

Company: Southern California Gas Company (U 904 G)
Proceeding: 2019 General Rate Case
Application: A.17-10-____
Exhibit: SCG-33

SOCALGAS

DIRECT TESTIMONY OF STACEY LEE

(ACCOUNTING AND FINANCE/LEGAL/REGULATORY

AFFAIRS/EXTERNAL AFFAIRS)

October 6, 2017

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA



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SUMMARY

Summary of Requests

- **Accounting and Finance Division** – Southern California Gas Company (SoCalGas or the Company) requests \$21.87 million (a decrease of \$5.33 million from 2016 adjusted-recorded costs) for the Accounting and Finance division operations.
- **Legal Division** – SoCalGas requests \$6.97 million (an increase of \$316k from 2016 adjusted-recorded costs) for the Legal division operations.
- **Regulatory Affairs Division** – SoCalGas requests \$4.49 million (an increase of \$1.12 million from 2016 adjusted-recorded costs) for Regulatory Affairs division operations.
- **External Affairs Division** – SoCalGas requests \$1.98 million (an increase of \$112k from 2016 adjusted-recorded costs) for the External Affairs division operations.

TABLE SL-1

TY 2019 Summary of Total Costs by Division

Categories of Management (In 2016 \$)	2016 Adjusted-Recorded (000s)	TY2019 Estimated (000s)	Change (000s)
Accounting and Finance Division	27,204	21,873	-5,331
Legal Division	6,652	6,968	316
Regulatory Affairs Division	3,365	4,488	1,123
External Affairs Division	1,864	1,976	112
Total	39,085	35,305	-3,780

Administrative and General (A&G) includes the divisions of Accounting and Finance (A&F), Legal, Regulatory Affairs, and External Affairs. For Test Year (TY) 2019, the total requested amount for anticipated costs that are necessary to maintain compliance with numerous requirements, operate our business safely, and support internal/external stakeholders is \$35.31 million. This projected cost is \$3.78 million lower than the 2016 adjusted-recorded costs of \$39.09 million primarily due to lower anticipated costs in the A&F division. Specifically, in the A&F division, we project lower costs in the Claims Payment and Recovery area. In addition, the Fueling Our Future (FOF) initiative resulted in cost savings in A&F, Legal, and External Affairs.

SoCalGas has experienced continued regulatory and accounting standard changes over the last couple years and anticipates these changes to have a direct impact on the A&G divisions. To meet changes in reporting processes and needs led by the California Public Utilities

Commission (CPUC), new regulatory proceedings, and additional reporting requirements associated with the Risk Assessment Mitigation Phase (RAMP), SoCalGas finds it necessary to add additional resources to our workforce and fill vacancies in positions to effectively conduct business operations. The following areas are requesting incremental workforce to continue supporting increasing demands and workloads:

- Two Senior Analysts in Financial and Operational Planning to support RAMP reporting requirements.
- One Assistant Controller in the A&F division to oversee the financial and accounting functions at SoCalGas and San Diego Gas & Electric (SDG&E).
- Ten employees to support the newly created Incident Support and Analysis (ISA) department. This department will help reduce the potential impact that major incidents have on normal operations and reduce potential business interruptions.
- Two Claims Coordinators in the Claims department to reduce the claims recovery backlog, perform loss prevention analysis, and assist with damage prevention analysis.
- Two Senior Counsels and one Legal Administrator in the Regulatory law department of the Legal division to support increasing state and federal requirements and regulatory proceedings.
- Two Case Managers in the Regulatory Case Management department to handle increasing CPUC, intervenor and state oversight, in addition to regulatory proceedings that are underway.

1 **I. INTRODUCTION**

2 **A. Summary of Administrative & General Costs**

3 The purpose of my testimony is to present TY 2019 forecasts of Administrative and
4 General costs (both shared and non-shared)¹ for SoCalGas' Accounting and Finance, Legal,
5 Regulatory Affairs, and External Affairs divisions. Table SL-1 above summarizes the total cost
6 forecast for these A&G functions for TY 2019. A&G functions include accounting, financial
7 and business planning, regulatory support and analysis, case management, legal, and
8 communications. These functions are necessary in order to attend to our customers, maintain our
9 internal controls, support internal clients and external stakeholders, and meet
10 accounting/regulatory/legal requirements.

11 The tables that follow within this testimony include both the shared and non-shared
12 services costs. Shared services provide services to/from SDG&E, Sempra Energy Corporation
13 Center (SECC), and affiliated companies. Services provided to the affiliated companies are
14 permissible services under the CPUC Affiliate Transaction Rules (ATRs). Generally, cost
15 centers in the same department use the same allocation methodology; however, in some cases the
16 allocation methodologies can differ. The allocation methodologies for each cost center can be
17 found in my workpapers (See Ex. SCG-33-WP). I am sponsoring the forecasts on a total
18 incurred basis as well as the shared services allocation percentages related to those costs. The
19 percentages are presented in my shared services workpapers (See Ex. SCG-33-WP). The costs
20 that are sponsored in this testimony include costs prior to the allocation to/from SoCalGas,
21 SECC, and affiliates. The dollar amounts allocated to affiliates are presented in the testimony of
22 Jim Vanderhye (Ex. SCG-34).

23 **B. Forecast Methodology**

24 The development of the TY 2019 forecasts for A&G expenses were initially based on the
25 recorded data for each cost center analyzed from the previous 5 years in the A&G area. After
26 analyzing the recorded costs, specific adjustments were made to align the historical costs to

¹ Activities that are performed by a single utility department (i.e., functional area) for the benefit of (i) SDG&E or SoCalGas, (ii) Sempra Energy Corporate Center (SECC), and/or (iii) any unregulated subsidiaries, are referred to as shared services. The utility providing the shared service will allocate and bill the appropriate incurred costs to the entity or entities receiving those services. A non-shared service activity is performed by a utility solely for its own benefit. Therefore, incurred non-shared services costs stay within that utility.

1 SoCalGas' current operations and organizational structure. Please refer to the supporting
2 workpapers for the adjustments made to the recorded data (See Ex SCG-33-WP).

3 A&G costs are generally prone to fluctuations because of changes in regulatory
4 mandates, new accounting requirements, legal proceedings, and non-recurring events. These
5 changes impact staffing levels, purchase service costs, and other factors. My workpapers support
6 these fluctuations when reviewing the past 5 years of A&G recorded costs. It is generally
7 recognized that the use of multi-year averaging is a valid methodology where costs fluctuate
8 significantly from year-to-year. As such, for most A&G cost centers (except for the Incident
9 Support and Analysis department), a 5-year average is used as it represents a reasonable base to
10 estimate operational needs for TY 2019.

11 **C. Summary of Aliso-Related Costs**

12 In compliance with D.16-06-054,² the direct testimony of witness Andrew Steinberg (Ex.
13 SCG-12) describes the process undertaken so the 2019 Test Year forecasts do not include the
14 additional costs from the Aliso Canyon Storage Facility gas leak incident (Aliso Incident), and
15 demonstrates that the itemized recorded costs are removed from the historical information used
16 by the impacted GRC witnesses.

17 As a result of removing historical costs related to the Aliso Incident from A&G adjusted
18 recorded data, and in tandem with the forecasting method(s) employed and described herein,
19 additional costs of the Aliso Incident response are not included as a component of my Test Year
20 2019 funding request. Historical A&G costs that are related to the Aliso Incident are removed as
21 adjustments in my workpapers (Ex. SCG-33-WP) and also identified in Table SL-2 below.

22 **TABLE SL-2**

23 **Summary of Excluded Aliso-Related Costs**

Workpaper	2015 Adjustment (000s)	2016 Adjustment (000s)	Total (000s)
2AG002.000, ACCOUNTING OPERATIONS	0	-164	-164
2AG003.000, ACCOUNTING SYSTEMS & COMPLIANCE	0	-6	-6
2AG004.000, FINANCE	0	-2	-2
2AG005.000, FINANCIAL & OPERATIONAL PLANNING	0	-8	-8

² D.16-06-054, at 332 (Ordering Paragraph 12) and 324 (Conclusion of Law 75).

2AG007.000, LEGAL	0	-184	-184
2AG011.000, EXTERNAL AFFAIRS MEDIA AND PUBLIC INFORMATION	-97	-1,757	-1,854
Total Non-Shared Services	-97	-2,121	-2,218
2200-2075.000, REGULATORY CASE MANAGEMENT	-4	-202	-205
2200-2095.000, CLAIMS MANAGEMENT – NORTH	0	-20,361	-20,361
2200-2305.000, DIRECTOR – REGULATORY AFFAIRS SCG	0	-110	-110
2200-2462.000, GRC & REVENUE REQUIREMENTS	0	-1	-1
2200-2575.000, ASSISTANT CONTROLLER	0	-7	-7
Total Shared Services	-4	-20,680	-20,684
Total O&M	-100	-22,801	-22,902

D. Summary of Costs Related to Fueling our Future

SoCalGas and SDG&E kicked off the FOF initiative in May 2016 to identify and implement efficient operations improvements. (See the joint Direct Testimony of witnesses Hal Snyder (SCG-03) and Randall Clark (SDG&E-03). A&G forecasts a potential cost savings of \$559k for TY 2019, which has been removed from the total A&G request. Most of the savings are expected to come from the automation of new technologies attributing to efficiencies as well as organizational restructuring within the A&F division to gain more synergy between SoCalGas and SDG&E. Table SL-3 provides a summary of the FOF related cost efficiencies described in my testimony.

