

Company: Southern California Gas Company (U904G)
Proceeding: 2019 General Rate Case
Application: A.17-10-007/008 (cons.)
Exhibit: SCG-232

SOCALGAS

REBUTTAL TESTIMONY OF MARY GEVORKIAN

(HUMAN RESOURCES DEPARTMENT, SAFETY, WORKERS'

COMPENSATION & LONG-TERM DISABILITY)

JUNE 18, 2018

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



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**SOCALGAS REBUTTAL TESTIMONY OF MARY GEVORKIAN
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LONG-TERM DISABILITY)**

I. SUMMARY OF DIFFERENCES

**Table MG-1
Comparison of SoCalGas and Intervenors TY 2019 Estimated
Total Operations & Maintenance (O&M) Expenses**

TOTAL O&M - Constant 2016 (\$000)			
	Base Year 2016	Test Year 2019	Change
SOCALGAS	35,868	46,539¹	10,671
ORA	35,868	44,375	8,507
TURN	35,868	41,577	5,709

**Table MG-2
Comparison of SoCalGas and Intervenors Estimated
Total IT Capital Expenses**

	2017	2018	2019	Total
SOCALGAS	300	491	791	1,582
ORA	300	491	791	1,582
Difference	0	0	0	0

II. INTRODUCTION

This rebuttal testimony regarding SoCalGas' funding request for the Human Resources Department, Safety, Workers' Compensation & Long-Term Disability addresses the following testimony from other parties:

- The Office of Ratepayer Advocates (ORA) as submitted by Ms. Stacey Hunter (Exhibit ORA-22 and Exhibit ORA-23), dated April 13, 2018.

¹ While compiling information for TURN-SEU-DR-011, Question 5, the utilities discovered an error in the workers' compensation (WC) and long-term disability (LTD) TY 2019 costs, whereby the medical reserves were inadvertently included in the calculation. Medical reserves (a credit) should not have offset WC and LTD costs. This resulted in SoCalGas understating the WC and LTD amount by \$4.4 million. See Appendix A for more information.

- 1 • The Utility Reform Network (TURN), as submitted by Mr. Garrick Jones
2 and Mr. William Marcus (Exhibit TURN-05), dated May 14, 2018.
- 3 • The Office of the Safety Advocate (OSA) as submitted by Ms. Carolina
4 Contreras (Exhibit OSA-01), dated May 14, 2018.

5 Please note that the fact that this rebuttal testimony may not have responded to every
6 issue raised by others does not mean or imply that SoCalGas agrees with the proposal or
7 contention made by these or other parties. The forecasts contained in SoCalGas' direct
8 testimony, performed at the project level, are based on sound estimates of its revenue
9 requirements at the time of testimony preparation.

10 This rebuttal testimony further supports the main themes proposed in the direct testimony
11 of Mary Gevorkian (Exhibit SCG-32), including RAMP-related activities within the RAMP
12 chapters SCG-2 Employee, Contactor, Customer, and Public Safety and SCG-7 Workforce
13 Planning, which are reflected in HR Services, Organizational Effectiveness and Safety &
14 Wellness. Moreover, this testimony supports resuming all activities that were in place prior to
15 the Aliso Canyon Incident as well as the adoption of SoCalGas' proposed medical escalation rate
16 for both Workers' Compensation-related medical costs and health benefits-related medical costs.

17 The following is a brief overview of the points raised by ORA, TURN, and OSA that will
18 be addressed in SoCalGas' rebuttal testimony:

19 **A. ORA**

20 ORA issued its report on the Human Resources Department, Safety, Workers'
21 Compensation & Long-Term Disability GRC request on April 13, 2018.² The following is a
22 summary of ORA's positions:

- 23 • ORA recommended that SoCalGas' forecasts and allocation of shared service expenses
24 should be adopted.
- 25 • ORA's use of a 4.25% medical escalation rate should be used for calculating Workers'
26 Compensation expenses.
- 27 • ORA recommended that RAMP-related expenses should be funded at the proposed
28 alternate funding level.

² April 13, 2018, ORA Report on Human Resources Department, Safety, Workers' Compensation, & Long-Term Disability, Exhibit ORA-23 (Stacey Hunter).

- 1 • ORA does not take issue with SoCalGas' business justification for the IT Capital project
2 00786D – 19117.³

3 **B. TURN**

4 TURN submitted testimony on May 14, 2018.⁴ The following is a summary of TURN's
5 positions:

- 6 • TURN recommended an adjustment that removes all funding for the Interactive Driver
7 Safety Program (\$2.165 million) and Defensive Driver Training and In-Vehicle
8 Instruction (\$1.683 million).⁵
- 9 • TURN recommended reductions related to the Aliso Canyon Incident spending in Labor
10 Relations, Safety & Wellness, and Organizational Effectiveness. TURN argues that if
11 SoCalGas was able to get the work done without those resources during the Aliso
12 incident, the Company should continue to operate its programs with diminished staff
13 through the 2019 TY and beyond.⁶
- 14 • TURN recommended an adjustment to both utilities' forecasts to reflect the application of
15 TURN's lower escalation rate for medical benefit premiums to the medical-cost line item
16 of Workers' Compensation costs.⁷
- 17 • TURN recommended the Commission adopt a medical escalation rate of 5.7% for 2017
18 and 6% for both of 2018 and 2019, for medical premiums as requested in SoCalGas'
19 Health Benefits - Medical program.⁸

³ *Id.* at 2-3.

⁴ May 14, 2018, Prepared Testimony of Garrick F. Jones and William P. Marcus Addressing the Proposal of San Diego Gas & Electric Company and Southern California Gas Company in Their Test Year 2019 General Rate Case on behalf of TURN, Exhibit TURN-05 (Jones).

⁵ *Id.* at 101.

⁶ *Id.* at 97.

⁷ *Id.* at 94.

⁸ *Id.* at 105.

1 **C. OSA**

2 OSA submitted testimony on May 14, 2018.⁹ The following is a summary of OSA’s positions:

- 3 • OSA recommended that a comprehensive approach to safety culture assessment should
4 be applied.
- 5 • OSA recommended that contractors should be included in safety culture assessments.
- 6 • OSA recommended that assessments can be biased based on the safety focus of the
7 Utilities.

8

9 **III. REBUTTAL TO SAFETY CULTURE ENHANCEMENTS**

10 **A. Safety Culture**

11 **1. OSA**

12 OSA addressed the specific safety related practices below and made recommendations on
13 how to enhance the Company’s safety culture. SoCalGas addressed certain OSA
14 recommendations individually, as follows:

15 **a. OSA Recommendation 1: Comprehensive approach to safety**
16 **culture assessment should be applied.**

17 *“The Utilities should adopt a more comprehensive multi-method*
18 *approach to assessing their safety culture by ideally incorporating the five*
19 *methods listed in Table 1, but at minimum, by at least incorporating one*
20 *for each information type. If the latter, the Utilities should strive to*
21 *incorporate an ideal comprehensive approach to their assessments based*
22 *on the needs of each utility as their assessment efforts mature.”¹⁰*

23 SoCalGas agrees with OSA that the multi-method framework, such as the one identified
24 in Table 1,¹¹ should be utilized to comprehensively assess safety culture. When SoCalGas began
25 its journey in 2013 to begin formally assessing its safety culture, it did consider these tools and
26 methodologies mentioned in Table 1. Good change management, however, must be done

⁹ May 14, 2018, Prepared Direct Testimony of Carolina Contreras Addressing SDG&E/SoCalGas Safety Policy and Management of Safety, on behalf of The Office of Safety Advocate [OSA], Exhibit OSA-1, Chapter 2 (Contreras) at 2-3 to 2-4.

¹⁰ *Id.* at 2-15. Throughout my rebuttal I italicize quoted language from OSA for ease in reading. The italics are not in the original testimony submitted by OSA.

¹¹ *Id.* at 2-14.

1 methodically and in steps. As such, SoCalGas chose its approach to avoid overwhelming
2 employees, as implementing all methodologies at once could overwhelm employees and lead to
3 employee resistance. As stated the NorthStar report, Assessment Of Pacific Gas and Electric
4 Corporation And Pacific Gas And Electric Company's Safety Culture Prepared For California
5 Public Utilities Commission,¹² PG&E has repeatedly stated its intention to change its safety
6 culture, has allocated significant resources to a variety of safety programs, and has made some
7 fragmented progress in developing a safety culture. Nevertheless, the Report also finds that
8 PG&E's overall progress is uneven across its gas and electric lines of business, and that while
9 there are many programs underway, they do not yet add up to a consistent, robust, and
10 accountable corporate-wide safety program.¹³ SoCalGas initiated a nationally recognized survey
11 instrument to gather employee perception and gradually and methodically worked with
12 employees to define, measure, assess, and improve its safety culture on an ongoing and
13 sustainable basis.

