service will be afforded all rights under Article VI for any discipline received from Section 6.3B.

Part Time Employees who work 1,000 hours or more per year shall receive 16 hours of Personal Business time the following year. If an employee works more than 700 hours but less than 1,000 hours in any following year after reaching the initial 1,000-hour threshold, that employee will receive 8 hours of Personal Business time the following year.

The Current Transitional Meter Reader classification will be changed to Meter Reader-R, which will be a regular, full time classification. Employees who are currently classified as Transitional Meter Readers will have their status changed to regular, full time, employees. The current incumbent Transitional Meter Readers will receive the following:

1. Prorated vacation of eight (8) days for 2002.
2. Sickness allowance per the contract for new employees. (see page 57 of the current agreement.)
3. Wage rate will remain as currently structured (\$13.91/hr). The hourly rate will be adjusted according to any agreed upon wage increase.

New employees (from part-time or external) bidding to the Meter Reader-R position will be treated as a new hire subject to the terms and conditions of Article IV of the contract.

The Meter Reader-R classification will be added to the Customer Meter Reading Services Job Progression.

J. B. Lane
For the Company

Marti Harris
For the Union

Date: 5/21/2002

Date: 5/21/2002

ATTACHMENT III-4

**2005-2008 Union Labor Contract
Negotiation Proposals**

ISSUED 11-8-04
1:25 pm

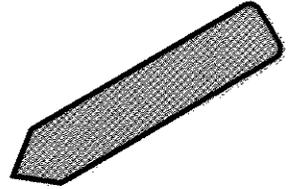
**Company Counter to Union 63
Union 63**

**November 8, 2004
August 17, 2004**

Section 5.2 -Workday and Workweek – Meter Readers

The Company proposes the following;

1. Eliminate the existing overtime calculator for full-time and part-time Meter Readers.



11-8-04

received 12:46pm

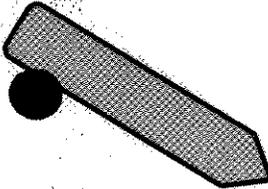
November 8, 2004
Modified Union proposal on Union-63

The Union will accept the Co.'s proposal to do away with the pay-per-route calculation of OT for all meter readers and modifies its prior proposal as follows:

1. Increase the number of meter reader R's to 150 from 100.
2. Agree that the Company will be in breach of the agreement if that number falls below 125.
3. Do away with pay-per-route completely for Meter Reader R's and raise their pay to Grade 1
4. Open up 10 slots immediately upon signing of the agreement and meet the threshold number of 125 within 60 days.

10/25/04

received 10:57 AM



October 20th 2004
Union revision of U-88

The Union proposes the following for part-timers:

1. Full representational rights under all relevant sections of the agreement including Article 6.
2. Qualification for medical and dental benefits upon completion of 12 months in which the part-time employee works at least 1000 hours.
3. Medical benefits will continue until the employee works less than 500 hours in any calendar year beginning with the calendar year following qualification for such benefits.
4. Pro-rated paid vacation time.
5. Pro-rated sick time.

8/25/04
1:55 pm

Proposal #U-100

Date August 25, 2004

Article VIII - Appendix A.

Section 8.1 Pay Grades -

Add Meter Reader R to Grade 1 schedule.

~~Move Planning Associates from Grade 7 to Grade 8 without PAQ study.~~

~~Move Lead Planning Associates from Grade 8 to Grade 9 without PAQ study.~~

Adjust Clerical wage rates to bring them in "market" similar to other groups.

Create a Station Helper Grade 4 Classification.

Create a Pipeline Helper Grade 4 Classification.

Create new Classifications to replace Administrative Clerk 3 positions then PAQ

Create a System Protection Technician Grade 5 Classification.

Create a Lead District Operations Clerk Grade 6 Classification.

Create a System Protection Planner Grade 7 Classification.

Create a Measurement Technician I Grade 7 Classification.

Create a Lead Measurement Technician Grade 8 Classification.

Create a Corrosion Specialist Grade 8 Classification.

Create a Lead Station Maintenance Specialist Grade 8 Classification.

Create a Senior Station Operations Specialist Grade 8 Classification.

Create a Senior Planner Grade 8 Classification.

Create a Mail Equipment Operator Assistant Grade 2

PAQ the following classifications:

Mapping Assistant

Lead Electrician

Journey Electricians

Lead Collection Control Clerk

Cashiers

Mail Payment Clerk - 1

Payment Entry Clerk - 3

Blacksmith

Construction Tech
Customer Billing Analyst
Customer Service Representatives – 4
Meter Reading Clerks-4
Lead Meter Reading Clerk
Special Investigation Reps
Lead Collection Reps
Lead Customer Service Reps
Fleet Assistants
Planning Associates
Dispatch Specialist
Gas Measurement Clerk
Meter Repair Technician
Repair Shop Mechanic #1
Facilities Mechanic

Existing Language:

Proposed Language:

TENTATIVE AGREEMENT

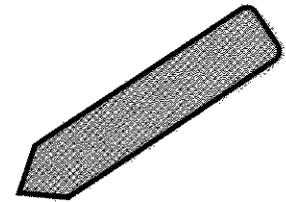
December 10, 2004

The Company and the Union agree to the following and the attached contract proposals. The parties agree all remaining proposals not listed or attached within this package are withdrawn.

The Company and the Union agree on a 45-month term from January 1, 2005 through September 30, 2008. The parties agree the medical plan within this agreement will continue thru December 31, 2008.