TABLE SL-3
Summary of FOF Costs

FOF (In 2016 \$)	Labor (000s)	Non-Labor (000s)	Total TY2019 (000s)
Costs /(Savings)	(542)	(17)	(559)

E. Organization of Testimony

In the remainder of my testimony, I summarize the part of my request that is linked to mitigating a safety risk identified in the RAMP report and the Company’s safety culture. Then I address the Company’s A&G request by division (A&F, Legal, Regulatory Affairs and External Affairs). I will provide summary tables for each corresponding division (and subdivisions),

1 which will include costs for both Utility Shared Services (USS) and Non-Shared Services (NSS).
2 The testimony will end with a conclusion as well as my witness qualifications.

3 **II. RISK ASSESSMENT MITIGATION PHASE AND SAFETY CULTURE**

4 **A. Risk Assessment Mitigation Phase**

5 As illustrated in Table SL-4, part of my requested funds are linked to mitigating a top
6 safety risk that has been identified in the RAMP Report. This risk is further described here:

7 **TABLE SL-4**

8 **RAMP Risk Chapter Description**

RAMP Risk	Description
Records Management (SCG-8)	Relates to the potential public safety, property, reliability, regulatory, or financial impacts that result from the use of inaccurate or incomplete records.

9 In developing my request, priority was given to these key safety risks to determine
10 which currently established risk control measures were important to continue and what
11 incremental efforts were needed to further mitigate these risks.

12 Identifying projects and programs that help to mitigate these risks manifest themselves in
13 my testimony as adjustments to my forecasted costs. This adjustment process was used to
14 identify both RAMP mitigation costs embedded as part of traditional and historic activities, as
15 well as forecasted RAMP-incremental costs, which are also associated with mitigation strategies
16 and corresponding to historic or new activities. These can be found in my workpapers as
17 described below. The general treatment of RAMP forecasting is described in the testimony of
18 Diana Day and Jamie York (Ex. SCG-02).

19 For each of these risks, an “embedded” 2016 estimated cost-to-mitigate, and any
20 incremental costs expected by the Test Year 2019 are shown in the following tables. RAMP-
21 related costs are further described in the subsequent sections of my testimony as well as in my
22 workpapers (See Ex SCG– 33– WP). The tables also provide the location in my workpapers
23 where the specific adjustments representing those incremental costs can be found.

1 **TABLE SL-5**

2 **Summary of Related RAMP Costs – Records Management**

Records Management (In 2016 \$)	2016 Embedded Base Costs (000s)	TY2019 Estimated Incremental (000s)	Total (000s)
2AG003.000 ACCOUNTING SYSTEMS & COMPLIANCE	665	200	865
Total Cost	665	200	865

3 As the table demonstrates, the RAMP risk mitigation efforts are associated with specific
4 programs or projects. For each of these mitigation efforts, an evaluation was made to determine
5 the portion, if any, that was already being performed in our historical activities.

6 While the starting point for consideration of the risk mitigation effort and cost was the
7 RAMP Report, our evaluation of those efforts continued through the preparation of this GRC
8 request. Changes in scope, schedule, availability of resources, overlaps or synergies of
9 mitigation efforts, and shared costs or benefits were also considered. Therefore, the incremental
10 costs of risk mitigation sponsored in my testimony may differ from those first identified in the
11 RAMP Report.

12 Many, if not all, departments at both Companies rely on having correct, updated, and
13 easily accessible information that's stored in the Companies' data centers. As such, records
14 management is an issue for everyone at the Company and adherence to records management
15 policies is vital to Company operations. Failure in records management, in the use of inaccurate
16 or incomplete records, has potential public safety, property, regulatory and financial impacts, as
17 well as the threat of erosion of public confidence.

18 The Company is proposing that in order for our employees to follow leading records
19 management practices we must first identify what these leading practices for utilities are and
20 what we need to do to improve our practices. To do this, the companies will hire a third-party
21 records management expert to conduct a gap assessment between current policies and practices
22 and leading policies and practices, then provide recommendations on filling these gaps. This
23 assessment will help us develop a roadmap to shore up any deficiencies in our records
24 management practices and minimize our records management-related risk.

1 **B. Alternatives Considered**

2 The following were considered in the RAMP Report³ as alternatives to the proposed
3 RAMP mitigation efforts:

4 1) Maintain the current records management program, including the risk mitigations in
5 their current state. Although current controls are strong, there may be areas that could be
6 improved to further mitigate the risk and provide additional benefit. SoCalGas intends to
7 leverage a records management expert (consultant) to identify any potential areas of
8 improvement. Additionally, SoCalGas operations groups have identified specific areas for
9 modernization of records. Maintaining the status quo may hinder these projects from moving
10 forward.

11 2) An alternative for IT applications is to implement one centralized records management
12 IT system for all operational asset groups. This centralized system would replace all existing
13 systems, like GIS, and implement in their place a single system. This alternative would
14 minimize the potential for multiple systems to have differing records and may reduce some costs
15 since SoCalGas could stop supporting many of its other IT applications. However, this
16 alternative would also prevent each operational asset group from identifying, implementing and
17 utilizing a system that best meets the needs of the specific operational asset group. A one-size-
18 fits-all approach that does not allow specialization (because not all records require the same
19 attributes to be collected and retained) could be limiting. Further, inputting records can take
20 considerable time and resources. SoCalGas strives to create interfaces that allow its employees
21 and contractors to quickly and efficiently input data into its systems. This is especially critical as
22 it pertains to the accuracy and completeness of SoCalGas' records. Additionally, an effort of this
23 magnitude may cause a significant disruption to the existing records management process and
24 may adversely impact the effectiveness of current mitigations. Therefore, this alternative was
25 rejected in favor of the proposed plan.

26 **C. Safety Culture**

27 The A&F, Legal, Regulatory Affairs, and External Affairs divisions for SoCalGas drive
28 safety culture in very important ways. These divisions work toward creating and fulfilling the

³ As a result of D. 14-12-025, SoCalGas adopted a risk-based decision-making framework to assess and minimize such risks.

1 safety culture strategies and objectives of SoCalGas. The Controller's office makes sure that
2 resources are being deployed effectively in the manner that they were intended. The Finance
3 function oversees that the budget process incorporates safety into the resource allocation process
4 and finds methods to finance and budget for important safety improvements. Finally, Legal,
5 Regulatory Affairs, and External Affairs work to integrate the demands of important external
6 legal, legislative, and regulatory stakeholders. They also work toward providing input into the
7 regulatory and legislative process to improve the safety of the natural gas systems, and they are
8 the channels to communicate to these stakeholders when issues arise.

9 Included in my testimony are a few specific examples of activities, efforts, and initiatives
10 that are undertaken or proposed that will further develop, implement, and support the safety
11 culture at SoCalGas.

- 12 • Improvements to the records management process at SoCalGas addresses the RAMP
13 records management risk related to the potential public safety, property, reliability,
14 regulatory, and financial impacts that could result from the use of inaccurate or
15 inadequate records. Keeping and managing accurate records is important to
16 construct, operate, and maintain a utility system safely and prudently, which helps to
17 build and sustain our safety culture.
- 18 • Incident Support and Analysis (ISA) is a new department formed to help reduce the
19 potential impact that major incidents have on normal operations and reduce potential
20 business interruptions. ISA will work collaboratively with the Risk Management,
21 Emergency Services, and the Safety & Wellness departments to coordinate with
22 individual business units on identifying historical major incidents (e.g., enterprise-
23 wide IT outage, high pressure line struck in Visalia) to develop proactive response
24 plans of support and incident mitigation measures.
- 25 • Financial and Strategic Analysis conducts financial modeling and analysis to support
26 business cases and financial plans for incremental capital projects, such as
27 investments in the energy delivery infrastructure to improve safety and reliability.
28 The group maintains the financial evaluation model that is utilized Company-wide,
29 thereby applying consistent economic, regulatory, and financial assumptions to be
30 used for the evaluation of SoCalGas' capital projects.

- The Claims Department is responsible for investigating and managing the claims process. In doing so, the Claims department also conducts loss control and prevention activities intended to help prevent and reduce accidents, which mitigate utility operational expenses, reduce customer costs, and promote public safety.
- The Regulatory and Legal areas of SoCalGas advise management and operational groups within SoCalGas on new rules, regulations, tariffs, rate issues, initiatives, and investigations at the regulatory agencies that have regulatory authority over SoCalGas. Many of these requirements have safety-related aspects to them. Understanding and complying with regulations and requirements also builds and sustains a culture of safety.
- Finally, External Affairs builds and maintains relationships with key stakeholders, communities, and customer organizations to provide clear and transparent communication as well as to educate stakeholders, customers, and the public on safety-related issues.

III. ACCOUNTING AND FINANCE DIVISION

A. Introduction

The A&F division is comprised of: (1) VP Accounting & Finance; (2) Accounting Operations; (3) Accounting Systems and Compliance; (4) Incident Support and Analysis; (5) Finance; (6) Financial and Operational Planning; (7) Controller; (8) Claims Management; and (9) Claims Payments and Recovery Costs.

TABLE SL-6
Accounting and Finance Division Incurred Costs by Department

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
VP Accounting & Finance	303	0	303	352	0	352	49	0	49
Accounting Operations	3,785	0	3,785	3,754	0	3,754	-31	0	-31
Accounting Systems & Compliance	1,085	373	1,458	1,154	391	1,545	69	18	87
Incident Support Analysis	0	0	0	1,101	0	1,101	1,101	0	1,101
Finance	1,549	0	1,549	1,437	0	1,437	-112	0	-112
Financial & Operational Planning	3,603	73	3,676	3,764	55	3,819	161	-18	143
Controller	0	695	695	0	885	885	0	190	190
Claims Management	0	1,304	1,304	0	1,579	1,579	0	275	275
Sub-Total	10,325	2,445	12,770	11,562	2,910	14,472	1,237	465	1,702
Claims Payments & Recovery	14,434	0	14,434	7,401	0	7,401	-7,033	0	-7,033
Total	24,759	2,445	27,204	18,963	2,910	21,873	-5,796	465	-5,331

A&F's TY 2019 forecasts estimate costs to be \$21.87 million compared to the 2016 adjusted-recorded costs of \$27.20 million. This overall decrease of \$5.33 million or 20% is primarily due to Claims Payment and Recovery costs and FOF-related cost savings.

