

TURN DATA REQUEST
TURN-SCG-DR-24
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: JULY 27, 2011
DATE RESPONDED: AUGUST 11, 2011

This request is largely keyed off Exhibit SCG-22, the SoCal Gas testimony (unless a specific SDG&E exhibit is referenced), but the questions are being asked jointly by TURN and UCAN as the issues affect both SDG&E and SoCal.

1. Please provide total controllers costs for 2010 and at the level for each department (listed in Mr. Deremer's testimony in Table KD-4) as recorded and as adjusted on a pro forma basis as if the change to bank reconciliation and business analysis had not been made (i.e., so costs would be comparable to 2009). Provide in nominal and 2009 dollars, divided into labor and non-labor expenses.

SoCalGas Response:

2010 incurred (adjusted-recorded) costs for the Controllers Division and its underlying departments are presented in the following tables, one of which includes the transferred Sempra Energy Corporate Center (SECC) functions (Bank Reconciliation and Escheatment and Business Analysis), and one of which does not include the transferred SECC functions. 2010 costs for the transferred SECC functions comprise only three quarters of costs, since the reorganization occurred at the end of Q1 2010. Labor and non-labor breakouts were not readily available at the department level and would take additional time to develop.

****NOTE:** Upon preparing this response, SDG&E / SCG discovered errors in the 2010 actual claims data that was provided to DRA on April 11, 2011, as well as SoCalGas' 2010-2012 forecasted claims costs submitted in the direct testimony of Kenneth J. Deremer (Exhibits SCG-22 and SDG&E-28). These errors consisted of settlement payments and insurance reimbursements that were inadvertently omitted from our forecast computations and 2010 actual claims data, as well as legal expense reimbursements that should have been excluded from 2010 actual claims data. There is no net impact to the TY 2012 forecast for SDG&E and a decrease of \$247,000 in TY 2012 for SCG. Corrected 2010 claims data and SoCalGas 2010-2012 Claims forecasts are provided in the attached spreadsheet, and all claims-related detail provided in this data request reflects these corrected claims amounts. While these corrections were not identified in time for the submission of revised testimonies and workpapers in July 2011, they do constitute necessary corrections to the aforementioned exhibits. SoCalGas' corrections to forecasted claims costs for 2010-2012 correct the corresponding forecast amounts presented in the following exhibits: SDGE-28 / SCG-22, and SCG-22-WP.



SDG&E_SCG_2012
GRC - Claims Summar

Please refer to the following tables:

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Response to Question 1 (Continued)

2010 Controller Incurred Costs by Department with Transferred SECC Functions

A&G Controller	In Nominal Dollars*			In \$2009		
	Non-Shd	Shared	Total	Non-Shd	Shared	Total
SCG						
VP-CFO/Controller	0	177	177	0	204	204
Utility Acct	0	0	0	0	0	0
Acct Ops	1,772	970	2,742	2,024	1,112	3,136
Fin Syst	0	1,561	1,561	0	1,756	1,756
Plng & An	0	1,142	1,142	0	1,305	1,305
Sub-Total	<u>1,772</u>	<u>3,850</u>	<u>5,622</u>	<u>2,024</u>	<u>4,377</u>	<u>6,401</u>
Claims	7,518	0	7,518	7,382	0	7,382
SDG&E						
VP-CFO/Controller	0	355	355	0	395	395
Utility Acct	0	2,159	2,159	0	2,426	2,426
Acct Ops	2,012	756	2,768	2,261	854	3,115
Fin Syst	0	1,778	1,778	0	1,954	1,954
Plng & An	502	1,756	2,258	559	1,981	2,540
Sub-Total	<u>2,514</u>	<u>6,804</u>	<u>9,318</u>	<u>2,820</u>	<u>7,610</u>	<u>10,430</u>
Claims	4,951	0	4,951	4,858	0	4,858
TOTAL						
VP-CFO/Controller	0	532	532	0	599	599
Utility Acct	0	2,159	2,159	0	2,426	2,426
Acct Ops	3,784	1,726	5,510	4,285	1,966	6,251
Fin Syst	0	3,339	3,339	0	3,710	3,710
Plng & An	502	2,898	3,400	559	3,286	3,845
Sub-Total	<u>4,286</u>	<u>10,654</u>	<u>14,940</u>	<u>4,844</u>	<u>11,987</u>	<u>16,831</u>
Claims	12,469	0	12,469	12,240	0	12,240
Total Incurred	<u><u>16,755</u></u>	<u><u>10,654</u></u>	<u><u>27,409</u></u>	<u><u>17,084</u></u>	<u><u>11,987</u></u>	<u><u>29,071</u></u>

