

TURN DATA REQUEST
TURN-SCG-39
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: OCTOBER 27, 2011
DATE RESPONDED: NOVEMBER 9, 2011

Referring to SCG-228/SDG&E-234:

1. Regarding Mr. Rose's rebuttal testimony, page RGR-18, lines 6-12:
 - a. Please confirm that the Federal Government established a wage base for 2012 of \$110,100 – less than both Sempra's and TURN's estimates. If you cannot confirm this fact, please state what you believe the wage base is for 2012 and provide your sources.
 - b. Please confirm that on July 1, 2011, the Federal Unemployment Tax rate was reduced from 0.8% to 0.6%. If you cannot confirm this fact, please state what you believe the Federal Unemployment Tax rate is for 2012 and provide your sources.
 - c. Is it Mr. Rose's contention that changes to the Social Security wage base and the federal unemployment tax rate are not changes ordered by governmental bodies that are the subject of update testimony? If so, cite all Commission decisions and other authorities that support this contention.

SoCalGas Response:

- a. On October 19, 2011, the Social Security Administration (SSA) issued a news release publishing the actual 2012 OASDI wage base limit at \$110,100, which is lower than the 2012 intermediate wage base limit of \$114,900 forecasted by the SSA in 2009 used to estimate payroll taxes in SCG's Application and lower than the 2012 intermediate wage base limit of \$110,700 forecasted by the SSA in May 2011 used by TURN in its testimony.
- b. The basic FUTA tax rate for 2011 has been set at 0.6%, which is lower than the 0.8% rate reflected in SCG's Application testimony and revised testimony. The new rate was published on July 11, 2011. However, this may be subject to further change. For instance, California has borrowed from the federal government to meet its unemployment insurance obligations and has had an outstanding loan balance for two consecutive years. Under federal law, 0.3% of the federal credit extended to California by the federal government will be suspended for 2012 unless California repays the loan. The suspension of the 0.3% federal credit means that California employers will pay an additional \$21 per employee in FUTA for 2012 wages subject to unemployment insurance coverage ($\$7,000 \times 0.3\% = \21 per employee) unless California repays the loan. If the federal credit is suspended, the additional 0.3% will yield a rate of 0.9% for California employers rather than 0.6%.

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Response to question 1 (Continued)

- c. SSA's OASDI wage base limits have not historically been treated as "known changes due to governmental action such as changes in tax rates..." that have been reflected in the Update phase of a GRC, whether the wage base limit has increased or decreased. SSA's forecasts of future years' wage base limits (high, intermediate, and low) are subject to fluctuation, either upward or downward, until the actual wage base limit is published. The federal unemployment tax rate change is a tax law change that would be subject to the Update phase of this proceeding; however, for the reasons stated in b. above, it is unknown at this time what the FUTA tax rate will be at the time of the Update testimony (January 2012).

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2. Regarding Mr. Rose's rebuttal testimony, page RGR-18, lines 13-19:
- a. What wage escalation rate would Mr. Rose recommend for SoCal Gas? Explain the reasoning behind this escalation rate.
 - b. Please confirm that the wage escalation rates used by TURN in its analysis came from Exhibit SCG-31. Table SCG-SWR-2 labor O&M index and were calculated as $1.0261 \times 1.0302 \times 1.0237$, where 2.61% was the 2010 labor escalation rate, 3.02% was the 2011 labor escalation rate, and 2.37% was the 2012 labor escalation rate.
 - c. Is it Mr. Rose's contention that there is no empirical evidence supporting the validity of SoCal's inflation factors contained in Exhibit SCG-31
 - d. Is it Mr. Rose's contention that zero is a better estimate of wage escalation from 2009-2012 than 8.21%? If so, please provide all documents and other information that would suggest that SoCal's wage escalation was closer to zero than to 8.21%.

SoCalGas Response:

- a. The wage escalation rate is outside the scope of Mr. Rose's testimony, and is addressed by witness Scott Wilder.
- b. See response to a.
- c. See response to a.
- d. See response to a. For purposes of calculating forecasted payroll tax expense, Mr. Rose did not reflect any impact for wage inflation; however, Mr. Rose makes no contention with respect to the wage escalation rates sponsored by witness Scott Wilder.

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3. Regarding Mr. Rose's rebuttal testimony Exhibit 234, page RGR-19, lines 16-22.
- a. What wage escalation rate would Mr. Rose recommend? Explain the reasoning behind this escalation rate.
 - b. Please confirm that the wage escalation rates used by UCAN in its analysis came from Exhibit SDG&E-38, Table SDG&E-SWR-2 labor O&M index and were calculated as $1.0261 \times 1.0302 \times 1.0237$, where 2.61% was the 2010 labor escalation rate, 3.02% was the 2011 labor escalation rate, and 2.37% was the 2012 labor escalation rate.
 - c. Is it Mr. Rose's contention that there is no empirical evidence supporting the validity of SDG&E's inflation factors contained in Exhibit SDG&E-38?
 - d. Is it Mr. Rose's contention that zero is a better estimate of wage escalation from 2009-2012 than 8.21%? If so, please provide all documents and other information that would suggest that SDG&E's wage escalation was closer to zero than to 8.21%.

SoCalGas Response:

- a. See response to 2a-d.
- b. See response to 2a-d.
- c. See response to 2a-d.
- d. See response to 2a-d.