

Company: Southern California Gas Company (U904G)
Proceeding: 2016 General Rate Case
Application: A.14-11-004
Exhibit: SCG-24-R

REVISED

SOCALGAS

DIRECT TESTIMONY OF RAMON GONZALES

**(REGULATORY AFFAIRS/ACCOUNTING AND FINANCE/LEGAL/EXTERNAL
AFFAIRS)**

MARCH 2015

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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SUMMARY

CONTROLLER/FINANCE/REG AFF/LEGAL/EXT AFF			
Shown in Thousands of 2013 Dollars	2013 Adjusted- Recorded	TY2016 Estimated	Change
Total Non-Shared	23,093	22,797	-296
Total Shared Services (Incurred)	5,523	6,442	919
Total O&M	28,616	29,239	623

Summary of Requests

- **Regulatory Affairs Division** – Southern California Gas Company (SoCalGas or the Company) requests \$4.4 million (an increase of \$731,000 above 2013 adjusted-recorded costs) for Regulatory Affairs Division activities.
- **Accounting and Finance Division** – SoCalGas requests \$16.2 million (a decrease of \$505,000 below 2013 adjusted-recorded costs) for the Accounting and Finance Division operations.
- **Legal Division** – SoCalGas requests \$6.3 million (a decrease of \$180,000 below 2013 adjusted-recorded costs) for the Legal Division activities.
- **External Affairs and Employee Communications Division** – SoCalGas requests \$2.4 million (an increase of \$577,000 above 2013 adjusted-recorded costs) for the External Affairs and Employee Communications Division operations.

1 **SOCALGAS DIRECT TESTIMONY OF RAMON GONZALES**
2 **(Regulatory Affairs/Accounting and Finance/Legal/External Affairs)**

3 **I. INTRODUCTION**

4 **A. Summary of Costs**

5 The purpose of my testimony is to present Test Year (TY) 2016 forecasts of
6 Administrative and General (A&G) costs (both non-shared and shared)¹ for SoCalGas’
7 Regulatory Affairs, Accounting and Finance, Legal, and External Affairs and Employee
8 Communications operations. Table RG-1 below summarizes the total cost forecast for these
9 A&G functions for TY 2016.

10 The tables that follow within this testimony include both the shared and non-shared
11 services costs to avoid confusion of the total costs that are incurred in these groups. Elements
12 of these organizations have a shared service function that provides services to/from San Diego
13 Gas and Electric (SDG&E), Sempra Energy Corporate Center (SECC), and Affiliated
14 companies. Generally, cost centers in the same department use the same allocation
15 methodology; however in some cases the allocation methodologies between cost centers in the
16 same department may differ. The allocation methodologies for each cost center can be found in
17 my work papers. I am sponsoring the forecasts on a total incurred basis, as well as the shared
18 services allocation percentages related to those costs. Those percentages are presented in my
19 shared services work papers (See Ex. SCG-24-WP). The costs that are sponsored in this
20 testimony include all costs prior to the allocation to/from SCG, SECC and Affiliates. The dollar
21 amounts allocated to affiliates are presented in SoCalGas’ Shared Services Policy and
22 Procedures testimony. See Ex. SCG-25 (Mark Diancin witness).

¹ Shared Services are activities performed by a utility Shared Services department (i.e., functional area) for the benefit of (i) SDG&E or SoCalGas, (ii) Sempra Energy Corporate Center (“CC”), and/or (iii) any unregulated subsidiaries. The utility providing Shared Services allocates and bills incurred costs to the entity or entities receiving those services. Non-Shared Services are activities that are performed by a utility solely for its own benefit. As such, Non-Shared Services costs stay within the utility.”

1 **TABLE RG-1**

2 **TY 2016 Summary of Total Costs by Division**

CONTROLLER/FINANCE/REG AFF/LEGAL/EXT AFF			
Shown in Thousands of 2013 Dollars			
Categories of Management	2013 Adjusted- Recorded	TY2016 Estimated	Change
Regulatory Division	3,652	4,383	731
Accounting and Finance (A&F) Division	16,689	16,184	-505
Legal Division	6,463	6,283	-180
Ext Affairs & Emp Communications Division	1,812	2,389	577
Total	28,616	29,239	623

3 **B. Forecast Methodology**

4 To develop TY 2016 forecasts for A&G expenses, recorded data was first collected and
5 analyzed for the previous five years for each cost center in the A&G area. After analyzing the
6 recorded data, certain adjustments were made, when necessary, to the recorded data to align with
7 SoCalGas’ current operations and organizational structure. Please refer to supporting
8 workpapers for the adjustments made to the recorded data. Forecast estimates for TY 2016 A&G
9 expenses were based on analysis of recorded costs, as well as an assessment of the nature and
10 scope of activities anticipated for TY 2016.

11 A&G costs are generally prone to fluctuations because of changes in work activities
12 which impact staffing levels, purchased service costs, and other factors (i.e. Regulatory
13 Requirements, etc.). As demonstrated in my workpapers, the past five years of A&G recorded
14 costs clearly demonstrate this fluctuation. It is generally recognized that use of multi-year
15 averaging is generally a valid methodology where costs fluctuate significantly from year to year. As
16 such, and for most A&G cost centers, a multi-year average is used as it represents a reasonable
17 base to estimate operational needs for TY 2016.

18 **II. REGULATORY AFFAIRS DIVISION**

19 **A. Introduction**

20 The SoCalGas’ Regulatory Affairs (Regulatory Affairs) Division is comprised of: (1)
21 Regulatory Tariffs and Information; (2) Case Management; (3) Gas Rates and Analysis; (4) Gas
22 Forecasting and Analysis; and (5) GRC Revenue Requirements. Regulatory Affairs provides case
23 management, policy formulation, regulatory strategy, gas demand forecasting, economic analysis,

1 gas cost allocation, gas rate design, and tariff administration services to the organization.
 2 Regulatory Affairs also manages proceedings and issues before various state and federal regulatory
 3 entities, including the California Public Utilities Commission (CPUC), Federal Energy Regulatory
 4 Commission (FERC), and California Energy Commission (CEC).

5 The Regulatory Affairs Division uses a three year historical average to forecast the TY
 6 2016 costs. Regulatory Affairs did not use a five-year historical forecast because public noticing
 7 costs were transferred to Regulatory Affairs in 2011. As such, the five-year historical average does
 8 not reflect current and future Regulatory Affairs costs, as it fails to include the noticing costs that
 9 Regulatory Affairs now incurs. Accordingly, the historical three year period represents a
 10 reasonable business cycle in Regulatory Affairs upon which to estimate TY 2016 costs.

11 **TABLE RG-2**
 12 **Regulatory Affairs Division Incurred Costs by Department²**

Shown in Thousands of 2013 Dollars Regulatory Division	2013 Adjusted-Recorded			TY2016 Estimated			Change		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Director - Regulatory Affairs		256	256		257	257		1	1
Case Management		1,032	1,032		1,087	1,087		55	55
Gas Rates and Analysis		533	533		525	525		-8	-8
Gas Forecasting and Analysis		609	609		603	603		-6	-6
Regulatory Tariffs and Info	487		487	724		724	237		237
GRC and Revenue Requirements		735	735		1,187	1,187		452	452
Total	487	3,165	3,652	724	3,659	4,383	237	494	731

13
 14 Regulatory Affairs TY 2016 forecasted incurred costs are \$4.4 million, compared to the
 15 2013 base year of \$3.7 million. This increase of \$0.7 million or 20.0% is primarily attributable to
 16 the addition of one full-time equivalent (FTE) to meet the increased workload created by the increase
 17 in regulatory activity and the cost associated with increases in the number of public notices required
 18 by regulatory agencies, such as the CPUC and FERC.

² The acronym NSS refers to Non-Shared Service costs. The acronym USS refers to Utility Shared Service.

1 **B. Regulatory Tariffs and Information**

2 **TABLE RG-3**

3 **Regulatory Tariffs and Information Summary of Total Costs**

Shown in Thousands of 2013 Dollars			
Regulatory Division	2013 Adjusted-Recorded	TY2016 Estimated	Change
Regulatory Tariffs and Info	487	724	237
Total	487	724	237

4 **1. Description of Costs and Underlying Activities**

5 For TY 2016, the Tariffs group requests \$724,000, which represents an increase of \$237,000 over
6 2013 adjusted-recorded costs.

