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.10-12-005
Exhibit No.: SDG&E-228 / SCG-222

PREPARED REBUTTAL TESTIMONY OF KENNETH J. DEREMER ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

OCTOBER 2011

SDG&E/SCG Doc#260045

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PREPARED REBUTTAL TESTIMONY OF
KENNETH J. DEREMER
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY

I. INTRODUCTION

The following rebuttal testimony regarding the Administrative and General ("A&G") costs for the Controller, Regulatory Affairs and Finance Divisions addresses the intervener testimony dated September 2011 of:

- Division of Ratepayer Advocates ("DRA") – witness Mariana Campbell[1]; and
- Policy and Joint Testimony of The Utility Reform Network ("TURN") and the Utility Consumers Action Network ("UCAN") – witness William B. Marcus.

This rebuttal testimony covers the A&G costs incurred and allocated to both San Diego Gas & Electric ("SDG&E") and Southern California Gas Company ("SCG") and consolidates the issues raised by DRA and TURN/UCAN, since similar issues were addressed by both parties. Other activities are addressed separately for DRA and TURN/UCAN.

DRA's testimony included numerous errors and omissions. However, my testimony only addresses errors that materially impact the forecast recommendations in DRA's Testimony. These material errors and SDG&E/SCG's suggested recalculations are collectively identified in Attachment C of my rebuttal testimony.

Specifically, my testimony rebuts the following points:

- DRA's forecasts of SDG&E and SoCalGas Claims Payments, where DRA recommends simply using the most recent year recorded (2010) amount for SDG&E, but a five-year average for SCG is inconsistent and smacks of "cherry picking." Moreover, in each case,

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[1] Exhibit DRA-32.

DRA ignores the impact to claims expense for the higher Self Insurance Retention ("SIR") that SDG&E and SCG now incur on their liability insurance policies.

- DRA's proposal to selectively use an updated five-year average (2006-2010) on specific cost centers with the sole purpose of achieving an overall forecast reduction stands in stark contrast to SDG&E's consistently applied five-year average (2005-2009). Furthermore, in the case of shared service cost centers, DRA misapplies the five-year average to book expense versus incurred expense, which leads to a result that is not comparable to the forecast of SDG&E or SCG.
- Mathematical errors made by DRA on the SCG Shared Service table results in the understatement of DRA's overall forecast of total SCG A&G expense by $1.9 million.
- TURN/UCAN's proposal to selectively use a four-year average for Regulatory Affairs and arbitrarily single out the Regulatory Affairs division for a further reduction to exclude labor escalation for 2010-2011 is unreasonable.
- TURN/UCAN's proposal to inappropriately disallow recovery of certain costs related to affiliate compliance and legislative affairs activities is unreasonable.
- Other reductions proposed by TURN/UCAN are similar unreasonable and without factual support.

My testimony is organized as follows:

- **Section II – SDG&E Non-shared Services - Rebuttal To DRA**;
- **Section III – SDG&E Shared Services - Rebuttal to DRA**;
- **Section IV – SCG Non-shared Services - Rebuttal to DRA**;
- **Section V** – **SCG Shared Services – Rebuttal to DRA;**
- **Section VI – DRA Corrected Forecast – SCG Shared Services;**

- **Section VII – SDG&E and SCG Shared Services and Non-shared Services – Rebuttal to TURN/UCAN;**
- **Section VIII – Summary and Conclusion; and**
- **Section IX – Witness Qualifications**

II. SDG&E NON-SHARED SERVICES – REBUTTAL TO DRA

DRA has recommended that SDG&E's Non-shared Services request of $12,229,000 (labor and non-labor combined) be reduced by $2,691,000 to $9,538,000. DRA's recommended reductions reflect the following three areas:

- Claims Payments – proposed reduction of $2,215,000 (revised to $2,056,000)
- Cost Accounting – proposed reduction of $42,000
- FERC, CAISO and Compliance – proposed reduction of $434,000

A. Claims Payments

DRA recommends a test year forecast of $4,858,000[2] for Claims Payments (work group code 1CN010) compared to SDG&E's forecast of $6,914,000, a $2,056,000 reduction. SDG&E's forecast of $6,914,000 is based on the three-year average (2007-2009) recorded amounts adjusted by the impact of the higher SIR, or deductible, SDG&E is now paying for liability claims under its insurance policy. SDG&E uses the three-year average (versus the five-year average) to most appropriately reflect the recent trends SDG&E is experiencing in claims activity, and also (versus one-year recorded) to account for the significant fluctuations that can be seen in claims expense from one year to the next.

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[2] SDG&E has adjusted DRA's initial test year forecast of $4,699,000 to reflect the correction of errors discovered in SDG&E's 2010 actual claims data. For additional details on SDG&E and SCG's claims corrections, please refer to SCG's response in TURN-SCG-DR-24, question 1, which is included herein as Attachment A.

DRA's proposed forecast of $4,858,000, which uses the single year's recorded amount from 2010, is completely without merit and violates the fundamental premise that claims expense cannot be reasonably predicted by one year's activity. The fact is that SDG&E cannot predict what types of liability incidents it will experience in a given year, and has seen volatility year to year, as evidenced by a fluctuation in claims expense from 2007-2009, where the expense went from $2.0 million in 2007, up to $9.5 million in 2008, and back down to $6.2 million in 2009. Because of this volatility, SDG&E uses the three-year average of this time period as a reasonable basis for its GRC test year forecast. DRA, on the other hand, simply chose 2010 recorded as its basis since it yielded a lower result, without providing any logical supporting argument for why that forecast basis should be used. Furthermore, DRA fails to incorporate, but raises no objection to, SDG&E's adjustment to its forecast to account for the increase in the SIR, which has increased from the historical level of $1 million to the current amount of $4 million.[3] The impact of this higher SIR will increase SDG&E's claims payments in future years since SDG&E will be required to pay a higher deductible for each incident under its general liability insurance policy. Given that DRA did not object to the higher SIR cost, the impact of reflecting the SIR using DRA's preferred forecasting methodology is contained in Attachment C to my rebuttal testimony. However, SDG&E staunchly disagrees with DRA's basis of 2010 recorded costs for the claims forecast.