14 SoCalGas selected the National Safety Council (NSC) Barometer Survey for a variety of
15 reasons. NSC is an independent, non-profit organization having conducted employee perception
16 surveys for more than two decades, covering a cross section of businesses and millions of
17 employees¹⁴. In addition, the survey offers a unique benchmarking opportunity against
18 participating organizations in the NSC Database to produce comparative percentile scores. The
19 added benefit is the survey polls the entire workforce seeking anonymous confidential input from
20 employees on safety culture. Conducting the survey bi-annually ensures consistency and is a
21 reasonable and appropriate way to continue our safety culture journey. SoCalGas agrees with
22 OSA's long-term goal and plans to formally integrate additional components of the framework
23 over time to continually, but gradually, expand the scope and allow employees to understand,
24 appreciate, and own the process and outcome.

¹² *Assessment Of Pacific Gas And Electric Corporation And Pacific Gas And Electric Company's Safety Culture Prepared For California Public Utilities Commission* (Apr. 21, 2017).

¹³ Scoping Memo and Ruling of Assigned Commissioner, Investigation (I.) 15-08-019 (Aug. 27, 2015) at 2 (discussing the NorthStar report).

¹⁴ <https://www.nsc.org/work-safety/services/surveys>

1 **b. OSA Recommendation 2: Contractors should be included in**
2 **safety culture assessments.**

3 OSA asserts that the Utilities should assess contractors and states the following:

4 *“The Utilities should work to incorporate contractors and any others*
5 *involved in a work process or at a work site who are the responsibility of*
6 *the operator or who could affect or be affected by safety culture.”¹⁵*

7 SoCalGas agrees with OSA’s fundamental premise that contractors play an important
8 role and should be included in assessing the overall safety culture.

9 In 2013, SoCalGas considered extending the NSC Barometer survey to its prime
10 contractors who work on pipeline infrastructure projects. However, SoCalGas quickly
11 recognized that considering (a) its vast service territory and public right of ways, (b) when the
12 vast majority of its workforce is working alone, and (c) when the contractors are frequently
13 working independently and away from the Company’s operating locations, that many of the
14 survey questions would not be an effective way of gaining meaningful responses from
15 contractors and may potentially bias the results in an unintended way. As such, SoCalGas
16 decided not to include contractors in the NSC Barometer Survey. Instead, SoCalGas decided to
17 use other means, including sharing the results of its NSC survey with its contractors at the
18 inaugural 2015 Annual Contractor Safety Congress and encouraging its contractors to consider
19 utilizing available tools to gauge their own employees’ input on safety culture. SoCalGas will
20 continue to explore further and look for other effective ways, such as interviews, focus groups,
21 observations and document analysis to integrate contractors into the formal safety culture
22 assessment process. For example, in 2017, SoCalGas began to use a third-party electronic
23 platform, called ISNetwork, to pre-qualify contractors for safety.¹⁶ This new process is a
24 document-analysis driven process of assessing contractors’ safety performance and culture,
25 albeit its limitation is that it is focused primarily on employee safety. Additional examples
26 include the Gold Shovel Certification program¹⁷ for preventing third-party dig-ins and Veriforce
27 registration and monitoring for Operator Qualification and Drug & Alcohol Abuse Prevention

¹⁵ Ex. OSA-1, Chapter 2 (Contreras) at 2-15.

¹⁶ Oct. 6, 2017, Direct Testimony of Mary Gevorkian on Human Resources Department, Safety, Workers’ Compensation & Long-Term Disability, Exhibit SCG-32 (Gevorkian) at MG-29.

¹⁷ <http://goldshovelstandard.org/>

1 programs, which are both third-party managed and document-analysis driven processes that are
2 in place for assessing contractors' safety performance and culture.

3 **c. OSA Recommendation 3: Assessments can be biased based on**
4 **the safety focus of the Utilities**

5 OSA asserts that SoCalGas should follow up with employees on survey results and states
6 the following:

7 *"It is also critical that the Utilities promptly and diligently follow up with*
8 *employees on the survey results, subsequent efforts, and further explore*
9 *the feedback provided by the workforce. If employees don't feel like real*
10 *efforts to address issues are being made, then they will see their*
11 *participation as unimportant and render the survey useless. This was*
12 *reflected in some of the comments left by employees. Lack of follow*
13 *through can be detrimental and could be reflected in the low-*
14 *participation."*¹⁸

15 SoCalGas agrees with OSA's emphasis on the importance of prompt and diligent follow
16 up with employees on the survey results, which is why SoCalGas does promptly follow-up with
17 employees regarding survey results. For example, SoCalGas followed up with all employees on
18 the one single area where SoCalGas received less than 50 percentile score when compared to 580
19 other companies in the then NSC database. This area related to employees' awareness and use of
20 "Lock-Out/Tag-Out" (LOTO) safety program. SoCalGas created an internal 15-minute video
21 training tool on LOTO and shared the tool with all office and field employees to raise awareness
22 of this important safety program. Other key opportunities for further improvement identified by
23 the inaugural 2013 survey included potential discomfort with near-miss/close call reporting and
24 the use of the stop the job tool. SoCalGas initiated a campaign to increase employee
25 participation in both areas, including creating a 5-minute video message led by the then CEO and
26 other company officers and union leaders, creating a formal stop the job policy and encouraging
27 reporting close calls. Finally, these improvements were highlighted in a video message to
28 employees from the CEO just prior to employees taking the 2016 survey to show appreciation of
29 the candid feedback received from employees and how it helped improve safety efforts.
30 SoCalGas will continue to follow-through on future survey results as needed and appropriate.

¹⁸ Ex. OSA-1, Chapter 2 (Contreras) at 2-17.

1 **d. OSA Recommendation 4: Assessments can be biased based on**
2 **the safety focus of the Utilities**

3 OSA asserts that safety survey results can be biased and states the following:

4 *“Although SoCalGas claims a ‘very high’ score for its overall safety*
5 *barometer results, the Utilities should keep in mind that results can be*
6 *biased based the perception or concept that employees have on what*
7 *safety is. If there is an organizational emphasis on occupational safety,*
8 *employees will likely respond to the survey based on that perception of*
9 *safety. This means that the results will also reflect that perception and not*
10 *be representative of other process/system safety considerations.”¹⁹*

11 SoCalGas agrees fundamentally with OSA that safety culture results can be influenced
12 depending on employees’ understanding of the term “safety.” This is one reason SoCalGas has
13 consistently communicated with the employees that safety focuses on three primary areas:
14 employee safety, customer safety, and public safety. SoCalGas described the same vision in its
15 Gas Safety Plan.

16 Furthermore, the NSC survey utilized by SoCalGas consists of 50 standardized safety
17 program questions that represent six fundamental safety program categories.²⁰ The safety
18 program category topics that are covered include:

- 19 • Management Participation
- 20 • Safety Support Activities
- 21 • Supervisor Participation
- 22 • Safety Support Climate
- 23 • Employee Participation
- 24 • Organizational Climate

25 When employees take the survey, the instructions provided explain that the assessment
26 asks for feedback about the organization’s safety management system, including its components
27 and the way it is being operated and explains that the survey is the employee’s opportunity to
28 express opinions and make observations that will improve the safety management system. The
29 instructions do not call out employee safety or system safety or public safety as being the focus.

¹⁹ *Id. at 2-17*

²⁰ <https://www.nsc.org/work-safety/services/surveys/survey-faqs#Q4>

1 A handful of survey questions specifically address employee safety, but the overwhelming
2 majority of the questions address safety in general without it being tied to employee, process,
3 system, customer or public safety. SoCalGas contends that employee actions, behaviors, and
4 decisions impact safety in every category, whether it is employee safety, process safety, system
5 safety, or customer/public safety. The NSC employee perception survey is broad and
6 fundamental enough to capture employees' opinions about how safety in general is managed
7 within the company at different levels.

8 SoCalGas agrees there is opportunity to improve the survey by adding questions that
9 may not be adequately addressed in the NSC's list of 50 standard questions. For example, in the
10 2016 survey, SoCalGas added the following two agree/disagree questions to NSC's list of 50
11 standard questions²¹ that pertain to Stop-the-Job authority and Close Call/Near Miss reporting:

- 12 • My supervisor will support me if I "stop the job" when I believe conditions are unsafe.
- 13 • I feel comfortable reporting near-miss/close-call incidents.

14 Both questions capture employees' comfort with reporting unsafe conditions or incidents
15 whether they are related to employee safety or system safety. Based on feedback from
16 employees through the NSC survey, the Company is making continual improvements in these
17 areas. SoCalGas employees have been reporting near misses and stop the job events covering all
18 types of safety conditions/behaviors. Because these two questions are not part of NSC's list of 50
19 standard questions, we are unable to get benchmarking comparison for them.