7 This request is needed to fund Tariffs group activities relating to: (1) filing advice letters and
8 responding to protests and draft resolutions; (2) maintaining, interpreting and revising tariff
9 schedules and developing new tariffs; (3) providing guidance on regulatory compliance with
10 tariffs; and (4) responding to CPUC staff inquiries. Additionally, the Tariffs group provides case
11 management for certain CPUC Investigations and CPUC Rulemaking proceedings relating to the
12 tariff schedules or the CPUC’s general orders, and provides tariff support to Case Management in
13 other major proceedings. The group also tracks regulatory compliance requirements. Over the
14 course of a typical year, the Tariff group files approximately 150 advice letters.

15 **2. Forecast Methodology**

16 For the Tariffs group, a three-year historical average was used as it represents a reasonable
17 base to estimate operational needs for TY 2016. Costs in this area have fluctuated year to year and
18 SoCalGas anticipates that fluctuations will continue. SoCalGas cannot predict the nature, scope, and
19 quantity of tariff filings for the forecasted years, and must therefore rely on averaging to derive a
20 reasonable cost to allow SoCalGas to fulfill Tariff group activities in the test and attrition years.
21

C. Case Management

TABLE RG-4

Case Management Summary of Total Costs

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
Regulatory Division	2013 Adjusted- Recorded	TY2016 Estimated	Change
Case Management	975	1,032	57
Case Management - Admin Support	57	55	-2
Incurred Costs Total	1,032	1,087	55

1. Description of Costs and Underlying Activities

For TY 2016, the Case Management group requests \$1.1 million, which represents a \$55,000 increase over 2013 adjusted recorded costs. This increase is primarily due to one additional FTE.

The Case Management Group’s request is needed to fund activities relating to: (1) coordinating SoCalGas’ participation in all regulatory proceedings and related activities before the CPUC, including rate and non-rate applications, CPUC- initiated investigations and rulemakings, and related legislative activities; (2) managing all regulatory filings with the CPUC, FERC, and CEC; (3) coordinating compliance with all CPUC directives and requirements; (4) retaining all regulatory records and related information as part of the Utilities’ Regulatory Central Files; and (5) maintaining effective working relationships with state and federal regulatory agencies and staff and being responsive to their requests for information or assistance. Case Management is also responsible for these same activities for FERC gas regulatory proceedings. Case Management is a shared service between SoCalGas and San Diego Gas & Electric (SDG&E).

As a result of the ongoing efforts being made by California to achieve its energy policy objectives and implement new safety initiatives, the CPUC continuously pursues this agenda through proceedings in such areas as energy efficiency, pipeline safety and integrity, rate design, greenhouse gas regulation, alternative fuel vehicle transportation, water energy nexus, high speed rail general order and safety. All which have increased the demands on the California Case Management group and results in the need for additional staffing with greater experience and skills. To accommodate this increase in workload, Case Management proposes to add one FTE in 2015.

1 **2. Forecast Methodology**

2 Case Management used a three-year historical average because it represents a reasonable
3 base to estimate operational needs for TY 2016. Costs in this area have fluctuated year over year and
4 SoCalGas anticipates that fluctuations will continue. SoCalGas cannot predict the nature, scope, and
5 quantity of regulatory case load for the forecasted years, and must therefore rely on averaging to
6 derive a reasonable cost to allow SoCalGas to fulfill Case Management’s activities in the test and
7 attrition years.

8 **D. Gas Rates and Analysis**

9 **TABLE RG-5**

10 **Gas Rates and Analysis Summary of Total Costs**

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
Regulatory Division	2013 Adjusted- Recorded	TY2016 Estimated	Change
Gas Rates and Analysis	533	525	-8

11 **1. Description of Costs and Underlying Activities**

12 For TY 2016, the Gas Rates and Analysis group requests \$525,000, which is an \$8,000
13 decrease from 2013 adjusted-recorded costs.

14 The Gas Rates and Analysis Group provides gas rate design, analysis, and coordination for
15 use in business development and regulatory proceedings. These activities are used in the
16 development of customer cost allocations and customer rate designs for CPUC- required filings,
17 proceedings, and *ad hoc* requests. The Gas Rates and Analysis group is a shared service between
18 SoCalGas and SDG&E.

19 **2. Forecast Methodology**

20 The Gas Rates and Analysis group used a three-year average because it represents a
21 reasonable base to estimate operational needs for TY 2016. Costs in this area have fluctuated year
22 over year and SoCalGas anticipates that fluctuations will continue. The Gas Rates Analysis group’s
23 activities have increased to support regulatory activity however the group has met the greater demands
24 without increasing labor costs. SoCalGas cannot predict the nature, scope, and extent of Gas Rate
25 group activities for the forecasted years, and must therefore rely on averaging to derive a reasonable
26 cost to allow SoCalGas to fulfill the Gas Rates and Analysis group activities in the test and attrition
27 years.

1 **E. Gas Forecasting and Analysis**

2 **TABLE RG-6**

3 **Gas Forecasting and Analysis Summary of Total Costs**

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
Regulatory Division	2013 Adjusted- Recorded	TY2016 Estimated	Change
Gas Forecasting and Analysis	609	603	-6

4 **1. Description of Costs and Underlying Activities**

5 For TY 2016, the Gas Forecasting and Analysis group requests \$603,000, or \$6,000 less
6 than 2013 adjusted-recorded costs.

7 The funding requested is needed to continue Gas Forecasting and Analysis group activities,
8 which include: (1) analyzing economic concerns, demographics, and gas customer forecasts; (2)
9 developing alternate fuel price and gas price forecasts; (3) developing gas demand forecasts and
10 analyses; (4) analyzing policy; (5) supplying analysis for use in business development and
11 regulatory proceedings.

12 Gas Forecasting and Analysis is a shared service between SoCalGas and SDG&E.

13 **2. Forecast Methodology**

14 The Gas Forecasting and Analysis group used a three-year average because it represents a
15 reasonable base to estimate operational needs for TY 2016. Costs in this area have fluctuated year
16 over year and SoCalGas anticipates that fluctuations will continue. The Gas Forecasting and
17 Analysis group's activities have increased to support regulatory activity, however the group has,
18 through efficiencies, met the greater demands without increasing labor costs. SoCalGas cannot predict
19 the nature, scope, and extent of Gas Forecasting and Analysis group activities for the forecasted years,
20 and must therefore rely on averaging to derive a reasonable cost to allow SoCalGas to fulfill the Gas
21 Forecasting and Analysis group activities in the test and attrition years.

1 **F. GRC and Revenue Requirements**

2 **TABLE RG-7**

3 **GRC and Revenue Requirements Summary of Total Costs**

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
Regulatory Division	2013 Adjusted- Recorded	TY2016 Estimated	Change
GRC and Revenue Requirements	735	1,187	452

4 **1. Description of Costs and Underlying Activities**

5 For TY 2016, the GRC and Revenue Requirement group requests \$1.2 million, which
6 represents an increase of \$452,000 over 2013 adjusted-recorded costs. This increase is
7 attributable to labor costs needed to support on-going operations and maintenance (O&M)
8 activities as described below.³

9 As a shared service, the GRC and Revenue Requirement group is responsible for the
10 management and coordination of SDG&E's and SoCalGas' GRC proceedings before the CPUC.
11 This is a significant undertaking due to the proceeding's considerable size, scope, and duration.
12 Beyond procedural management of the case itself, the GRC Revenue Requirement group: (1)
13 oversees and coordinates internal business units' data collection and forecasting efforts, as well
14 as the development of witness testimony; (2) develops and maintains GRC database software; (3)
15 responds to numerous intervener and CPUC inquiries; (4) provides detailed analysis of utility
16 revenues, expenses, and investments in plant and equipment, in order to appropriately establish
17 revenue requirements for the Utilities; and (5) provides support for other regulatory proceedings
18 such as SoCalGas and SDG&E Cost of Capital.