The Company and the Union agree to the following base wage increases for all full-time and part-time bargaining unit employees, excluding all Meter Readers:

- January 1, 2005 – 2.25%
- July 1, 2005 – 2.25%
- July 1, 2006 – 3.5%
- July 1, 2007 – 3.75%



Base wages for Meter Readers will be adjusted as outlined in the attached side letter.

All premiums, not specifically addressed in the proposals below, will be raised by the same percentage and at the same time as the annual wage increase.

The Company and Union agree to the Letter Agreements reached by the Customer Service Field and Bidding subcommittees.

The Company and Union agree to a second open enrollment for medical only, to implement C-111 (Revised, 12/06/04), which will occur in the second quarter of 2005 with new rates effective on July 1, 2005.

| | | |
|----------------------|------------|---------------------------------|
| U-4 Company Counter | 9/27/2004 | Union Rights: Recognition |
| U-5 Company Counter | 12/10/2004 | Payroll Code for Union Business |
| C-6 Revised | 12/10/2004 | Union Leave of Absence |
| U-7 | 8/10/2004 | Union Rights: Union Dues |
| C-8 Union Counter | 11/09/2004 | Union Activity |
| U-10 Company Counter | 9/14/2004 | Management/Union Rights |
| U-15 Company Counter | 11/03/2004 | Shop Committees |
| C-16 Revised | 9/13/2004 | Shop Committees |
| U-19 | 8/30/2004 | Determination of Seniority |
| C-23 | 7/21/2004 | Vacation Advance |
| U-24 Revised | 11/09/2004 | LTS Status |
| U-27 | 10/25/2004 | Mandatory Overtime Report |
| U-28 Company Counter | 9/27/2004 | Overtime: Meal Allowance |
| U-31 Revised | 10/20/2004 | Consecutive day rule |
| U-40 Company Counter | 10/27/2004 | Sunday Premiums |
| U-41 Company Counter | 10/20/2004 | On-call Pay |
| C-45 Revised | 9/1/2004 | Purchased Vacation |

| | | |
|-----------------------|------------|--|
| U-48 Company Counter | 9/13/2004 | Industrial Accident Allowance |
| U-49 Revised | 9/13/2004 | Family Care Leave: Paid Family Leave (PFL) |
| U-54 | 8/16/2004 | Personal Emergencies: Domestic Partners |
| U-58 Company Counter | 8/30/2004 | Jackets |
| C-59 | 7/21/2004 | Uniforms |
| C-60 | 7/21/2004 | Coveralls |
| U-61 Company Counter | 9/15/2004 | Boot Allowance |
| U-63 Company Counter | 12/02/2004 | Meter Reading: OT Calc & Pay-per-route |
| U-69 Company Counter | 10/12/2004 | Temporary Relief Assignments |
| U-71 Company Counter | 9/28/2004 | POS |
| U-73 Company Counter | 11/16/2004 | POS: Bid restrictions |
| U-75 Company Counter | 9/13/2004 | POS: Placement, Exams, Testing |
| C-76 | 7/21/2004 | Validity of Job Requests: Active bid duration |
| U-78 Company Counter | 8/17/2004 | Return to prior position: 56-Day Return Rights |
| U-80 Union Counter | 10/26/2004 | Placement of Disabled Employee |
| U-85 Company Counter | 9/1/2004 | Cause of Discipline (COD) Card |
| U-88 Company Counter | 12/10/2004 | Part-time Employees |
| U-91 | 8/18/2004 | Grievance Numbering System |
| U-92 Company Counter | 11/04/2004 | ADR Process |
| U-93 Company Counter | 10/20/2004 | Grievance/Arbitration Procedure |
| U-96 Company Counter | 10/13/2004 | Seniority in Layoff |
| C-97 Revised | 10/27/2004 | Seniority in Layoff (Disability bidder) |
| U-98 Company Counter | 8/30/2004 | Red Circle |
| C-101 | 8/3/2004 | Appendix A: Hourly Rates |
| C-103 | 11/08/2004 | Appendix B: Job Listings |
| C-103 Additions | 12/01/2004 | Appendix B |
| U-104 Company Counter | 11/16/2004 | Appendix C: Side Letter Bid Priorities in T&S |
| C-105 Company Counter | 12/08/2004 | PAQ Side Letter |
| C-105 Company Counter | 12/08/2004 | Leakage Ctrl Clerk and M&R Clerk Side Letter |
| C-105 | 10/25/2004 | Reimbursable Expenses Side Letter |
| U-106 Company Counter | 12/10/2004 | Pension |
| U-108 Company Counter | 11/30/2004 | Retirement Savings |
| U-110 Company Counter | 12/06/2004 | Taft-Hartley |
| C-111 Company Counter | 12/06/2004 | Medical Plan |
| C-117 | 7/21/2004 | Life Insurance: AD&D |
| U-120 | 8/30/2004 | Health Savings Account |
| C-122 Revised | 12/08/2004 | Recognition |
| C-123 | 9/15/2004 | Miscellaneous: Contract Clean-up |
| Side Letters | 11/29/2004 | CSF Subcommittee |
| Side Letter | 11/16/2004 | POS: Online |
| Side Letter | 12/10/2004 | Part-time Arbitration |
| Side Letter | 12/10/2004 | CCC Graveyard Shifts |

**Letter Agreement
Meter Reader Base Wage Increases**

January 1, 2005

| | |
|-------------------|----------------|
| Part-time Stage 1 | \$11.00 / hour |
| Part-time Stage 3 | \$15.50 / hour |
| Meter Reader – R | \$16.50 /hour |