* w/o V&S

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2010 Controller Incurred Costs by Department excluding Transferred SECC Function

A&G Controller	In Nominal Dollars*			In \$2009		
	Non-Shd	Shared	Total	Non-Shd	Shared	Total
SCG						
VP-CFO/Controller	0	177	177	0	204	204
Utility Acct	0	0	0	0	0	0
Acct Ops	1,772	970	2,742	2,024	1,112	3,136
Fin Syst	0	1,561	1,561	0	1,756	1,756
Plng & An	0	1,142	1,142	0	1,305	1,305
Sub-Total	<u>1,772</u>	<u>3,850</u>	<u>5,622</u>	<u>2,024</u>	<u>4,377</u>	<u>6,401</u>
Claims	7,518	0	7,518	7,382	0	7,382
SDG&E						
VP-CFO/Controller	0	355	355	0	395	395
Utility Acct	0	1,769	1,769	0	1,989	1,989
Acct Ops	2,012	756	2,768	2,261	854	3,115
Fin Syst	0	1,740	1,740	0	1,911	1,911
Plng & An	502	1,756	2,258	559	1,981	2,540
Sub-Total	<u>2,514</u>	<u>6,376</u>	<u>8,890</u>	<u>2,820</u>	<u>7,130</u>	<u>9,950</u>
Claims	4,189	0	4,189	4,113	0	4,113
TOTAL						
VP-CFO/Controller	0	532	532	0	599	599
Utility Acct	0	1,769	1,769	0	1,989	1,989
Acct Ops	3,784	1,726	5,510	4,285	1,966	6,251
Fin Syst	0	3,301	3,301	0	3,667	3,667
Plng & An	502	2,898	3,400	559	3,286	3,845
Sub-Total	<u>4,286</u>	<u>10,226</u>	<u>14,512</u>	<u>4,844</u>	<u>11,507</u>	<u>16,351</u>
Claims	11,707	0	11,707	11,495	0	11,495
Total Incurred	<u><u>15,993</u></u>	<u><u>10,226</u></u>	<u><u>26,219</u></u>	<u><u>16,339</u></u>	<u><u>11,507</u></u>	<u><u>27,846</u></u>

* w/o V&S

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2. When does Sempra expect to convert to International Financial Reporting Standards?

SoCalGas Response:

The Securities and Exchange Commission staff issued a Staff Paper on May 26, 2011 titled “Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers: Exploring a Possible Method of Incorporation”. The approach outlined in this Staff Paper moves away from the initially contemplated conversion process proposed earlier by the SEC to a convergence process over a five to seven year period. SoCalGas (and SDG&E) will continue to allocate resources to monitor the IFRS convergence program and continue the implementation of the existing convergence process.

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3. Please explain why the five year average should be used for VP/CFO/Controller costs (pages KJD-8 and KJD-9) given that there was a reduction of one high-level managerial position in late 2008.

SoCalGas Response:

The reduction of one financial executive was a temporary condition which continued from late 2008 through late 2010. As mentioned in testimony (page KJD-9, line 17) a VP of Accounting & Finance was selected in 2010, restoring the normal organizational structure of having two financial executives. Therefore, the use of a five year average is appropriate as it captures the costs to support two financial executives necessary to provide oversight over the Finance and Accounting functions.