19 **2. Forecast Methodology**

20 The GRC and Revenue Requirement group used a three-year average because it represents a
21 reasonable base to estimate operational needs for TY 2016. Costs in this area have fluctuated year
22 over year and SoCalGas anticipates that fluctuations will continue. The GRC and Revenue
23 Requirement group's activities have increased to support regulatory activity, however the group has,
24 through efficiencies, met the greater demands without increasing labor costs. The increase request is
25 not related to additional staffing, but related to the reclassification of employee costs from capital to
26 O&M. SoCalGas cannot predict the nature, scope, and extent of GRC and Revenue Requirement

³ Ex. SCG-24-WP 2200-2040.000

group activities for the forecasted years, and must therefore rely on averaging to derive a reasonable cost to allow SoCalGas to fulfill the GRC and Revenue Requirement group activities in the test and attrition years.

III. ACCOUNTING AND FINANCE DIVISION

A. Introduction

The Accounting and Finance Division is comprised of: (1) the Vice President of Accounting and Finance; (2) Accounting Operations; (3) Accounting Systems and Compliance; (4) Claims; (5) Finance; (6) Financial and Operational Planning; and (7) Claims Payments and Recovery Costs.

TABLE RG-8

Accounting and Finance Division Incurred Costs by Department

Shown in Thousands of 2013 Dollars	2013 Adjusted-Recorded			TY2016 Estimated			Change		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
VP - Accounting and Finance	347		347	385		385	38		38
Accounting Operations	3,586	30	3,616	4,046	61	4,107	460	31	491
Accounting Systems and Compliance	949	373	1,322	1,004	419	1,423	55	46	101
Claims		1,321	1,321		1,433	1,433		112	112
Finance	1,490		1,490	1,658		1,658	168		168
Financial and Operational Planning	1,127		1,127	1,158		1,158	31		31
Sub-Total	7,499	1,724	9,223	8,251	1,913	10,164	752	189	941
Claims Payment & Recovery Costs	7,466		7,466	6,020		6,020	-1,446		-1,446
Total	14,965	1,724	16,689	14,271	1,913	16,184	-694	189	-505

Accounting and Finance’s TY 2016 forecasted estimated costs are \$16.2 million compared, to the 2013 adjusted-recorded costs of \$16.7 million. This overall decrease of \$0.5 million or 3.0%, primarily relates to Claims Payment and Recovery costs. This decrease was partially offset by increases in Accounting Operations.

1 **B. Vice President – Accounting and Finance**

2 **TABLE RG-9**

3 **VP Accounting and Finance Summary of Total Costs**

Shown in Thousands of 2013 Dollars			
Accounting and Finance Division	2013 Adjusted- Recorded	TY2016 Estimated	Change
VP - Accounting and Finance	347	385	38

4 **1. Description of Costs and Underlying Activities**

5 SoCalGas requests \$385,000 for the office of the Vice President of A&F, which
6 represents an increase of \$38,000 over 2013 adjusted-recorded costs.

7 The Vice President of A&F, which is a non-shared service, has responsibility for the
8 oversight of the financial and accounting process at SoCalGas. The VP also serves as the
9 Assistant Treasurer, Affiliate Compliance, and Records Management officer for SoCalGas. The
10 VP oversees an organization of over 100 professional, administrative, and clerical employees.

11 **2. Forecast Methodology**

12 As shown in Table RG-9 above, SoCalGas recorded \$347,000 for these activities in the
13 2013 base year. The VP of Accounting & Finance uses a three-year historical average of 2011-
14 2013 costs to estimate the TY 2016 costs. The use of a three year average is appropriate and
15 provides a reasonable basis for developing a forecast of TY 2016 costs for the Accounting and
16 Finance division. As noted previously, A&G cost fluctuate from year to year. The use of a
17 forecasting methodology based on an average of multiple years of historical costs results in a
18 cost forecast that reflects the cost variability expected over the forecast period. Additionally, due
19 to a realignment of accounting functions and leadership responsibilities in late 2010 and early
20 2011, use of a three year average (2011-2013) is reflective of the current cost structure of the
21 Accounting and Finance division. Use of a five year average would be inappropriate as it would
22 result in a forecast that materially understates the costs expected in the forecast period.

C. Accounting Operations

TABLE RG-10

Accounting Operations Summary of Total Costs

Shown in Thousands of 2013 Dollars									
	2013 Adjusted-Recorded			TY2016 Estimated			Change		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Accounting Operations	3,586	30	3,616	4,046	61	4,107	460	31	491

1. Description of Costs and Underlying Activities

For TY 2016, Accounting Operations requests \$4.1 million, which represents an increase of \$491,000 over 2013 adjusted-recorded costs (See Ex. SCG-24-WP 2AG002.000). Accounting Operations primarily consists of three non-shared service groups: Asset & Project Accounting (previously referred to as Cost Accounting in SoCalGas’ 2012 GRC), Accounts Payable, and Sundry Services.⁴

Asset & Project Accounting is responsible for gas utility plant portion of rate base accounting, operating cost accounting for gas utility assets, new business accounting, fixed asset management, and billable project accounting. This work requires issuing, monitoring, and accounting for work orders; transferring construction work in progress (CWIP) into rate base; analyzing and developing asset classes; gas plant forecasting, accounting for gas plant retirements; and developing and monitoring internal control procedures with the objective of safeguarding company assets. Preparation of depreciation life studies; and calculating depreciation expense is performed by the Finance department of SoCalGas (see Section III, Subsection F.). Asset & Project Accounting also handles numerous accounting and regulatory issues including; determining proper accounting treatment of individual work order expenditures (including application of overhead rates, accounting classifications, and FERC account assignments); analysis and reconciliation of general ledger accounts; Sarbanes Oxley (SOX) 404 business process controls testing; and special projects (such as accounting for and testifying on Catastrophic Event Memo Accounts (CEMA) events and publishing capitalization guidelines). In addition, Asset & Project Accounting provides technical expertise and guidance, information, analytical support, and data responses for various regulatory and tax filings.

Accounts Payable is responsible for timely and accurate payment of all service and material invoices and contract obligations for SoCalGas. Accounts Payable ensures that all

⁴ However, there is one position that acts as a shared service for accounting purposes.

1 payments are properly authorized prior to disbursement, assists in resolving payment disputes,
2 and maintains the vendor master information consistent with SOX processes and controls.
3 Accounts Payable also provides 1099 Internal Revenue Service (IRS) filing and reporting, as
4 well as check escheatment filings.

5 Sundry Services is responsible for the billing of products and services provided to third
6 parties (i.e. sundry services) other than commodity, transportation, and delivery costs of natural
7 gas. Sundry Services is also responsible for supporting SoCalGas with CPUC compliance,
8 policies and procedures related to non-tariffed products and services. This group conducts the
9 annual training of business managers for sundry activities to ensure compliance with policy and
10 Generally Accepted Accounting Principles (GAAP). Sundry Services also creates monthly
11 reports for business managers to aid in the management of activities and provides analysis of
12 miscellaneous revenues. Sundry Services coordinates and prepares the Non-Tariffed Products
13 and Services (NTP&S) annual report to the CPUC and participates in the internal and external
14 audits of NTP&S. Lastly, Sundry Services coordinates and supervises the SOX activities related
15 to Sundry Services including SOX detailed testing.

16 **2. Forecast Methodology**

17 As shown in Table RG-10 above, SoCalGas recorded \$3.6 million for these activities in
18 the 2013 base year. Accounting Operations is using a three-year historical average of 2011-2013
19 costs to estimate the TY 2016 costs. The use of a three year average is appropriate and provides
20 a reasonable basis for developing a forecast of TY 2016 costs for the Accounting Operations
21 department. As noted previously, A&G cost fluctuate from year to year. The use of a
22 forecasting methodology based on an average of multiple years of historical costs results in a
23 cost forecast that reflects the cost variability expected over the forecast period. Additionally, due
24 to a realignment of accounting functions and leadership responsibilities in late 2010 and early
25 2011, use of a three year average (2011-2013) is reflective of the current cost structure of the
26 Accounting and Finance division. Use of a five year average would be inappropriate as it would
27 result in a forecast that materially understates the costs expected in the forecast period.