July 1, 2005

| | |
|-------------------|----------------|
| Part-time Stage 1 | \$11.05 / hour |
| Part-time Stage 3 | \$15.75 / hour |
| Meter Reader – R | \$17.25 /hour |

July 1, 2006

| | |
|-------------------|----------------|
| Part-time Stage 1 | \$11.10 / hour |
| Part-time Stage 3 | \$16.00 / hour |
| Meter Reader – R | \$18.00 /hour |

July 1, 2007

| | |
|-------------------|----------------|
| Part-time Stage 1 | \$11.15 / hour |
| Part-time Stage 3 | \$16.25 / hour |
| Meter Reader – R | \$19.00 /hour |

Date

S.J. Bosworth
For the Company

Date

Marta Rodriguez Harris
For the Union



LETTER AGREEMENT

RE: Meter Reader-R AMR Agreement

This Letter of Agreement is executed by and between Southern California Gas Company (SCGC) and the Joint Steering Committee. This agreement expires December 31, 2007.

The Company agrees to complete Automated Meter Reading (AMR) installation project work in-house using Meter Reader – R's. The Company agrees to create additional Meter Reader-R positions to complete AMR project work.

In addition to their regular rate of pay, Meter Reader-R's specifically assigned to this project full time will receive a \$1.00 per hour premium above the normal rate of pay.

The following are additional details:

- The one dollar (\$1.00) per hour premium will be added to the rate of pay for all work performed while assigned to this project, including vacation and holidays.
- The Meter Reader-R's assigned to this project will be eligible to work Meter Reading overtime according to local overtime agreements.
- A Part-Time employee, who secures a Meter Reader-R position, will be allowed to remain in the Meter Reader-R classification upon conclusion of the project.
- There will be no bid restrictions placed on existing Meter Reader-R's who are assigned to this project.
- Additional Meter Reader-R positions will be filled at Santa Monica and Hollywood Districts to support the AMR project.
- The initial project positions will be filled from existing Meter Reader R's system wide in seniority order. Interested Meter Reader-R's must submit an interest letter not later than July 31, 2006, for consideration. Subsequent vacancies at the specific locations will be filled from the bid deck. If a Meter Reader-R at the specific work location has greater seniority than the senior bidder in the bid deck, they will be offered the job first.

Dated: 7/7/2006


For the Company

Dated: July 7, 2006


For the Union

ATTACHMENT III-5

**2008-2011 Union Labor Contract
Negotiation Proposals**

August 28, 2008

Union counter to Company proposal C-84 Local Hiring

1. The Parties agree that the Company may hire new full time employees into the entry level field positions in Customer Service and Distribution departments from community based, and union sponsored training facilities on a three (3) to one (1) ratio, (3 part-time employees for each employee hired from said community and union sponsored programs).
2. The Company will grandfather existing part-time employees who have the pre-requisite tests on file.
3. Part-time employees who desire to enroll in any community based, or union sponsored training program will be granted a leave of absence from their current job to enable them to attend a community based, or union sponsored program related to the Gas Company operations.
4. The part-time workforce will be capped at current levels (no new hires into the part time work group in any classification).
5. Part-time employees enrolled in a community based or union sponsored training will receive seniority credits for all classes attended and successfully completed.
6. The Company will create an additional 200 Meter Reader R positions within 60 days of ratification of the new contract.
7. No part-time employee will be laid off due to implementation of new technology, such as AMR, AMI, etc.
8. The company will establish a pool of applicants for hiring from successful community based and union sponsored training facilities at a ratio of four (4) from any UWUA facility, one (1) from the ICWUC facility and one (1) from community based facilities.
9. The Company agrees that all terms of the Collective Bargaining Agreement will apply to all part-time workers at the completion of 520 hours of cumulative service.
10. No part-time workers hours will be reduced to deny or reduce benefit coverage.
11. Any full-time employee in the path of layoff due to implementation of OpEx 20/20 who makes application and is accepted to a community based or union sponsored training program will, upon verification by the company, be granted up to twelve (12) weeks of paid leave to attend such classes. Pay will be forty (40) hours per week at the employee's regular straight time rate. After successful completion of training the employee will be compensated for the cost of said training by the Company. Compensation will include the cost of tuition, administrative fees and books.
12. Full-time employees affected by OpEx 20/20 who complete community based, or union sponsored training may displace junior employees in entry level jobs at any work location in any Region or District Company wide, and will have bid priority based on seniority to all entry level jobs.

Tentative Agreement January 31, 2009

After seven months of bargaining, and concessions by both parties, the Company and the Union agree to the following:

1. Wages

- a. **General Wage Increase** – Wages will be increased by 3.5%, retroactive to 10/1/08. On 10/1/09, base wages will be increased by 3.5% and, on 10/1/10, base wages will be increased by 3.5%, for a total increase of 10.5% over the contract term of two years and eight months.