B. Cost Accounting

For Cost Accounting (1CN001), DRA proposes a test year forecast of $2,009,000 compared to SDG&E's request of $2,051,000, a reduction of $42,000. As part of its recommendation, DRA accepts SDG&E's forecast of $1,944,000 for labor (five-year average 2005-2009), but then inconsistently recommends using a one-year recorded number (2009) for

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[3] Direct Testimony SDG&E-28 (Deremer), p. KJD-18 and SDG&E-24 (De Bont), p. MBD-17.

non-labor. While the final number yields a result that lowers the overall forecast for DRA, the logic behind the methodology has no merit. Consistent with how SDG&E forecasts the administrative costs for the rest of the Controller's division, SDG&E utilizes the 5-year average methodology for Cost Accounting (labor and non-labor). Cost Accounting, like the Controller's division in general, has remained relatively intact as an organizational structure for many years. For a department such as Cost Accounting, the five-year averaging serves as a good basis for the costs SDG&E would expect to see over the rate case cycle by smoothing out the effects from year-to-year swings due to work flow, temporary vacancies, rate case cycles, etc. The five-year average has been a commonly accepted forecasting technique in prior rate cases for these types of organizations. Even DRA has supported the use of the five-year average in its testimony in the 2011 Southern California Edison GRC.[4] To arbitrarily choose an area like Cost Accounting non-labor and apply a one-year recorded forecast without any quantitative or qualitative support, is in conflict with standard GRC protocol, fundamental forecasting principals and even DRA's own historical recommendations.

C. FERC, CAISO & Compliance

For FERC, CAISO and Compliance costs (1RA003), DRA recommends a test year forecast of $704,000 compared to SDG&E's request of $1,138,000, a $434,000 proposed reduction. SDG&E's forecast utilizes a five-year historical average (2005-2009) plus the addition of $200,000 in costs to reflect the inclusion of North American Electric Reliability Corporation ("NERC") Reliability Standard compliance costs allocated to GRC electric generation/procurement, which were previously recovered as electric transmission costs.

[4] A.10-11-015, Exhibit DRA-12, page 10, line 1: *The Controller's Organization forecast its labor costs for Test Year 2012 using recorded 2009 as its base estimate and adjusted it by $200,000 to reflect its expected labor needs with the organizational structure implemented in 2009. DRA has reviewed this forecast and recommends that a forecast for Test Year 2012 be based on a five year average. Labor costs did not vary significantly from year to year. Using a five year average takes into consideration the variance in labor costs over the record period and the changes implemented in the Controller's Organizational structure during 2009.*

DRA's forecast is based on a two-year average (2009-2010), without any consideration (or even mention) of the incremental NERC costs. Again, DRA has abandoned the widely accepted five-year average methodology for an established organization, and instead randomly chooses a two-year average to simply achieve a lower result. DRA highlights in its testimony that this department's costs have trended downward over the past two years (2009 and 2010). More important, however, is the fact that the costs have fluctuated year-to-year since 2005, increasing three times and decreasing twice. As stated above in Section II.B, departments like the FERC, CAISO and Compliance group that have been in place for a significant number of years, will experience some cost fluctuations year-to-year, but will remain steady over time. This is why the five-year average has proven to be a reasonable and effective indicator of future costs. Additionally, DRA ignores the inclusion of the incremental $200,000 in generation and procurement-related NERC costs, which SDG&E is proposing to re-allocate (i.e. remove) from electric transmission rates and charge to GRC rates. Given that DRA did not object to the re-allocation of GRC-related NERC costs, the impact of reflecting the NERC expenses using DRA's preferred forecasting methodology is contained in Attachment C to this rebuttal testimony. However, SDG&E staunchly disagrees with DRA's basis of the 2009-2010 recorded costs for the FERC, CAISO and Compliance forecast.

III. SDG&E SHARED SERVICES – REBUTTAL TO DRA

DRA recommends that SDG&E's Shared Services request of $14,582,000 (labor and non-labor combined) be reduced by $248,000 to $14,334,000. DRA's recommended reductions reflect the following four areas:

- Business Controls – proposed reduction of $14,000
- Senior Vice President, Finance, Reg., Legis. – proposed reduction of $41,000
- California Case Management – proposed reduction of $82,000

- Billed in from SCG – proposed reduction of $110,000

For the first three reductions above, DRA proposes using an updated five-year average (2006-2010) versus the five-year average available at the time of filing (2005-2009). SDG&E opposes using a five-year average from the 2006-2010 period, since DRA only employs this methodology on a selected basis, specifically in circumstances where it results in a lower forecast. Furthermore, as it relates to Shared Services, DRA misapplies its five-year forecast to SDG&E book expenses (after inter-utility allocations), rather than applying directly to incurred expenses (before inter-utility allocations) as SDG&E has done in developing its test year forecasts. In doing so, DRA overstates the proposed reductions generated by its preferred methodology. With regards to each of the SDG&E Shared Service cost centers listed above, Attachment C to this rebuttal testimony includes a table that compares DRA's recommended test year 2012 allowance to a corrected DRA allowance. The latter properly applies DRA's recommended five-year average (2006-2010) to incurred expenses (for further allocation to derive book expense), and includes SDG&E's incremental adjustments that DRA does not dispute.

As it relates to the billed in reduction listed above, DRA adjusts SDG&E's forecast of shared service costs billed in from SCG for Controller, Regulatory Affairs and Finance activities as generated from the RO model. As described below, DRA's adjustment for these costs should be rejected.

A. Business Controls

DRA recommends a test year forecast for Business Controls (cost center 2100-3555) of $186,000 compared to SDG&E's forecast of $200,000, a $14,000 reduction. DRA's forecast is flawed in two respects.

First, DRA cherry-picks this particular area to apply an updated 5-year average period (2006-2010) and derive a selective reduction. As discussed in other sections of this rebuttal testimony, DRA selectively recommends the use of the five-year period of 2006-2010 as a basis for forecasting the test year. In my direct testimony, SDG&E uses the five-year period of 2005-2009, since 2009 was the most recent year of available recorded data at the time SDG&E filed the GRC application. Since that time, DRA requested, and was provided, 2010 recorded data. In deriving its forecast for Business Controls, DRA selectively uses 2010 as the last year of the five-year average, but neglects to apply this methodology across other areas in the Controller's division. In SDG&E's testimony, the five-year period of 2005-2009 is consistently applied to achieve the most reasonable forecast for the Controller's division as a whole.