B. Vice President Accounting & Finance

TABLE SL-7

VP A&F Summary of Total Costs

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
VP Accounting & Finance	303	0	303	352	0	352	49	0	49
Total	303	0	303	352	0	352	49	0	49

1. Description of Costs and Underlying Activities

For TY 2019, the VP of A&F requests \$352k, which represents an increase of \$49k from 2016 adjusted-recorded costs.

The Vice President of A&F, which is a non-shared service, has responsibility for the day-to-day executive oversight of the financial and accounting functions at SoCalGas. The organization has approximately 100 professional, administrative, and clerical employees. The VP is the local executive financial representative available to support day-to-day business operations' need for understanding the financial implications of business decisions, and who also oversees the proper functioning of internal control systems and processes on site at SoCalGas. In recent years, the complexity and volume of SoCalGas' business operations has risen substantially, including major projects such as the Pipeline Safety Enhancement Plan, which spans numerous years and involves billions in spending, and the Mobile Home Park Utility Upgrade projects.

2. Forecast Methodology

As shown in Table SL-7 above, SoCalGas recorded costs of \$303k for these activities in the 2016 base year. The VP of A&F is using a 5-year historical average of 2012-2016 costs to estimate TY 2019 costs. The use of a 5-year average is the most appropriate and provides a reasonable basis for developing a forecast of TY 2019 costs for the VP of A&F. Additionally, A&G costs fluctuate from year-to-year, therefore use of a forecasting methodology based on an average of multiple years of historical costs results in a cost forecast that reflects the cost variability expected over the forecasted period.

1 **C. Accounting Operations**

2 **TABLE SL-8**

3 **Accounting Operations Summary of Total Costs**

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Accounting Operations	3,785	0	3,785	3,754	0	3,754	-31	0	-31
Total	3,785	0	3,785	3,754	0	3,754	-31	0	-31

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

5 For TY 2019, Accounting Operations requests \$3.75 million, which represents a decrease
6 of \$31k from 2016 adjusted-recorded costs. Accounting Operations primarily consists of three
7 non-shared service departments: Asset & Project Accounting, Accounts Payable (AP), and
8 Sundry Services. Accounting Operations is a non-shared service.

9 Asset & Project Accounting is responsible for the gas utility plant portion of rate base
10 accounting, capitalization of cost accounting for gas utility assets, new business accounting,
11 fixed asset management, and billable project accounting. This work requires issuing,
12 monitoring, and accounting for work orders. This includes application of Allowance for Funds
13 Used During Construction and overhead rates, accounting classifications, Federal Energy
14 Regulatory Commission (FERC) account assignments, transferring construction work in progress
15 into rate base, analyzing and developing asset classes, accounting for gas plant retirements,
16 accounting and forecasting for asset retirement obligations, evaluating and accounting for cost of
17 removal incurred, and developing and monitoring internal control procedures with the objective
18 of safeguarding Company assets. Asset & Project Accounting is responsible for numerous
19 accounting and regulatory issues including: determining proper accounting for property sales
20 and gain/loss classifications; analysis and reconciliation of general ledger accounts; proper
21 reporting of property, plant, and equipment for SEC and FERC form reporting; Sarbanes Oxley
22 (SOX) section 404 and business process control implementation, monitoring, and testing; special
23 projects (such as accounting for asset impairments); and publishing capitalization guidelines. In
24 addition, Asset & Project Accounting provides technical expertise and guidance, information,
25 analytical support, and data responses for various regulatory and tax filings.

26 AP is responsible for timely and accurate payment of service/material invoices and
27 contract obligations for SoCalGas. AP also sees that payments are properly authorized prior to
28 disbursement, assists in resolving payment disputes, processes employee travel and expense

1 requests, maintains the vendor master information consistent with SOX processes and controls,
2 and works in cooperation with the Financial and Operational Planning department to post
3 operational accruals monthly in accordance with Generally Accepted Accounting Principles
4 (GAAP). AP provides 1099/1042-S Internal Revenue Service filing and reporting. AP is also
5 the full disbursement center for check, Automated Clearing House, and wire payments made on
6 behalf of SoCalGas.

7 Sundry Services is responsible for the billing of products and services provided to
8 external customers, vendors, contractors, and other third-party groups. The products and
9 services provided exclude commodity, transportation, and delivery costs of natural gas. Sundry
10 Services is also responsible for supporting SoCalGas with CPUC compliance, policies, and
11 procedures related to non-tariffed products and services (NTP&S). This department conducts the
12 annual training of business managers for sundry activities on how to comply with Company
13 policies and GAAP. Sundry Services also creates monthly reports for business managers to aid
14 in the management of activities and provides analysis of miscellaneous revenues. For
15 information on SCG's Miscellaneous Revenues, please see the direct testimony of Annette
16 Steffen (Ex. SCG-41). Sundry Services coordinates and prepares the NTP&S annual report to
17 present to the CPUC and participates in the internal and external audits of NTP&S.
18 Additionally, Sundry Services coordinates and supervises the SOX activities related to Sundry
19 Services including SOX detailed testing.

20 **2. Forecast Methodology**

21 As shown in Table SL-8 above, SoCalGas recorded costs of \$3.79 million for these
22 activities in the 2016 base year. Accounting Operations is using a 5-year historical average of
23 2012-2016 costs to estimate TY 2019 costs. The use of a 5-year average is appropriate and
24 provides a reasonable basis for developing a forecast of TY 2019 costs for the Accounting
25 Operations department. A&G costs fluctuate from year-to-year, therefore use of a forecasting
26 methodology based on an average of multiple years of historical costs results in a cost forecast
27 that reflects the cost variability expected over the forecasted period.

1 **D. Accounting Systems and Compliance**

2 **TABLE SL-9**

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

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Accounting Systems & Compliance	1,085	373	1,458	1,154	391	1,545	69	18	87
Total	1,085	373	1,458	1,154	391	1,545	69	18	87

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

5 For TY 2019, Accounting Systems and Compliance requests \$1.55 million, representing
6 an increase of \$87k from 2016 adjusted-recorded costs. The increase is the result of the request
7 for consultant costs to support additional RAMP risk-related assessments, while being offset by
8 FOF-related costs savings.

9 Accounting Systems and Compliance is responsible for Financial Systems, Business
10 Controls, Affiliate Billing and Costing (ABC), and Affiliate Compliance.

11 Financial Systems is a non-shared service that oversees the financial systems of the
12 Company. The responsibilities in this area include managing user security access, handling
13 trouble tickets generated by the IT help-desk, and providing user training. Financial Systems
14 also supports the A&F division by providing technical resources to support large-scale system
15 implementations, development of specifications for functional enhancements to SAP (the
16 Company's financial software system), and the development of information resources needed to
17 manage key business processes.

18 Business Controls, which is a non-shared service, includes the administration and
19 oversight of the SOX compliance activities and Company policy administration. Business
20 Controls is responsible for coordinating these activities within SoCalGas and acting as the liaison
21 with the parent corporation. Business Controls employees play a key role in corporate
22 governance as it relates to the assessment of the effectiveness of financial controls for SOX
23 compliance purposes and Company policy management.

24 ABC, which is a shared service, is responsible for establishing Company-wide overhead
25 allocation rates, managing a portion of the accounting close process, and developing the
26 information used to bill affiliates for shared services provided by SoCalGas. ABC is also
27 responsible for the administration of the overhead allocation process used for managing the cost

1 allocation processes. These processes are integral to the proper allocation of costs between
2 O&M and Capital. The overhead allocation process also sees that billings to third parties reflect
3 appropriate overhead costs. In addition to the primary responsibilities listed above, the ABC
4 department oversees the Company's shared service policies and supports the annual reporting
5 requirements related to compliance with ATRs. They are also responsible for establishing
6 internal orders used for tracking and billing costs that are subject to billing to SDG&E and other
7 affiliates. As subject matter experts on overhead cost allocation, ABC provides analytical
8 support to a variety of special projects and studies used for internal management, regulatory
9 filings, and compliance reporting.

10 Affiliate Compliance, which is a non-shared service, is responsible for administering
11 SoCalGas' affiliate compliance program. This includes: (1) overseeing the business processes
12 designed to facilitate and comply with state and federal affiliate transaction and intercompany
13 transaction rules, such as the CPUC's longstanding ATRs; (2) acting as a point of contact to the
14 organization related to affiliate compliance issues; (3) operating as the Company liaison with the
15 CPUC and having primary responsibility for development of the annual compliance plan, filing
16 of reports required by the ATRs, and interaction with CPUC auditors; (4) providing extensive
17 training throughout SoCalGas; (5) managing the annual web-based training and providing
18 instructor-led training to key focus areas within the Company; and (6) maintaining a website and
19 hotline for providing guidance to SoCalGas employees. Affiliate Compliance plays a key role in
20 the compliance process, including utility-specific oversight to facilitate compliance as well as the
21 development and submittal of required reporting to the CPUC on a periodic basis.