Meter Reader wages will be increased in accordance with the negotiated general wage increase.

b. Premiums

- Premiums will be increased by the same percentage as each GWI, retroactive to October 1, 2008, for the duration of the contract (U-31 dated 7/9/08, accepted 9/9/08).
- Upon contract ratification, retroactive to October 1, 2008, the Company will increase on-call premiums by a one-time 3% over and above the 10/1/08 GWI percentage.
- Employees who are required to maintain a Class A or B driver’s license (excluding Transportation Logistics Representatives) will receive a premium of \$0.25 per hour in addition to their hourly rate. (Company counter regarding U-40) *See attached letter agreement*

2. Other Allowances

- a. The existing footwear allowance will be extended to 18 additional classifications, including the following (Company counter regarding U-51 dated 8/26/08, accepted 8/27/08):

| | | |
|--------------------------|------------------------------|---------------------------------|
| Facilities Helper | Fabrication Shop Mechanic #1 | Journey Sheet Metal Mechanic |
| Facilities Mechanic | Journey Welder | Lead Repair Shop Mechanic |
| Lead Facilities Mechanic | Lead Lab Tech | Repair Shop Mechanic #1 |
| Fleet Tech | Lead Machinist | System Protection Planner |
| Lead Fleet Tech | Lab Assistant | Energy Technician – Residential |
| Fleet Assistant | Lab Tech | |
| | Journey Machinist | |

- b. Upon contract ratification, the travel per diem will be increased from \$30 to \$39 per day, retroactive to October 1, 2008 (Company counter to U-83F dated 8/26/08, accepted 8/27/08; modified date to reflect timing of ratification.)
3. **Split Days Off** – Over the next four open selection periods, beginning with the second open selection period in 2009, Customer Service Field will reduce split days off by at least 50% compared to 2007 system levels.

4. **Medical, Dental and Vision Benefit Enhancements for Part-Time Employees**

- a. **Medical** - Effective the first day of the month following ratification, medical benefits (the low-cost HMO, for employee only) will be accelerated for part-time employees; employees will be eligible after one calendar year of service (rolling 12 months) as opposed to the current two years (Company counter regarding C-94 dated 8/26/08, accepted 8/27/08; modified effective date to reflect timing of ratification).
- b. **Dental** - Effective the first day of the month following ratification, the SafeGuard dental benefit will be extended to part-time employees (employee only); employees will be eligible after one calendar year of service (rolling 12 months) (Company counter regarding C-94 dated 8/26/08, accepted 8/27/08; modified effective date to reflect timing of ratification)
- c. **Vision** - Effective the first day of the month following ratification), the SafeGuard vision benefit will be extended to part-time employees (employee only); employees will be eligible after one calendar year of service (rolling 12 months) (Company counter regarding C-94 dated 8/26/08, accepted 8/27/08; modified effective date to reflect timing of ratification)

Note: Part-time employees who waive all three benefits (i.e., medical, dental and vision) will receive a stipend of \$100/month.

5. **Dental and Vision Benefit Enhancements for Full-Time Employees**

- a. **Dental** - Effective the first day of the month following ratification, the Delta Dental plan annual maximum benefit will be increased from \$1,000 to \$1,500, and the maximum orthodontic benefit will be increased from \$500 to \$1,000. In addition, employee monthly costs will be fixed at the following amounts for the term of the agreement (Company counter regarding U-98 dated 8/26/08, accepted 8/27/08; modified effective date to reflect timing of ratification):

| | |
|----------------|---------|
| Employee Only: | \$12.50 |
| Employee + 1: | \$25.00 |
| Employee + 2: | \$50.00 |

- b. **Vision** - Effective the first day of the month following ratification, coverage for the cost of frames under the VSP and SafeGuard vision plans will be increased as follows (Company counter regarding U-99 dated 8/26/08, accepted 8/27/08; modified effective date to reflect timing of ratification):

| | |
|---|--|
| VSP: After deductible, plan pays 100% for frames having wholesale cost up to \$100. Employee pays wholesale cost over \$100. | SafeGuard: Plan pays 100% up to \$100. Employee pays 75% of retail cost over \$100. |
|---|--|

- 6. **Medical Cost Sharing** – Effective the first day of the month following ratification, the current cost sharing structure for the low-cost HMO option will change from 90%/10% to 85%/15%, where the Company pays 85% of the total premium, and the employee pays 15% of the total premium. Cost sharing for all other HMOs will remain based on the low-cost HMO, whereby

ATTACHMENT III-6

**Pacific Gas & Electric News Release on
Smart Meter™ Deployment**



COMPANY INFORMATION

NEWS & ALERTS

ENVIRONMENT

COMMUNITY

RATES & REGULATIONS

EDUCATION & SAFETY

CAREERS

- Media Relations
- News Releases
- Investor Affairs / Investor

News Release

Print Page | Email Page

Release Date: April 14, 2009
Contact: PG&E News Department (415) 973-5930

PG&E Leads the Nation in SmartMeter™ Deployment

With a record 2.3 million SmartMeter™ electric and gas meters installed, PG&E is on track to deploy nearly 10 million meters by end of 2011.

SAN FRANCISCO, Calif. – Pacific Gas and Electric Company (PG&E) today announced it has installed 2.3 million SmartMeter™ gas and electric meters – more advanced meters than any other utility in the nation.

The automated meters benefit both customers and the utility by giving customers online access to detailed data on their energy use and eliminating the need for customers to unlock gates or secure dogs for monthly meter reader visits. The new meters also give customers the ability to take advantage of SmartRate™, a voluntary summer program that can save them money if they reduce energy use during times of peak demand.

"PG&E's SmartMeter™ program is a great example of how we are leading the way to better serve our customers," said Helen Burt, senior vice president and chief customer officer at PG&E. "The SmartMeter™ program puts in place a foundation that will enable us to reach new levels of customer service and operational efficiency."

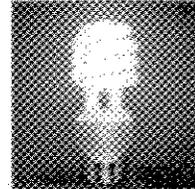
The new devices replace traditional analog meters, which are read manually. The advanced, solid-state meters can be remotely upgraded as technologies evolve. In addition, the new meters include a home area network interface that customers will be able to use in the future to get real-time energy usage data, as well as automate management of their home energy use. These and other features such as power outage detection will roll out in the coming years as PG&E builds the applications to support them.