1 **D. Accounting Systems and Compliance**

2 **TABLE RG-11**

3 **Accounting Systems and Compliance Summary of Total Costs**

Shown in Thousands of 2013 Dollars									
	2013 Adjusted-Recorded			TY2016 Estimated			Change		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Accounting Systems and Compliance	949	373	1,322	1,004	419	1,423	55	46	101

4
5 **1. Description of Costs and Underlying Activities**

6 For TY 2016, the Accounting Systems and Compliance Department requests \$1.4
7 million, which represents an increase of \$101,000 over 2013 adjusted-recorded costs. The
8 increase is related to the reclassification of employee costs from capital to O&M (See Ex. SCG-
9 24-WP 2AG003.000).

10 The Accounting Systems and Compliance Department, which is a non-shared service,⁵ is
11 comprised of 16 financial and systems professionals and one administrative support position.
12 These positions cover a range of responsibilities including Financial Systems, Business Controls,
13 Affiliate Billing and Costing, and Affiliate Compliance.

14 Financial Systems consists of five positions including a manager who oversees the
15 financial systems of the Company. The responsibilities in this area include managing user
16 security access, handling trouble tickets generated by the IT help-desk, and providing user
17 training. Financial Systems also supports the A&F division by providing technical resources to
18 support large-scale system implementations, development of specifications for functional
19 enhancements to SAP, and the development of information resources needed to manage key
20 business processes.

21 Business Controls, which is a non-shared service, includes the administration and
22 oversight of the SOX compliance activities, records management, and company policy
23 administration. The Business Controls group is staffed with two professional positions with
24 responsibilities for coordinating these activities within SoCalGas and acting as a liaison with the
25 parent corporation. The Business Controls employees play a key role in corporate governance as
26 it relates to the assessment of the effectiveness of financial controls for SOX compliance
27 purposes, records management, and company policy management.

⁵ However, there is one group in this department that acts as a shared service for billing purposes.

1 Affiliate Compliance, which is a non-shared service, is staffed by two senior level
2 advisors with overall responsibility for administering SoCalGas' affiliate compliance program.
3 The affiliate compliance advisors oversee the business processes designed to facilitate and ensure
4 compliance with state and federal affiliate transaction and intercompany transaction rules, such
5 as the CPUC's longstanding Affiliate Transaction Rules (ATRs). Under the general direction of
6 the manager, the affiliate compliance advisors act as point contacts to the organization related to
7 affiliate compliance issues. They also act as the company liaison with the CPUC and have
8 primary responsibility for development of the annual compliance plan, filing of reports required
9 by the ATRs, and interaction with CPUC auditors. The affiliate compliance advisors also
10 provide extensive training throughout SoCalGas. They oversee the annual web-based training
11 and provide instructor lead training to key focus areas within the company. The affiliate
12 compliance advisors maintain a website and hotline for providing guidance to the SoCalGas
13 employees. Affiliate Compliance plays a key role in this compliance process, including utility-
14 specific oversight to facilitate compliance and the development and submittal of required
15 reporting to the Commission on a periodic basis.

16 Affiliate Billing and Costing (ABC), which is a shared service, is staffed by six
17 accounting professionals with the responsibility of establishing company-wide overhead
18 allocation rates, managing a portion of the accounting close process, and developing the
19 information used to bill affiliates for shared services provided by SoCalGas. ABC is also
20 responsible for the administration of the overhead allocation process used for managing the cost
21 allocation process. These processes are integral to the proper allocation of costs between O&M
22 and capital. The overhead allocation process also ensures that billings to third-parties reflect
23 appropriate overhead costs. In addition to the primary responsibilities listed above, the ABC
24 group oversees the Company shared service policies and supports the annual reporting
25 requirements related to compliance with affiliate transaction rules. They are also responsible for
26 establishing internal orders used for tracking and billing costs that are subject to billing to
27 SDG&E and other affiliates. As subject matter experts on overhead cost allocation, ABC
28 provides analytical support to a variety of special projects and studies used for internal
29 management, regulatory filings, and compliance reporting.

1 **2. Forecast Methodology**

2 As shown in Table RG-11 above, SoCalGas recorded \$1.3 million for these activities in
3 the 2013 base year. Accounting Systems and Compliance used a three-year historical average of
4 2011-2013 costs to estimate the TY 2016 costs.

5 The use of a three-year historical average is appropriate and provides a reasonable basis
6 for developing a forecast of TY 2016 costs for the Accounting Systems and Compliance
7 department. As noted previously, A&G cost fluctuate from year to year. The use of a
8 forecasting methodology based on an average of multiple years of historical costs results in a
9 cost forecast that reflects the cost variability expected over the forecast period. Additionally, due
10 to a realignment of accounting functions and leadership responsibilities in late 2010 and early
11 2011, use of a three year average (2011-2013) is reflective of the current cost structure of the
12 Accounting and Finance division. Use of a five year average would be inappropriate as it would
13 result in a forecast that materially understates the costs expected in the forecast period.

14 **E. Claims**

15 **TABLE RG-12**
16 **Claims Summary of Total Costs**

Shown in Thousands of 2013 Dollars			
Accounting and Finance Division	2013 Adjusted-Recorded	TY2016 Estimated	Change
Claims Management	1,321	1,433	112

17 **1. Description of Costs and Underlying Activities**

18 For TY 2016, the Claims department requests \$1.4 million, which represents an increase
19 of \$112,000 over 2013 adjusted-recorded costs. The Claims department is a shared service
20 function that provides services to SoCalGas, SDG&E, SECC, and Sempra Energy Affiliates.
21 This increase is primarily attributable to the addition of one FTE as a Claims Coordinator.

22 The Claims Department, is responsible for the investigating (field or office based on case
23 facts), documenting evidence into the claims information database, determining Company
24 liability, and resolving claims brought against the Company. The Claims department conducts
25 loss control and prevention activities intended to prevent and reduce accidents, which mitigate
26 utility operational expenses, reduce customer costs, and promote public safety. Actual claims

1 payments and recovery costs are discussed in the Claims Payments and Recovery section of this
2 testimony (Section III, Subsection H).

3 **2. Forecast Methodology**

4 Claims uses a three-year historical average of 2011-2013 costs to estimate the TY 2016
5 costs. A three-year historical average is appropriate because it represents a reasonable base to
6 estimate operational needs for TY 2016. Costs in this particular area are prone to fluctuations
7 because the amount of litigation claims are dependent on the number of litigation matters
8 brought against the Company, and the amount being sought by plaintiffs in litigation. Actual
9 claims cases over the past three years have increased – with 1,838 claims in 2011, 2,011 claims
10 in 2012, and 2,180 claims in 2013. We cannot predict the nature of litigated outcomes for the
11 forecast years and must therefore rely on averaging to arrive at a reasonable cost to allow
12 SoCalGas to fulfill its claims in the test and attrition years.

13 **F. Finance**

14 **TABLE RG-13**

15 **Finance Summary of Total Costs**

Shown in Thousands of 2013 Dollars			
Accounting and Finance Division	2013 Adjusted-Recorded	TY2016 Estimated	Change
Finance	1,490	1,658	168

16 **1. Description of Costs and Underlying Activities**

17 SoCalGas' Finance Department requests \$1.7 million, which represents an increase of
18 \$168,000 above 2013 adjusted-recorded costs. The increase is attributable to the reclassification
19 of employee costs from capital to O&M (See Ex. SCG-24-WP 2AG004.000).

20 The Finance department, is a non-shared service, and consists of the Financial and
21 Strategic Analysis, Financial Services, and Regulatory Accounts groups. The Finance
22 department is primarily responsible for analyzing new projects, technologies, initiatives, and
23 managing regulatory accounts for SoCalGas. SoCalGas' Finance Department performs a wide
24 variety of financial and regulatory accounting functions, including project evaluation, the
25 development analysis and implementation of revenue requirements, regulatory accounts and
26 ratemaking mechanisms in support of regulatory filings and large-scale financial projects. The
27 department also maintains a treasury function that analyzes cash flows and financing

1 requirements in support of the SoCalGas' short and long-term debt issuances. Lastly, the
2 department is responsible for the Company's rate base and depreciation functions.