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4. Regarding Table KJD-3 on page KJD-7, please provide a narrative explanation as to why costs were considerably higher in 2006 than in the other four years of 2005 and 2007-09; identify specific departments within the Controller's organization with unusually high costs and explain whether those costs are likely to recur in the future.

SoCalGas Response:

There were 4 primary factors causing the increase in Controller organization costs in 2006:

- 1) MARP startup: The Management Accounting and Finance Rotational Program ("MARP") program started in mid-2005 at SDG&E and in early 2006 at SCG. These costs are charged to the cost center where the MARP employee is assigned, so there is no single cost center or department that would contain all of the MARP costs. These costs have continued each year from 2006 through the present, although the annual costs related to the program will fluctuate depending on the timing of the hiring of new MARP employees and the departure of employees leaving the program.
- 2) Claims processing staff: In 2006 the Claims organization expanded their staffing level due to an increased workload. Prior to the increase in staffing, the group had been experiencing an extensive backlog of work. The increased staffing level and corresponding costs have generally continued through the present.
- 3) Labor charged to Capital projects vs. O&M: Certain employees charged a portion of their time to Capital projects in 2005 but not in 2006. The majority of these charges occurred in the Affiliate Billing & Costing group and the Financial Systems area. This type of cost fluctuation is likely to recur over the years as resources are allocated between O&M and Capital projects.
- 4) GRC costs: There was an increase in costs in 2006 related to the preparation of the Test Year 2008 General Rate Case. A portion of these costs was recorded in the VP cost center. This type of cost is likely to recur, given the cyclical nature of the rate case filings

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5. Re page KJD-18, the statement is made: The remainder of the change relates to the transfer of 10 FTEs (9 to Utility Accounting and 1 to Financial Systems) and \$0.8 million from SECC as part of the 2010 reorganization related to the bank reconciliation and business analysis functions. While the reorganization results in an increase in costs in this cost center, there is an overall net decrease in costs for SCG, SDG&E and SECC on a combined basis. Please provide pre-reorganization and post reorganization costs for each of SCG, SDG&E, and SECC to substantiate this claim.

SoCalGas Response:

Please refer to SoCalGas's response to TURN SCG DR-22, Question 4.

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6. Given that the Utility Accounting Group (page KJD-11 line 5) now provides services to SECC, please identify where in SoCal's and SDG&E's filing costs associated with work performed for SECC are removed.

SoCalGas Response:

As stated in the testimony of Kenneth J. Deremer (page KJD-11, line 4), "Nine FTEs were added to the Utility Accounting group which provides bank reconciliation services to both Utilities and SECC." This statement refers to the Bank Reconciliation and Escheatment group's transfer from SECC to the SDG&E, where its test year 2012 costs are currently forecasted in USS cost center 2100-3798 (SDG&E-28-WP, page 80) and organized under Utility Accounting. SoCalGas interprets Question 6 to be referring to the transfer of the Bank Reconciliation and Escheatment Group.

Please refer to the prepared direct testimony of Kenneth J. Deremer (Exhibit SCG-22), specifically Table KD-11 on page KJD-20. This table shows incurred expenses for the SDG&E cost centers in the Controllers division, and also outlines allocations out for the SDG&E cost centers in the Controllers division. Costs performed by the Bank Reconciliation and Escheatment group for SECC are contained in SDG&E's 'allocations out' forecasted for 2012. Also, please refer to the SDG&E work papers of Kenneth J. Deremer (Exhibit SDGE-28-WP), specifically on page 83. The Bank Reconciliation and Escheatment group allocates 13.91% of its incurred costs SECC.

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7. When were staffers moved to the utility to conduct bank reconciliation and business analysis? When were they projected to be moved in the 2010 rate case forecast.