PG&E's SmartMeter™ program began installing meters in 2006. By the end of 2011, PG&E will have installed 9.8 million SmartMeter™ meters for all customers, including 5.3 million electric and 4.5 million gas meters.

Customer response to the voluntary SmartRate™ program, which encourages customers to conserve during critical peak periods, has been very positive. The program rewards customers with a credit of nearly 3 cents for each kilowatt hour of electricity used outside of critical peak load periods, which occur only on the hottest summer afternoons and on no more than 15 days a season.

Said one customer who participated last summer: "This was one of the easiest (programs) I've ever joined. It not only saved us from high monthly electric bills when it was over 100 degrees, but it was also rewarding. It makes for a nice (credit) at the end of the month and saves us all energy and money."

Pacific Gas and Electric Company, a subsidiary of PG&E Corporation (NYSE:PCG), is one of the largest combined natural gas and electric utilities in the United States. Based in San Francisco, with 20,000 employees, the company delivers some of the nation's cleanest energy to 15 million people in northern and central California. For more information, visit www.pge.com/about.



Fight global warming by screwing in a light bulb

→ Find out more about CFLs.



Employee Volunteers

Supporting our communities.

→ Learn more



Street Lights

Report a street light outage or problem.

→ Learn more

ATTACHMENT III-7

**SDG&E Application 05-03-015, Chapter 12, Gas Modules,
Meter & Module Installations, July 14, 2006 Amendment –
Testimony of Jose L. Carranza & Workpapers**

Application of San Diego Gas & Electric Company
(U-902-E) for Adoption of an Advanced Metering
Infrastructure Deployment Scenario and Associated Cost
Recovery and Rate Design.

Application 05-03-015
Exhibit No.: _____

CHAPTER 12
GAS MODULES, METER & MODULE INSTALLATIONS

JULY 14, 2006 AMENDMENT

**Prepared Supplemental, Consolidating,
Superseding and Replacement Testimony
of**

JOSE L. CARRANZA

SAN DIEGO GAS & ELECTRIC COMPANY

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

July 14, 2006

1 About 80% of these meter replacements will be completed without
2 requiring an interruption of gas service to the customer. SDG&E will
3 work closely with the installation vendor to minimize the number of
4 outages.

5 **3. K-type Regulator Replacements**

6 **a. Current K-type regulator replacement program overview**

7 Each year, SDG&E replaces approximately 5,000 American Meter
8 Company's Reliance K-type regulators, which do not provide over-
9 pressure protection, with an internal relief valve, as required by our
10 current standards. SDG&E manages a Reliance K-type regulator
11 replacement program that is coupled with our meter change policy. When
12 a field technician completes an order that requires changing a gas meter,
13 and a Reliance K-type regulator is identified, the regulator is replaced.

14 **b. AMI meter replacements provide opportunity to accelerate K-type 15 regulator replacements**

16 During deployment, SDG&E expects to change out 3% of the existing
17 gas meters. SDG&E anticipates Reliance K type regulators will be
18 identified and changed out during about 50% of these gas meter changes.
19 This provides SDG&E an opportunity to proactively accelerate the
20 removal of the Reliance K-type regulators from service over the existing
21 removal schedule.

22 **4. Gas Meter Growth**

23 Included herein are incremental costs for gas modules to account for
24 gas meter population growth in the years following AMI deployment. The
25 costs related to gas meter population growth is part of SDG&E's General
26 Rate Case and, therefore, excluded from costs.

27 **5. Operations and Maintenance Costs**

28 **a. Gas Module Replacement**

29 The service life of the gas module is quoted by metering vendors to be
30 15 to 20 years. Costs are not included for replacing batteries because the
31 meter vendors expect the battery to last as long as the gas module.
32 Incremental gas operations and maintenance costs include the labor,

1 materials and vehicle costs related to AMI communication module
2 failures, at a rate less than 1%, and pulser failures for remote AMI
3 communication devices with failure rates at 2%. This testimony includes
4 labor and material costs for performing corrective maintenance of
5 premature module failures. There are no incremental costs for gas meter
6 failures as a result of AMI-enabled gas modules.

7 **6. Benefits**

8 **a. Accelerated Gas Meter Replacements**

9 SDG&E will replace approximately 3% of existing gas meters. For
10 the reasons stated above, these meters cannot be retrofitted with an AMI
11 communication module. SDG&E will realize a benefit for accelerating
12 gas meter replacements.

13 **b. Accelerated K-type Regulator Replacements**

14 During AMI deployment, SDG&E anticipates replacing up to 5% of
15 the Reliance K-type regulators. SDG&E will benefit from the accelerated
16 replacement.

17 **C. Electric Meter, Gas Module, and Gas Meter Installation**

18 **1. Metering Equipment Installation**

19 **a. Work Scope and Timeline**

20 The AMI meter installation scope includes the replacement of
21 approximately 1.4 million electric meters and installation of
22 approximately 900,000 gas meter modules. SDG&E expects to replace up
23 to 3% of the currently installed gas meter population, which are not
24 suitable to be retrofitted with an AMI communications module due to their
25 design. SDG&E estimates that this work will take approximately two and
26 one half years, with a targeted start date in the second quarter of 2008.