3 The Financial and Strategic Analysis group consists of two functional areas: the
4 Financial Modeling and Strategic Analysis functions. In the financial modeling area, the group
5 develops and analyzes the calculations of revenue requirements in support of significant
6 regulatory filings. This includes testifying before the CPUC on the financial viability of capital
7 projects and the derivation of the supporting revenue requirements. In addition, the group
8 performs financial analysis on other large utility projects and conducts economic analysis. The
9 group maintains the financial evaluation model that is utilized company-wide for evaluating the
10 economics of capital projects. In the strategic analysis area, the group provides strategic,
11 operational and administrative guidance, control and validation on financial and economic
12 project evaluations. The group also performs short and long-term financial analysis, business
13 model creation and validates business cases developed by other departments while supplying
14 consistent economic assumptions for SoCalGas. The group also performs financial due diligence
15 on executive level proposals and regulatory filings.

16 The Financial Services & Rate Base group consists of three functional areas: Treasury,
17 Rate Base, and Depreciation functions. In the Treasury area, the group works closely with the
18 Sempra Energy Treasury group in formulating, analyzing and implementing strategies to
19 optimize the nature, timing and sizing of debt issuances and dividend payments. This includes
20 the forecast and analysis of short and long-term cash flows and the assessment of market
21 conditions to minimize the cost of financing to support the SoCalGas capital expenditure
22 program. The Treasury area is actively involved in supporting and/or testifying in the Cost of
23 Capital, Debt Financing, and GRC proceedings before the CPUC. The group also performs a
24 number of compliance functions in support of debt and dividend issuances, including the
25 development of due diligence packages.

26 In the Rate Base area, the group is responsible for the accounting and analysis of rate
27 base as well as providing rate base testimony and analysis in connection with SoCalGas' GRC
28 filing and any large utility projects. The group also provides support to the Regulatory Accounts
29 group in the implementation of Commission decisions (e.g., by determining the capital-related
30 costs that are recorded in Commission-approved regulatory account mechanisms). Further, the
31 group is responsible for the development and preparation of the financial statements for

1 SoCalGas' shareholder-funded programs and other programs involving a sharing mechanism
2 between ratepayers and shareholders. In the Depreciation area, the group is responsible for
3 depreciation accounting as well as conducting studies of depreciation lives and salvage. The
4 group is also responsible for sponsoring depreciation testimony and analysis in connection with
5 SoCalGas' GRC filing.

6 The Regulatory Accounts group is responsible for the development, implementation,
7 maintenance and analysis of regulatory balancing, tracking and memorandum accounts and other
8 cost recovery and ratemaking mechanisms. This includes oversight of approximately 50
9 regulatory accounts approved in current tariffs. The group serves as a liaison with the regulatory
10 agencies to ensure that the accounts are maintained in compliance with Commission directives
11 and current financial accounting standards. The group also supports SoCalGas' regulatory
12 proceedings by preparing responses to data requests from intervenors, providing comments to
13 proposed CPUC decisions or protests to advice letter filings, and testifying before the CPUC
14 where cost recovery issues are addressed.

15 **2. Forecast Methodology**

16 As shown in Table RG-13 above, SoCalGas recorded \$1.5 million for these activities in
17 the 2013 base year. Finance uses a three-year historical average of 2011-2013 costs to estimate
18 the TY 2016 costs. The use of a three year average is appropriate and provides a reasonable
19 basis for developing a forecast of TY 2016 costs for the Finance department. As noted
20 previously, A&G cost fluctuate from year to year. The use of a forecasting methodology based
21 on an average of multiple years of historical costs results in a cost forecast that reflects the cost
22 variability expected over the forecast period. Additionally, due to a realignment of accounting
23 functions and leadership responsibilities in late 2010 and early 2011, use of a three year average
24 (2011-2013) is reflective of the current cost structure of the Accounting and Finance division.
25 Use of a five year average would be inappropriate as it would result in a forecast that materially
26 understates the costs expected in the forecast period.

1 **G. Financial and Operational Planning**

2 **TABLE RG-14**

3 **Financial and Operational Planning Summary of Total Costs**

Shown in Thousands of 2013 Dollars			
Accounting and Finance Division	2013 Adjusted-Recorded	TY2016 Estimated	Change
Financial and Operational Planning	1,127	1,158	31

4 **1. Description of Costs and Underlying Activities**

5 The Financial & Operational Planning (F&OP) department requests \$1.2 million for TY
6 2016, which represents an increase of \$31,000 above 2013 adjusted-recorded costs.

7 The F&OP department, which is a non-shared service, is responsible for developing the
8 financial performance targets for SoCalGas and measuring actual financial performance against
9 those targets. Responsibilities for the Financial Planning group include the development of the
10 annual financial plan and providing financial analysis and reporting to management.
11 Responsibilities for the Business Planning & Budgets group include the development of annual
12 O&M budgets, preparation of monthly operating cost performance reports and providing other
13 financial consulting and client support activities as required.

14 **2. Forecast Methodology**

15 The Financial and Operational Planning Department is using a three-year average of
16 2011-2013 costs to estimate the TY 2016 costs. A three-year average is appropriate because it
17 represents a reasonable base to estimate operational needs for TY 2016. Costs in the area have
18 fluctuated over the past three years and SoCalGas anticipates that fluctuations will continue.
19 SoCalGas cannot predict the nature, scope, and extent of the F&OP department activities for the
20 forecasted years, and must therefore rely on averaging to derive a reasonable cost to allow
21 SoCalGas to fulfill the F&OP department activities in the test and attrition years. Additionally,
22 due to a realignment of accounting functions and leadership responsibilities in late 2010 and
23 early 2011, use of a three year average (2011-2013) is reflective of the current cost structure of
24 the Accounting and Finance division. Use of a five year average would be inappropriate as it
25 would result in a forecast that materially understates the costs expected in the forecast period.

1 To that base, SoCalGas added \$87,000 for one additional FTE in TY 2016 to respond to
2 the increased complexity of monthly cost variance reporting (See Ex. SCG-24-WP
3 2AG005.000).

4 **H. Claims Payments and Recovery Costs⁶**

5 **TABLE RG-15**

6 **Claims Payments and Recovery Costs Summary of Total Costs**

Shown in Thousands of 2013 Dollars			
Accounting and Finance Division	2013 Adjusted-Recorded	TY2016 Estimated	Change
Claims Payments and Recovery	7,466	6,020	-1,446

7 **1. Description of Costs**

8 The Claims Payments and Recovery Costs Department requests \$6.0 million for TY
9 2016, which represents a decrease of \$1.4 million below 2013 adjusted-recorded costs.

10 During the last five years SoCalGas has experienced increased litigation and claims
11 exposure. SoCalGas has defended and settled significant claims in the following areas:
12 allegations of inverse condemnation (primarily fire cases) and several cases involving gas facility
13 locations where the facility was located eight feet or more off the roadway. A few juries have
14 held SoCalGas comparatively negligent alleging that it was foreseeable that an event could
15 happen at this location and the Utility should have moved the facility or provided adequate
16 protection. Plaintiff settlement demands and jury awards continue to be high, adding to the
17 overall claims costs.

18 Claims payments will continue to show an upsurge due to the full effect of the increase in
19 the Utilities' Self Insurance Retention (SIR) which was raised from \$1 million to \$4 million in
20 mid-2010 and is applicable to both SoCalGas and SDG&E. The \$4 million SIR policy is
21 currently applicable to all active cases at SoCalGas.

22
23

⁶ Certain adjustments discovered after the filing of the GRC Application related to claims payment data have not yet been incorporated into the testimony and related workpapers due to the timing of the Revised filing and will be adjusted at the next opportunity. This information is also not yet reflected in the testimony of other witnesses.

