

Application of Southern California Gas Company
for authority to update its gas revenue requirement
and base rates effective on January 1, 2012.
(U904G)

Application 10-12-_____
Exhibit No.: (SCG-31)

PREPARED DIRECT TESTIMONY OF

SCOTT R. WILDER

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

DECEMBER 2010



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1 distribution, customer services, etc.) of grouped FERC accounts. Further details of data
2 and weighting calculations are in the workpapers for this testimony.

3 **A. Labor O&M Escalation**

4 SoCalGas' labor escalation index is a weighted average of three Global
5 Insight wage and salary cost indexes: CEU4422000008, "Utility Service
6 Workers" (weighted 50.446%); ECIPWMBFNS, "Managers and Administrators"
7 (weighted 19.088%); and ECIPWPARNs, "Professional and Technical Workers"
8 (weighted 30.466%). The weightings are based on recorded 2009 labor earnings
9 for the three corresponding categories of combined San Diego Gas & Electric
10 Company ("SDG&E") and SoCalGas employees: represented and clerical
11 workers; non-represented supervisory employees including managers, directors,
12 and executives; and non-represented, non-supervisory employees. The utility
13 service workers' portion incorporates wage increases already stipulated in labor
14 contracts for SoCalGas' and SDG&E's represented employees for 2009, 2010
15 and 2011.

16 **B. Non-Labor O&M Escalation**

17 In the 2008 GRC Decision, D.08-07-046, SoCalGas was ordered to file
18 the next GRC using the then-current "cost center" system of internal accounting
19 and control rather than convert and allocate the O&M data to approximate the
20 FERC accounts.² So while SoCalGas' historical O&M costs are designated by
21 FERC account, its forecasted O&M costs are not. To be consistent with the
22 presentation requirements, rather than using multiple separate Global Insight
23 FERC-account cost escalators as has been done in the past, SoCalGas has
24 combined various weighted Global Insight utility cost series to develop a single
25 escalation index for non-labor O&M expenses, "JGTOTALMSX_SCG". Its
26 component weights are based on SoCalGas' recorded 2009 expenses, as 2009 is
27 the latest available year of historical expense data. Table SCG-SRW-1 shows
28 each component's weighting in JGTOTALMSX_SCG, its series name and
29 description.
30

² See D.08-07-046, pp. 11 and Ordering Paragraph 22.

1 **TABLE SCG-SRW-1: GLOBAL INSIGHT SERIES COMPONENTS IN**
 2 **SOUTHERN CALIFORNIA GAS COMPANY'S NON-LABOR O&M COST**
 3 **INDEX JGTOTALMSX_SCG**

<u>Weight</u>	<u>Series Name</u>	<u>Description</u>
100.00%	JGTOTALMSX_SCG	SoCalGas Composite Gas Non-Labor O&M Index
9.67%	JGUSOMMS	Gas Storage (underground)
13.04%	JGTOMMS	Gas Transmission
16.97%	JGDOMMS	Gas Distribution
25.36%	JGCAOMS	Gas Customer Accounts
4.01%	JGCSIOMS	Gas Customer Service & Information
30.95%	JGADGOMMS_X9	Gas Admin & General, excluding Pensions & Benefits

4 All of the component cost escalators in Table SCG-SRW-1 come from
 5 Global Insight's utility O&M cost model, with the exception of the
 6 Administrative & General ("A&G") series. Most of SoCalGas' pensions and
 7 benefits costs (FERC Account 926) are treated separately and are therefore
 8 excluded from regular cost escalations. Pensions have separate balancing
 9 account treatment, as discussed in Exhibit SCG-20 -- the Pensions and PBOPS
 10 testimony of witness David I. Sarkaria. Employee medical expenses (in FERC
 11 Account 926.3) are also treated separately, and are discussed in Exhibit SCG-19
 12 -- the Compensation, Health and Welfare testimony of witness Debbie S.
 13 Robinson. The Pensions and Benefits cost component was removed from Global
 14 Insight's utility A&G cost series JGADGOMMS. The resulting adjusted series
 15 JGADGOMMS_X926 was used to escalate SoCalGas' non-labor, non-FERC
 16 Account 926 A&G costs.