27 **b. Contracted Workforce**

28 SDG&E will hire an installation vendor who will manage and
29 complete installation of all electric and gas metering equipment. This
30 vendor will provide installation management, work scheduling and
31 customer notification, appointments, issue resolution, a customer call

ATTACHMENT III-8

AMI Battery Life Evaluation

**CONFIDENTIAL:
Submitted Under the Provisions of General Order 66-C and
Section 583 of the Public Utilities Code**

ATTACHMENT III-9

**Pacific Gas & Electric Company AMI Project Operational
Benefits and Costs Prepared Testimony – Chapter 7,
Gas Transmission & Distribution Related Benefits**

Application No.: _____

(U 39 M)

Exhibit No.: (PG&E-3)

Date: June 16, 2005

Witnesses: Bruce H. Agid
Richard C. Brown
Kevin P. McSweeney
Young Nguyen
Steven H. Phillips
Martin H. Rateau, Jr.
Shelly J. Sharp

PACIFIC GAS AND ELECTRIC COMPANY

AMI PROJECT OPERATIONAL BENEFITS AND COSTS

PREPARED TESTIMONY



PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 7
GAS TRANSMISSION & DISTRIBUTION RELATED BENEFITS

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 7
GAS TRANSMISSION & DISTRIBUTION RELATED BENEFITS

TABLE OF CONTENTS

| | |
|------------------------------------|-----|
| A. Introduction..... | 7-1 |
| 1. Scope and Purpose..... | 7-1 |
| 2. Summary..... | 7-1 |
| B. Gas T&D Planning Benefits | 7-2 |

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 7
GAS TRANSMISSION & DISTRIBUTION RELATED BENEFITS

A. Introduction

1. Scope and Purpose

The purpose of this chapter is to discuss the estimated operational benefits associated with gas transmission and distribution (T&D) capacity planning resulting from Pacific Gas and Electric Company's (PG&E) Advanced Metering Infrastructure (AMI) Project deployment. These estimated benefits result from additional gas demand data availability which improves planning accuracy for capacity projects. The cost estimates in this chapter are based on full deployment of AMI for all PG&E's gas customers except non-core gas customers.

2. Summary

Table 7-1 below summarizes the estimated gas capacity project savings due to the AMI Project. The split between labor and non-labor is based on historical T&D capacity projects. These savings are based on an engineering judgment that the higher precision gas demand data provided by the AMI Project will result in a one year delay of both gas distribution and transmission capacity projects.

TABLE 7-1
PACIFIC GAS AND ELECTRIC COMPANY
MWC (47, 73)(a) GAS T&D RELATED BENEFITS
ESTIMATED BENEFIT OF FULL IMPLEMENTATION IN 2005 \$

| Line No. | MWC | Description | 2005 Value Labor (\$000s) | 2005 Value Non-Labor (\$000s) | Annual or One-time |
|----------|-----|---------------------------|---------------------------|-------------------------------|--------------------|
| 1 | 47 | Gas Distribution Capacity | \$135 | \$65 | Annual |
| 2 | 73 | Gas Transmission Capacity | 500(b) | 500(b) | Annual |

(a) Gas T&D benefits fall into the following Major Work Categories (MWCs): 47 – Gas Distribution New Capacity – Gas, and 73 – Gas Transmission New Capacity – Gas.

(b) Estimated gas transmission capacity project savings drop to \$250,000 for labor and non-labor beginning in 2015.

1 **B. Gas T&D Planning Benefits**

2 The AMI Project is estimated to benefit the gas T&D systems by delaying
3 the timing of future capacity investments by one year. This benefit is estimated
4 to provide a net present value (NPV) benefit equivalent to an annual gas
5 transmission savings of about \$1 million during the 2010-2014 timeframe and
6 about \$0.5 million beginning in 2015. The lower \$0.5 million annual benefit
7 beginning in 2015 is due to an estimated reduction in capacity investments as
8 relatively large gas transmission capacity jobs are completed by 2014. For gas
9 distribution, the benefit is estimated to provide an equivalent annual savings of
10 \$0.2 million beginning in 2010.

11 PG&E must maintain adequate pipeline capacity to meet peak day design
12 conditions on both gas transmission and distribution systems. The peak day
13 design criteria for residential customers is an extreme cold day that has a
14 recurrence interval of once every 90 years, and is equivalent to a 29 degrees
15 Fahrenheit system mean daily temperature. The rarity of this extreme cold day
16 means that residential gas usage is based on a projection from much warmer
17 days.

18 Current residential gas usage data is available from monthly billing data
19 only. Therefore residential gas use vs. temperature typically provides a data
20 point at about 50 degrees Fahrenheit (approximate average monthly
21 temperature in the coldest month of the winter). This data point requires a
22 significant modeling projection to the design temperature of about
23 29 degrees Fahrenheit. The required large projection of gas demand from 50 to
24 29 degrees Fahrenheit creates uncertainty in predicting design day-demand in
25 the planning models. Consistent with this uncertainty, an appropriate level of
26 engineering design margin is included in determining the timing of the capacity
27 project.

28 The AMI Project will provide gas demand vs. temperature data at daily
29 rather than monthly intervals. This increased data frequency provides many
30 more "colder" data points for projecting gas demand to the 29 degree Fahrenheit
31 design temperature. This improved collection of "colder day" gas use data will
32 improve the projection accuracy to the design temperature thereby increasing
33 engineering precision in estimating peak day demand.

1 PG&E estimates that the increased precision in estimating peak day
2 demand will allow PG&E to delay capacity-related construction projects by about
3 one year. PG&E will need to evaluate the actual data after deployment to
4 determine how it actually changes the planning design margin. Projects going
5 forward in future rate cases are expected to reflect any change in the
6 engineering design margin and corresponding gas capacity project costs.

ATTACHMENT III-10

**Decision 06-07-027; Final Opinion Authorizing
Pacific Gas & Electric Company to Deploy Advance Metering
Infrastructure – Findings of Fact: Project Benefits**

ALJ/DUG/niz

Mailed 7/24/2006

Decision 06-07-027 July 20, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
for Authority to Increase Revenue Requirements
to Recover the Costs to Deploy an Advanced
Metering Infrastructure.