1 **2. Forecast Methodology**

2 To forecast TY 2016 expenses, the Claims Payments and Recovery Department used a
3 five-year average because it represents a reasonable base to estimate operational needs for TY
4 2016. Forecasting the amount of claims payments for TY 2016 is a difficult task, given the
5 unpredictability and volatility of events that could occur to cause the Company to incur such a
6 cost. Historically, SoCalGas has seen the claims expense vary significantly from one year to the
7 next. While SoCalGas manages its operations to mitigate the impact of third-party claims as
8 much as possible, the exposure to claims will always be a genuine risk to the Company given its
9 large presence of property, assets and resources throughout a wide geographic region. As such, it
10 is important that any forecast of claims captures a period that is long enough to reflect the highs
11 and lows of activity that cannot be easily predicted or controlled. Therefore, it is appropriate to
12 use a five-year historical average to capture a reasonable cycle of Claims Payments and
13 Recovery activity.

14 **IV. LAW DEPARTMENT**

15 **A. Introduction**

16 SoCalGas' Law Department provides a wide variety of complex, high value legal and
17 business services to the Company.⁷ SoCalGas' Law Department is headed by a Senior Vice
18 President (SVP) and General Counsel (GC), who is supported by four Assistant General
19 Counsels (AGC) in three distinct areas of law. The AGCs oversee the practicing attorneys who
20 are assigned to the Regulatory section, Litigation section, or Commercial/Environmental section.
21 In addition, SoCalGas' Law Department has a staff of legal research attorneys, paralegals,
22 administrative assistants, who provide support to the attorneys.

23 **TABLE RG-16**

24 **Law Department Summary of Incurred Costs**

Shown in Thousands of 2013 Dollars			
Law Department	2013 Adjusted- Recorded	TY2016 Estimated	Change
Law Department	6,463	6,283	-180

⁷ Before the Sempra Energy Utility 2010 reorganization, the legal function was performed by a consolidated law department which resided at Sempra Energy, and which provided legal service to all the subsidiaries of the parent, including SoCalGas and SDG&E.

1 For TY 2016, SoCalGas' Law Department forecasts A&G expenses of \$6.3 million,
2 which represents a decrease of \$180,000 below 2013 adjusted-recorded costs. Law
3 Department's TY 2016 forecast includes costs to add a Managing Environmental Attorney.
4 Table RG-16 above presents the total O&M costs for the Law Department being requested for
5 TY 2016.

6 **B. Law Department Overview**

7 **1. Underlying Activities**

8 SoCalGas' Law Department relies on a staff of in-house attorneys, support staff, and
9 resources to handle the Company's regulatory, litigation, commercial, and environmental
10 matters. SoCalGas' Law Department is currently comprised of 19 attorneys, three legal research
11 attorneys, three paralegals, and six administrative assistants supporting the department. AGCs
12 oversee the Regulatory, Litigation, and Commercial and Environmental sections. The three
13 AGCs report to SoCalGas' SVP and GC.

14 As described throughout this testimony, SoCalGas' Law Department is classified as a
15 non- shared service functional area. As such, and consistent with D.13-05-010, SoCalGas cross
16 bills SDG&E and Sempra Energy when SoCalGas attorneys work on matters on behalf of
17 SDG&E or Sempra Energy, respectively. Almost all of the incurred costs forecasted for TY
18 2016 are for dedicated legal services at SoCalGas, which are described below. Further details of
19 these costs (labor, non-labor split) are contained in my workpapers (Ex. SCG-24-WP
20 2AG007.000).

21 SoCalGas' in-house attorneys and staff provide the bulk of legal services to SoCalGas.
22 However, some of the attorneys at SECC provide legal and management services, as well as non-
23 labor resources (e.g., legal research tools) to SoCalGas in those areas where it is efficient and
24 practical to do so. SECC attorneys are also available to provide legal services in work overflow
25 situations. Moreover, Sempra Energy's General Counsel provides corporate governance for
26 business unit legal departments. SoCalGas' Corporate Center-General Administration witness
27 Peter Wall discusses the activities and associated costs that the Utility Legal division will receive
28 from SECC. See Exhibit SCG-19. Those costs are not presented or sponsored in this testimony.
29
30
31

1 **2. Forecast Methodology**

2 For TY 2016, the Law Department used a three-year historical average. A three-year
3 historical average is appropriate because the Law Department was re-organized and transferred
4 to SoCalGas in 2010. Therefore, only three years of directly-charged cost data is available.

5 **C. Senior Vice President/General Counsel**

6 The GC oversees legal operations at SoCalGas, and serves as the Company’s legal
7 advisor and officer. The GC is supported by three AGCs, who oversee the Regulatory,
8 Litigation, and Commercial and Environmental practice areas. The GC provides dedicated
9 services to, and legal counsel on behalf of, SoCalGas and its specific needs and interests. This
10 cost center is designated as a non-shared service cost center, as it strictly supports SoCalGas and
11 no other entities. Further details of these costs (labor, non-labor split) are contained in my
12 workpapers (Ex. SCG-24-WP 2AG007.000).

13 **D. Regulatory**

14 The Regulatory section consists of an AGC and 8 additional attorneys. This section
15 represents SoCalGas (and sometimes SDG&E) in regulatory proceedings at the Commission and
16 at FERC, and advises management and operational groups within SoCalGas on new rules,
17 regulations, tariffs, rate issues, initiatives, and investigations at the Commission, FERC, CEC,
18 and the California Air Resources Board. Regulatory attorneys are also often involved in
19 commercial matters where those transactions have a regulatory basis or implication. Further,
20 regulatory attorneys are frequently asked to comment or advise on legislation where regulatory
21 ramifications may exist (e.g., state or federal environmental bills).

22 SoCalGas’ regulatory workload continues to be extensive and is expected to continue in
23 that trend through the TY 2016 cycle. The volume and complexity of regulatory work have been
24 impacted by new regulatory requirements and the expansion of proceedings requiring legal
25 staffing. In addition to the traditional, recurring proceedings such as GRCs, cost of capital
26 applications, electric and gas commodity filings, and cost allocation/rate design proceedings,
27 SoCalGas’ regulatory attorneys are involved with emerging proceedings driven by
28 environmental initiatives (e.g., new greenhouse gas initiatives, new proceedings examining new
29 market structure and rate design issues, and environmental compliance requirements⁸), fire

⁸ See e.g., testimony of witness Jill Tracy (Ex. SCG-17).

1 prevention and other safety measures,⁹ and customer billing and collection issues.¹⁰ In addition,
2 there are matters related to changes in SoCalGas' infrastructure and service, storage expansion,
3 and pipeline safety and integrity, which require legal support.

4 **E. Litigation**

5 The Litigation section consists of an AGC and five additional attorneys. The Litigation
6 section principally represents SoCalGas in civil litigation proceedings, ranging from the defense
7 of personal injury and property damage lawsuits to more complex commercial, environmental,
8 and business litigation. Most Company litigation matters are handled in-house, using outside
9 counsel when outside expertise is required or when in-house resources are insufficient.

10 Litigation attorneys provide advice to support the Company's emphasis on loss
11 prevention as well as public and employee safety. The Litigation section is also increasingly
12 being called upon to provide advice on a broad spectrum of Company operations and
13 undertakings, including review and revision of SoCalGas' policies and procedures, standards,
14 and tariff rules; preparation of safety communications and public awareness programs;
15 regulatory compliance; conducting training programs for safety and for incident response;
16 pre-litigation investigation of significant incidents; and legislative analysis. Additionally, more
17 aggressive litigation tactics, including expanding theories of liability, and increased monetary
18 demands and punitive damages claims, are making litigation practice more rigorous and
19 increasing the section's caseload.

20 **F. Commercial and Environmental**

21 The Commercial and Environmental section consists of an AGC and 4 additional
22 attorneys. SoCalGas also currently receives services from CCLD and SDG&E attorneys with
23 specific environmental expertise to assist in the areas of hazardous materials and substances, air
24 and water quality regulation, federal and state environmental litigation, environmental legislation
25 and compliance strategy.