22 **2. Forecast Methodology**

23 As shown in Table SL-9 above, SoCalGas recorded \$1.46 million for these activities in the
24 2016 base year. Accounting Systems and Compliance is using a 5-year historical average of 2012-
25 2016 costs to estimate the TY 2019 costs. The use of a 5-year average is appropriate and provides
26 a reasonable basis for developing a forecast of TY 2019 costs for the Accounting Systems and
27 Compliance department. A&G costs fluctuate from year-to-year, therefore use of a forecasting
28 methodology based on an average of multiple years of historical costs results in a cost forecast that
29 reflects the cost variability expected over the forecast period.

1 **E. Incident Support and Analysis**

2 **Table SL-10**

3 **Incident Support and Analysis Summary of Total Costs**

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Incident Support Analysis	0	0	0	1,101	0	1,101	1,101	0	1,101
Total	0	0	0	1,101	0	1,101	1,101	0	1,101

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

5 The ISA department requests \$1.10 million for TY 2019. The requested dollar amount is
6 for ten staff members plus non-labor expenses for the new ISA department. ISA will work
7 collaboratively with the Risk Management, Emergency Services, and the Safety & Wellness
8 departments to coordinate with individual business units on identifying historical major incidents
9 (e.g., enterprise-wide IT outage, high pressure line struck in Visalia) to develop proactive
10 response plans of support and incident mitigation measures. By proactively enhancing response
11 plans with business units, ISA will help reduce the potential impact that major incidents have on
12 normal operations as well as reduce potential business interruptions. ISA consists of staff with
13 experience in responding to major incidents and interacting with staffs regarding incident-related
14 business practices. The ISA team will utilize their past experiences in responding to major
15 incidents to help with the coordination of incident response, and when needed can act in a
16 leadership role to oversee response activities during major incidents. Additionally, ISA provides
17 ongoing data and records management related to prior incidents, and other informational support
18 (e.g., regulatory) during non-incident periods. ISA is also responsible for ongoing financial
19 reporting associated with incidents to regulatory agencies.

20 **2. Forecast Methodology**

21 As shown in Table SL-10 above, SoCalGas forecasts an estimated cost of \$1.10 million
22 using a zero-based method.

23 **F. Finance**

24 **TABLE SL-11**

25 **Finance Summary of Total Costs**

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Finance	1,549	0	1,549	1,437	0	1,437	-112	0	-112
Total	1,549	0	1,549	1,437	0	1,437	-112	0	-112

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

2 For TY 2019, the Finance department requests \$1.44 million, which represents a decrease
3 of \$112k from 2016 adjusted-recorded costs. The decrease is the result of FOF-related cost
4 savings.

5 The Finance department is a non-shared service consisting of Financial and Strategic
6 Analysis, Rate Base, and Regulatory Accounts. The Finance department is primarily responsible
7 for analyzing new projects, technologies, and initiatives, as well as managing regulatory
8 accounts for SoCalGas. SoCalGas' Finance department performs a wide variety of financial and
9 regulatory accounting functions including project evaluation, the development and
10 implementation of revenue requirements, regulatory accounts and ratemaking mechanisms in
11 support of regulatory filings, and large-scale financial projects. The department also maintains a
12 treasury function that analyzes cash flows and financing requirements in support of SoCalGas'
13 short and long-term debt issuances. Lastly, the department is responsible for the Company's rate
14 base and depreciation functions.

15 Financial and Strategic Analysis conducts financial modeling and analysis to support
16 business cases and financial plans for incremental capital projects. In the financial modeling
17 area, the group develops and analyzes the calculations of revenue requirements in support of
18 significant regulatory filings, including testifying before the CPUC on the assumptions and
19 methodologies supporting the proposed revenue requirements. The group maintains the financial
20 evaluation model that is utilized Company-wide, thereby applying consistent economic,
21 regulatory, and financial assumptions to be used for the evaluation of SoCalGas' capital projects.
22 In addition, the group supports capital projects by performing short and long-term financial
23 analysis and evaluation of project viability by incorporating current and evolving economic
24 assumptions, regulatory compliance measures, and accounting standards into their financial
25 model. In support of the internal financial planning process, the group is responsible for the
26 development of pro forma financial statements for SoCalGas' incremental projects. With the
27 holistic understanding of the factors that impact a capital project's financial performance, the
28 group provides strategic guidance and performs financial due diligence on executive-level
29 proposals and regulatory filings.

30 The Rate Base group is responsible for the accounting and analysis of rate base as well as
31 providing rate base testimony and analysis in connection with SoCalGas' GRC filing and any

1 large utility projects. The group also provides support to Regulatory Accounts in the
2 implementation of CPUC decisions (e.g., by determining the capital-related costs that are
3 recorded in CPUC-approved regulatory account mechanisms). In the depreciation area, the
4 group is responsible for depreciation accounting as well as conducting studies of depreciation
5 lives and salvage values. The group is also responsible for sponsoring depreciation testimony
6 and analysis in connection with SoCalGas' GRC filing.

7 Regulatory Accounts is responsible for the development, implementation, maintenance,
8 and analysis of regulatory balancing, tracking, and memorandum accounts as well as other cost
9 recovery and ratemaking mechanisms approved by the CPUC. This includes oversight of
10 approximately 70 regulatory accounts approved in SoCalGas' current tariffs and regulatory
11 support in proceedings before the CPUC, which involve activities such as preparing responses to
12 data requests from intervenors, providing comments to proposed decisions or protests to advice
13 letter filings, and providing testimony where cost recovery issues are addressed. The group is
14 also responsible for the preparation of annual advice letter filings to update regulatory account
15 balances that will be amortized in rates and other filings to establish tariffs for new regulatory
16 account mechanisms approved by the CPUC. Regulatory Accounts is also responsible for
17 external reporting requirements with the CPUC and other external regulatory agencies to see that
18 the accounts are maintained in compliance with CPUC directives. From a financial reporting
19 and planning standpoint, Regulatory Accounts also is responsible for seeing that the regulatory
20 account information is reported accurately, consistent with current financial accounting
21 standards, and is properly included in rates to minimize rate volatility charged to customers.
22 Additionally, Regulatory Accounts helps manage SoCalGas' cash flow requirements and
23 strategy.

24 **2. Forecast Methodology**

25 As shown in Table SL-11 above, SoCalGas recorded \$1.55 million for these activities in
26 the 2016 base year. The Finance department is using a 5-year historical average of 2012-2016
27 costs to estimate the TY 2019 costs. The use of a 5-year average is appropriate and provides a
28 reasonable basis for developing a forecast of TY 2019 costs for the Finance department. A&G
29 costs fluctuate from year-to-year; therefore, use of a forecasting methodology based on an
30 average of multiple years of historical costs results in a cost forecast that reflects the cost
31 variability expected over the forecast period.

1 **G. Financial and Operational Planning**

2 **TABLE SL-12**

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

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Financial & Oper Plan	3,603	73	3,676	3,764	55	3,819	161	-18	143
Total	3,603	73	3,676	3,764	55	3,819	161	-18	143

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

5 For TY 2019, the Financial and Operational Planning department requests \$3.82 million,
6 which represents an increase of \$143k from 2016 adjusted-recorded costs. The increase is a
7 result of the difference between the request for an additional two Senior Analysts to support
8 RAMP reporting requirements, while being offset by FOF-related cost savings. The Financial &
9 Operational Planning department consists of Financial Planning, Business Planning & Budgets,
10 and Capital Operational Planning.

11 The Financial Planning group is responsible for the development of the 1-year and 5-year
12 financial plan for SoCalGas. This group also performs the forecast and analysis of cash flows as
13 well as assesses market conditions to minimize the costs that support utility Capital expenditures.
14 The Financial Planning group measures and reports actual financial performance against planned
15 targets to management. Additionally, the Financial Planning group supports GRC requirements
16 and proceedings.

17 The Business Planning & Budgets and Capital Operational Planning groups provide
18 budget, accounting, and financial support to all business departments across SoCalGas. These
19 departments include:

- 20 • Chief Executive Officer
- 21 • President & Chief Operating Officer
- 22 • Transmission & Storage
- 23 • Gas Operations & System Integrity - Gas Engineering & Major Projects, System
24 Integrity & Asset Management
- 25 • Customer Services
- 26 • Customer Solutions
- 27 • Gas Acquisition
- 28 • External Affairs & Environmental Strategy
- 29 • Information Technology
- 30 • Operations Support & Environmental Services
- 31 • Supply Management & Logistics

- Human Resources
- Accounting & Finance
- Regulatory Affairs
- General Counsel

Budget support includes the development, maintenance, and analysis of the O&M and Capital budgets through the coordination and regular review of operations with client organizations. Budget support also entails forecasting miscellaneous revenues and preparing monthly operating cost reports. Within the accounting function, this group sees that transactions are properly recorded, cost centers are updated and maintained, and internal work orders are established in accordance with Company policies and accounting rules. Additionally, they provide support and guidance for various monthly and quarterly accounting obligations. The Capital Operational Planning group supports internal and external stakeholders by providing the necessary financial support with regards to regulatory and compliance matters, including GRC proceedings. The group establishes a calendar of deliverables and validations for consistency and accuracy of the consolidated financial content as well as dissemination of finance related updates.

In TY 2019, the Financial & Operational Planning department is asking for two additional Senior Analysts to assist in the tracking and reporting of RAMP related budgeting activities per the new CPUC requirements. The need for two additional resources to support RAMP⁴ is a response to the additional financial accountability reporting that is to be provided to the CPUC. This information has not previously been reported to the CPUC, and therefore requires additional personnel support. To support these reporting requirements, the Company will need to make system upgrades and modifications to incorporate risk-related attributes for tracking purposes. The additional resources will support the necessary system enhancements so that the Company can accurately and properly report financial accountability to the CPUC.

