Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.	A.10-12-005 (Filed December 15, 2010)
Application of Southern California Gas Company (U904G) for authority to update its gas revenue requirement and base rates effective on January 1, 2012.	A.10-12-006 (Filed December 15, 2010)

Application: A.10-12-006
Exhibit No.: SCG-223

PREPARED REBUTTAL TESTIMONY OF CHERYL A. SHEPHERD ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

OCTOBER 2011

The Gas Company

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PREPARED REBUTTAL TESTIMONY OF

CHERYL A. SHEPHERD

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

I. INTRODUCTION

The following rebuttal testimony regarding the External Affairs and Legal Departments for Southern California Gas Company ("SCG") addresses the intervenor testimonies dated September 2011 of:

- Division of Ratepayer Advocates ("DRA") in Exhibit DRA-33;
- The Utility Reform Network ("TURN") in Prepared Testimony of Garrick Jones.

In summary, DRA proposes no changes to the Test Year 2012 operations and maintenance ("O&M") cost forecasts for SCG's External Affairs and Legal Departments.[1] SCG appreciates DRA's review and acceptance of its test year forecasts for Administrative and General ("A&G") expense for these two departments, which total $6.782 million in 2012.[2] However, DRA disputes SCG's Legal Department timekeeping proposal.[3] TURN proposes no adjustments to SCG's External Affairs Department 2012 forecasts, but proposes a $1.5 million reduction in SCG's Legal Department 2012 forecast.[4]

DRA's testimony on the timekeeping proposal is addressed in Section II, and TURN's proposed test year adjustment to the Legal Department's costs is addressed in Section III.

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[1] See Exhibit DRA-33, p. 2, lns8-14

[2] See Exhibit SCG-23, p. 1, Table SCG-CAS-1.

[3] See Exhibit DRA-33 at 2, lns. 15-19.

[4] See Prepared Testimony of Garrick Jones (TURN –Errata 10/12/11), p. 10, lns. 19-22.

II. REBUTTAL TO DRA

SCG disagrees with DRA's claim that "it is premature to eliminate attorney timekeeping."[5] Now that SCG and San Diego Gas & Electric Company ("SDG&E") have their own dedicated Law Departments (pursuant to the 2010 reorganization), the need to continue the existing in-house timekeeping is obsolete.

DRA's argument that "[t]racking attorneys' time is not an unreasonable burden if 100% of their time relates to the utility to which they are assigned"[6] is contrary to the Commission's finding with respect to Southern California Edison Company ("SCE").[7] As explained in direct testimony, SCE's in-house attorneys do not track time. Now that SDG&E and SCG have utility in-house attorneys, their time spent in supporting their respective companies is no different from the time SCE's in-house attorneys spend supporting SCE. Therefore, the Commission should not reach a different conclusion with respect to SCG and SDG&E with respect to tracking time.

DRA's argument that "[i]f a portion of attorneys' time does not relates [sic] to the utility to which they are assigned, tracking is necessary to ensure that ratepayers of that utility are not charged for that time,"[8] is addressed not only by SCG's and SDG&E's cost forecast for this sharing of attorney resources,[9] but by testimony explaining that the utilities have existing policies and accounting processes in place to ensure those costs are appropriately tracked and billed.[10] SCG and SDG&E state that the sharing of legal resources between the utilities will decrease significantly from current levels but that sharing will be available in

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[5] Exhibit DRA-33, at 12, lns. 20-21.
[6] Id., lns. 10-11.
[7] See Exhibit SCG-23 at 21.
[8] Exhibit DRA-33 at 12, lines 8-10.
[9] See Exhibit SCG-23 at 16-17.
[10] See Id. at 21.

those circumstances where it is most efficient to do so.[11] Therefore, SCG and SDG&E will continue to have a process by which the sharing of legal resources will be allocated and billed accordingly; elimination of that process is not part of this timekeeping proposal.

When the utility provides services on behalf of another entity, the process by which those services are allocated and billed is firmly in place and is reviewed by the DRA in each General Rate Case ("GRC").[12] This process is described in the direct testimony of Edward J. Reyes (Exhibit SCG-24). To the extent that a utility's in-house attorneys work on matters on behalf of another entity, that time will be tracked and billed in accordance with applicable policies and rules. However, to the extent in-house attorneys work on matters that pertain to their own company, there is no allocation and billing required, thus no timekeeping is necessary. SCG and SDG&E attorneys do not anticipate performing any services for Corporate Center; however, if that extraordinary circumstance should arise, SCG and SDG&E would bill any attorney cost to the Corporate Center accordingly.

Given these safeguards, elimination of any and all sharing of services is not a necessary prerequisite to adopting the timekeeping proposal, as DRA suggests.[13] There is no continuing need for in-house attorneys to perform the existing customized timekeeping, especially as it pertains to work done on behalf of their own company. DRA should not use the fact that SDG&E and SCG may continue to utilize some sharing of legal staffing where efficient as a basis for retaining this burdensome and unnecessary timekeeping process.