20 SoCalGas' next NSC survey is planned for the second half of 2018 and SoCalGas is once
21 again looking at adding a few questions pertaining to process/system safety that are of
22 importance to continue to improve the NSC survey tool. Also, as part of the survey process and
23 on an ongoing basis, SoCalGas will continue to work proactively with its employees to ensure
24 they are well aware of the broader context of safety, to include system safety, process safety,
25 customer safety, public safety, contractor safety, and occupational safety.

26 **IV. REBUTTAL TO PARTIES' O&M PROPOSALS**

27 **A. Non-Shared Services O&M**

28 **Table MG-3**

29 **Comparison of SoCalGas and Intervenor TY 2019 Estimated**

²¹ <https://www.nsc.org/work-safety/services/surveys/survey-faqs#Q4>

1 **Non-Shared O&M Expenses**

2

NON-SHARED O&M - Constant 2016 (\$000)			
	Base Year 2016	Test Year 2019	Change
SoCalGas	34,205	44,839	10,634
ORA	34,205	42,675	8,470
TURN	34,205	39,877	5,672

3

4 **1. HR Services – RAMP-Related Costs**

5 **a. ORA**

6 ORA takes issue with the Test Year O&M forecast for HR Services, specifically with the
7 cost estimates associated with RAMP-related activities, proposing an alternate funding level.

8 ORA states the following:

9 *“ORA has reviewed the testimony and workpapers presented to support*
10 *these forecasts and takes issue only with the estimates for RAMP projects.*
11 *The RAMP-related cost estimates include various levels of funding. The*
12 *RAMP forecasts in this section total \$840,000, which is significantly*
13 *higher than the alternate funding level of \$693,000. Until SoCalGas has*
14 *more years of recorded expenses, ORA recommends a more conservative*
15 *estimate to protect ratepayers from overpaying for a new program. ORA*
16 *recommends that RAMP projects be funded at the alternate funding level*
17 *of \$693,000. This results in an adjustment of \$109,000 in labor and*
18 *\$38,000 in non-labor, for an ORA recommended expense of \$5.039*
19 *million for HR Services expenses for 2019.”²²*

20 First and foremost, it should be noted that ORA has not argued that the programs should
21 not be funded at all. ORA’s issue is tied to the RAMP ranges provided in 2015. However,
22 SoCalGas already implemented and initiated workforce planning, technical training support and
23 competency modeling in 2017-2018. TY 2019 funding request for these RAMP-related
24 activities represent incremental expenses relative to BY 2016. As described in Exhibit SCG-32
25 on page MG-23, SoCalGas is requesting funds for these RAMP-related activities, many of which
26 are currently being piloted or are partially implemented. Therefore, SoCalGas is requesting
27 funding to fully implement these activities and disagrees with ORA’s assertion they are new
28 activities.

²² Ex. ORA-23 (Hunter) at 24 (internal citation omitted).

1 Furthermore, the alternate funding level proposed by ORA was based on the lower end of
2 the range proposed in the initial 2015 RAMP filing. The project assumptions and estimated costs
3 put forth in the RAMP Report were superseded by the requests made in supporting testimony in
4 the Test Year (TY) 2019 GRC. GRC workpapers for HR include a range of estimated costs for
5 RAMP mitigation activities. This range reflected in the GRC workpapers may not always align
6 with the range put forth in the RAMP Report. Also, as stated in ORA-3 on RAMP-to-GRC
7 Integration, page 15, “ORA recommends that the data produced by the RAMP and integrated
8 into this GRC be used to inform funding decisions, but not to dictate these decisions or bypass a
9 traditional review of proposals and their alternatives.”²³

10 Below is a description of each of the proposed RAMP-related activities in HR Services:²⁴

- 11 1) Workforce Planning - SoCalGas has already made investments in this area and the
12 Company is now seeking funding to continue and expand this work. In 2017,
13 SoCalGas hired a Workforce Planning Program Manager and started a pilot program
14 for implementing a workforce planning model within Gas Distribution. Additional
15 staff is needed to perform analysis, improve the forecasting model, and work on
16 company-wide deployment.
- 17 2) Technical Training Support - The additional staff will ensure that the technical
18 training tests are developed in accordance with legal and professional testing
19 guidelines, statistically valid, reliable, and fair. Training content requires continuous
20 updates to reflect changes in processes, practices techniques or regulations that
21 impact the work environment. Currently, HR Research has provided job analysis data
22 to 2-3 departments to assist with content development, but requires additional
23 resources to assist in training test development activities.
- 24 3) Competency Modeling – SoCalGas is in the process of tying competency modeling
25 work to the new job description management system being implemented. SoCalGas
26 is also conducting analysis and research connecting competencies to the new

²³ April 13, 2018, ORA Report on Risk Management Policy; Enterprise Risk Management Organization; RAMP/GRC Integration; Pipeline Integrity; SoCalGas PSEP, Exhibit ORA-3 (Stannik) at 15 (emphasis in the original).

²⁴ Ex. SCG-32 (Gevorkian) at MG-23.

1 interview system implemented in 2017. Resources are needed to continue conducting
2 job analyses on non-represented jobs.

3 **2. Labor Relations**

4 **a. ORA**

5 ORA agreed with SoCalGas' forecast for Labor Relations.²⁵ The Commission should
6 adopt SoCalGas' forecast as reasonable.

7 **b. TURN**

8 TURN takes issue with the TY 2019 O&M forecast for Labor Relations, specifically with
9 the cost estimates associated with the Aliso Canyon incident spending and the work-leveling
10 system.²⁶

11 **i. Aliso Canyon Spending**

12 Regarding Aliso Canyon spending, TURN states the following:

13 *“SCG removed \$34k from 2016 recorded costs associated with the*
14 *provision of ‘customer support during the Aliso leak mitigation’ and then*
15 *adds back that same amount to ‘adequately resume routine operations.’*
16 *However, SCG does not indicate that Labor Relations fell behind on its*
17 *work in 2016; nor does it adjust out overtime incurred by staff to complete*
18 *routine work in addition to the Aliso-related work.*

19 *TURN recommends that the Commission should not adopt the additional*
20 *\$34k that SCG requests for a return to a post-Aliso Canyon work*
21 *schedule. If SCG was able do the work during the Aliso Canyon incident,*
22 *the company should expect to maintain the required workload with the*
23 *resources from the recorded period (as adjusted by SCG to remove Aliso-*
24 *related costs), especially given, as indicated in Table 40, the company*
25 *spent far less than the 2016 GRC adopted forecast.”²⁷*

26
27 SoCalGas primarily notes that Aliso Canyon assignments were temporary and part-time.
28 Normal and regular projects and assignments were deferred to address the Aliso Canyon
29 emergency incident. The Aliso Canyon incident required a reallocation and reassignment of
30 company resources. This was done for a limited amount of time with many temporary personnel

²⁵ Ex. ORA-23 (Hunter) at 25.

²⁶ Ex. TURN-05 (Jones) at 97-98.

²⁷ *Id.* at 97 (internal citation omitted).

1 assignments. Labor Relations was able to defer some of their work *for a short period* to support
2 the Aliso incident, but those employees have returned to their regular work assignments.
3 TURN's contention that work did not fall behind or projects put on hold is unsupported. The
4 2016 adjusted recorded expenses in my workpapers include the Aliso adjustment and therefore,
5 TY 2019 estimated expenses must reflect resources that have returned to normal duties and
6 actual activity/tasks/projects that have resumed in 2017 and 2018. Moreover, TURN's assertion
7 that Labor Relations did not spend 2016 allocated amounts was due to work being deferred as a
8 result of providing support for the Aliso Leak mitigation. Finally, TURN's position that
9 overtime hours were not adjusted out while employees supported the Aliso incident is incorrect,
10 because there were no overtime charges in this group.²⁸

11 ii. Work-Leveling System

12 Regarding the work-leveling system, TURN states the following:

13 *“Regarding the new work-leveling system, SCG indicates the current*
14 *system ‘has been in place for decades.’ SCG claims that it requires \$500k*
15 *for a new work-leveling system—\$333k in 2017 and 2018, combined—and*
16 *\$167k in the test year. Therefore, the 2019 portion of the total cost should*
17 *be normalized over the three-year GRC cycle (2019-2021).”²⁹*

18 The new Work Leveling System TY 2019 expenses are on-going because of continuous
19 systems maintenance requirements and a concerted effort to update and re-level existing jobs.
20 As described in Exhibit SCG-32 on page MG-24, Labor Relations will be working with an
21 external vendor to refresh the job leveling system, which includes updating the existing system
22 or implementing a new system. This is not a one-time cost and the work to maintain this system
23 will be continuous. The \$500,000 cost estimate was to initially implement the system and update
24 a number jobs over several years.³⁰ After the initial job updates, SoCalGas will continuously be
25 updating and re-leveling jobs every year and incurring costs. Therefore, TURN's position of
26 normalizing the \$167,000 across the GRC cycle (2019-2021) is unworkable. By normalizing the
27 costs, SoCalGas would only receive \$57,000 for TY 2019, which would not cover the cost of

²⁸ In fact, with the exception of \$21.75 for .58 hours of overtime for one employee in 2016, no other overtime was recorded for that year.