2. Forecast Methodology

As shown in Table SL-12 above, SoCalGas recorded \$3.68 million for these activities in the 2016 base year. The forecasts have been adjusted to reflect a Company re-organization in 2015. In 2015, the Business Planning groups across SoCalGas were centralized into the

⁴ As a result of D. 14-12-025, SoCalGas adopted a risk-based decision-making framework to assess and minimize such risks.

1 Financial & Operational Planning department to increase efficiencies for all operating
 2 organizations. Financial and Operational Planning is using a 5-year historical average of 2012-
 3 2016 costs to estimate the TY 2019 costs. The use of a 5-year average is appropriate and
 4 provides a reasonable basis for developing a forecast of TY 2019 costs for the Financial and
 5 Operational Planning department. A&G costs fluctuate from year-to-year, therefore use of a
 6 forecasting methodology based on an average of multiple years of historical costs results in a
 7 cost forecast that reflects the cost variability expected over the forecast period.

8 **H. Controller**

9 **TABLE SL-13**
 10 **Controller Summary of Total Costs**

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Controller	0	695	695	0	885	885	0	190	190
Total	0	695	695	0	885	885	0	190	190

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

12 For TY 2019, the Controller function consists of the Controller/Chief Financial Officer
 13 (CFO), Assistant Controller, and administrative support. The Controller function requests
 14 \$885k, which represents an increase of \$190k from 2016 adjusted-recorded costs. This increase
 15 is primarily attributable to the addition of an Assistant Controller.

16 The Controller function is a shared service that provides executive oversight and
 17 guidance related to the financial and accounting services at both SoCalGas and SDG&E. The
 18 CFO and Assistant Controller oversee the Utilities' compliance process with relevant accounting,
 19 financial, and regulatory rules and regulations in accordance with GAAP, including those
 20 mandated by SOX, SEC, FERC, and CPUC. The Controller function maintains the integrity of
 21 the financial statements and reports submitted both internally and externally. The CFO also sees
 22 that the Utilities' internal controls are adequately maintained. In addition, the Assistant
 23 Controller supports the CFO with executive oversight of the accounting and financial services
 24 for both SoCalGas and SDG&E. The Assistant Controller also directly oversees the day-to-day
 25 functions for:

- 26 • Accounting Operations
- 27 • Claims Management
- 28 • Incident Support & Analysis

1 contributed to a 690% increase in the recovery backlog of open cases (normal backlog is 1k
2 cases; current backlog is 6.9k).

3 The SoCalGas Claims Recovery Coordinator is responsible for investigating recovery
4 claims, determining third-party liability, requesting invoices from Sundry Billing, processing
5 vendor invoices, posting daily payments received on recovery claims to the claims management
6 software from SAP, and running the Company Property Damage Report to determine daily
7 workload distribution. The Claims Recovery Coordinator will also work with department leads
8 to prepare monthly reconciliation reports for both liability and recovery, assist in gathering
9 supporting documentation to substantiate large recovery bills against responsible third-party
10 contractors, develop monthly aging, and generate no bill and write-off reports. Additionally, the
11 Claims Recovery Coordinator will be responsible for tracking and reporting key vendor spending
12 to make sure the Company contracting operations are compliant with contract limits. The
13 Claims Recovery Coordinator will work with many different departments within the Company
14 including Litigation, AP, Sundry Billing, Supply Management, Financial Accounting,
15 Information Systems, Customers Services, and Distribution.

16 **2. Forecast Methodology**

17 As shown in Table SL-14 above, SoCalGas recorded \$1.30 million in base year 2016.
18 Claims is using a 5-year historical average of 2012-2016 costs to estimate the TY 2019 costs.
19 Costs in this area are prone to fluctuations because the amount paid from litigation claims is
20 dependent on the number of litigation matters brought against the Company as well as the dollar
21 amount being sought by plaintiffs in litigation. While the actual claims cases over the past 5
22 years have remained relatively consistent in terms of volume of claims, the complexity of the
23 allegations and legal theories of liability have increased potential exposure. The volume of
24 claims for the last 5 years is as follows:

- 25 • Year 2012 - 2,011 claims
- 26 • Year 2013 - 2,180 claims
- 27 • Year 2014 - 2,267 claims
- 28 • Year 2015 - 2,003 claims
- 29 • Year 2016 - 2,098 claims

30 We cannot predict the nature of litigated outcomes for the forecast years and must
31 therefore rely on averaging to arrive at a reasonable cost for the test and attrition years.

1 **J. Claims Payments and Recovery Costs**

2 **TABLE SL-15**

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

Accounting and Finance Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Claims Payments & Recov	14,434	0	14,434	7,401	0	7,401	-7,033	0	-7,033
Total	14,434	0	14,434	7,401	0	7,401	-7,033	0	-7,033

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

5 For TY 2019, the Claims Payments and Recovery department requests \$7.40 million,
6 which represents a decrease of \$7.03 million from 2016 adjusted-recorded costs.

7 This department is responsible for net payments for third-party property damage, bodily
8 injury, and recovery claims for SoCalGas. After a liability determination has been made for both
9 third-party liability and recovery cases by the SoCalGas Claims department, claims payments
10 and/or billing requests are processed and tracked through internal databases for proper
11 documentation and follow-up. Plaintiff settlement demands and jury awards have continued to
12 rise, adding to the overall claims costs, and SoCalGas has recently defended and settled a
13 significant number of claims.

14 **2. Forecast Methodology**

15 As shown in Table SL-15 above, SoCalGas recorded \$14.43 million for these activities in
16 the 2016 base year. Claims Payments and Recovery is using a 5-year historical average of 2012-
17 2016 costs to estimate the TY 2019 costs. Forecasting the amount of claims payments for TY
18 2019 is a difficult task, given the unpredictability and volatility of events that could occur that
19 would cause the Company to incur additional unanticipated costs. Historically, SoCalGas has
20 seen the claims expense vary significantly from one year to the next. While SoCalGas manages
21 its operations to mitigate the impact of third-party claims as much as possible, the exposure to
22 claims will always be a genuine risk to the Company given its large presence of property, assets,
23 and resources throughout a wide geographic region. As such, it is important that any forecast of
24 claims captures a period that is long enough to reflect the highs and lows of activity that cannot
25 be easily predicted or controlled. Therefore, it is appropriate to use a 5-year historical average to
26 capture a reasonable cycle of Claims Payments and Recovery activity.

1 **IV. LEGAL DIVISION**

2 **A. Introduction**

3 SoCalGas' Legal division provides a wide variety of complex, high value legal services
4 to the Company. SoCalGas' Legal division is headed by a Vice President (VP) and General
5 Counsel (GC), who is supported by, among others, three Assistant General Counsels (AGC).
6 The GC and the AGCs oversee the practicing attorneys who are assigned to Regulatory,
7 Litigation, or Commercial/Environmental law. In addition, SoCalGas' Legal division has a staff
8 of legal research attorneys, paralegals, and administrative assistants who provide support to the
9 attorneys. As discussed in more detail below, due to the increasing demands placed on our Legal
10 division as a result of many new state and federal regulatory requirements and initiatives, the
11 Legal division has added additional attorneys since our last GRC.

12 **TABLE SL-16**

13 **Legal Division Summary of Incurred Costs**

Legal Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Legal Division	6,652	0	6,652	6,968	0	6,968	316	0	316
Total	6,652	0	6,652	6,968	0	6,968	316	0	316

14 For TY 2019, SoCalGas' Legal division forecasts A&G expenses of \$6.97 million, which
15 represents an increase of \$316k from 2016 adjusted-recorded costs. The increase represents the
16 request for two Senior Counsels in the Regulatory group and one Legal Administrator. Table
17 SL-15 above presents the total O&M costs for the Legal division requested for TY 2019. The
18 Legal division is using a 5-year averaging methodology to forecast expenses, as this
19 methodology best reflects the current organization and related cost structure for the Legal
20 division.

21 **B. Vice President/General Counsel**

22 The GC oversees legal operations at SoCalGas and serves as the Company's legal advisor
23 and officer. The GC provides dedicated services to, and legal counsel on behalf of, SoCalGas
24 and its specific needs and interests.

25 **C. Regulatory**

26 The Regulatory law section primarily handles regulatory legal matters affecting the
27 Company. This group represents SoCalGas in regulatory proceedings at the CPUC and at FERC.
28 They advise management and operational groups within SoCalGas on new rules, regulations,

1 tariffs, rate issues, initiatives, and investigations at the regulatory agencies that have regulatory
2 authority over SoCalGas. Regulatory attorneys are also often involved in commercial matters
3 where those transactions have a regulatory basis or implication. Further, regulatory attorneys are
4 frequently asked to comment or advise on legislation where regulatory ramifications may exist
5 (e.g., state or federal natural gas-related bills).

6 The two incremental Senior Counsels are needed to address the extensive regulatory
7 workload that is expected to continue and increase through the TY 2019 cycle. The volume and
8 complexity of regulatory work has been impacted by new regulatory requirements and the
9 expansion of proceedings requiring legal staffing.

10 In addition to the traditional recurring proceedings (e.g., GRCs, cost of capital
11 applications, gas commodity filings, energy efficiency matters, and cost allocation/rate design
12 proceedings), SoCalGas' regulatory attorneys are involved with emerging proceedings driven by
13 environmental initiatives (e.g., new greenhouse gas initiatives, new proceedings examining new
14 market structure and rate design issues, and environmental compliance requirements⁵),
15 distributed energy concepts, RAMP, Safety Model Assessment Proceeding (SMAP), new gas
16 storage rules, and other safety measures. Regulatory attorneys also spend an increasing amount
17 of time on various CPUC initiatives such as confidentiality rules, public access, and ex parte
18 rules. These new rules directly impact regulatory attorneys who continue to spend more time with
19 discovery issues and potential confidentiality issues. There are also matters related to changes in
20 SoCalGas' infrastructure, service, and pipeline safety and integrity that require legal support.