SoCalGas Response:

The Business Analysis and Bank Reconciliation functions were moved from SECC to the utility in April 2010, as projected in the 2010 forecast presented in the 2012 rate case. SDG&E / SoCalGas' 2010 forecast for these functions includes only three quarters of transferred labor and non-labor costs, since the reorganization occurred at the end of Q1 2010.

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8. Re: Page KJD-18, the statement is made: “In addition, the three-year forecast is adjusted upward to reflect that in mid 2010 the Self Insurance Retention (“SIR”) related to both SDG&E and SCG was changed to \$4 million from the historical level of \$1 million. The SIR adjustment is equal to all historical claims expenses that would have been paid if the \$4 million SIR was in place for the full three year period.”
- a. Please provide 2010 claims payments for SoCal as recorded and as adjusted as if the SIR adjustment were in place for the entire year instead of only part of the year. Provide workpapers supporting the SIR adjustment.
 - b. Please provide 2010 claims payments for SDG&E as recorded and as adjusted as if the SIR adjustment were in place for the entire year instead of only part of the year. Provide workpapers supporting the SIR adjustment.
 - c. Please provide workpapers computing the \$2,677,000 figure for the SIR adjustment for SoCal. If the workpapers do not include at least the last five years, please include them.
 - d. Please provide workpapers showing the claims paid due to the \$1 million deductible over the same period.

SoCalGas Response 8a.:

Our response to this question assumes that the intent is to get an adjusted 2010 claims payments amount that is comparable to the 2007-2009 adjusted-recorded amounts and \$4 million SIR assumption that were used for forecasting purposes.

	<u>(2009 \$000)</u>
2010 Recorded Claims Payments ¹	\$ 7,382
Adjustment due to change in SIR	\$ -
2010 Recorded after SIR Adjustment	\$ 7,382

SoCalGas’ 2010 adjusted-recorded claims payments, assuming a \$4 million SIR, were \$7.382 million. As described in the response to Question 10, below, the SIR was actually changed from \$1 million to \$5 million in mid-2009. The SIR was revised again in mid-2010 to \$4 million. In calculating the SIR adjustment to apply to 2007-2009, we compared what the actual insurance reimbursements were under the \$1 million SIR versus what they would have been under a \$4

¹ Revised as discussed in SoCalGas’ response to Q1 above.

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Response to question 8 (Continued)

million SIR. The \$5 million SIR that was effective from mid-2009 through mid-2010 proved inconsequential to the 2007-2009 adjustment calculation because there were no cases settled in the second half of 2009 that would have resulted in a different adjustment amount under a \$5 million SIR as compared to the adjustment amount under a \$4 million SIR. Similarly, there were no cases settled in the first half of 2010 that would have resulted in differing claims amounts under a \$5 million SIR, as compared to the \$4 million SIR. Thus, 2010 recorded claims payments do not require an additional adjustment to reflect a total year \$4 million SIR impact.

Please note that claims payments are recorded in the year in which the payment is made, and for GRC purposes the related insurance reimbursement is shown in the same year as the payment. However, the amount of the SIR that is applicable to a particular case is determined by the date when the claim was originally filed. For example, if a claim was filed in 2008 but was not settled until 2011, the applicable SIR would be \$1 million (the 2008 SIR level) and not \$4 million (the 2011 SIR level). As of 8/1/11, there have not yet been any cases filed and settled since mid-2009 in which the \$5 million SIR or the \$4 million SIR levels have been exceeded.

SoCalGas Response 8b.:

Our response to this question assumes that the intent is to get an adjusted 2010 claims payments amount that is comparable to the 2007-2009 adjusted-recorded amounts and \$4 million SIR assumption that were used for forecasting purposes.