²⁹ Ex. TURN-05 (Jones) at 97-98 (internal citations omitted).

³⁰ Ex. SCG-32 (Gevorkian) at M-25.

1 system implementation and maintenance. In addition, the effort and expenses to level a job have
2 increased from approximately \$20,000 per job in 2016, to over \$23,000 per job in 2017.³¹
3 TURN's recommendation for TY 2019 will not be sufficient to move forward with fully utilizing
4 the new work-leveling system implementation.

5 **3. Safety & Wellness – RAMP-Related Costs**

6 **a. ORA**

7 ORA takes issue with the TY 2019 forecast for Safety & Wellness, specifically with the
8 cost estimates associated with RAMP-related activities, proposing an alternate funding level.

9 ORA states the following:

10 *“ORA has reviewed the testimony and workpapers presented to support*
11 *these forecasts and takes issue only with the estimates for RAMP projects.*
12 *The RAMP-related cost estimates include various levels of funding. The*
13 *RAMP forecasts in this section total \$5.386 million, which is significantly*
14 *higher than the alternate funding level of \$4.847 million. Until SoCalGas*
15 *has more years of recorded expenses, ORA recommends a more*
16 *conservative estimate to protect ratepayers from overpaying for a new*
17 *program. ORA recommends that RAMP projects be funded at the*
18 *alternate funding level of \$4.847 million. This results in an adjustment of*
19 *\$320,000 in labor and \$219,000 in non-labor, for an ORA recommended*
20 *expense of \$9.970 million for Safety & Wellness expenses for 2019.”³²*

21 SoCalGas points out that Safety & Wellness RAMP related TY 2019 estimated expenses
22 are necessary for sustaining employee safety awareness, practices, and health. As described in
23 Exhibit SCG-32 on pages MG-27 to MG-29, SoCalGas is requesting funds for RAMP-related
24 activities related to the driver license pull notice program, interactive driver safety program,
25 wellness and fitness training, defensive driver training and in-vehicle instruction, drug and
26 alcohol testing, ISN membership fees, and safety engineers and contractor compliance.
27 SoCalGas maintains that funds to support these safety-related functions is necessary. ORA's
28 assertion that SoCalGas' TY 2019 safety expenses are funding new programs thus suggesting
29 that ratepayers might overpay, is wrong, because these programs are not new.

30 The alternate funding level that was proposed by ORA was based on the lower end of the
31 range proposed in the initial 2015 RAMP filing. The project assumptions and estimated costs put

³¹ This information was provided in TURN-SEU-DR-11, Question 16d, attached as Appendix B.

³² Ex. ORA-23 (Hunter) at 27 (internal citation omitted).

1 forth in the RAMP Report were superseded by the requests made in supporting testimony in the
2 TY 2019 GRC. GRC workpapers include a range of estimated costs for RAMP mitigation
3 activities. This range reflected in the GRC workpapers may not always align with the range put
4 forth in the RAMP Report. Also, as noted previously, even ORA agrees that “the data produced
5 by the RAMP and integrated into this GRC be used to inform funding decisions, but not to
6 dictate these decisions or bypass a traditional review of proposals and their alternatives.”³³

7 Below is a description of each of the proposed RAMP-related programs in Safety &
8 Wellness:³⁴

- 9 1) Driver License Pull Notice Program – The driver license pull notice program
10 is currently being done for all existing commercial drivers and is being
11 managed by field training. Safety & Wellness has a need for an additional
12 resource to expand the program to all field positions that drive a company
13 vehicle and new SoCalGas hires.
- 14 2) Interactive Driver Safety Program – A one-year pilot interactive driver safety
15 program with 1,000 drivers was launched in June 2017. The program resulted
16 in a reduction of motor vehicle incidents; therefore, SoCalGas plans to
17 implement this program companywide to all employees in July 2018.
- 18 3) Wellness and Fitness Training – To help reduce employee injuries on the job,
19 Safety & Wellness needs to expand the involvement of Field Instructors
20 teaching body mechanics into training curriculum. SoCalGas piloted the
21 addition of wellness and fitness into the Construction Technician training and
22 will continue with this training for the Construction Technician classification
23 and expand to other field related classifications.
- 24 4) Drug and Alcohol Testing – Based on a new rule implemented by PHMSA³⁵
25 on January 1, 2018, there is a 50% increase in random drug testing. Based on
26 this new regulation, SoCalGas needs the additional FTEs to support this

³³ Ex. ORA-3 (Stannik) at 15.

³⁴ Ex. SCG-32 (Gevorkian) at MG-27 to MG-29.

³⁵ <https://www.phmsa.dot.gov/regulations-fr/notices/2017-26484>

1 program. This program has been implemented and additional resources have
2 been hired to manage and administer the expanded testing.

3 5) ISNetworld Membership Fees – Many major utilities currently have
4 ISNetworld membership and experience benefits. ISNetworld is used by
5 SoCalGas to prequalify contractors for safety prior to working on a project.
6 Therefore, SoCalGas purchased a membership to ISN and dedicated one
7 resource to manage the program in November 2017. The Company plans to
8 continue membership and maintain the program.

9 **b. TURN**

10 TURN did not agree with SoCalGas' forecast for Safety & Wellness,³⁶ specifically with
11 the cost estimates associated with the 1) Aliso Canyon Incident Spending and 2) the Interactive
12 Driver Safety Program and Defensive Driver Training and In-Vehicle Instruction.

13 **i. Aliso Canyon Incident Spending**

14 Regarding Aliso Canyon Spending, TURN states the following:

15
16 *“SCG claims that the costs related to re-assigning employees assigned to*
17 *2HR006.000 to Aliso Canyon is \$136,000. TURN recommends that the*
18 *Commission should not adopt the additional \$136,000. If SCG was able*
19 *do the work required for the Safety, Wellness, and Disability Services*
20 *function during the Aliso Canyon incident, the company should expect to*
21 *maintain the required workload with the resources from the recorded*
22 *period, especially given, as indicated in Table 40, the company spent far*
23 *less than the 2016 GRC adopted forecast in 2016, and spending in 2017*
24 *was also lower than that amount.³⁷”*

25 As discussed before, the Aliso Canyon incident required a reallocation and reassignment
26 of company resources. This was done for a limited period with many employees taking
27 temporary assignments. Safety & Wellness was able to defer some of their work during this
28 limited period, but those employees have returned to their regular work assignments. Base Year
29 2016 adjusted recorded expenses includes the Aliso adjustment and therefore, TY 2019
30 estimated expenses must reflect resources that have returned to normal duties, activities, tasks

³⁶ TURN refers to this department as Safety, Wellness, and Disability Services, which is incorrect. Ex. TURN-05 (Jones) at 98. Disability Services (i.e., Employee Care Services or ECS) is part of HR Services and not part of the Safety & Wellness as it was during the 2016 GRC cycle.

³⁷ *Id.* at 98 (internal citation omitted).

1 and projects in 2017 and 2018. Moreover, TURN’s assertion that Safety & Wellness did not
2 spend 2016 allocated amount was due to work being deferred as a result of providing support for
3 the Aliso Leak mitigation.

4 **ii. Interactive Driver Safety Program and Defensive**
5 **Driver Training and In-Vehicle Instruction**

6 Regarding Interactive Driver Safety Program and Defensive Driver Training and In-
7 Vehicle Instruction, TURN states the following:

8 *“It is unreasonable for SCE (sp) to maintain that safety improvements and*
9 *associated cost reductions are certain enough to justify the spending*
10 *proposal on these programs, but too speculative for purposes of*
11 *estimating the savings.”³⁸*

12 TURN also states that:

13 *“Given that the company has neither provided an estimate of the benefits*
14 *from these activities, nor undertaken activities that would support the*
15 *development of savings forecasts—despite having had plenty of time and*
16 *funding to do so—TURN recommends that the Commission exclude*
17 *funding for these driver safety training activities in the authorized 2019*
18 *forecast. This adjustment does not preclude the company from*
19 *undertaking the activities either in whole or part. If the activities prove*
20 *effective, then the company can use the savings from reduced CMVI to*
21 *help offset their cost during this GRC cycle, and include ongoing costs*
22 *and benefits in the next GRC request if SCG so chooses.”³⁹*

23 SoCalGas’ programs directly benefit ratepayers and the public. The driver safety
24 programs have proven to be effective in reducing controllable motor vehicle incidents and cost
25 reductions are not the focus of these safe driving programs.