26 SoCalGas' Commercial attorneys handle commercial transactions of all types, including
27 but not limited to, contracts for physical and financial commodity transactions, storage and hub
28 transactions; interstate pipeline capacity; utility system interconnections, general services and
29 operations procurement; maintenance and new construction; licensing, marketing and

⁹ See e.g., testimony of witness Ray Stanford (Ex. SCG-07).

¹⁰ See e.g., testimony of Evan Goldman (Ex. SCG-11).

1 communications, intellectual property and technology contracts; municipal franchises,
2 permitting, right-of-way acquisition, land use matters and other real estate matters; new business
3 structuring; research and development investment; energy efficiency program contracts, rebates
4 and incentives, federal and state government contracts, customer services agreements; and tariff-
5 based contracts. In addition, they research, write and edit commercial documents, as well as
6 provide commercially-focused legal advice. Commercial attorneys also consult with Regulatory
7 and Litigation attorneys and provide relevant input from their areas of expertise on matters
8 related to the Company's regulatory and litigation matters.

9 SoCalGas' Environmental attorneys represent the Company in, and otherwise manage,
10 the areas of environmental compliance, litigation, enforcement, and permitting. The
11 Environmental attorneys represent the Company in matters before governmental agencies
12 overseeing air, water quality, species protection, land use, and other environmental matters.
13 Furthermore, they provide guidance and representation in regulatory proceedings where
14 environmental review is mandated or recommended by the Commission or another federal, state
15 or local agency. In addition, SoCalGas' Environmental attorneys represent the Company in
16 instances where administrative or governmental permits are required for a regulatory-approved
17 capital project, pipeline integrity project, or routine operations and maintenance activities,
18 particularly in environmentally sensitive areas where the Company has facilities, such as
19 wetlands, the Coastal Zone, the California desert and other sensitive habitats and ecosystems.

20 The Company's ability to handle the volume and diversity of environmental matters is
21 currently constrained. This is due in part to the fact that federal, state, and local environmental
22 laws, regulations, and policies that apply to the Company and the gas industry continue to
23 evolve, expand and vary, placing additional substantive requirements on the Company.
24 Moreover, anticipated capital improvements, such as the Pipeline Safety Enhancement Program,
25 will necessitate thorough environmental review with the active participation of Environmental
26 attorneys. To manage the demands of the increasing environmental law workload, SoCalGas
27 proposes to add a Managing Environmental Attorney.

28 **G. Administrative Staff**

29 SoCalGas' Law Department currently has three legal research attorneys,¹¹ three
30 paralegals, one Clerical Supervisor, and six administrative assistants supporting the in-house

¹¹ This position is currently vacant.

1 attorneys. Legal research attorneys are licensed practitioners that support all three sections of the
2 Law Department on an array of matters, offering legal research and writing, and provide
3 litigation support (e.g., depositions, court appearances, etc.). Paralegals provide case planning,
4 development, and management; research legal and factual issues; conduct interviews; engage in
5 fact gathering and retrieval of information; draft and analyze legal documents; and review and
6 proofread various filings prior to submittal. Paralegals also manage and respond to third-party
7 subpoenas served on the Company from parties seeking production of documents or Company
8 trial or deposition testimony. Administrative assistants provide general administrative support as
9 well as specialized support depending on practice areas. They are required to be knowledgeable
10 and proficient in civil and regulatory rules, practice, and procedures, and to constantly enhance
11 their skills as technologies and the business practices change.

12 **H. Outside Counsel**

13 SoCalGas uses outside counsel to handle certain matters that requires special skills, or
14 when a case or matter requires additional resources beyond the capacity of the Law Department.
15 The CCLD, in consultation with SoCalGas and SDG&E, coordinates retention and oversight of
16 outside firms on behalf of the Utilities, for reasons described by SoCalGas' Corporate Center-
17 General Administration witness Peter Wall (Ex. SCG-19).

18 **V. EXTERNAL AFFAIRS AND EMPLOYEE COMMUNICATION DIVISION**

19 **A. Introduction**

20 The External Affairs and Employee Communications Division is headed by a Regional
21 Vice President, and is comprised of three distinct groups: (1) Communications (Media and
22 Employee), (2) Community Relations, and (3) Regional Public Affairs. This testimony does not
23 address Regional Public Affairs or present the costs for that department because the activities
24 performed by SoCalGas' Regional Public Affairs department are primarily focused on the Gas
25 Distribution function; those costs are sponsored by SoCalGas' Gas Distribution witness Frank
26 Ayala (Ex. SCG-04).

27 The Regional Vice President (VP) of External Affairs¹² is responsible for supervising the
28 directors of Communications (Media and Employee), Community Relations and Regional Public
29 Affairs to help streamline the three external-facing departments and ensure that information and

¹² In addition, the External Affairs and Employee Communications division did not have a VP position until late 2012.

best practices are shared to maximize efficiency. The Regional VP of External Affairs and Employee Communication also provides important executive-level representation before community leaders and elected officials. Increased regulatory oversight and heightened public scrutiny make it critical that Communications (Media and Employee), Community Relations and Regional Public Affairs have a unity of leadership which enables the organization to consistently meet ever-changing expectations.

1. Forecast Methodology

The External Affairs and Employee Communications division used a three-year historical average of 2011-2013 costs to forecast the TY 2016 costs. A three-year historical average is appropriate because the External Affairs and Employee Communications division was re-organized and transferred to SoCalGas in 2010. Therefore, only three years of directly-charged cost data is available.

TABLE RG-17

External Affairs Division Incurred Costs by Department

Shown in Thousands of 2013 Dollars External Affairs and Employee Communications Division	2013 Adjusted-Recorded			TY2016 Estimated			Change		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Regional VP - Ext Affairs & Emp Communications	401		401	402		402	1		1
Communications (Media & Employee)	683		683	1,023		1,023	340		340
Community Relations	94	634	728	94	870	964	0	236	236
Total	1,178	634	1,812	1,519	870	2,389	341	236	577

B. Communications (Media and Employee)

TABLE RG-18

Communications (Media and Employee) Costs

Shown in Thousands of 2013 Dollars Ext Affairs & Emp Communications Division	2013 Adjusted- Recorded	TY2016 Estimated	Change
Communications (Media and Employee)	683	1,023	340

1. Description of Costs and Underlying Activities

The Communications (Media and Employee) Department requests \$1.0 million for TY 2016, which represents an increase of \$340,000 over 2013 adjusted-recorded costs. This increase is due three additional FTEs in the Communications (Media and Employee) department.

1 These positions are needed to support the activities of the Communication (Media and
2 Employee) department, as described below.

3 Communications (Media and Employee) manages and coordinates external
4 communications with the media and internal communications with employees on a wide range of
5 topics that are important to ratepayers, the community and employees. The Communications
6 (Media and Employee) department is a non-shared service.

7 Communications (Media and Employee) consists of a department director, four media
8 relations managers, an employee communications manager, and one communications specialist.
9 The department director is responsible for providing leadership and guidance over the activities
10 of this department and its employees. SoCalGas receives and responds to multiple incidents and
11 media inquiries a day. This exceptionally high level of outside interest and requests for
12 information drives the resource requirement needed to maintain the daily demands to provide
13 timely and accurate information. SoCalGas anticipates that the number, frequency and diversity
14 of media inquiries will continue to increase in the coming years as the industry continues to
15 evolve. In just the last year, media inquiries have increased approximately 23 percent, when
16 comparing calls received during the months of January through July in years 2013 and 2014.

17 SoCalGas' service territory includes the second-largest media market in the nation. As
18 such, media relations are integral to the Company's external communications efforts to raise
19 customer awareness of energy topics and safety related issues. Media and the public's heightened
20 interest surrounding natural gas safety and environmental issues is increasing the number of
21 media inquiries. SoCalGas' media relations team is experiencing a greater demand to openly and
22 transparently communicate to address these stakeholder concerns, and support other departments
23 that have contact with external audiences. Our external audiences need to be continually
24 informed about the safety of our system and the measures the Company is taking to improve
25 pipeline safety.

26 Heightened public concern is paired with continued and active use of social media, and a
27 24-hour news cycle. The media regularly reaches out to SoCalGas through Twitter to get
28 information about emergency situations. Since the last GRC, Communications (Media and
29 Employee) has developed a dedicated Twitter account for communicating with journalists (with
30 more than 900 followers and growing); however, additional resources and training are needed to
31 make the most of this ever-evolving communication tool.