[11] Id. at 17.
[12] See Exhibit DRA-50 (Results of Examination).
[13] See Exhibit DRA-33 at 12, lns. 17-19.

II. REBUTTAL TO TURN

A. Overview

SCG's 2012 O&M forecast for the Legal Department is $5.524 million.[14] The Legal Department consists of two cost centers (1) Senior Vice President of External Affairs/General Counsel ("SVP & GC") and (2) Law Department. TURN proposes no changes to the 2012 forecast for SVP & GC. TURN proposes a reduction to the 2012 forecast for the Law Department of $4.856 million.[15]

B. Law Department

SCG requests a 2012 O&M forecast for its Law Department of $4.856 million,[16] which TURN proposes to reduce by $1.494 million.[17] As a preliminary matter, TURN presents SCG's 2012 forecast as $4.706 million,[18] which either means TURN does not dispute the forecasted $150K in costs that are billed-in from SDG&E, or $150K must be added TURN's proposed disallowance amount to reflect the full book expense, as presented in SCG's direct testimony (Exhibit SCG-23).[19] In Table 2 of its testimony, TURN presents SCG's legal department expenses for 2005-2010 ("actuals") as well as 2010-2012 forecasts.[20] TURN attempts to combine costs in SCG's Law Department cost center (2200-2334) with the costs in the Corporate Center Law Department ("CCLD") cost center (1100-0144).[21] Then, through a convoluted analysis that is not entirely clear to SCG, TURN recommends a four-year average of total expense (2007-2010) adjusted to arrive at its

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[14] See Exhibit SCG-23 at 15, Table SCG-CAS-7.
[15] See Id.
[16] See Id.
[17] See Jones at 10, ln. 21.
[18] See Id, lns. 21-22.
[19] See Exhibit SCG-23 at 16, Table SCG-CAS-9.
[20] See Jones at 10, lns. 6-8.
[21] See Jones at 8, lns. 17-22; and, 10, lns. 3-8.

alternate forecast of $3.212 million.[22] This is an immediately apparent shortcoming of TURN's analysis: failure to view SCG's Law Department as a separate organization for purposes of developing the 2012 forecast. Costs associated with the CCLD are presented and defended elsewhere,[23] and should be analyzed accordingly, as DRA has done. Further, TURN's approach does not take into consideration that costs billed to the utilities by CCLD are based on a Causal/Beneficial methodology or the direct staffing of the utility's independent Law Department to meet the current business needs. In short, TURN does not present a sound forecasting approach in deriving its proposed adjustment.

SCG does not find TURN's analysis accurate or credible; however, regardless of what TURN is attempting to demonstrate, it provides no arguments or supporting facts to dispute SCG's test year request to add 3 additional full-time equivalents ("FTEs") to meet the demands of the Law Department function in 2012. TURN's statement that "a study of historical expenses does not indicate that SoCalGas's forecast is reasonable"[24] proves that TURN has given no consideration to SCG's explanations of why additional resources are needed. As stated in direct testimony, SCG's Law Department was created in 2010 as part of the reorganization which established utility-specific organizations where formerly legal services were received centrally from CCLD. [25] As a dedicated Law Department with its own specific focus, needs and costs, SCG prepared its forecast on a zero-based methodology, which included transferred costs of $5.059 million.[26] SCG's Law Department forecasts a need for 2 attorneys and an assistant to meet the demands of increasing caseload

[22] See Id. at 10, ln. 20.
[23] See Exhibits SDG&E-23-R and SCG-17-R (witness: Bruce A. Folkmann).
[24] Id. at 9, lns. 19-20.
[25]See Exhibit SCG-23 at 13.
[26] See Id. at 15. ln.9.

in environmental, regulatory, commercial, and litigation.[27] In the environmental and regulatory areas alone, it is a matter of public record and concern that new regulations and initiatives regarding greenhouse gas emissions and system safety and reliability will contribute to the volume and complexity of matters before regulatory agencies which require legal counsel and representation. This is fully described in direct testimony;[28] and, TURN provides no facts or arguments challenging SCG's explanation of incremental cost pressures.

TURN's proposed reduction to 2012 O&M would deny the modest incremental funding requested to add needed resources at SCG's Law Department. SCG's request for 3 additional FTEs is reasonable considering the size of the company and the volume and diversity of legal matters currently being handled by its existing staff.

Therefore, SCG's total Legal Department forecast of $5.524 million, as supported in testimony and workpapers, is reasonable and should be adopted.

IV. SUMMARY AND CONCLUSION

The Law Department serves an important role in SCG's service. SCG's test year forecast, which will allow for 3 additional FTEs, is reasonable, as DRA confirms after its review. TURN's proposed disallowances should be rejected for the reasons provided in this testimony. Further, the new dedicated Law Department structure at SCG provides for a timely opportunity to adopt SCG's timekeeping proposal beginning in 2012.

This concludes my prepared rebuttal testimony.

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[27] See Id. at 20, ln.28.
[28] See Id. at 17-20.