26 TURN asserts that SoCalGas has not provided an estimate of the savings of these
27 activities. TURN misses the mark. The goal of these programs is increased safety and
28 mitigation of risk, which is why SoCalGas proposed the driver safety programs as part of the
29 RAMP filing. The RAMP report proposed mitigation activities that would reduce identified
30 safety risk levels. Based on this RAMP analysis, SoCalGas included RAMP mitigation activities
31 into the GRC. Given the Commission’s directive to complete RAMP and to assess risk reduction

³⁸ *Id.* at 100.

³⁹ *Id.* at 100-01.

1 effectiveness, it is TURN's obligation to explain, with evidence and support, how or why the
2 proposed RAMP activity does not reduce the safety risk or does not enhance safety.⁴⁰

3 These mitigations are proposed to reduce risk and the likelihood of any catastrophic
4 events from occurring to employee, contractor, customer, and public safety, which is the ultimate
5 benefit/goal of the driver-related programs. While there is no supporting data on costs savings,
6 the Company did implement a new interactive driver safety program in June 2017 and has
7 already seen reductions in controllable motor vehicle incidents (CMVI). When comparing data
8 from June – December 2017 to the 2012-2016 average of the same six-month timeframe, there
9 was a 35% reduction in the number of CMVIs. Future cost savings of these programs are
10 speculative, but not the critical inquiry here. The main benefit of this program is to reduce the
11 likelihood of injury to employees, customers, contractors, and the public, not cost savings.
12 TURN's proposal to remove all funding for all the safe driver programs jeopardizes the
13 established culture of safe driving and driver alertness and diminishes SoCalGas' ability to
14 mitigate this undeniable risk.

15 TURN also proposes a forecast of \$6.525 million and stated it represents a \$5.097 million
16 reduction; however, that is incorrect. TURN states the following:

17 *"TURN recommends a reduction to SCG's forecast to remove the Aliso*
18 *Canyon-related spending of \$136,000, as noted above.*

19 *TURN also recommends an adjustment that removes all funding for*
20 *Interactive Driver Safety Program and Defensive Driver Training and In-*
21 *Vehicle Instruction. As a result, the revenue requirement forecast should*
22 *be reduced by \$2.165 million for Interactive Driver Safety Program and*
23 *\$1.683 million for Defensive Driver Training and In-Vehicle Instruction.*

24 *With these adjustments, TURN's recommended forecast for Safety,*
25 *Wellness, and Disability Services is \$6.525 million, which represents a*
26 *\$5.097 million reduction to SCG's forecast."*⁴¹

27 TURN recommended reductions to remove Aliso Canyon and driver safety-related
28 expenses which would, if imprudently granted, result in a reduction of \$3.984 million, not
29 \$5.097 million as stated above. TURN recommended a reduction of \$136,000 for Aliso Canyon-

⁴⁰ Investigation (I.) 16-10-016, Risk Assessment and Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company, Chapter RAMP-A at A-1, A-7.

⁴¹ Ex. TURN-05 (Jones) at 101.

1 related spending, \$2.165 million for Interactive Driver Safety Program and \$1.683 million for
2 Defensive Driver Training and In-Vehicle Instruction, all of which add up to \$3.984 million.
3 SoCalGas is unable to determine how TURN calculated a reduction of \$5.097 million.

4 **4. Organizational Effectiveness – RAMP-Related Costs**

5 **a. ORA**

6 ORA takes issue with the Test Year O&M forecast for Organizational Effectiveness,
7 specifically with the cost estimates associated with RAMP-related activities, proposing an
8 alternate funding level. ORA did not refute the requested programs, only the dollars. ORA
9 states the following:

10 *“ORA has reviewed the testimony and workpapers presented to support*
11 *these forecasts and takes issue only with the estimates for RAMP projects.*
12 *The RAMP-related cost estimates include various levels of funding. The*
13 *RAMP forecasts in this section total \$1.066 million, which is significantly*
14 *higher than the alternate funding level of \$0.959 million. Until SoCalGas*
15 *has more years of recorded expenses, ORA recommends a more*
16 *conservative estimate to protect ratepayers from overpaying for a new*
17 *program. ORA recommends that RAMP projects be funded at the*
18 *alternate funding level of \$0.959 million. This results in an adjustment of*
19 *\$85,000 in labor and \$22,000 in non-labor, for an ORA recommended*
20 *expense of \$3.716 million for Organizational Effectiveness expenses for*
21 *2019.”⁴²*

22 SoCalGas already implemented and initiated knowledge management, training and
23 succession planning in 2017-2018. TY 2019 funding request for these RAMP-related activities
24 represent incremental expenses relative to BY 2016. As described in Exhibit SCG-32 on pages
25 MG-32 to MG-33, SoCalGas is requesting these funds for RAMP-related activities because the
26 Company must continue these essential programs. Since the programs are in-flight, the cost
27 projections are not speculative and thus ratepayers are not being asked for a blank check.
28 Furthermore, the alternate funding level that was proposed by ORA was based on the lower end
29 of the range proposed in the initial 2015 RAMP filing. The project assumptions and estimated
30 costs put forth in the RAMP Report were superseded by the requests made in supporting
31 testimony in the Test Year 2019 GRC. For the same reasons stated earlier, the GRC forecast is a
32 more accurate estimate of costs than the 2015 RAMP ranges.

⁴² Ex. ORA-23 (Hunter) at 29 (internal citation omitted).

1 Below is a description of each of the proposed Workforce Planning RAMP-related
2 programs in Organizational Effectiveness:⁴³

- 3 1) Knowledge Management – SoCalGas implemented a knowledge management
4 department in 2014 to help provide resources to transfer knowledge, through
5 activities such as knowledge transfer plans and to launch Communities of Practice
6 (CoP). This function has created ad-hoc knowledge transfer plans for critical
7 individuals in the organization who have announced retirement and created CoPs for
8 2-3 areas in the Company (e.g., Cathodic Protection).

9
10 As the improved economic environment incentivizes employees to find new positions
11 or even retire, the increased number of moves makes it even more important for the
12 Company to expand the work conducted by the group to create knowledge transfer
13 plans for critical roles (especially critical safety-related roles). Part of this plan is to
14 implement knowledge management technology solutions to help create an enterprise-
15 wide solution, instead of the ad-hoc department level work that is currently taking
16 place. Without the full non-labor resources, implementing a technology solution will
17 not be feasible, nor will it be possible to conduct the knowledge management work in
18 a systematic way.

- 19 2) Training – Maintaining core leadership training, revamping and redesigning current
20 technical training, and expanding the use of technology encompass the activities
21 proposed for the training function. SoCalGas recently invested resources in
22 developing a safety essentials course for supervisors in the field and needs to continue
23 to maintain and expand the development of technical training content for all new
24 front-line supervisors. Additional resources, as well as newer technology, are needed
25 to continue to enhance the training development and delivery.
- 26 3) Succession Planning – Succession planning is already being done at SoCalGas at the
27 executive level, director level, and with some managers. The Company is requesting
28 an additional resource to help with the succession planning process for critical roles
29 below the director level to help provide training and mitigate knowledge gaps that

⁴³ Ex. SCG-32 (Gevorkian) at MG-30 to MG-33.

1 could lead to safety incidents. Including knowledge management in the succession
2 planning process ties into the risks mentioned above. Without the additional resource
3 in the succession planning area, the succession planning process will not be able to
4 expand to critical roles below the director level.

5 **b. TURN**

6 TURN did not agree with SoCalGas' forecast for Organizational Effectiveness,
7 specifically with the cost estimates associated with the 1) Aliso Canyon Incident Spending and 2)
8 the Director Development Program.

9 **i. Aliso Canyon Spending**

10 Regarding Aliso Canyon Spending, TURN states the following:

11 *“SCG proposes to increase the recorded-adjusted costs for OE by*
12 *\$171,000 to ‘adequately resume routine operations’ after the*
13 *reprioritization of resources during the Aliso Canyon mitigation. Similar*
14 *to TURN’s recommendation for Labor Relations, the Commission should*
15 *not ‘restore’ the spending as a result of the Aliso Canyon incident for OE.*
16 *Table 40 shows that the company spent far less than it was authorized to*
17 *spend on OE in both 2016 and 2017, and SCG has not explained why this*
18 *department needs additional funding in 2019 to resume ‘its routine*
19 *operations.’”⁴⁴*

20 As stated above, the Aliso Canyon incident required a reallocation and reassignment of
21 company resources for a *limited amount of time* with many temporary personnel assignments.
22 Organizational Effectiveness was able to defer some of their work to support the incident, but all
23 those employees have returned to their regular work assignments. The 2016 adjusted recorded
24 expenses include the Aliso adjustment and therefore, TY 2019 estimated expenses must reflect
25 resources that have returned to normal duties, activities, tasks and projects in 2017 and 2018.
26 Moreover, TURN’s assertion that Organizational Effectiveness did not spend 2016 allocated
27 amount was due to work being deferred as a result of providing support for the Aliso Leak
28 mitigation.