17 The single cost escalation series for SoCalGas' shared services and
 18 working cash was based on a weighted average of labor and non-labor O&M
 19 indexes. Weights were based on actual 2009 SoCalGas shared-service cost
 20 charges by FERC account to labor (weighted 46.82%) and to the six non-labor
 21 cost categories (weighted an aggregate total of 53.12%) described above in Table
 22 SCG-SRW-1.

1 **C. Capital Cost Escalation**

2 The construction cost index used by SoCalGas and forecasted by Global
3 Insight is based on the recorded Handy-Whitman cost series for the Pacific
4 Region (encompassing the states of California, Oregon, and Washington). The
5 forecasted Global Insight utility construction cost series JUG@PCF, “Total Gas
6 Plant—Pacific Region” was used to escalate SoCalGas’ capital construction
7 costs.

8 **III. POST-TEST-YEAR COST ESCALATION**

9 Beyond TY 2012, SoCalGas proposes that its base margin revenue requirements
10 be updated each year according to the PTY ratemaking mechanism described in Exhibit
11 SCG-39 -- the testimony of Mr. Emmrich.

12 For capital costs, the forecasted Global Insight utility construction cost series
13 JUG@PCF, “Total Gas Plant—Pacific Region” is applied to plant additions as described
14 in Mr. Emmrich’s testimony.

15 A gas O&M utility input price index (“GOMPI”) is calculated and used to adjust
16 O&M expenses to reflect the expected cost inflation of goods and services that
17 SoCalGas will incur to serve its customers. The GOMPI’s underlying PTY escalation
18 indexes are the same O&M indexes described in Section II for escalations from 2009 to
19 TY 2012. Based on SoCalGas’ recorded 2009 expenses, the gas labor index is weighted
20 65.53% and the non-labor O&M cost index JGTOTALMSX_SCG is weighted 34.47%
21 to form a single GOMPI. For implementation in PTY adjustments, the values of
22 GOMPI and its component indexes will be re-benched to TY 2012 = 1.0000.

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Table SCG-SRW-2 shows annual percentage changes for each cost escalator.

**TABLE SCG-SRW-2: SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF COST ESCALATION INDEXES**

Annual Percent Changes	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Shared Services</u>	3.53%	3.23%	3.12%	4.05%	1.50%	2.16%	2.72%	2.54%	2.62%	2.69%	2.52%
<u>Operations & Maintenance</u>											
Labor O&M Index	3.42%	2.87%	2.68%	3.36%	2.53%	2.61%	3.02%	2.37%	2.64%	2.70%	2.66%
Gas Nonlabor O&M Index	4.11%	3.65%	3.34%	5.07%	-0.25%	1.84%	2.48%	2.64%	2.54%	2.54%	2.32%
Post-Test-Year GOMPI	3.66%	3.14%	2.91%	3.96%	1.56%	2.35%	2.84%	2.46%	2.61%	2.65%	2.54%
<u>Capital-Related</u>											
Total Gas Plant	17.33%	4.09%	-1.90%	12.40%	-0.97%	1.37%	3.38%	2.34%	2.86%	3.45%	2.20%

This concludes my prepared direct testimony.

1 **IV. QUALIFICATIONS OF SCOTT R. WILDER**

2 My name is Scott R. Wilder. I am employed by SoCalGas as a
3 Business/Economics Advisor in the Gas Regulatory Affairs Department for SoCalGas
4 and SDG&E. My business address is 555 West Fifth Street, Los Angeles, California
5 90013-1011.

6 I have held my current position since February 2004. Since 1993 I have been
7 employed at SoCalGas in various economic forecasting and analysis positions of
8 increasing responsibility. From 1986 to 1993, I was employed by Pacific Gas and
9 Electric Company in San Francisco in various positions involving economic forecasting,
10 planning and analysis. From 1982 to 1984, I worked as a Development Project Manager
11 with the Southern Baptist International Mission Board, working with farmers and
12 engineers to build irrigation canals in the Andes mountains of Peru.

13 I received a Bachelor of Science degree in Agricultural & Managerial Economics
14 from the University of California at Davis in 1982, and a Masters of Science degree in
15 Agricultural Economics from U.C. Davis in 1986. I have previously testified before the
16 California Public Utilities Commission.