1 Changes in the media market have presented challenges when communicating during an
 2 emergency. These changes also create opportunities to find new and creative ways to educate
 3 customers and raise awareness of SoCalGas program and service offerings. The ability to
 4 generate dynamic, multimedia content in a news-like manner is necessary to get these messages
 5 to customers via various media channels, and reinforce the messages coming from the SoCalGas
 6 customer communications group.

7 This department also provides SoCalGas employees with news and information about the
 8 Company, helping them better understand the energy industry, SoCalGas' direction and
 9 objectives, and the services provided to the community. The Communications (Media and
 10 Employee) department informs employees throughout the company through a variety of
 11 communications methods. These communications are essential, as our employees are often
 12 frontline communicators and can share program/service info with our customers. Keeping
 13 employees informed allows them to more efficiently, effectively and safely perform their job
 14 duties and to better serve our customers' needs. Moreover, because the majority of SoCalGas
 15 employees are also customers, they interact with other customers in their daily lives, making
 16 them ambassadors and messengers who can deliver these important messages to their
 17 communities. Disseminating this information benefits all customers through increased
 18 participation in SCG services and programs.

19 **C. Community Relations**

20 **TABLE RG-19**

21 **Community Relations Costs**

Shown in Thousands of 2013 Dollars	2013 Adjusted-Recorded			TY2016 Estimated			Change		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
External Affairs and Employee Communications Division		634	634		870	870		236	236
Community Relations									
Corporate Memberships	94		94	94		94	0		0
Total	94	634	728	94	870	964	0	236	236

22 **1. Description of Costs and Underlying Activities**

23 For TY 2016, SoCalGas requests \$964,000 for the Community Relations Department,
 24 which represents an increase of \$236,000 over 2013 adjusted-recorded costs. The increase is
 25 primarily due to an additional FTE to manage Community Relations matters. In addition to the
 26 requested new position, the forecast includes a request for increased non-labor costs to support
 27

1 on-going activities in the Community Relations area, such as community outreach events. (Ex.
2 SCG-24-WP 2200-2339.000).

3 As the liaison between SoCalGas, community-based organizations, faith-based
4 organizations, and local communities, the Community Relations staff develops partnerships with
5 these groups to facilitate the promotion of SoCalGas' customer assistance programs and services.
6 The Community Relations department also coordinates and manages all community
7 involvement, employee engagement/volunteerism and directs the charitable contributions
8 strategy and programs for SoCalGas. Community Relations provides information on key
9 company programs to underserved communities and those in need of financial assistance, by
10 teaming with other organizations to provide information on programs available to ratepayers.
11 Table RG-19 shows the TY 2016 forecast of total costs for the Community Relations
12 department.

13 This department, which is a shared service, consists of a director, two community
14 relations managers, one advisor, two specialists, and one administrative assistant. The director is
15 responsible for providing leadership and guidance governing the activities of the department and
16 its employees. The managers are responsible for designing, developing and implementing
17 Community Relations plans and programs, as well as contributions programs. The director and
18 managers, supported by their staff, represent SoCalGas at various community events throughout
19 the year. The advisor is responsible for managing the department budget, the creation of reports
20 to identify year to date contribution giving with respect to allocated budget and for developing
21 and distributing of the CPUC 77K report for charitable giving, planning and managing the
22 annual charitable giving budget. There are two specialists that support distinct and unique
23 functions in Community Relations.

24 The Community Relations Department is the contact between the Company and the local
25 communities and is responsible for establishing partnerships with community based non-profit
26 groups to promote SoCalGas programs and services. For example, through partnerships with
27 groups such as LIFT-Los Angeles and Families Forward, we are able to educate our customers
28 about SoCalGas' income eligible programs. Partnerships with low-income community based
29 non-profit partners, such as the African American Unity Center allow us to provide training and
30 educate low-income customers on our low-income bill assistance, payment arrangement, and
31 weatherization programs. Partnerships with environmental groups, such as the Los Angeles

1 Conservation Corps allow us to create awareness about SoCalGas' energy efficiency programs
2 and weatherization programs. Through these valuable partnerships, SoCalGas is able to more
3 effectively deliver available services and programs to customers.

4 Community Relations also plans and coordinates specific charitable initiatives such as
5 "Helping People in Need." Through specific charitable initiatives coordinated by this
6 department, SoCalGas is able to reach out to low-income customers with basic services and
7 educate them on SoCalGas' low-income bill assistance programs and energy efficiency
8 programs.

9 **VI. CONCLUSION**

10 SoCalGas requests that the Commission adopt the O&M TY 2016 forecasts
11 presented in this testimony. SoCalGas' TY 2016 A&G forecasts were carefully developed and
12 scrutinized to reflect a prudent level of funding needed for the critical functions and activities to
13 take place during this GRC term. The amounts requested for A&G are necessary to meet the
14 needs of utility operations and customer service.

15 This concludes my revised prepared direct testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Ramon Gonzales. My business address is 555 W. Fifth Street, Los Angeles,
3 CA 90013. I am employed by Southern California Gas Company as the Manager of Accounting
4 Systems and Compliance. My current position includes management responsibility for Financial
5 Systems, Business Controls, Records Management, Affiliate Compliance, and Affiliate Billing
6 and Costing. I have been in this position since December 2010. Prior to my current position I
7 was the Customer Service Business Planning Manager.

8 I have been employed by Southern California Gas Company since September 1994. My
9 past responsibilities include internal auditing, business planning and budgets, and financial
10 systems. I hold a Master of Science Degree in Accountancy from California State University
11 Northridge. I'm a member of the Institute of Management Accountants and am a Certified
12 Management Accountant.

13 I have not previously testified before the California Public Utilities Commission.
14

APPENDIX A

Commonly Used Acronyms

A&F: Accounting and Finance
A&G: Administrative and General
ABC: Affiliate Billing and Costing
AGC: Assistant General Counsel
ATR: Affiliate Transaction Rules
BOE: Board of Equalization
CARB: California Air Resources Board
CCLD: Corporate Center Law Department
CEC: California Energy Commission
CEMA: Catastrophic Event Memo Accounts
CGR: California Gas Report
CPUC: California Public Utilities Commission
CWIP: Construction Work In Progress
EIA: Energy Information Administration
F&OP: Financial and Operational Planning
FERC: Federal Energy Regulatory Commission
FTE: Full-Time Equivalent
GAAP: Generally Accepted Accounting Principles
GC: General Counsel
GRC: General Rate Case
IRS: Internal Revenue Service
IT: Information Technology
NSS: Non-Shared Service
NTP&S: Non-Tariffed Products and Services
O&M: Operations and Maintenance
ORA: Office of Ratepayers
PPP: Public Purpose Program
SDG&E: San Diego Gas & Electric
SIR: Self Insurance Retention
SoCalGas/SCG: Southern California Gas Company
SOX: Sarbanes Oxley
SVP: Senior Vice President
TURN: The Utility Reform Network
TY: Test Year
USS: Utility Shared Service
VIP: Volunteer Incentive Program
VP: Vice president
YTD: Year-to-Date

SoCalGas 2015 GRC Testimony Revision Log – March 2015

Exhibit	Witness	Page	Line	Revision Detail
<i>SCG-24-R</i>	<i>Ramon Gonzales</i>	<i>Title</i>		<i>Changed Exhibit from "SCG-24" to SCG-24-R"</i>
<i>SCG-24-R</i>	<i>Ramon Gonzales</i>	<i>Title</i>		<i>Changed "NOVEMBER 2014" to "MARCH 2015"</i>
<i>SCG-24-R</i>	<i>Ramon Gonzales</i>	<i>RG-20</i>	<i>Footnote</i>	<i>Added footnote: Certain adjustments discovered after the filing of the GRC Application related to claims payment data have not yet been incorporated into the testimony and related Workpapers due to the timing of the Revised filing and will be adjusted at the next opportunity. This information is also not yet reflected in the testimony of other witnesses.</i>