29 **ii. Director Development Program.**

30 Regarding the Director Development program, TURN states the following:

31 *“The company identified incremental funding (about \$310k) in the 2016*
32 *GRC, stating ‘to accelerate the development of key managers and*

⁴⁴ Ex. TURN-05 (Jones) at 102 (internal citation omitted).

1 *directors within SCG, the Organizational Development department will*
2 *build a key manager and director development program.’ In the instant*
3 *case, SCG identifies a ‘new’ program for training directors, stating,*
4 *‘...there is a total of \$0.426 million in non-labor costs in TY 2019 to fund*
5 *a director development program, which is for the director team which has*
6 *significant organizational and operational responsibility.’ It is unclear*
7 *whether SCG implemented the program that it forecasted in the 2016*
8 *GRC. What is clear is that the company is forecasting the program again*
9 *and seeks to charge ratepayers an additional \$426,000 per year during*
10 *the 2019 GRC period.’⁴⁵*

11 SoCalGas implemented Director and Manager training programs in 2015 and
12 implemented a new director program in 2017, which will continue through TY 2019 and beyond.
13 Although TURN is unclear if SoCalGas implemented the manager and director program in 2016,
14 SoCalGas confirms it did indeed implement a key manager and director program in 2015,
15 starting with training directors first and then managers from Q4 2015. This is continuing through
16 2018. The program implemented in 2015 has been utilized as a training for managers starting in
17 April 2016. The 2017 and 2018 trainings were designated for high potential managers and
18 SoCalGas expects to continue this program with high potential managers through 2019 and
19 beyond.

20 The Director Development Program started in September 2017 is expected to last through
21 November 2019.⁴⁶ TURN incorrectly assumes the Company is asking for funds for the same
22 program again. SoCalGas did have a director and manager development program in BY 2016.
23 Funds are being requested for more classes and continued development in 2019, which is
24 expected to carry on beyond TY 2019. Moreover, since the Director Development Program was
25 scheduled to conclude in 2019, TURN proceeded to calculate an adjustment to the TY 2019
26 forecast and states:

27 *“The additional \$426,000 does not appear to be reasonable. The*
28 *company contends that there were three cohorts of 50 directors slated to*
29 *take the class of 9 months each and that the last cohort is to graduate in*
30 *April 2019. It is unclear whether the class sessions for the 3 cohorts will*
31 *overlap or run one after the other, but it is clear that training will end*
32 *early in the test year. SCG has not demonstrated the need for ratepayers*

⁴⁵ *Id.* at 102-03 (internal citations omitted).

⁴⁶ In TURN-SEU-DR-11, Q19c, SoCalGas stated that the last cohort was expected to graduate in April 2019; however, this date has changed. The new program end date is tentatively scheduled for November 2019.

1 to fund the Director Development program throughout the GRC cycle.
2 SCG's response to TURN-SEU-11-17 states, 'SoCalGas anticipates
3 continuing the Director Development program, however future plans have
4 not been developed yet.' Given the amorphous nature of SCG's plans and
5 its recent history of underspending on OE activities, it is not reasonable to
6 continue to collect director-development program costs from ratepayers at
7 this time.

8 To calculate an adjustment to SCG's 2019 forecast, TURN calculated an
9 average per month cost of the program, based on the 27 months of class
10 run time (9 months per cohort) and the total program cost across 2017-
11 2019 of \$1.114 million. The result is a cost of \$41,269 per month.
12 Assuming conservatively that the 2019 training session ends at the end of
13 April (rather than earlier in the month), the 2019 cost would be \$165,000.
14 However, given that the training sessions end in 2019, the cost should be
15 normalized across the three years of the expected GRC cycle, which
16 indicates a forecast of \$55,000 for this program."⁴⁷

17 TURN made an assumption that the cohorts may or may not overlap. This assumption is
18 not correct. TURN also made an assumption, based on earlier information provided in TURN-
19 SEU-DR-11, Question 19 (incorrectly cited as Question 17 by TURN), that the program will end
20 in April 2019. This assumption is no longer correct. There is overlap across cohorts, since there
21 are three phases that each cohort must complete to graduate. Also, based on an updated program
22 schedule, phase III of the second cohort will take place in 2019 and the third cohort will begin
23 tentatively in Q1 2019 and end in November 2019 (see below). Furthermore, SoCalGas
24 anticipates continuing these types of development programs in the future, as employee
25 development is on-going and turnover a regular fact of our business. Over the last three years,
26 there has been an average of 8 existing director moves per year and in 2017 alone, there were 10
27 new directors.

28 The following table summarizes the existing program and future planned classes:

29 **Table MG-4**

30 **Director Development Program Schedule**

31

Cohort	Phase I (3 days)	Intercession (1 day)	Phase II (3 days)	Intercession (1 day)	Phase III (3 days)
Cohort 1	September 2017	November 2017	February 2018	April 2018	May 2018

⁴⁷ Ex. TURN-05 (Jones) at 103 (internal citations omitted).

Cohort 2	March 2018	May 2018	July 2018	September 2018	Q1 2019*
Cohort 3	Q1 2019*	TBD 2019	TBD 2019	TBD 2019	November 2019*

*These are estimated dates and may change.

In light of the new schedule, clarification on the overlapping of cohorts, and continuation of development programs beyond TY 2019, TURN’s proposed forecast of \$55,000 for TY 2019 is not sufficient to run this program and SoCalGas’ original proposal of \$426,000 should be approved.

5. Workers’ Compensation & Long-Term Disability – Medical Premium Escalation Rate

a. ORA

ORA takes issue with the Test Year O&M forecast for Workers’ Compensation medical premium escalation rate of 8% used in the SoCalGas’ forecast calculation and recommends a rate of 4.25% per year for 2018 and 2019.

ORA states the following:

“The 2017 Employer Health Benefits Survey, prepared by the Kaiser Family Foundation, found that the average family premium increase for employers is expected to average 3%. Price Waterhouse Coopers' Health Research Institute projects 2018’s medical cost trend to be 6.5% - the first uptick in growth in three years. ORA used an average of these two rates to develop ORA's recommended medical escalation rate of 4.25% for 2018 and 2019.”⁴⁸

b. TURN

TURN also takes issue with the Test Year O&M forecast for Workers’ Compensation medical premium escalation. TURN proposes its own medical premium escalation rate of 6% in TY 2019 and states the following:

“Furthermore, as TURN demonstrated in the section of this testimony addressing Medical benefits, the premium escalation rates for 2018 and 2019 assumed by the utilities are unreasonably high. TURN recommends that Medical benefits expense be forecasted assuming 6% premium escalation in each of 2018 and 2019. These same premium escalation

⁴⁸ April 13, 2018, ORA Report on Compensation Benefits; Pension & Postretirement Benefits Other Than Pension, Exhibit ORA-22 (Hunter) at 17-18. (internal citations omitted).

1 *factors should be used for the medical cost escalation included for*
2 *Workers' Compensation.*"⁴⁹
3

4 SoCalGas disagrees with ORA and TURN's recommended rate. The medical escalation
5 rate of 8.0% for 2018 and 7.0% for 2019, which was prepared by Willis Towers Watson, is more
6 appropriate because it takes into account demographic factors specific to SoCalGas. These
7 demographic factors - location, workforce demographics, and medical plan design – are key
8 drivers of medical plan costs. Additional information is provided in Debbie Robinson's
9 testimony (Exhibit SCG-30/SDG&E-28).

10 **B. Shared Services O&M**

11 **Table MG-5**
12 **Comparison of SoCalGas and Intervenors TY 2019 Estimated**
13 **Shared O&M Expenses**
14

SHARED O&M - Constant 2016 (\$000)			
	Base Year 2016	Test Year 2019	Change
SOCALGAS	1,663	1,700	37
ORA	1,663	1,700	37

15 ORA agrees with SoCalGas' forecast for all of the Shared Services expenses,⁵⁰ which
16 includes the following functions:

- 17 ○ HR Diversity
- 18 ○ HR Services – ECS System Reporting
- 19 ○ HR Services – ECS Operations
- 20 ○ HR Services – ECS Regulations & Training

21 The Commission should adopt SoCalGas' forecast as reasonable.

22
23 **V. REBUTTAL TO PARTIES' IT CAPITAL PROPOSALS**

	2017	2018	2019	Total
SOCALGAS	300	491	\$91	1,582
ORA	300	\$91	791	1,582
Difference	0	0	0	0

⁴⁹ Ex. TURN-05 (Jones) at 105.

⁵⁰ Ex. ORA-23 (Hunter) at 2.

1
2 ORA does not take issue with the business justification for the IT capital forecast for the
3 business optimization project related to the claims system replacement.⁵¹ The Commission
4 should adopt SoCalGas' forecast as reasonable.

5 **VI. CONCLUSION**

6 To summarize, SoCalGas agreed with many of OSA's safety culture recommendations,
7 such as using a multi-method approach and following up with employees on survey results and is
8 actively working on these suggestions.