Second, DRA incorrectly applies its basis (2006-2010 five-year average) to book expense, whereas SDG&E's forecast is based on first applying the five-year average to incurred expense and then allocating the shared service costs to the entities that utilize the shared service to arrive at book expense.[5] Like SDG&E, DRA should have taken the average of incurred expenses,[6] and then adjusted that average by the appropriate test year 2012 allocation percentages to arrive at the final 2012 book expense forecast. This is an important distinction for comparison, as SDG&E based its test year forecasts on this methodology. Allocation percentages may change over time due to shifts in the work responsibilities within shared service organizations, but do not necessarily impact the total incurred costs from year to year. By applying the five-year average to the book expense, DRA erroneously incorporates historical shared service allocations in its five-year averages, when it should only be using the 2012 allocation percentages that are directly applied to the test year. This correction for Business Controls, as well as for the other Shared Service cost centers DRA takes exception to, is reflected in Attachment C to this rebuttal testimony.

[5] Book expense equals incurred costs net of allocations in/out from shared services.

[6] Incurred expenses are the costs charged by cost center before allocations for shared services.

B. Senior Vice President ("SVP") Finance, Regulatory and Legislative Affairs

For SVP of Finance, Regulatory and Legislative Affairs (2100-3161), DRA recommends a test year forecast of $484,000, compared to SDG&E's forecast of $525,000, a $41,000 reduction. Once again, DRA selectively uses the 2006-2010 five-year average period, and again misapplies the average to the book expense rather than incurred expense.

C. California Case Management

DRA recommends a test year forecast of $870,000 for California Case Management (2100-3427), compared to SDG&E's forecast of $952,000, a reduction of $82,000. Again, DRA selectively utilizes the most recent five-year average to this particular area and misapplies this average to book expense. In addition, DRA ignores SDG&E's request (raising no objection) for one additional FTE in this area to account for increasing work load in the regulatory case management arena.

D. Billed In From SCG

DRA recommends a reduction of $110,000 to billed-in costs from SCG shared service costs centers for Controller, Regulatory Affairs and Finance. DRA's adjustment to the billed-in expense in cost center 2100-8901 represents the flow-through impact of an adjustment to the SCG shared service 2012 labor or non-labor forecast for incurred costs. DRA's recommendation should be rejected, since it is inaccurate and illogical given that DRA only recommends $185,000 of total reductions to SCG shared service cost centers for Controller, Regulatory Affairs and Finance. Overall, for the Controller, Regulatory and Finance division, SCG's shared service billed-out allocations approximate 36% of SCG's total shared service incurred charges. A similar proportional relationship should exist between DRA's recommended reduction to SCG billed in costs and its recommended reductions to SCG shared service cost centers. However, DRA's recommended reduction for billed-in costs from SCG represents almost 60% of its proposed reductions to individual SCG shared service cost centers.

Furthermore, since DRA's proposed reductions for SCG shared services were applied directly to book expense (after shared service allocations), rather than incurred expense, there would be no allocation to SDG&E. This is due to the fact that the shared service allocations are applied directly to incurred expense to derive final book expense, as described in Section III.A above. Further information on the shared service process is contained in the rebuttal testimony of Edward Reyes, Exhibit 230.

IV. SCG NON-SHARED SERVICES – REBUTTAL TO DRA

DRA has recommended that SCG's Non-shared Services request of $9,283,000 (labor and non-labor combined) be reduced by $1,828,000 to $7,455,000..[7] DRA's recommended reduction reflects the following area:

- Claims Payments – proposed reduction of $1,828,000

A. Claims Payments

Consistent with its forecast for SDG&E, SCG's 2012 Claims Payments (2CN010) forecast of $7,062,000[8] is based on the 3-year average (2007-2009) of historical costs adjusted by the impact of the higher SIR SCG will pay for liability claims under its insurance policy.

In estimating SCG claims expense, DRA decides to take a significantly different and inconsistent approach versus the methodology it proposes for SDG&E, without providing any logical reasoning. Where DRA promotes the use of just 2010 recorded claims as a basis for SDG&E, DRA instead recommends using a five-year average (2006-2010) to arrive at its SCG

[7] SCG's original non-shared services request of $9,530,000 and DRA's recommended amount of $7,430,000, which were noted in DRA's testimony, have been revised to reflect the correction of errors discovered in SCG's 2010 actual claims data, as well as SCG's 2010-2012 forecasted claims costs submitted in the direct testimony of Kenneth J. Deremer (Exhibits SCG-22 and SDG&E-28). For additional details on SDG&E and SCG's claims corrections, please refer to SCG's response in TURN-SCG-DR-24, question 1, which is included herein as Attachment A.
[8] Reflects claims corrections provided by SCG in TURN-SCG-DR-24, question 1.

2012 Claims Payments forecast of $5,234,000.[9] DRA is unable to cite any reason why there should be such a disparity in the two forecasting methodologies for essentially the same expense. This is a classic example of cherry picking forecasting methodologies for certain items with the sole objective of finding which ones will bring forth the lowest number. This type of "hopscotch" approach is non-sensical and should not be considered in a GRC proceeding. Contrary to DRA, SCG and SDG&E use the three-year average approach as the most reasonable means to balance the year-to-year volatility in claims expense, while still capturing the more recent changes in the liability claims environment.

In addition, as it did for SDG&E's claims expense, DRA ignores (failing to even mention) the impact of higher SIR. The existence of the higher SIR will cause SCG's claims payments to increase in future years and must be incorporated into the test year forecast. Given that DRA did not object to the higher SIR cost, the impact of reflecting the SIR using DRA's preferred forecasting methodology is contained in Attachment C to this rebuttal testimony. However, SCG staunchly disagrees with DRA's inconsistent basis for deriving the claims test-year forecast.

V. SCG SHARED SERVICES – REBUTTAL TO DRA

DRA recommends that SCG's Shared Services request of $12,690,000 (labor and non-labor combined) be reduced by $2,567,080 to $10,122,920. Of this amount, $1,934,080 of DRA's recommended reduction reflects mathematical errors made in Table 32-15 (SCG Shared Services) in DRA's testimony, which is described in further detail in Section VI below[10]. When the DRA errors are corrected, the total DRA forecast for SCG Shared Services is $12,057,000, a

[9] Reflects claims corrections provided by SCG in TURN-SCG-DR-24, question 1.
[10] DRA-32, Campbell, p. 23. DRA's table mistakenly contains decimal points where commas should be placed in the "DRA TOTAL" column, such that certain numbers are missing 000's when the totals are added for the column.

reduction of $633,000 from SCG's forecast. DRA's remaining proposed reductions reflect the following areas:

- Financial Planning – proposed reduction of $92,000
- California Case Management – proposed reduction of $79,000
- Regulatory Accounts – proposed reduction of $14,000
- Billed-in from SDG&E – proposed reduction of $448,000

For the first three reductions above, DRA proposes using an updated five-year average (2006-2010) versus the five-year average available at the time of the GRC filing (2005-2009). As described previously for SDG&E, SCG opposes adopting the different five-year period, and particularly raises objection to the selectivity of how DRA utilizes it. In addition, as was the case with SDG&E Shared Services, DRA continues to misapply the five-year average to book expense, rather than first averaging incurred expense and then applying 2012 Allocation percentages to arrive at book expense. This flawed methodology leads to inconsistent reporting of the recorded numbers and the subsequent test year forecasts. With regards to each of the SCG Shared Service cost centers listed above, Attachment C to this rebuttal testimony includes a table that compares DRA's recommended test year 2012 allowance to a corrected DRA allowance. The latter properly applies DRA's recommended five-year average (2006-2010) to incurred expenses and includes SCG's incremental adjustments that DRA does not dispute.

A. Financial Planning

DRA recommends a test year forecast of $315,000 for Financial Planning (2200-0339) compared to SCG's forecast of $407,000, a reduction of $92,000. As previously stated, DRA's forecast is flawed in two respects. First, DRA again cherry picks this particular area to apply an updated five-year average period (2006-2010) to derive a selective reduction. Second, DRA incorrectly applies its five-year average to book expense, rather than applying it to incurred expense and then using the shared service allocation percentages to derive book expense.

B. California Case Management

DRA recommends a test year forecast of $441,000 for California Case Management (2200-2075) compared to SCG's forecast of $520,000, a reduction of $79,000. DRA's forecast contains the same error of the five-year average (2006-2010) being incorrectly applied to book expense, as well as the failure to include one incremental FTE to support the increasing regulatory case load. DRA raises no objection to the additional FTE.

C. Regulatory Accounts

DRA recommends a test year forecast of $61,000 for Regulatory Accounts (2200-2091) compared to SCG's forecast of $75,000, a reduction of $14,000. For this cost center, SCG used the 2009 base year recorded, since the cost center had not evolved in the earlier years of the five-year average period (2005-2009). Therefore, the costs from the prior years, more specifically 2005-2006, are understated. Consistent with the other aspects of the Finance division, SCG utilized the base year as a more reflective forecast for the GRC test year due to the more recent evolution of the organization. In applying its 2006-2010 five-year average, DRA neglects to acknowledge these facts, and again misapplies its five-year average to the book expense.

D. Billed in from SDG&E

DRA recommends a reduction of $448,000 to billed-in costs from SDG&E shared service costs centers for Controller, Regulatory Affairs and Finance. DRA's adjustment to the billed-in expense in cost center 2200-8901 represents the flow-through impact of an adjustment to the SDG&E shared service 2012 labor or non-labor forecast for incurred costs. DRA's recommendation should be rejected, since it is inaccurate and illogical given that DRA only recommends $138,000 of reductions to SDG&E shared service cost centers for Controller, Regulatory Affairs and Finance. Overall, for the Controller, Regulatory and Finance division, SDG&E's shared service billed-out allocations approximate 39% of SDG&E's total shared service incurred charges. A similar proportional relationship should exist between DRA's recommended reduction to SDG&E billed in costs and its recommended reductions to SDG&E shared service cost centers. However, DRA's recommended reduction for billed-in costs from SDG&E represents about 325% of its proposed reductions to individual SDG&E shared service cost centers. In other words, DRA's recommended reduction to SDG&E billed in costs is over three times *larger* than the reductions it proposes for individual SDG&E cost centers.

Furthermore, since DRA's proposed reductions for SDG&E shared services were applied directly to book expense (after shared service allocations), rather than incurred expense, there would be no allocation to SCG. This is due to the fact that the shared service allocations are applied directly to incurred expense to derive a final book expense, as described in Section V.A. Further information on the shared service process is contained in the rebuttal testimony of Edward Reyes.

VI. DRA CORRECTED FORECAST – SCG SHARED SERVICES

In Table 32-15 (page 23), of Ms. Campbell's testimony, DRA provides a breakdown of its forecasted costs for the Controller, Regulatory Affairs and Finance division's Shared Services as compared to the forecast filed by SCG. In the column labeled "DRA Total," DRA lists the individual cost centers that are intended to add to its total Shared Service forecast of $10,122,920. However, upon review, several of the amounts contained in the "DRA Total" column are incorrectly reported, such that when revised to reflect the corrected amounts, the grand total for that column is $12,057,000 versus $10,122,920, an increase in DRA's forecast of $1,934,080. The table below summarizes the differences[11]:

[11] DRA's Table 32-15 mistakenly labels the dollars "in Thousands of 2009 Dollars," but it should be noted that the amounts are in actual 2009 dollars (not rounded).

TABLE KD-R-1

Description	DRA Total Filed	DRA Total Corrected	Difference
Accounts Payable (2200-0338)	1,393.000	1,393,000	1,391,607
Affiliate Billing & Costing (2200-1334)	308.000	308,000	307,692
Financial Sys. Client SPT (2200-1342)	158.000	158,000	157,842
Regulatory Accounts (2200-2091)	61.000	61,000	60,939
Sundry Serv. & Rate Base (2200-2178)	75,000	91,000	16,000
Total - Corrections Shared Services	76,920	2,011,000	1,934,080

In the case of the first four items above (Accounts Payable, Affiliate Billing & Costing, Financial Systems Client SPT and Regulatory Accounts), it is clear that DRA inadvertently placed a decimal point where a comma should be. When the individual items were added together through the summation formula in the table, the amounts for these cost centers were missing "000," such that in the case of Accounts Payable, DRA was adding "$1,393" instead of "$1,393,000."

As it relates to Sundry Services & Rate Base, DRA mistakenly hard coded $75,000 in the DRA Total column, where it should have taken the summation of the Labor and Non-Labor amounts ($87,000 plus $4,000) of $91,000. The $91,000 is verified by the fact that it represents SCG's filed forecast, to which DRA did not dispute in its testimony.

Through a discovery inquiry, SCG brought these errors to DRA's attention. The actual data request and DRA's response acknowledging the errors are contained in Attachment B to this rebuttal testimony.