21 The Regulatory law section has also become increasingly involved in supporting
22 operations due to increasing regulatory oversight. The sheer number of pending proceedings
23 underway, number of parties, and increasing inquiries via data requests and reporting require
24 additional staff to see that regulatory activities are covered and well-coordinated. SoCalGas has
25 had to increase attorney and Legal Administrator full-time equivalents (FTE) over the last couple
26 years to meet the increased regulatory demands and will continue to need these resources through
27 the foreseeable future.

⁵ See e.g., the testimony of Andrew Cheung (Ex. SCG-20) and Lisa Alexander (Ex. SCG-21).

1 **D. Litigation**

2 The Litigation law section represents SoCalGas in civil litigation ranging from the
3 defense of personal injury and property damages to more complex commercial, environmental,
4 and business disputes. Company litigation matters are handled mostly in-house, using outside
5 counsel when additional expertise is required or when in-house resources are insufficient.

6 Litigation attorneys provide advice to support the Company’s emphasis on loss
7 prevention as well as public and employee safety. The Litigation department is increasingly
8 being called upon to provide advice on a broad spectrum of Company operations, including:
9 review of proposed revisions to Company policies and procedures, Gas Standards and Tariff
10 Rules; review of Company communications regarding safety and public awareness programs;
11 and legislative analysis. The Litigation department also engages in pre-litigation investigation of
12 significant incidents, and conducts training programs for incident response. Additionally, more
13 aggressive litigation tactics (e.g., expanding theories of liability, increased monetary demands,
14 and punitive damages claims) are making litigation practice more rigorous and increasing this
15 section's caseload.

16 **E. Commercial and Environmental**

17 SoCalGas’ Commercial attorneys handle commercial transactions including contracts for
18 physical and financial commodity transactions, storage and hub transactions, interstate pipeline
19 capacity, utility system interconnections, general services and operations procurement,
20 maintenance and new construction, licensing, marketing and communications, intellectual
21 property and technology contracts, municipal franchises, permitting, right-of-way acquisition,
22 land use and other real estate matters, new business structuring, research and development
23 investment, energy efficiency program contracts, rebates and incentives, federal and state
24 government contracts, customer services agreements, and tariff-based contracts. In addition,
25 they research, write, and edit commercial documents as well as provide commercially-focused
26 legal advice. Commercial attorneys also consult with Regulatory and Litigation attorneys to
27 provide relevant input from their areas of expertise on matters related to the Company’s
28 regulatory and litigation matters.

29 SoCalGas’ Environmental attorneys represent and advise the Company in the areas of
30 environmental compliance, litigation, enforcement, and permitting. The Environmental
31 attorneys represent the Company in matters before governmental agencies overseeing air, water

1 quality, species protection, land use, and other environmental matters. Furthermore, they
2 provide guidance and representation in regulatory proceedings where environmental review is
3 mandated or recommended by the CPUC or other federal, state, and local agencies. In addition,
4 SoCalGas' Environmental attorneys represent the Company in instances where administrative or
5 governmental permits are required for regulatory-approved capital projects, pipeline integrity
6 projects, or routine operations and maintenance activities particularly in environmentally
7 sensitive areas where the Company has facilities (i.e. wetlands, the Coastal Zone, the California
8 desert, and other sensitive habitats and ecosystems).

9 **F. Administrative Staff**

10 SoCalGas' Legal division administrative staff support the three sections of the Legal
11 division on an array of matters, which includes conducting legal research and providing litigation
12 support (e.g., depositions, court appearances, etc.). Paralegals provide case planning,
13 development, and management. They also research legal and factual issues, conduct interviews,
14 engage in fact gathering and retrieval of information, draft and analyze legal documents, and
15 review and proofread various filings prior to submittal. Paralegals also manage and respond to
16 third-party subpoenas served on the Company by parties seeking production of documents or
17 Company trial and deposition testimony. Legal Administrators provide general administrative
18 support as well as specialized support depending on practice areas. They are required to be
19 knowledgeable and proficient in civil and regulatory rules, practices, and procedures, as well as
20 constantly enhance their skills as technologies and the business practices change. The additional
21 Legal Administrator is needed to assist the Regulatory law group with an increase in staff size as
22 well as increasing regulatory demands, requests, and filings.

23 **G. Outside Counsel**

24 SoCalGas uses outside counsel to handle certain matters that require special skills or
25 when a case/matter requires additional resources beyond the capacity of the Legal division. The
26 CCLD, in consultation with SoCalGas and SDG&E, coordinates retention and oversight of
27 outside firms on behalf of the Utilities, as described in the Direct Testimony of Corporate
28 Center-General Administration witness, Mia DeMontigny (Ex. SCG-28).

1 **V. REGULATORY AFFAIRS DIVISION**

2 **A. Introduction**

3 The SoCalGas' Regulatory Affairs division is comprised of: (1) Director of Regulatory
 4 Affairs; (2) Regulatory Tariffs and Information; (3) Regulatory Case Management; (4) Gas Rates and
 5 Analysis; (5) Gas Demand Forecasting and Economic Analysis; and (6) GRC Revenue Requirements.
 6 Regulatory Affairs provides case management, policy formulation, regulatory strategy, gas demand
 7 forecasting, economic analysis, gas cost allocation, gas rate design, and tariff administration
 8 services to the Company. Regulatory Affairs also manages proceedings and issues before the
 9 CPUC and other federal and state agencies.

10 **TABLE SL-17**

11 **Regulatory Affairs Division Incurred Costs by Department**

Regulatory Affairs Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Director – Reg Affairs	0	186	186	0	215	215	0	29	29
Regulatory Tariffs & Info	662	0	662	676	0	676	14	0	14
Case Management	0	716	716	0	1,094	1,094	0	378	378
Gas Rates & Analysis	0	171	171	0	322	322	0	151	151
Gas Forecasting & Analysis	0	805	805	0	877	877	0	72	72
GRC & Rev Requirements	0	825	825	0	1,304	1,304	0	479	479
Total	662	2,703	3,365	676	3,812	4,488	14	1,109	1,123

12
 13 Regulatory Affairs TY 2019 forecast incurred costs are \$4.49 million, compared to the 2016
 14 base year of \$3.37 million using a 5-year forecast methodology. The 5-year averaging
 15 methodology produces an accurate forecast as it best reflects the current organization and cost
 16 structure for Regulatory Affairs.

17 **B. Director of Regulatory Affairs**

18 **TABLE SL-18**

19 **Director of Regulatory Affairs Summary of Total Costs**

Regulatory Affairs Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Director – Reg Affairs	0	186	186	0	215	215	0	29	29
Total	0	186	186	0	215	215	0	29	29

20 For TY 2019, the Director of Regulatory Affairs requests \$215k, an increase of \$29k from
 21 2016 adjusted-recorded costs. The Director of Regulatory Affairs oversees, leads, and directly
 22 manages various departmental functions/groups before regulators and other key decision makers

at the state and federal level. The director is responsible for overseeing the development and implementation of the Company's key regulatory policies and business objectives related but not limited to safety, reliability, compliance, infrastructure permitting, gas distribution, transmission and storage, energy procurement, revenue requirements, rates analysis, tariffs, cost recovery, new business initiatives, and other energy issues. The director also seeks to ensure that (1) the Company's policy and business objectives are effectively pursued and advocated before regulators and key decision makers; and (2) there is adequate staffing and management of the regulatory issues. This includes, but is not limited to the preparation of legal requests, policies, proposals, testimonies, and analysis presented to external stakeholders. The director also seeks to ensure that the numerous regulatory-driven client groups within SoCalGas and SDG&E receive appropriate support. The director of Regulatory Affairs is a shared service.

C. Regulatory Tariffs and Information

TABLE SL-19

Regulatory Tariffs and Information Summary of Total Costs

Regulatory Affairs Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Regulatory Tariffs & Info	662	0	662	676	0	676	14	0	14
Total	662	0	662	676	0	676	14	0	14

For TY 2019, Regulatory Tariffs and Information requests \$676k, an increase of \$14k from 2016 adjusted-recorded costs. This request is needed to fund department activities relating to: (1) filing advice letters and responding to protests and draft resolutions; (2) maintaining, interpreting, revising, and developing tariff schedules and new tariffs; (3) providing guidance on regulatory compliance with tariffs; and (4) responding to CPUC staff inquiries. Additionally, the Tariffs department provides case management for certain CPUC investigations and CPUC rulemaking proceedings relating to the tariff schedules or CPUC general orders. They also provide tariff support to Case Management in other major proceedings and track regulatory compliance requirements. Over the last few years, the Tariffs department has filed approximately 180 advice letters per year (an increase of over 17% from the 2013-2014 average). They manage related activities with the advice letter process, including filing responses to protests and managing suspensions and data requests, which have increased in activity/volume in recent years. The Regulatory Tariffs and Information department is a non-shared service.

1 **D. Regulatory Case Management**

2 **TABLE SL-20**

3 **Regulatory Case Management Summary of Total Costs**

Regulatory Affairs Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Case Management	0	716	716	0	1,094	1,094	0	378	378
Total	0	716	716	0	1,094	1,094	0	378	378

4 For TY 2019, Regulatory Case Management requests \$1.09 million, an increase of \$378k
5 from the 2016 adjusted-recorded costs. The increase is partially attributable to employees
6 returning to normal operations after temporary deployment to mitigate the Aliso leak. The
7 Regulatory Case Management department is also requesting two incremental Case Managers
8 based on an increase in workload, which includes: (1) coordinating SoCalGas' participation in
9 regulatory proceedings and related activities before the CPUC, including rate and non-rate related
10 applications, CPUC-initiated investigations and rulemakings, and related legislative activities; (2)
11 managing regulatory filings with the CPUC and other agencies; (3) coordinating compliance with
12 CPUC directives and requirements; (4) retaining regulatory records and related information as
13 part of the Utilities' Regulatory Central Files; and (5) maintaining effective working relationships
14 with state and federal regulatory agencies, and being responsive to their requests for information
15 or assistance. Case Management is also responsible for these same activities for FERC gas
16 regulatory proceedings. Case Management is a shared service between SoCalGas and SDG&E.