	<u>(2009 \$000)</u>
2010 Recorded Claims Payments ²	\$ 4,858
Adjustment due to change in SIR	\$ -
Revised 2010 Recorded after SIR Adjustment	\$ 4,858

SDG&E's 2010 adjusted-recorded claims payments, assuming a \$4 million SIR, were \$4.858 million. As described in the response to Question 10 below, the SIR was actually changed from \$1 million to \$5 million in mid-2009. The SIR was revised again in mid-2010 to \$4 million. In calculating the SIR adjustment to apply to 2007-2009, we compared what the actual insurance reimbursements were under the \$1 million SIR versus what they would have been under a \$4 million SIR. The \$5 million SIR that was effective from mid-2009 through mid-2010 proved inconsequential to the 2007-2009 adjustment calculation because there were no cases settled in the second half of 2009 that would have resulted in a different adjustment amount under a \$5 million SIR as compared to the adjustment amount under a \$4 million SIR. Similarly, there were no cases settled in the first half of 2010 that would have resulted in differing claims amounts

² Revised as discussed in SoCalGas' response to Q1 above.

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Response to Question 8b (Continued)

under a \$5 million SIR, as compared to the \$4 million SIR. Thus, 2010 recorded claims payments do not require an additional adjustment to reflect a total year \$4 million SIR impact.

Please note that claims payments are recorded in the year in which the payment is made, and for GRC purposes the related insurance reimbursement is shown in the same year as the payment. However, the amount of the SIR that is applicable to a particular case is determined by the date when the claim was originally filed. For example, if a claim was filed in 2008 but was not settled until 2011, the applicable SIR would be \$1 million (the 2008 SIR level) and not \$4 million (the 2011 SIR level). As of 8/1/11, there have not yet been any cases filed and settled since mid-2009 in which the \$5 million SIR or the \$4 million SIR levels have been exceeded.

SoCalGas Response 8c.:

We have revised the SoCalGas SIR forecast adjustment from \$2,677k to \$2,430k, a reduction of \$247k, due to an error in the original calculation of the adjustment amount, as discussed in SoCalGas' response to Question 1 above. Attached is the workpaper computing the original \$2,677k SIR forecasted adjustment, and the corrected \$2,430k SIR adjustment. Please note that the SIR adjustment is based on a 3-year average for 2007-2009.



TURN-SCG-24_Q11_
Proposed New \$4 mil

SoCalGas Response 8d.:

See attached.



TURN-SCG-24_Q12_
Claims Paid 2007-200

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9. What was the methodology used to project claims in the 2008 rate case? Provide all 2008 rate case workpapers for SoCal Gas and SDG&E claims.

SoCalGas Response:

Claims payments in SDG&E and SoCalGas' 2008 rate case were based on a 5-year trend of actual and projected claims payments. Attached are 2008 rate case work papers pertaining to SDG&E and SoCalGas claims payments:



2008 SDG&E GRC -
PLPD Claims Workpap



2008 SoCalGas GRC
- PLPD Claims Workpa

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10. Please identify the reduction in insurance costs arising because of the shift from \$1 million to \$4 million deductible for each of SoCal Gas and SDG&E.

SoCalGas Response:

Insurance costs are described in the revised testimony of Maury De Bont (Exhibit SCG-18-R). There was no reduction in insurance costs arising from the increase in the deductible. The increase in deductible, from \$1 million to \$5 million, was required by our lead insurer AEGIS (Associated Gas & Electric Insurance Services) and first occurred with the 2009-2010 policy year renewal. For the 2010-2011 policy year renewal, SDG&E/SoCalGas was able to reduce the deductible from \$5 million to \$4 million, with no increase in premium associated to this reduction.

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11. When were the new financial analysis positions filled in Accounts 2100-3429.000 and Account 2100-3663.000 that were identified in SDG&E-28 page KJD-35?

SoCalGas Response:

As mentioned in testimony page KJD-35, one FTE was added to cost center 2100-3663 to support the financial evaluation, analysis and implementation of major projects at SDG&E and SoCalGas. This FTE was added in November 2009. The incremental FTE added to support the Treasury function in cost center 2100-3429 was hired in January 2010.