VII. SDG&E AND SCG SHARED SERVICES AND NON-SHARED SERVICES – REBUTTAL TO TURN/UCAN

In joint testimony, TURN/UCAN recommend that SDG&E and SCG's Shared Service request of $11,975,000 for certain Regulatory Affairs division incurred costs (labor and non-labor combined), be reduced by $2,506,000 to $9,469,000.[12] Additionally TURN/UCAN recommend that SDG&E and SCG's Shared Service Request of $1,567,000 for Financial Analysis cost centers 2100-3429 and 2100-3663 (labor and non-labor combined), be reduced by $213,000 to $1,354,000.[13] TURN/UCAN witness William Marcus makes the following recommended reductions to SDG&E and SCG Shared Services test year forecasts:

- Overall reduction to certain Regulatory Affairs incurred costs of $1,050,000 to reflect the usage of the 4-four year average (2007-2010) versus SDG&E/SCG's usage of a division-wide five-year average (2005-2009).
- Proposed reduction of $509,000 to reflect the exclusion of 2010-2011 labor escalation for the California segment of the Regulatory Affairs division. It's important to note that SDG&E/SCG's overall test year (2012) request for Regulatory Affairs, as well as all of the Controller, Regulatory Affairs and Finance division, is provided in 2009 dollars, so there is no escalation included in SDG&E/SCG's total forecast.
- Proposed reduction of $277,000 to reflect the removal of 50% of Affiliate Compliance costs which TURN/UCAN claim should be assigned to utility shareholders.

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[12] TURN/UCAN refer to $11,975,000 (see Marcus, Table 5, p. 29) as SDG&E/SCG forecast for Regulatory Affairs, but this number excludes FERC & CAISO Regulatory Affairs cost centers. When FERC/CAISO is reflected, the total utility request is $13,112,000.

[13] TURN/UCAN's overall reduction totals are $1,754,000 for SDG&E and $965,000 for SCG. However, a reference to the joint UCAN / TURN testimony in Marcus' prepared testimony on behalf of UCAN states the reduction total for SDG&E as $1,728,000 (see p.82), which does not tie to the joint testimony.

- Proposed reduction of $539,000 to remove all of the costs associated with the Legislative Affairs department, which TURN/UCAN incorrectly categorize as "lobbying" function.
- Proposed reduction of $176,000 to remove all of the costs associated with the Regulatory Strategy cost center.
- Proposed reduction of $213,000 to exclude costs associated with incremental positions in the Financial Analysis department.

A. Regulatory Affairs

TURN/UCAN recommend a reduction to certain Regulatory Affairs cost centers of $1,050,000 to reflect the usage of the four year average (2007-2010) versus SDG&E/SCG's use of a division-wide five-year average (2005-2009). According to TURN/UCAN, the five-year average is too high for regulatory costs compared to the downward trend in recorded costs. Thus, TURN/UCAN simply select the forecasting methodology that yields a lower result. Moreover, TURN/UCAN simply ignore SDG&E's incremental 2012 forecast adjustment to 1RA001 – Electric Forecasting & Tariffs, which represents the addition of three load research staff members as outlined in the SDG&E AMI business case and discussed in the testimony of Paul C. Pruschki (Exh. SDG&E-12).

As previously stated, the five-year average has been a widely accepted forecasting technique in prior rate cases to account for organizations that have remained together. Regulatory Affairs is one such organization. In forecasting Regulatory Affairs division costs for 2012, SDG&E/SCG applied a division-wide five-year average, utilizing all available cost data, to provide an accurate forecast of future costs that is also reflective of the typical business cycles experienced in the division. TURN/UCAN's recommended use of a four-year average to simply achieve a lower forecast for certain Regulatory Affairs cost centers should be rejected.

In addition, TURN/UCAN's forecasts fail to incorporate SDG&E/SCG's request for incremental positions in the Regulatory Affairs division, while providing no justification as to why these positions should not be included in the test-year forecast. This includes the transfer of three positions from the Advanced Metering Infrastructure (AMI) program (previously recovered through a balancing account) that were already addressed in a prior CPUC proceeding.

B. Exclusion of 2010-2011 Labor Escalation

TURN/UCAN recommend the exclusion of 2010-2011 labor escalation specifically for the California segment of the Regulatory Affairs division. The basis for this recommendation is their claim that investor-owned utility regulatory personnel should be treated the same as other participants in the regulatory process (DRA and interveners) , who since 2009 have allegedly experienced salary cuts and wage freezes to reduce the cost burden on taxpayers (DRA) and utility ratepayers (intervener compensation). In implementing their recommendation, TURN/UCAN reduce the amounts proposed by SDG&E/SCG by 5.4% (labor escalation for 2010-2011). The labor adjustment (if taken after the above referenced four-year average adjustment but before all other adjustments) reduces SDG&E/SCG's request by $509,000.

Here, TURN/UCAN attempt to make an "apples to apples" comparison between staff members of a state-administered consumer advocacy division, private non-profit consumer advocacy groups, and state-regulated investor owned utilities. All three organizations are involved in energy regulation. However, there are inherent differences between these organizations, which have resulted in the development of specialized regulatory staffs that differ in numerous ways, including respective business roles, ranges of subject matter expertise, and time commitments. For example, interveners generally focus on certain items of particular interest (i.e., lower rates), and can be selective in their engagement of regulatory issues. However, SDG&E/SCG Regulatory Affairs are involved in nearly all energy matters before the

CPUC. SDG&E/SCG is unique in its role as both a regulated entity and an investor-owned business.

Thus, whether a labor escalation is appropriate in this proceeding has nothing to do with how DRA or TURN/UCAN employees are paid. Indeed, society is filled with a number of examples of related jobs offering different pay, such a lawyers who work at private firms versus those who work as public defenders, or judges who work for the state versus those who work for private arbitration services or professors who work at public universities versus those who work at public schools. In all of these cases, compensation is different for a variety of legitimate and market driven reasons, regardless of the general similarities among these jobs. Accordingly, TURN/UCAN should raise issues regarding their intervener compensation through the appropriate regulatory proceeding, and not in this GRC.

Finally, it's important to note the fact that escalation is not presented or requested in SDG&E/SCG's A&G testimony for the Controller Regulatory Affairs and Finance divisions. The amounts provided in my direct testimony for 2010-2012 are in constant 2009 dollars, and escalation occurs separately through the RO model. Therefore, there is no 2010-2011 escalation contained in the forecast for Regulatory Affairs costs. TURN/UCAN's request would incorrectly and inappropriately remove dollars for labor escalation from SDG&E/SCG's forecasts which have not been escalated to begin with.