17 As a result of the ongoing efforts being made by California to achieve its energy policy
18 objectives and implement new safety initiatives, the CPUC is continuously pursuing energy
19 policy objectives and the implementation of new safety initiatives. They are doing this through
20 proceedings in such areas as pipeline safety and integrity, energy efficiency, rate design,
21 greenhouse gas regulation, alternative fuel vehicle transportation, water energy nexus, gas
22 curtailment rules, and CPUC-related proceedings associated with Senate Bills (e.g., 1371, 350,
23 1383, and others). All areas have increased the demands on the Case Management department
24 and result in the need for additional staffing with greater experience and skills.

25 In recent years, there have been increasing CPUC, intervenor, and state oversight, audits,
26 protocols, and requirements as well as regulatory proceedings underway that span a multitude of
27 issues (including recent legislative activity) for SoCalGas that require more coordination and
28 coverage. For example, recent CPUC directives regarding confidentiality rules and privacy issues

1 require the Company to provide detailed declarations for any sensitive materials being provided to
 2 the CPUC. This requires additional time and resources from Utility staff. Also, the changing
 3 landscape at the CPUC (incoming new staff and consultants, new safety-related organizations
 4 being established, and focus on risk-related processes and education/coordination) as well as the
 5 number of pending proceedings underway, number of parties, increasing inquiries via data
 6 requests and reporting, and other such requirements, require additional staff to see that regulatory
 7 activities are covered and well-coordinated.

8 **E. Gas Rates and Analysis**

9 **TABLE SL-21**

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

Regulatory Affairs Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Gas Rates and Analysis	0	171	171	0	322	322	0	151	151
Total	0	171	171	0	322	322	0	151	151

11 For TY 2019, Gas Rates and Analysis requests \$322k, an increase of \$151k from 2016 adjusted-
 12 recorded costs. The department provides policy support, gas cost-based rate design, analysis, and
 13 coordination/consultation for use in business development and regulatory proceedings. These
 14 activities are used in the development of gas revenue requirement cost allocations across customer
 15 classes and customer rate designs for CPUC-required filings, proceedings, and *ad hoc* requests.
 16 These activities also aid in providing expert witness testimony on rate design and cost allocation
 17 issues. The Gas Rates and Analysis department is a shared service between SoCalGas and
 18 SDG&E.

19 Historically, the department has maintained between three to four FTEs but was
 20 understaffed starting in 2014 with only two FTEs. In base year 2016, the FTE count was under
 21 two, therefore the Gas Rates & Analysis department requests two analysts to fill these vacancies
 22 to support the departmental needs and operate at full capacity. The Gas Rates and Analysis
 23 department has had increasing workloads dealing with: (1) demand forecasting, cost allocation,
 24 and rate design issues; (2) participating in more proceedings as witnesses, writing testimonies,
 25 and responding to data requests; and (3) more involvement in rate and bill impact analyses for
 26 customer communications. This enhanced workload is expected to continue moving forward.

F. Gas Demand Forecasting and Economic Analysis

TABLE SL-22

Gas Forecasting and Analysis Summary of Total Cost

Regulatory Affairs Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
Gas Forecasting & Economic Analysis	0	805	805	0	877	877	0	72	72
Total	0	805	805	0	877	877	0	72	72

For TY 2019, the Gas Demand Forecasting and Economic Analysis department requests \$877k, an increase of \$72k from 2016 adjusted-recorded costs. This change is due to a labor true-up to reflect current operational needs. The funding requested is needed to continue Gas Demand Forecasting and Analysis activities, which include: (1) analyzing economic data, demographics, and gas customer forecasts; (2) developing gas price forecasts; (3) developing short and long-term gas demand forecasts and analyses as well as peak gas demand for transmission system planning; (4) analyzing policy implications on gas demand; (5) supplying analysis for use in business development and regulatory proceedings; and (6) providing expert witness testimony regarding cost escalation, economic and demographic trends, and customer/demand forecasting. In base year 2016, Gas Forecasting and Analysis is a shared service between SoCalGas and SDG&E.

G. GRC and Revenue Requirements

TABLE SL-23

GRC and Revenue Requirements Summary of Total Costs

Regulatory Affairs Division (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
GRC and Revenue Requirements	0	825	825	0	1,304	1,304	0	479	479
Total	0	825	825	0	1,304	1,304	0	479	479

For TY 2019, the GRC and Revenue Requirements department requests \$1.30 million, an increase of \$479k from 2016 adjusted-recorded costs. As a shared service, this department is responsible for the management and coordination of SDG&E's and SoCalGas' GRC and other major proceedings before the CPUC. This is a significant undertaking due to the GRC's considerable size, scope, and duration. Beyond procedural management of the case itself, the GRC Revenue Requirement department: (1) oversees and coordinates internal business units' data collection and forecasting efforts as well as the development of witness testimony; (2)

1 develops and maintains GRC database software; (3) responds to numerous intervenor and CPUC
2 inquiries; (4) provides detailed analysis of utility revenues, expenses, and investments in plant
3 and equipment in order to appropriately establish revenue requirements for the Utilities; and (5)
4 provides support for other regulatory proceedings such as SoCalGas' and SDG&E's Cost of
5 Capital, RAMP, and SMAP.

6 The additional funds requested to support the GRC and Revenue Requirements
7 department will be used to fill vacancies. These employees will assist with increasing GRC and
8 other regulatory requirements. Additionally, in base year 2016, a couple of resources in the GRC
9 and Revenue Requirements department were assigned to non-recurring Capital support and were
10 therefore not accounted for in O&M costs. The department plans to have these resources return
11 to assist with everyday functions of the GRC and Revenue Requirements department. Therefore,
12 additional funds are needed for the reclassification of employee costs from Capital to O&M.

13 **VI. EXTERNAL AFFAIRS DIVISION**

14 **A. Introduction**

15 The External Affairs division is headed by a Regional Vice President and is comprised of
16 four distinct departments: Office of Media and Public Information (OMPI), Community
17 Relations, Regional Public Affairs, and Energy and Environmental Affairs. This testimony does
18 not address Regional Public Affairs or present the costs for that department because the activities
19 performed by SoCalGas' Regional Public Affairs department are primarily focused on the Gas
20 Distribution function. These costs are sponsored by SoCalGas' Gas Distribution witness (see the
21 direct testimony of Gina Orozco-Mejia, Ex. SCG-04). This testimony also does not address
22 Energy and Environmental Affairs or present the costs for that department because the activities
23 performed by SoCalGas' Energy and Environmental Affairs department are primarily focused on
24 the Customer Solutions function. These costs are sponsored by SoCalGas' Customer Solutions
25 witness (see the direct testimony of Lisa Alexander, Ex. SCG-21).

26 The Regional Vice President of External Affairs is responsible for supervising the
27 directors of OMPI, Community Relations, Regional Public Affairs, and Energy and
28 Environmental Affairs to help streamline the four external-facing departments and see that
29 information and best practices are shared to maximize efficiency. The Regional VP of External
30 Affairs also provides important executive-level representation before community leaders and
31 elected officials. Increased regulatory oversight and heightened public scrutiny make it critical

1 that OMPI, Community Relations, Regional Public Affairs, and Energy and Environmental
 2 Affairs have a unity of leadership to enable the organization to consistently meet ever-changing
 3 expectations.

4 **TABLE SL-24**

5 **External Affairs Division Incurred Costs**

External Affairs (In 2016 \$)	2016 Adjusted-Recorded (000s)			TY2019 Estimated (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
External Affairs	1,864	0	1,864	1,976	0	1,976	112	0	112
Total	1,864	0	1,864	1,976	0	1,976	112	0	112

6 For TY 2019, the External Affairs division requests a total of \$1.98 million, an increase of \$112k
 7 from 2016 adjusted-recorded costs. The increase is due to base year 2016 being lower than the
 8 5-year average. As mentioned previously, the costs for both Regional Public Affairs as well as
 9 Energy and Environmental Affairs are not represented in this testimony (See the testimonies of
 10 Ms. Gina Orozco-Mejia, and Ms. Lisa Alexander).

11 **B. Office of Media and Public Information**

12 The OMPI (formerly, media and employee communications) manages and coordinates
 13 external communications with a broad set of stakeholders including the media, elected officials,
 14 government agencies, community organizations, and members of the public. OMPI also
 15 provides internal stakeholders with consistent messaging, a shared awareness of the broader
 16 communications landscape, and informs communications affecting customers and employees.
 17 OMPI is a non-shared service.

18 OMPI consists of a department director, one communications manager, three
 19 communications advisors, and two project specialists. The department director is responsible for
 20 providing leadership and guidance over the activities of this department and its employees and
 21 often serves as the Company’s Public Information Officer.

22 The changing industry and communications environment have created increased interest
 23 from many stakeholders and the need for timely, accurate, and transparent communications
 24 across several platforms. These platforms include traditional news media, digital media, social
 25 media, and more targeted community communications. These increased communications efforts
 26 provide stakeholders with critical safety information, timely notifications about construction or
 27 operations impacts, and the Company’s initiatives and positions on public policy.