9 Furthermore, all estimates proposed in the RAMP filing should not be used in
10 determining TY 2019 forecasts, as the data in the GRC filing is better aligned with the activities
11 and resource levels being requested. Moreover, RAMP-related activities that were proposed in
12 the TY 2019 GRC filing were based on either reducing safety risks or enhancing safety outcomes
13 and not necessarily on reducing costs. Therefore, RAMP-related activities should be primarily
14 evaluated on their capability of reducing risk (and not just the cost).

15 Also, while SoCalGas employees were temporarily able to step away from their regular
16 work assignments to support the Aliso Canyon incident, this does not mean that their respective
17 departments can sustain the work load without them. Work can be deferred temporarily or
18 passed on to other in the department, however this is only a short-term solution.

19 Finally, SoCalGas' medical escalation forecast, which was prepared by Willis Towers
20 Watson, is more appropriate because it takes into account demographic factors specific to
21 SoCalGas.

22
23 This concludes my prepared rebuttal testimony.

⁵¹ *Id.* at 3.

APPENDIX A
Data Request TURN-SEU-011 Q5

1 **Appendix A**

2
3 **TURN-SEU-011 Question 5**

4
5 As noted in the Summary table and corresponding footnote on page MG-1 of this
6 document, errors were found in the methodology used to derive the Workers' Compensation
7 recorded costs. SoCalGas determined that Workers' Compensation Reserves should not be
8 included in workpaper totals, so the Total Cost amounts shown on workpaper pages 44-45 and
9 48 are incorrect, which also causes the Projected Costs that are included in the SCG Revenue
10 Requirement to be understated.

11 This error was discovered at the time of drafting a response to a data request. A corrected
12 response was provided as part of TURN-SEU-DR-011, Question 5, which also included an
13 attachment describing the error and correct amounts for 2017, 2018, and 2019. See the
14 attachment titled "Appendix A – TURN-SEU-011 Question 5.pdf" for the data request.

Data Request No: TURN SEU - 011
Exhibit Reference: SDG&E (SDG&E-30) and SCG (SCG-32)
Witnesses: Taylor and Gevorkian
Subject: General GRC MDR

5. Regarding p. 42 of the SDG&E-30 workpapers and p. 48 of the SCG-32 workpapers: (Please provide the values in an Excel spreadsheet)

a. Please identify the recorded values for each of the line items in the Workers' Compensation Projection table for each year, 2008-2013 and 2017.

b. Please identify the recorded values for the Disability Claims Paid line item in the Long-Term Disability Projection table for each year, 2008-2015 and 2017.

Utility Response 05:

SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that the timeframe encompassed in this request is not relevant to the subject matter involved in the pending proceeding and therefore, the burden, expense and intrusiveness of this request outweighs the likelihood that the information sought will lead to the discovery of relevant and admissible evidence. In particular, this request seeks information prior to 2012 and is thus, outside the scope of the relevant time period used by SoCalGas/SDG&E in developing its forecasts. Subject to and without waiving the foregoing objection, SoCalGas/SDG&E respond as follows answering Question 5a and b with data covering 2012-2016. Please refer to the two Excel file attachments:

- TURN-SEU-011_Q5 Attachment for SDG&E
- TURN-SEU-011_Q5 Attachment for SCG

As noted in both attachments, while responding to this data request, SoCalGas and SDG&E discovered that the historical recorded costs were incorrectly identified. The attachments reflect the correct recorded costs and the impact the errors have on the TY 2019 forecasts, if applicable. The result is an understated forecast, which means that the current revenue requirement is too low.

TURN-SEU-011_Q5 Attachment for SCG

A.17-10-008 TY2019 GRC

**SoCalGas
Workers' Compensation**

Type of Cost	Corrected Historical Costs (Nominal Dollars)							Corrected Basis for Projection (3YA)	Corrected Projected		
	2012	2013	2014	2015	2016	2017	2017		2018	2019	
Medical Expense (Litigation, etc.)	\$ 6,475,522	\$ 6,561,305	\$ 4,715,045	\$ 6,294,757	\$ 4,788,732	\$ 5,266,178	\$ 5,687,472	\$ 5,142,470	\$ 5,502,443		
Indemnity (TD & PD)	4,109,762	3,661,015	3,880,972	3,604,609	3,565,622	2017 cost data is not available yet	3,758,910	3,814,425	3,885,621		
Administration	8,206,743	8,504,883	7,164,879	10,008,306	8,807,150		8,885,126	9,146,534	9,434,277		
Excess Liability Refunds	1,434,111	1,499,210	1,309,074	907,703	1,478,687		1,256,960	1,275,523	1,299,331		
	(2,789,854)	(2,951,331)	(1,621,150)	(6,292,290)	(2,001,781)		(3,372,522)	(3,422,330)	(3,486,208)		
Corrected Costs excluding Reserves	17,436,283	17,275,083	15,448,821	14,523,084	16,638,410		15,536,772	15,956,623	16,635,464		

FOF Savings incl in Medical Forecast

Exhibit SCG-32-WP pages 44 and 48 Difference	\$22,725,642	\$18,738,763	\$10,671,528	\$11,790,850	\$9,744,821	\$10,735,733	\$11,030,824	\$11,638,047	\$12,254,270
	(\$5,289,359)	(\$1,463,680)	\$4,777,293	\$2,732,234	\$6,893,589	\$4,801,039	\$5,185,122	\$4,318,576	\$4,381,194

Escalation Factors

Labor Escalation							2.60%	2.94%	3.15%
Non Labor Escalation							2.04%	1.48%	1.87%
Medical Premium Escalation							8.00%	8.00%	7.00%

Note 1: While responding to this data request, errors were found in the methodology used to derive the Workers' Compensation recorded costs. We determined that Worker's Compensation Reserves should not be included in workpaper totals, so the Total Cost amounts shown on workpaper pages 44-45 and 48 are incorrect, which also causes the Projected Costs that are included in the SCG Revenue Requirement to be understated. This response provides the corrected amounts.

APPENDIX B
Data Request TURN-SEU-011 Q16

TURN DATA REQUEST-011
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: FEBRUARY 6, 2018
DATE RESPONDED: FEBRUARY 27, 2018

16. Regarding the job-leveling system that SCG discusses for Labor Relations (pp. MG-24:27 – MG-25:4),

- a. Please describe the incumbent job-leveling system, including its function and the manner in which it dispatches with the intended function.
- b. Please identify each way a new system will be an improvement over the incumbent system.
- c. Please identify and explain the shortcomings of the incumbent job leveling system, such that it cannot execute job-leveling services sufficiently.
- d. When did SCG first determine that it needs to either refresh or replace the incumbent job-leveling system? Please provide any documentation, studies, etc., that support SCG’s proposal to update or replace the jobleveling system.
- e. Please provide the business plan for the job-leveling system replacement or revision.
- f. Please provide any document that indicates the schedule for the system upgrade or replacement, as of:
 - i. The date of SCG’s filing of the instant case.
 - ii. The date the response to this question is prepared.
- g. Is the job-leveling system a software project? If not, please provide a brief description of the system as SCG envisions it.
- h. Why is SCG expensing rather than capitalizing a new job-leveling system?
 - i. Why does SCG anticipate that the project will take three years to complete, rather than a shorter amount of time? Please provide a complete rationale.

Utility Response 16:

- a. SoCalGas currently utilizes a third-party vendor to handle job leveling through a structured job analysis process. When a position requires leveling, the vendor will first collect a list of all incumbents in the classification. They develop a random sample of the total job classification population through their own established

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Utility Response 16 Continued:

- sampling plan. The random sample is asked to complete job questionnaire. The questionnaire aims to identify the key duties and responsibilities of the classification as it currently exists. The company is blind to this process to maintain objectivity. Once questionnaires are completed, the vendor comes onsite to conduct job observations of the employees performing the functions of the job. In addition, they will conduct additional interviews with the incumbents, supervisors and potentially managers to gain further insight and understanding. After the vendor has gathered all the required data from questionnaires and interviews, they conduct quantitative analysis via a proprietary process to assign a point value to the classification.
- b. At this time, a new system has not been finalized. SoCalGas is analyzing vendors, which provide a variety of job leveling services, to determine the best solution. The current system is no longer an industry standard. This condition forces SoCalGas to utilize a sole vendor to perform this negotiated requirement. The Company will improve upon the current system by selecting a more universal approach to job leveling. This will put SoCalGas in a position to select vendors who can offer the best service at the best price.
- c. The current system in use was developed in 1972, and at the time was a state-of-the-art process for analyzing job levels. However, over time the process has become antiquated. First, the current process strictly levels jobs against other internal jobs. The concern with this is that there is no external market value. This process provides no means of comparing to other positions within the utility industry or region. Because of this, SoCalGas cannot ensure that the Company is providing a competitive salary that will attract and retain talent. Furthermore, because the process is antiquated, the number of vendors that provide the service is extremely limited. Not only does this restrict the company's ability to contract out this service, but it also allows the vendors to up-charge for their services. Since 2010, SoCalGas has seen a significant increase in the "per job" analysis cost.
- d. In August 2016, SoCalGas contacted the vendor regarding upcoming positions that would require a job leveling analysis. At that time, they provided SoCalGas with the cost per job. The increase in cost triggered conversations with the vendor. Initially, the vendor alluded to the fact that they may no longer provide the service for various reasons, including a recent merger, the process being antiquated, and the expectation that their consultant for this specific job leveling process would be retiring. The Company's conversation with the vendor, led them to start researching job leveling. Labor Relations, Compensation, and Research & Analysis contacted other third-party job leveling vendors. These vendors communicated that the current job leveling process was no longer widely utilized and most of the vendors did not provide the