C. Affiliate Compliance

TURN/UCAN recommend that 50% of SDG&E and SCG's Affiliate Compliance department costs of $551,000 contained in cost centers 2100-3594 and 2200-2202, respectively, be assigned to shareholders at the global level, reducing ratepayer costs by $277,000. TURN/UCAN assert that ratepayers would not need to pay to assure that affiliate transactions abuse does not occur if the utility did not have any unregulated affiliates. According to TURN/UCAN, the costs related to assuring compliance by unregulated affiliates are part of the cost of doing business of those affiliates. TURN/UCAN incorrectly assume that there are no ratepayer benefits derived from the utilities' affiliate compliance departments.

The Affiliate Transaction Rules ("ATRs") have been mandated by the CPUC for well over a decade. It has been demonstrated that utilities benefit from transactions with affiliates. The ATRs are in place to ensure that these transactions are fair and do not create cross subsidies. The Affiliate Compliance department is an important component of the compliance process, with various responsibilities, including utility-specific oversight and services to ensure compliance, and the development and submittal of various mandated reports to the Commission on a periodic basis. SDG&E and SCG Affiliate Compliance department costs are an appropriate ratepayer expense, since that compliance allows the utilities and ratepayers to benefit from certain affiliate transactions, such as a procurement transaction where an affiliate is the least-cost best-fit candidate. SDG&E and SCG's Affiliate Compliance departments do not provide direct services to Sempra Energy Corporate Center or its affiliates. One exception is the affiliate compliance audits, which are considered a 100% shareholder expense and are excluded from SDG&E / SCG's A&G showing.

It also should be noted that, aside from affiliate compliance audit costs, TURN/UCAN and DRA did not take issue with Affiliate Compliance department costs in SDG&E/SCG's prior General Rate Case. Accordingly, TURN/UCAN's Affiliate Compliance recommendations should be rejected.

D. Legislative Affairs

TURN/UCAN recommend that 100% of costs incurred by Legislative Affairs (SDG&E cost center 2100-4006) be assigned to shareholders, because lobbying activities are involved. In this case, TURN/UCAN mischaracterize the Legislative Affairs group as a lobbying function of the utilities.

TURN/UCAN appear to confuse the Legislative Affairs group located in San Diego with the State Governmental Affairs department located in Sacramento. In actuality, Legislative Affairs performs an internal utility function: it coordinates with various departments and areas around SDG&E and SCG to identify, develop, and synthesize company positions on various key policy issues that affect the utilities and their customers. These policy issues may arise at the State or federal level and also could arise in legislation, regulatory rulemakings (e.g., CARB, EPA), general policy dialogues, or as part of the companies' internal consideration of issues anticipated to become important to our businesses and customers. As a general principal, Legislative Affairs does not engage in external lobbying. The group may provide the results of analysis of key issues for external dialogue, but are otherwise there to advise and inform other parts of the utilities, such as the customer service groups, of the impacts of proposed legislation and policies, and the possible impact on the utilities and/or its customers.

The State Governmental Affairs group, which is responsible for providing an external advocacy function for the utilities, does participate in what would be considered lobbying type activity. Like Legislative Affairs, Governmental Affairs was transferred from Sempra Energy Corporate Center to SDG&E as a result of the 2010 reorganization. However, the costs associated with the State Governmental Affairs group are not being sought for recovery as part of this General Rate Case.[14] Thus, TURN/UCAN's recommended exclusion of Legislative Affairs costs should be rejected.

E. Regulatory Strategy

TURN/UCAN claim that SDG&E's Regulatory Strategy Group (Cost Center 2100-3797) recorded zero costs for 2010, and therefore asserts that SDG&E/SCG's 2012 cost request of

[14] SDG&E/SCG are requesting recovery for State Agency Affairs (Cost Center 2100-4005), which performs high level advocacy functions for State environmental, safety and energy issues affecting the utilities. State Agency Affairs is the primary point of contact between SDG&E/SCG and various state agencies in Sacramento, and unlike State Governmental Affairs, does not lobby elected officials.

$176,000 for Regulatory Strategy be denied.[15] However, SDG&E's Regulatory Strategy Group did, in fact, record costs in 2010. 2010 adjusted-recorded cost data and recorded capital expenditure data, which was provided to TURN/UCAN among others on April 11, 2011, shows that 2010 incurred costs for cost center 2100-3797 totaled $159,000, which closely aligns with SDG&E/SCG's 2010 forecasted costs of $164,000.

F. Financial Analysis

TURN/UCAN recommend re-basing Financial Analysis cost centers 2100-3429 and 2100-3663 to use 2010 recorded data, thus including the real cost of the incremental positions that SDG&E hired, but also including offsetting cost savings that SDG&E allegedly ignored. TURN/UCAN provide the following rationale for their recommendation:

> *We found that SDG&E added both new positions – the new position in Account 2100-3429 in January, 2010 and the one in Account 2100-3663 in November 2009. In Account 2100-3663, part of the cost was actually in the base year, but SDG&E was not shy about taking the full increment in its forecasting adjustment.*
>
> *But in both of these accounts, actual 2010 spending was less than SDG&E forecast, and in Account 2100-3429, it was actually less than spending in 2009 – despite adding the new staffer.*

TURN/UCAN arbitrarily select cost centers 2100-3429 and 2100-3663 that have 2010 recorded costs below 2009 levels. Without further investigation, TURN/UCAN simply consider the cost declines to be indicative of future department demands, and therefore determine that the difference from 2009 to 2010 funding isn't needed. In reality, the positions were filled in these cost centers in January 2010 and November 2009, respectively. However, these new hires were

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[15] TURN / UCAN incorrectly associate the Regulatory Strategy group with cost center 2100-3717, which is actually the cost center for Regulatory Tariffs. Regulatory Tariffs also recorded costs in 2010.

coincidentally offset by additional vacancies that occurred during 2010, thereby causing labor costs to decline from 2009 levels.

Contrary to TURN/UCAN's assumption that 2010 cost savings will continue into test year 2012, the Finance division as a whole has increased its labor count, from 21 FTEs at the end of 2010 to 25 FTEs at August 31, 2011. Moreover, TURN/UCAN ignore other cost centers in the Finance group, such as 2100-3590 and 2100-3724, that actually have 2010 recorded costs that are higher than 2009 and/or higher than SDG&E/SCG's test year forecast. Instead, TURN/UCAN selectively focus on cost centers that produce reductions when utilizing their recommended methodology, i.e., the cost centers in which 2010 costs decline from the previous year.