1 SoCalGas' service territory includes the second-largest media market in the nation. As
2 such, media relations are an integral part of the Company's external communications efforts to
3 raise customer awareness about energy topics and safety related issues. Over the last several
4 years, the media's interest in daily operations, emergencies (small and large), programs, and
5 initiatives has grown significantly. OMPI provides timely and accurate information to
6 journalists on a daily basis, around-the-clock. In addition, the Company issues dozens of
7 proactive news releases on Company initiatives and programs each year on topics ranging from
8 low-income programs and energy efficiency, to renewable gas projects, major infrastructure, and
9 safety enhancements.

10 In addition, with the growing importance of social media and direct stakeholder
11 engagement, and with significant feedback from stakeholders, SoCalGas has deployed a more
12 diverse array of communications tools. These tools include community bulletins, targeted micro-
13 sites, info-graphics, photos, videos, and emergency notification systems.

14 Our social media communities have also grown significantly in recent years. The
15 Company provides regular information to roughly 37,561 followers on Facebook, 13,982
16 followers on Twitter, and is actively engaged on Instagram, Flickr, and other channels.

17 **C. Community Relations**

18 Community Relations is a non-shared service responsible for philanthropic giving of
19 shareholder funds across SoCalGas' service area to invest in our communities through our giving
20 priorities of: Science, Technology, Engineering, and Mathematics (STEM) Education;
21 Environmental, Safety, and Emergency Response; Ending homelessness; Veteran support; and
22 underserved communities. As the liaison between SoCalGas and roughly 1,300 community or
23 faith-based organizations and local communities, the Community Relations staff develops
24 relationships with these groups to identify ways they can help the Company's mutual customer
25 base. Community Relations achieves this through the promotion of assistance programs and
26 services available to underserved communities in need of financial assistance or through
27 financial grants for programs to help increase STEM education, environmental, and other
28 programs among underserved communities.

29 In addition, the Community Relations department engages SoCalGas' employee base to
30 get involved and give back to the communities SoCalGas serves through board service,
31 donations, fundraising, or volunteering.

1 Examples of some of the community work managed by this department include
2 CicLAVia sponsorship to promote clean air, healthy living, and SoCalGas customer assistance
3 programs. Our engagement with the Los Angeles Conservation Corps program raises awareness
4 about SoCalGas' energy efficiency and weatherization programs. SoCalGas' environmental
5 grant initiative project allocated over \$500,000 to 43 nonprofit group fund projects that help
6 clean the air, promote clean energy, clean water, and partake in water conservation projects.
7 Another example of work managed by the Community Relations department is Company grants
8 to support STEM learning and activities. These grants include the Los Angeles Education
9 Partnership, MIND Research Institute, LA's Best, and Los Angeles Council of Black
10 Professional Engineers. Through a variety of afterschool enrichment and scholarship programs,
11 the Company is improving STEM learning for area children. Another example is a sponsorship
12 with the American Red Cross to help raise awareness about fire prevention, earthquake
13 preparedness, and other gas safety information.

14 An example of employee engagement activities managed by this department is the
15 promotion of employee payroll deductions to fund nonprofit organizations of the employees'
16 choice. Last year, SoCalGas reached a record 45% of its employees participating in this
17 program. Additionally, the department supported more than 3,000 employees who volunteered
18 on their own time to fundraise, donate, or show up for company-sponsored events. Some
19 examples of these events are the Leukemia & Lymphoma Society's Light the Night Walk in Los
20 Angeles, the United Way of Greater Los Angeles' HomeWalk event (also in Los Angeles), and
21 numerous environmentally-focused Earth Month events (e.g., invasive plant removal, tree
22 care/planting, coastal clean-ups, etc.) throughout our service area.

23 SoCalGas' service territory consists of 223 cities in 12 counties spanning from central
24 California to the Mexico border. To manage the community outreach efforts, this department
25 consists of a director, two community relations managers, one employee engagement manager,
26 two specialists, and one administrative assistant. The director is responsible for providing
27 leadership and guidance governing the activities of the department and its employees. The two
28 Community Relations managers are responsible for designing, developing, and implementing
29 strategies for SoCalGas' giving priorities as well as managing hundreds of complex grant
30 applications for their respective areas. The employee engagement manager is responsible for
31 engaging our workforce in donations, fundraising, employee involvement, volunteerism, and

1 participation at over two dozen major campaigns/initiatives throughout our service area each
2 year. The director and managers, supported by their staff, represent SoCalGas at various
3 community events throughout the year. The specialists are responsible for managing the
4 department budget, processing grant applications, planning internal events, developing financial
5 reports, and tracking/managing the charitable giving budget.

6 **VII. MEALS AND ENTERTAINMENT**

7 SoCalGas uses the cost element titled Meals and Entertainment to record expenses
8 incurred by employees in the course of doing business. Our employees are often required to
9 travel and/or attend meetings out of the office or overnight away from home. Pursuant to its
10 business policy, SoCalGas reimburses our employees for out-of-pocket travel expenses, which
11 includes meals, to attend such business activities. An example includes employees who travel to
12 attend Commission meetings and workshops and who incur meal costs while they are away. At
13 times, meetings may extend through the lunch hour and for productivity, a lunch meal may be
14 ordered for the meeting attendees. These are simple examples of meal costs that are included in
15 this cost element category. Although this cost element title includes the word “entertainment,”
16 the meals discussed in this testimony and included in this cost element should not be considered
17 a perk. These meal expenses are reasonable business expenditures and are necessary and should
18 be recoverable in rates.

19 Even though the meal expenditures are necessary and reasonable business expenses
20 recoverable in rates, SoCalGas is excluding \$736,000 (in 2019 dollars) from its request to
21 eliminate the meal expenses for the Company. Although this is the amount that SoCalGas would
22 normally include in its TY 2019 GRC request, SoCalGas is proposing to request \$0 for
23 SoCalGas’ 2019 GRC revenue requirement for Meals and Entertainment. This one-time non-
24 precedential policy decision was made in recognition of impact on our customers as shown in the
25 rates testimony of Sharim Chaudhury (Ex. SCG-46). SoCalGas reserves the right to petition the
26 Commission in future GRC requests to return to historical, precedential recovery of Meals and
27 Entertainment expenses - i.e., to include this amount in rates going forward.

28 SoCalGas does not specifically forecast Meals and Entertainment as a line item expense
29 in its rate cases. Instead, Meals and Entertainment expenses are embedded throughout the case
30 in the non-labor sections of various witness areas. As such, no one witness sponsors the entirety
31 of Meals and Entertainment and they are not solely an A&G expense. Because there is no one

1 sponsoring direct witness, I am addressing this proposal on behalf of all SoCalGas witnesses
2 here in my A&G testimony. The total adjustment to remove the meals costs was removed as a
3 top-side adjustment to the Results of Operations Model (RO Model) when calculating the
4 Revenue Requirement. Please see the Summary of Earnings direct testimony of Khai Nguyen
5 (Ex. SCG-43) for more information on the RO Model.

6 **VIII. CONCLUSION**

7 SoCalGas requests that the CPUC adopt the O&M TY 2019 forecasts presented in this
8 testimony. SoCalGas' TY 2019 A&G forecasts were carefully developed and scrutinized to
9 reflect a prudent level of funding needed for the critical functions and activities to take place
10 during this GRC term. The amount requested for TY of \$35.30 million, which is \$3.79 million
11 less than base year 2016, is necessary to meet the needs of utility operations, maintain quality
12 customer service, and see that the company meets compliance and safety requirements.

13 This concludes my prepared direct testimony.

1 **IX. WITNESS QUALIFICATIONS**

2 My name is Stacey Lee. My business address is 555 W. 5th Street, Los Angeles, CA
3 90013. I am employed by SoCalGas as the Business Planning Manager. In this role, I am
4 responsible for the management of the day-to-day budget planning and performance of
5 SoCalGas' Customer Services and Customer Solutions and Communication. Previously, I
6 managed the budget planning for A&G divisions from August, 2015 through March, 2017.

7 I have been employed by SoCalGas since September 2005. My past responsibilities
8 include management of Audit Services, Information Technology, and Business Strategy &
9 Technology. Prior to SoCalGas, I worked for Deloitte from 1999 to 2005 in the Enterprise Risk
10 Services Group. I hold a Bachelor of Science Degree in Business Administration with an
11 emphasis in Accounting and Information Systems from the University of Southern California. I
12 am a member of ISACA (formerly Information Systems Audit and Control Association), am a
13 Certified Information Systems Auditor (CISA), and am certified in the Governance of Enterprise
14 Information Technology (CGEIT).

15 I have not previously testified before the CPUC.

APPENDIX A – Glossary of Acronyms

A&F – Accounting and Finance
A&G – Administrative and General
ABC – Affiliate Billing and Costing
AGC – Assistant General Counsel
AP – Accounts Payable
ATR – Affiliate Transaction Rules
CCLD – Corporate Center Law Department
CFO – Chief Financial Officer
CPUC – California Public Utilities Commission
FERC – Federal Energy Regulatory Commission
FOF – Fueling Our Future
FTE – Full-time Equivalent
GAAP – Generally Accepted Accounting Principles
GC – General Counsel
GRC – General Rate Case
ISA – Incident Support and Analysis
NSS – Non-Shared Service
NTP&S – Non-Tariffed Products and Services
O&M – Operating and Maintenance
OMPI – Office of Media and Public Information
RAMP – Risk Assessment Mitigation Phase
SCG – SoCalGas
SDG&E – San Diego Gas and Electric
SEC – Securities Exchange Commission
SECC – Sempra Energy Corporation Center
SMAP – Safety Model Assessment Proceeding
SOX – Sarbanes Oxley
STEM – Science, Technology, Engineering, Math
TY – Test Year
USS – Utility Shared Service
VP – Vice President