(U 39 E)

Application 05-06-028
(Filed June 16, 2005)

(See Appendix A for List of Appearances.)

**FINAL OPINION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY
TO DEPLOY ADVANCED METERING INFRASTRUCTURE**

12. The advertising campaign for CPP is reasonably designed and necessary to inform and attract voluntary customers likely to provide the expected demand reductions during critical peak periods.

13. The project benefits, as stipulated (see Table 2), are reasonable and within the range of a likely litigated outcome.

14. A voluntary critical peak pricing tariff for residential and small commercial or industrial customers with under 200 kW demand will provide PG&E with up to 15 critical peak events per summer season for customers to reduce their load in exchange for an incentive pricing option. Certain customers, primarily those with significant air conditioning load, can reduce their total bill by up to 10% in exchange for a 25% reduction in their load just during the critical peak periods. Other customers can benefit too.

15. A bill guarantee, limiting the CPP customer's accumulated bills for the six month CPP season to the total amount otherwise payable under the customer's default rate, provides a participation incentive through a customer's first full summer on the CPP tariff.

16. The demand response benefits from PG&E's proposed CPP will provide positive benefits contributing to the AMI's overall cost effectiveness.

17. Balancing accounts will allow PG&E a reasonable opportunity to recover operating and capital costs as the AMI modules are deployed and put into service. The balancing accounts will also ensure customers receive an offsetting allowance for cost savings as PG&E's operating costs are reduced.

18. AMI will not be fully deployed before PG&E's next general rate case which is scheduled to have a test year 2010. It is beneficial to ratepayers if the Commission considers as an option to continue the balancing accounts in a test year 2010 forecast that omits AMI implementation.

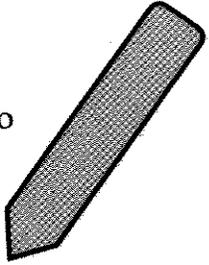


TABLE 2
STIPULATED AMI PROJECT BENEFITS

| Line No. | Benefit category | Annualized Benefit After Implementation (2005 \$ million) | PVRR (\$ in millions)(a) |
|----------|---|--|-----------------------------|
| 1 | Operational meter reading | \$86.2 | (\$1,074.4)(b) |
| 2 | Electric Transmission and Distribution | 12.8 | (195.7) |
| 3 | Meter Operations | 7.0 | (103.4) |
| 4 | Customer Contact | 2.7 | (39.9) |
| 5 | Billing Benefits | 18.6 | (215.3)(b) |
| 6 | Gas Transmission and Distribution | 1.2 | (9.9) |
| 7 | Reduced Software License Expense | 5.0 | (48.1) |
| 8 | Remote Turn-On/Shut-Off | 11.5 | (102.0)(b) |
| 9 | Other Employee-Related Costs | 16.8 | (218.5) |
| 10 | Total Annual Benefit | \$161.8 | (\$2,007.2) |
| 11 | Reduced Equipment Replacement (2011 \$) | 8.5 | (10.2) |
| 12 | Deferred Meter Testing | 1.6 | (6.8) |
| 13 | Total One-Time Benefits | \$10.1 | (\$17.0) |
| 14 | Total Benefits <i>(totals subject to rounding error)</i> | | (\$2,024.2) |

(a) PVRR values in parentheses are a reduction in revenue requirement.

(b) PVRR totals for these benefits are net of severance costs.

(Source: Ex. 32, revised Table 10-2 (Revised 3/14/06).)

10. Critical Peak Pricing

PG&E's CPP is a voluntary supplemental tariff offered to its residential and small commercial and industrial (C&I) customers with electric demands below 200 kW. The tariff will be available as the AMI modules are deployed and activated. PG&E designed the CPP rate as an "overlay" in addition to the

ATTACHMENT III-11

Data Request DRA-SCG-10, Gas Distribution O&M Expense

**DRA DATA REQUEST
DRA-SCG-010-DAO
SOCALGAS RESPONSE**

Data Request No: DRA-SCG-10

Exhibit Ref.: Exh SCG-2, Account 875

Subject: Gas Distribution O&M Expense

Please provide the following items:

RISING COMMUNICATIONS COSTS

1. SCG forecasts an increase of \$79,000 above the 2005 recorded base. Please identify the work activity associated with this expense, (i.e. installation cost, equipment cost, and/or both?)

SoCalGas Response:

This \$79,000 O&M expense increase above the 2005 recorded adjusted base (\$24,000 in 2006; \$26,000 in 2007 and \$29,000 in 2008) is for reoccurring telephone line communication costs associated with the incremental Electronic Pressure Monitoring units forecasted to be installed in the years 2006, 2007 and 2008. The installation and equipment costs for these forecasted units is capitalized under Budget Code 181 and discussed in Testimony under the Capital grouping of "Materials".

**DRA DATA REQUEST
DRA-SCG-010-DAO
SOCALGAS RESPONSE**

2. Provide the number of electronic pressure monitor devices (EPMS) installed each year from 2000-YTD 2006 and the installation expense.

SoCalGas Response:

See table below for number of new Electronic Pressure Monitors installations by year 2001-YTD 2006. Year 2000 data is not readily available and is outside the scope of the 5-year historical period normally considered for this GRC.