VIII. SUMMARY AND CONCLUSION

For reasons stated within this rebuttal testimony and my direct testimony, data request responses and workpapers, SDG&E and SCG maintain that their requests for Controller, Regulatory Affairs and Finance A&G costs are reasonable, appropriate and should be adopted by the Commission. DRA's recommendations selectively cherry pick the utilization of different forecasting methodologies for certain cost centers while adopting SDG&E/SCG's request for other cost centers which have essentially the same characteristics and history, for the sole purpose of reducing the test year forecast, and therefore, should be rejected. As explained above, DRA's forecast of claims payments represents the prime example, where DRA recommends a single year recorded amount as the basis for SDG&E's forecast, but a five-year average for SCG. Furthermore, DRA's recommendation for claims expense excludes the impact of the higher SIR SDG&E/SCG are paying on their liability insurance policies, but DRA provides no objection in its testimony as to the appropriateness of these costs. In addition, in the case of DRA's forecast of shared service expenses, DRA incorrectly applies their alternate forecasting methodology to book expense rather than the correct procedure reflected by SDG&E/SCG to apply the basis to incurred expense (direct charges) and then allocate between the other entities that use the service to arrive at final book expense. Finally, DRA's testimony includes various errors on the calculation of its overall request for SCG shared services. DRA has subsequently acknowledged the errors via a discovery request, so DRA's overall forecast for SCG shared services should be adjusted accordingly.

The proposed forecast for Controller, Regulatory and Finance A&G costs from TURN/UCAN should be rejected as well. TURN/UCAN selectively apply a four-year methodology to certain Regulatory Affairs costs centers and then make a further unsupported reduction to account for the exclusion of 2010-2011 escalation from the test year forecast. While TURN/UCAN's argument is without merit, it doesn't matter on a practical basis, since SDG&E/SCG's A&G forecasts are provided in constant 2009 dollars, without escalation for 2010-2012. Other proposed disallowances by TURN/UCAN, in the areas of Legislative Affairs, Affiliate Compliance, Regulatory Strategy and Financial Analysis are flawed and should be denied.

This concludes my prepared rebuttal testimony.

IX. WITNESS QUALIFICATIONS

My name is Kenneth J. Deremer and my business address is 8330 Century Park Court, San Diego, California 92123. I am currently employed by SDG&E as the Director of Financial Planning, Budgets and Claims. My current responsibilities include the development, implementation and analysis of SDG&E's annual and multi-year financial planning and budget process. I assumed my current position in May 2011. Prior to this, I served as the Director of Financial Analysis & Assistant Treasurer since January 2009, where my responsibilities included overseeing the development, analysis, and implementation of revenue requirements, regulatory accounts, and cost recovery strategies for SDG&E and SoCalGas. Previously, I was the Director of Tariffs and Regulatory Accounts since May 2007, where my responsibilities included the implementation and oversight of the utilities' tariffs and regulatory accounts, including the preparation of testimony in various regulatory proceedings, including the General Rate Case. Prior to May 2007, I served as the Regulatory Accounts Manager since April 2002. In that position, I managed the process for implementing and maintaining regulatory accounts, including serving testimony in ERRA proceedings.

I have been employed by SDG&E and Sempra Energy since 1991. In addition to my work experience described above, I worked from 1999 through 2002 as a Regulatory Tariff Administrator and held various positions in the Financial Reporting Department.

I received a Bachelors of Science in Business Administration from the University of California, Riverside in June 1987. I also received a Masters in Business Administration, with an emphasis in Finance, from the University of California, Riverside in December 1989.

I have previously testified before this Commission.

ATTACHMENT A

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.

<u>NOTE</u>**: 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

Response to Question 1 (Continued)

Please refer to the following tables:

2010 Controller Incurred Costs by Department with Transferred SECC Functions

A&G	In Nominal Dollars*			In $2009		
Controller	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	1,772	3,850	5,622	2,024	4,377	6,401
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	2,514	6,804	9,318	2,820	7,610	10,430
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	4,286	10,654	14,940	4,844	11,987	16,831
Claims	12,469	0	12,469	12,240	0	12,240
Total Incurred	16,755	10,654	27,409	17,084	11,987	29,071

* w/o V&S

Response to Question 1 (Continued)

2010 Controller Incurred Costs by Department excluding Transferred SECC Function

A&G	In Nominal Dollars*			In $2009		
Controller	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	1,772	3,850	5,622	2,024	4,377	6,401
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	2,514	6,376	8,890	2,820	7,130	9,950
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	4,286	10,226	14,512	4,844	11,507	16,351
Claims	11,707	0	11,707	11,495	0	11,495
Total Incurred	15,993	10,226	26,219	16,339	11,507	27,846

* w/o V&S

Claims Payments & Recovery Expense

(2009 $000)

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Forecast 2010	Forecast 2011	Forecast 2012		2009	2012	Incr/(Decr)
SDG&E											
Amounts included in Application 10-12-005, Dec. 2010 and 2010 Recorded Data Submitted to DRA:											
Claims Pmts & Recovery - SDG&E (1CN010.000)	1,966	9,533	6,244	4,699	5,914	5,914	5,914	Forecast based on 3-year avg.			
Forecast Adjustment					1,000	1,000	1,000	3-year avg impact of $4 mil SIR			
Total					6,914	6,914	6,914		6,244	6,914	670
Adjustments:											
Corrections to reflect an additional 2010 settlement and a separate receipt in mid-2011 of an insurance reimbursement for claims paid out in 2010.*	-	-	-	(589)					-	-	-
Corrections to reflect two settlements inadvertently omitted from 2010 claims payments and the exclusion of legal expense reimbursements.*				748					-	-	-
Revised SDG&E Total	1,966	9,533	6,244	4,858	6,914	6,914	6,914		6,244	6,914	670
SCG											
Amounts included in Application 10-12-006, Dec. 2010 and 2010 Recorded Data Submitted to DRA:											
Claims Pmts & Recovery - SCG (2CN010.000)	3,503	3,689	6,704	7,260	4,632	4,632	4,632	Forecast based on 3-year avg.			
Forecast Adjustment					2,677	2,677	2,677	3-year avg impact of $4 mil SIR			
Total					7,309	7,309	7,309		6,704	7,309	605
Adjustments:											
Correction to forecast adjustment amount to reflect additional insurance reimbursement that would be received assuming a $4 million SIR. This reimbursement was inadvertently omitted from SCG's application workpapers.*					(247)	(247)	(247)		-	(247)	(247)
Correction to reflect the exclusion of legal expense reimbursements.				122							
Revised SCG Total	3,503	3,689	6,704	7,382	7,062	7,062	7,062		6,704	7,062	358

* This data has not been entered into GRID because GRID is locked to any new entries.