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Utility Response 16 Continued:

- service. Those companies that could accommodate the need for the Company's current job leveling process had high-costs associated with it. Please refer to the attachments TURN-SEU-011_Q16d Attachment for SCG_Redacted.pdf and TURN-SEU-011_Q16d Attachment for SCG – PAQ Cost Analysis.pdf for documentation supporting the proposal to update or replace the job leveling system.
- e. In 2018, the Company's plan is to implement a new job leveling method during contract negotiations with the union. Through the negotiation process, SoCalGas intends to identify a job leveling method that is agreed upon by both the Company and the Union. At that time, a cost analysis for each potential solution will be completed.
 - f. At this time, there are no documents indicating the schedule of the upgrade. SoCalGas has a contract with the current vendor to complete multiple job leveling studies throughout 2018. The Company's intent is to implement the new system at the start of 2019, but this is contingent upon agreement with the Union regarding the new job leveling methodology.
 - g. No. The job-leveling system is not a software project. Although there are different software programs available for job leveling, the Company and the Union have agreed to have a third-party vendor perform these services. The agreement negotiated between SoCalGas and the Union states that to ensure objectivity and accuracy, job evaluations will be conducted exclusively by an external third-party consultant and that the Company and the Union cannot be involved in the process. Therefore, the Company is looking for a service rather than a software.
 - h. See response to question 16g.
 - i. The Company does not anticipate the selection of a new vendor/process to take three years, however, once a vendor/process is selected, there will be an initial implementation process and it is unknown how long it will actually take the vendor to complete. The implementation will include conducting a full analysis of all current positions/leveling and providing recommendations to move forward.

From: [REDACTED]
To: [REDACTED]
Subject: FW: New PAQ - Southern California Gas Company
Date: Thursday, February 8, 2018 9:13:09 AM

FYI

From: [REDACTED]
Sent: Thursday, August 25, 2016 8:25 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: [EXTERNAL] RE: New PAQ - Southern California Gas Company

Hi [REDACTED] –

The PAQ process is fairly antiquated (though still useful) and I am not aware of other vendors who perform these services. Are you looking to go to full RFP with this? We were under the impression that you wanted the work completed relatively quickly and we'd be moving with you to get that done.

I would have to defer to [REDACTED] on the second question around clients that have moved to different job leveling processes.

What is your timeline on Supply Management getting us a draft contract? I'd like to have my legal team take a look at it soon.

Best,

[REDACTED]

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From: [REDACTED]
Sent: Thursday, August 25, 2016 8:12 AM
To: [REDACTED]
Subject: RE: New PAQ - Southern California Gas Company

Hi Peter

This sounds good.

Can you provide recommendations for other vendors who provide PAQ services? Additionally, if you have other clients who have used the PAQ process, who have moved to other job leveling processes?

Thanks

[REDACTED]

From: [REDACTED]
Sent: Wednesday, August 24, 2016 10:14 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: [EXTERNAL] RE: New PAQ - Southern California Gas Company

Hi [REDACTED] –

I have confirmed that we're still in the process of the name change, so we will contract under SHL US INC and the tax ID I provided. Please find our W-9 attached.

Best,

[REDACTED]

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From: [REDACTED]
Sent: Tuesday, August 23, 2016 1:24 PM
To: [REDACTED]
[REDACTED]
[REDACTED]
Cc: [REDACTED]
Subject: RE: New PAQ - Southern California Gas Company

Hello [REDACTED]

It's nice to meet you as well. The contracting process on our end is an online process. I need to ensure you are uploaded into our system properly. Then our Supply Management team will reach out to you to begin the contracting/redlining process.

Can you please verify your company's legal name and Tax ID Number? Hopefully, it will match information we already have on file for you and we can get the ball rolling.

Thanks

[REDACTED]

From: [REDACTED]
Sent: Tuesday, August 23, 2016 11:30 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: [EXTERNAL] RE: New PAQ - Southern California Gas Company

Thanks [REDACTED]!

Hello [REDACTED] –

Nice to “meet” you and thanks for reaching out to us for this project. As Ann mentioned, it looks like we’ve previously contracted using your paper, so I’ll need a current form of your contract in order to have our legal team review/red line and get that process rolling. I’ll provide them with our previous agreement as well, and that should move things along more easily. We can likely begin the more “soft” delivery of this project in October (surveys, etc..) if we get the agreement done quickly.

Please let me know about the process and send across the agreement templates if you have them. I’ll set to work with [REDACTED] immediately to get this done for you!

Best,

[REDACTED]

[REDACTED]
Sr. Account Manager

[REDACTED]

[REDACTED]

[REDACTED]

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From: [REDACTED]
Sent: Tuesday, August 23, 2016 11:17 AM
To: [REDACTED]

[REDACTED]

Subject: RE: New PAQ - Southern California Gas Company

Hi [REDACTED],

Per our discussions last week and yesterday, I have reached out to [REDACTED], whom I have copied on this message by way of introduction. [REDACTED] is the person on [REDACTED] side who can help us through the current contracting process. We spoke today, and I gave [REDACTED] some background information about the PAQ-based job evaluation system that we helped put in place for Southern California Gas Company and have been assisting with the analyses over the years.

Regarding your current request for the evaluation of the Fleet Technician and Lead Fleet Technician jobs, we will need to get the contracting worked out before I can officially begin working on the project. As I mentioned, I can't really be available for the interview phase until November, and we will also need to contract with [REDACTED] (one of our retired consultants who is familiar with the PAQ system) to assist. I shared with [REDACTED] a copy of the agreement that we had in place for the 2012 study (see attached). [REDACTED] asked if it would be possible to get an editable electronic copy of that document, or your current agreement document if it has changed since then. I believe we may need to insert some of [REDACTED] standard contract language. I'll let you and [REDACTED] work that out, while I begin a draft of the Project Plan and Costing section.

Please feel free to get in touch with Peter or me if you have questions or need more information. We look forward to working with your team again on this project.

[REDACTED]

[REDACTED]
Senior Consultant

[REDACTED]

[REDACTED]

From: [REDACTED]

Sent: Friday, August 19, 2016 4:17 PM

To: [REDACTED]

[REDACTED]

Cc: [REDACTED]

Subject: New PAQ - Southern California Gas Company

Hi [REDACTED],

It is my understanding that [REDACTED] has made contact with you regarding a PAQ process. We have a signed agreement with our unions to PAQ two positions: *Fleet Tech (31 incumbents)* and *Lead Fleet Tech (49 incumbents)*. These positions were last PAQ'd in 2012. The Fleet Tech position was PAQ'd at 526 points with no change from Level 5. The Lead Fleet Tech position was PAQ'd at 572 points with no change from Level 6.

Can you provide us with a Statement of Work and let me know if there is anything else you will need? Also, is it feasible to have the PAQ process completed before end of 2016?

Other members of our team will be [REDACTED].

Look forward to chatting with you soon.

Thanks

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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PAQ Cost Analysis

Year	# of Positions	Total Amount	Fees Only	Per Job cost	Increase over previous year
2005	10	\$25,100.00	\$20,375.00	\$2,037.50	
2010	2	\$24,500.00	\$21,000.00	\$10,500.00	415%
2012	8	\$89,600.00	\$77,500.00	\$9,687.50	-8%
2013	1	\$19,200.00	\$12,600.00	\$12,600.00	30%
2016	2	\$46,980.00	\$40,400.00	\$20,200.00	60%
2017	2	\$53,600.00	\$46,600.00	\$23,300.00	15%

2019 GRC Testimony Revision Log – June 18, 2018

Exhibit	Witness	Page	Line or Table	Revision Detail
<i>SCG-32</i>	<i>M. Gevorkian</i>	<i>MG-11</i>	<i>Table MG-8</i>	<i>TY 2019 Estimated WC and LTD cost is understated as \$18,063,000 due to the inadvertent inclusion of medical reserves in the overall calculation for WC costs. The correct TY 2019 Estimated should be \$16,635,464 for WC costs, bringing the combined WC and LTD costs to \$22,444,190 for TY 2019.</i>