

Application of SOUTHERN CALIFORNIA GAS)
COMPANY for authority to update its gas revenue)
requirement and base rates)
effective January 1, 2008 (U 904-G).)

Application No. 06-12-010
Exhibit No.: (SCG-302)

JOINT SETTLEMENT COMPARISON EXHIBIT
SOUTHERN CALIFORNIA GAS COMPANY
TEST YEAR 2008 GENERAL RATE CASE

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

December 2007

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Chapter 1

Summary of Earnings Comparison Between SoCalGas and DRA

SOUTHERN CALIFORNIA GAS COMPANY
TEST YEAR 2008
SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	SCG Update 8/31 Proposed Rates	DRA Update 9/19 Proposed Rates	Settlement Proposed Rates	Change From SCG Update	Comparison Exhibit Reference
1	Base Margin	\$ 1,710,897	\$ 1,536,521	\$ 1,610,510	\$ (100,387)	
2	Miscellaneous Revenues	73,881	81,776	74,490	609	3A
3	Revenue Requirement	1,784,778	1,618,297	1,685,000	(99,778)	
<u>Operating and Maintenance Expenses</u>						
4	Clearing Accounts	66,495	64,344	66,161	(334)	3B1
5	Underground Storage	28,379	27,184	28,379	-	3B2
6	Transmission	35,587	31,079	32,589	(2,998)	3B3
7	Distribution	139,521	110,253	126,167	(13,354)	3B4
8	Customer Services	246,024	231,755	240,812	(5,212)	3B5
9	Uncollectibles	4,459	3,396	3,833	(626)	3B6
10	Administrative & General	282,833	215,659	243,170	(39,663)	3B7
11	Franchise Fees	25,495	22,946	23,940	(1,555)	3B8
12	Subtotal (2005\$)	\$ 828,792	\$ 706,615	\$ 765,050	\$ (63,742)	
13	O&M Reassignments	(57,457)	(47,394)	(50,641)	6,816	3B9
14	Subtotal (2005\$)	\$ 771,336	\$ 659,221	\$ 714,410	\$ (56,926)	
15	Labor Escalation Amount	36,617	33,210	34,375	(2,242)	3B10
16	Non-Labor Escalation Amount	12,344	9,090	11,634	(710)	3B10
17	Subtotal (2008\$)	\$ 820,297	\$ 701,521	\$ 760,419	\$ (59,878)	
18	Shared Service, Net	187,240	177,584	185,948	(1,292)	3C
19	Total O&M Expenses	1,007,537	879,105	946,367	(61,170)	
20	Depreciation	317,075	292,903	294,450	(22,626)	3D
21	Taxes on Income	138,406	135,121	133,049	(5,357)	3E
22	Taxes Other Than on Income	71,161	71,029	68,021	(3,140)	3E
23	Total Operating Expenses	1,534,179	1,378,158	1,441,886	(92,293)	
24	Return	250,599	240,139	243,114	(7,485)	
25	Rate Base	2,887,087	2,766,573	2,800,852	(86,235)	3F
26	Rate of Return	8.68%	8.68%	8.68%	0.00%	
27	Derivation of Base Margin					
28	O&M Expenses (Line 19)	1,007,537	879,105	946,367	(61,170)	
29	Depreciation (Line 20)	317,075	292,903	294,450	(22,626)	
30	Taxes (Line 21+22)	209,567	206,150	201,069	(8,498)	
31	Return (Line 24)	250,599	240,139	243,114	(7,485)	
32	Revenue Requirement	1,784,778	1,618,297	1,685,000	(99,778)	
33	Less: Miscellaneous Revenues (Line 2)	73,881	81,776	74,490	609	
34	Base Margin (Line 1)	\$ 1,710,897	\$ 1,536,521	\$ 1,610,510	\$ (100,387)	

CHAPTER 1A: SETTLEMENT AGREEMENT SUMMARY

Line	Description	Reference	FERC	SoCalGas	Settlement	Difference
2	Misc Revenue	3A	Various	73,881	74,490	609
			Total			609
	Operating and Maintenance Expenses					
4	Clearing Accounts	3B1-1	184.2	47,506	47,506	0
		3B1-2	184.3	3,250	2,916	(334)
			Total			(334)
5	Underground Storage	NA	818.0			0
		3B2	833.0	2,793	2,793	0
			Total			0
6	Transmission	NA	850.0			0
		3B3-1	853.0	2,078	1,626	(452)
		NA	856.0			0
		NA	859.0			0
		3B3-2	863.0	2,768	2,399	(369)
		3B3-3	863.7	6,879	4,702	(2,177)
		NA	864.0			0
			Total			(2,998)
7	Distribution	3B4-1	870.0	15,199	15,000	(199)
		3B4-2	887.7	8,072	5,344	(2,728)
		3B4-3	870.7	16,492	13,883	(2,609)
		3B4-4	874.3	10,800	9,715	(1,085)
		NA	874.4			0
		3B4-5	880.1	2,104	1,683	(421)
		3B4-5	880.4	12,083	11,195	(888)
		3B4-6	880.2	3,007	2,748	(259)
		NA	880.3			0
		3B4-7	880.5	1,210	964	(246)
		3B4-8	887.0	7,808	8,063	255
		3B4-8	887.1	7,761	7,616	(145)
		3B4-9	892.0	14,146	12,186	(1,960)
		3B4-10	892.4	9,368	7,189	(2,179)
		3B4-11	893.0	706	564	(142)
		3B4-11	893.1	2,920	2,788	(132)
		3B4-11	893.5	3,237	2,621	(616)
			Total			(13,354)
8	Customer Services	3B5-1	879.0	99,577	97,913	(1,664)
		3B5-2	879.3	1,133	900	(233)
		3B5-3	903.1	63,433	62,800	(633)
		3B5-4	908.0	20,538	17,500	(3,038)
		3B5-5	807.5	2,890	3,246	356
			Total			(5,212)
9	Uncollectibles	3B6	904.0	4,459	3,833	(626)

NA” – Not Applicable. Such items represent the resolution of unexplained differences between the DRA and SCG RO models by the Settlement.