ATTACHMENT B

DRA DATA REQUEST RESPONSE

San Diego Gas & Electric Company
Southern California Gas Company
Test Year 2012 GRC
A.10-12-005/006

Origination Date: September 13, 2011
Due Date: September 26, 2011
Response Date: September 26, 2011

To: Ronald van der Leeden
RvanderLeeden@semprautilities.com
(213) 244-2009

From: James R. Wuehler, Project Coordinator SDG&E
Truman Burns, Project Coordinator SCG
Donna-Fay Bower, Assistant Project Coordinator
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4205
San Francisco, CA 94102

Response by: Mariana C. Campbell
Phone: (415) 703-2731
Email: mcl@cpuc.ca.gov

Data Request No: SDG&E/SoCalGas Data Request 16

Exhibit Reference: DRA-32

Subject: Table 32-15 in Exhibit DRA-32

The following is DRA's response to SEMPRA's data request. If you have any questions, please contact the responder at the phone number and/or email address shown above.

Q.1: Table 32-15 in Exhibit DRA-32 compares DRA and SoCalGas' test year 2012 forecasts of services for the Controller, Regulatory Affairs, and Finance divisions. DRA recommends $10.122 million for SoCalGas shared services test year 2012. SoCalGas believes that the $10.122 million total was calculated in error, since for several work paper groups, the 'DRA Total' column provides dollar amounts that appear to use decimal points in place of commas (thousand separators). Additionally, the line for cost center 2200-2178, Sundry Service and Rate Base, incorrectly sums labor and non labor dollars, as shown in the 'DRA Total' column.

A.1: In reference to Exhibit DRA-32, DRA corrected typographical errors in Table 32-15 and submits a corrected version of Table 32-15. DRA's revised version of Table 32-15 includes corrected typographical errors identified by SoCalGas data request 16. Revised Table 32-15 is provided in Excel format.

In addition, regarding Exhibit DRA-32, Table 32-15, cost center 2200-2178 Sundry Service and Rate Base, DRA Total is a typographical error and it should be $91,000.

Data Request Attachment

DRA Request
Response to Sempra

Table 32-15
SCG and DRA TY 2012 Forecast
Shared Services
Administrative and General - Controller, Regulatory Affairs and Finance

SHARED SERVICES	SOUTHERN CALIFORNIA GAS COMPANY	2012 Estimated - 2009 Dollars- Book Expense			
	Controller/Finance/Regulatory Affairs	LABOR	NON-LABOR	DRA TOTAL	SCG TOTAL
WP Group	Description				
2200-2189	Revenue Requirements	54,000	4,000	58,000	58,000
2200-2195	Sundry SVCS Policy & Compliance	50,000	2,000	52,000	52,000
2200-2202	Affiliate Compliance	66,000	2,000	68,000	68,000
2200-2212	Business Controls	29,000	3,000	32,000	32,000
2200-2272	Capital Budgets	67,000	1,000	68,000	68,000
2200-2308	Gas Demand Forecasts & Tariffs	92,000	14,000	106,000	106,000
2200-8962	CFO- Controller - VP	239,000	55,000	294,000	294,000
2200-8963	Director of Finance	104,000	11,000	115,000	115,000
2200-0338	Accounts Payable Dept	1,252,000	141,000	1,393,000	1,393,000
2200-0339	FINL Planning	297,000	18,000	315,000	407,000
2200-1334	Affiliate Billing and Costing	293,000	15,000	308,000	308,000
2200-1342	Financial Systems Client SPT-Reporting	147,000	11,000	158,000	158,000
2200-2039	Sundry Billing	383,000	14,000	397,000	397,000
2200-2040	General Rate Case	490,000	106,000	596,000	596,000
2200-2041	Business Planning & Budgets	134,000	4,000	138,000	138,000
2200-2049	Accounts Payable	90,000	5,000	95,000	95,000
2200-2075	California Case Management	396,000	45,000	441,000	520,000
2200-2091	Regulatory Accounts	60,000	1,000	61,000	75,000
2200-2095	Claims	526,000	24,000	550,000	550,000
2200-2178	Sundry Services & Rate Base	87,000	4,000	91,000	91,000
2200-8901	Billed-in Cost Center for Controller, Reg Affairs and Finance			6,721,000	7,169,000
	A&G Controller/Finance/Reg Affairs Total	**4,856,000**	**480,000**	**12,057,000**	**12,690,000**

Attachment C

DRA TY 2012 Forecasted Shared Service Expenses vs. Corrected Shared Service Expenses

Book Expense in 2009 dollars (thousands)

Description	DRA Total Filed	DRA Total Corrected[1]	Difference
SDG&E			
SVP - Fin, Reg & Legis Affairs (2100-3161)	$484	438	(46)
California Case Mgmt (2100-3427)	870	991	121
Business Controls (2100-3555)	186	187	1
SDG&E Sub-total	**1,540**	**1,616**	**76**
SCG			
Financial Planning (2200-0339)	315	329	14
California Case Mgmt (2200-2075)	441	538	97
Regulatory Accounts (2200-2091)	61	90	29
SCG Sub-total	**817**	**957**	**140**
Total	**2,357**	**2,573**	**216**

[1] Corrected totals reflect proper application of DRA's recommended five-year average (2006-2010) to incurred expenses, prior to allocation, and the inclusion of incremental adjustments that DRA does not dispute.

DRA TY 2012 Forecasted Non-shared Service Expenses vs. Corrected Non-shared Service Expenses

Book Expense in 2009 dollars (thousands)

Description	DRA Total Filed	DRA Total Corrected[2]	Difference
SDG&E			
Claims Pmts & Recovery Affairs (1CN010)	$4,858	5,858	1,000
FERC, CAISO, & Compliance (1RA003)	704	904	200
SDG&E Sub-total	**5,562**	**6,762**	**1,200**
SCG			
Claims Pmts & Recovery (2CN010)	5,234	7,911	2,677
SCG Sub-total	**5,234**	**7,911**	**2,677**
Total	**10,796**	**14,673**	**3,877**

[2] Corrected totals reflect the inclusion of incremental adjustments that DRA does not dispute.