The installation costs for 2005 and YTD 2006 are shown in the table below. These are capitalized expenditures included in Budget Code 181, and discussed in Testimony under the capital grouping, "Materials". The actual expenditures as reported in the company accounting records are provided. However, the non-labor component of this figure includes purchases for inventory. Therefore an "Estimated" Installation cost has been provided to better align installation labor with the associated materials expense. Prior to 2005 these costs were imbedded within other capital categories and are not easily identifiable.

Southern California Gas Company
Number of Electronic Pressure Monitor Devices Installed
(Dollars shown in Nominal terms)

| Year | 2001 | 2002 | 2003 | 2004 | 2005 | YTD Sept. 2006 |
|--|------|------|------|------|---------|----------------------|
| Quantity Installed | 18 | 97 | 138 | 82 | 64 | 29 |
| Recorded Accounting Expenditures ^{1/} | N/A | N/A | N/A | N/A | 256,908 | 22,566 |
| Est. Installation and Materials Cost ^{2/} | N/A | N/A | N/A | N/A | 196,137 | 70,184 |

1/ Labor and non-labor data extracted directly from Accounting records for Budget Code 181. While labor charges capture the field installation time, non-labor includes materials that were purchased during that time frame for both installations and inventory.

2/ Labor data extracted directly from Accounting records for Budget Code 181. Non-labor estimated based on identified quantity installed at an average non-labor cost of \$1,500/unit.

**DRA DATA REQUEST
DRA-SCG-010-DAO
SOCALGAS RESPONSE**

3. Provide a copy of the assumptions used for the derivation of the 35% increase in EPMs installation.

SoCalGas Response:

The 35% referenced in testimony (Exhibit SCG-2, pg. DJR-23, line 15) was a typographical error. This is being updated as part of the NOI filing. The corrected value is approximately 25%. This update does not impact the requested funding in either O&M or Capital.

The approximate 25% increase is based on the three year average (2006-2008) of 125 new Electronic Pressure Monitors (EPM) installed annually ^{1/} compared to the total number of EPMs currently installed in the field. This increase in new EPM installations is to replace critical mechanical pressure recorder sites with EPMs over an 8-year period. The existing mechanical pressure recorders are an antiquated technology and becoming obsolete. There is also a need to obtain real-time pressure data from these critical sites, which the older paper chart devices cannot provide. Recently, EPM technology has become proven and practical for distribution systems, and can address these issues. By replacing the chart systems with EPMs, Distribution Operations gains the ability to remotely monitor pressure conditions at critical locations throughout the pipeline system and thereby improve their capability to detect pressure irregularities and respond appropriately.

1/ The assumed annual rate of installation is shown in capital workpapers (SCG-2-CWP) under Budget Code 181.

ATTACHMENT III-12

**SoCalGas TY2008 GRC, Capital Workpaper:
Electronic Pressure Monitors (EPMs)**

CAPITAL PROJECT WORKPAPER

| BUDGET TITLE Electronic Pressure Monitors (EPMs) - new installation | | | | | | | BUDGET NO. 181-0 | |
|--|----------------|------|------|------|------|--------------------|---------------------|--|
| WITNESS Dan J. Rendler | | | | | | | | |
| PROJECT COST (\$000 in 2005\$) | PRIOR YEARS | 2005 | 2006 | 2007 | 2008 | REMAINING YEARS | TOTAL | |
| DIRECT LABOR | 0 | 100 | 124 | 139 | 160 | 0 | 523 | |
| DIRECT NONLABOR | 0 | 257 | 169 | 187 | 209 | 0 | 822 | |
| TOTAL CAPITAL | 0 | 357 | 293 | 326 | 369 | 0 | 1,345 | |
| FTE | 0 | 1.5 | 1.9 | 2.1 | 2.4 | 0 | 7.9 | |

PROJECT NARRATIVE

Business Purpose

Electronic gas pressure monitoring devices (EPM's) are used by SCG to remotely monitor Distribution pipeline pressures in support of gas system capacity analysis and alarming of over or under pressure emergency incidents.

Physical Description

Costs shown in this account are to purchase and process new electronic gas pressure monitoring devices for Distribution pipelines. Supports CPUC Safety requirements listed in General Order 58a, section 9. See device purchase forecast below:

| <u>Assumptions</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|----------------------|-------------|-------------|-------------|
| South Inland Region | 45 | 55 | 70 |
| Pacific Coast Region | 57 | 59 | 59 |
| Northern Region | <u>10</u> | <u>10</u> | <u>10</u> |
| Total | 112 | 124 | 139 |

Project Justification

New electronic gas pressure monitor devices are purchased to support Distribution pipeline infrastructure operation issues. Labor dollars were calculated based on 2001-05 average hours-per-unit for installation and project management. Non-Labor dollars were calculated based on average cost per unit bid amount (\$1,400 to \$1,500) and multiplying times the number of forecasted installations. Forecasted values were trended based on Region Engineering supplied data.

CAPITAL PROJECT WORKPAPER

| PROJECT TITLE | | | | | | BUDGET NO. | |
|--|----------------|----------|----------|----------|----------|--------------------|----------|
| Electronic Pressure Monitors (EPMs) - new installation | | | | | | 181-0 | |
| For Electric Distribution Projects Only | | | | | | | |
| SUB BUDGETS (\$000 in 2005\$) | PRIOR YEARS | 2005 | 2006 | 2007 | 2008 | REMAINING YEARS | TOTAL |
| ELECTRIC UNDERGROUND | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ELECTRIC OVERHEAD | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ELECTRIC SUBSTATION | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trans. FERC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Distr. FERC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ELECTRIC TRANSMISSION | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trans. FERC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Distr. FERC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| LAND | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Schedule

This is a blanket budget.