Line	Description	Reference	FERC	SoCalGas	Settlement	Difference
10	Administrative & General	3B7-1	920.0	5,553	5,553	0
		3B7-2	920.1	6,307	0	(6,307)
		3B7-3	920.2	24,621	12,500	(12,121)
		3B7-4	921.0	1,263	1,263	0
		3B7-5	923.1	49,532	46,948	(2,584)
		NA	923.1			0
		3B7-6	923.2	5,618	5,100	(518)
		3B7-7	923.3	10,278	10,278	0
		3B7-8	923.4	3,848	3,001	(847)
		3B7-9	924.0	4,109	4,183	74
		3B7-10	925.0	8,934	9,162	228
		3B7-11	925.1	15,953	15,524	(429)
		3B7-12	925.3	3,489	3,014	(475)
		3B7-13	925.5	726	705	(21)
		3B7-14	926.1	2,079	0	(2,079)
		3B7-15	926.2	33,357	31,400	(1,957)
		3B7-16	926.3	54,365	45,900	(8,465)
		3B7-17	926.4	11,912	10,979	(933)
		3B7-18	926.5	7,743	6,052	(1,691)
		3B7-19	930.1	500	0	(500)
		3B7-20	930.2	10,137	10,137	0
		3B7-21	931.6	1,956	1,704	(252)
		3B7-22	935.6	14,493	13,707	(786)
			Total			(39,663)
11	Franchise Fees	3B8	927.0	25,495	23,940	(1,555)
12	Subtotal (2005\$)					(63,742)
13	O&M Reassignments	3B9		(57,457)	(50,641)	6,816
14	Subtotal (2005\$)					(56,926)
15	Labor Escalation	3B10		36,617	34,375	(2,242)
16	Non-Labor Escalation	3B10		12,344	11,634	(710)
17	Subtotal (2008\$)					(59,878)
	"NA – Not Applicable. Such items represent the resolution of unexplained differences between the DRA and SCG RO models by the Settlement.					

Line	Description	Reference	FERC	SoCalGas	Settlement	Difference
18	Shared Service, Net (1)	3C1	2200-2047	397	292	(105)
		3C2	2200-0619	2,927	2,847	(80)
		3C2	2200-2089	115	80	(35)
		3C3	2200-2072	332	0	(332)
		3C4	2200-2043	180	150	(30)
		3C4	2200-2163	96	0	(96)
		3C5	2200-0805	693	0	(693)
		3C5	2200-2098	280	0	(280)
		3C5	2200-2208	198	0	(198)
		3C6	Various	3,664	3,664	0
	Billing Activity	NA	Various			557
			Total			(1,292)
19	Total O&M Expenses					(61,170)
20	Depreciation	3D1		317,075	294,450	(22,625)
21	Taxes on Income	3E		138,406	133,049	(5,357)
22	Taxes Other than on Income	3E		71,161	68,021	(3,140)
23	Total Operating Expenses					(92,292)
24	Return			250,599	243,114	(7,485)
25	Revenue Requirement			1,784,778	1,685,000	(99,778)
26	Weighted Average Rate Base (2)	3F1		2,887,087	2,800,852	(86,235)
	Working Cash	3F2		12,978	(92,516)	(105,494)
	"NA" – Not Applicable. Such items represent the resolution of unexplained differences between the DRA and SCG RO models by the Settlement.					
	(1) "Total Shared Service, Net" is composed of direct cost difference from Chapter 3C as well as billing activity of \$557.					
	(2) Rate base "difference" is composed of the items from Chapter F1 as well as indirect differences calculated in the RO model					

Chapter 2

Summary of Agreed Changes

NOTE: all agreed changes by SoCalGas have been incorporated in the August 31, 2007 Update filing and the SoCalGas Update RO model revenue requirement reflects these changes.

Chapter 3

Differences by Issue

Between SoCalGas and DRA

Note 1: in a number of instances, a variance exists between the Results of Operations models of SoCalGas and DRA that could not be explained by differences established on the record in this proceeding. In those instances the FERC account has been identified and the term “unexplained variance” has been used.

Note 2: O&M variance table amounts are generally shown in \$2005. An exception to this is any amount listed in the “nonstandard” row, which is in \$2008.

Note 3: the term “Joint Parties” will be used to refer to DRA, TURN and SoCalGas.

Note 4: The Comparison Exhibit reflects detailed comparisons of SCG and DRA positions in a number of accounts. While settling parties agree that the total revenue requirement is reasonable, and the resolution of certain accounts reflects compromises between the positions of SCG, DRA and TURN (such outcomes are included in the discussion of outcomes between SCG and DRA), the parties also considered TURN’s positions in accounts where there was no dispute between SCG and DRA (so these accounts are not reflected in Chapter 3).

Part A

Miscellaneous Revenues Issues

Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 Miscellaneous Revenues

Subject / Account: FERC 488.0

Witness: K. Deremer – Miscellaneous Revenues

Issue Description: Miscellaneous Revenue Level

SoCalGas Position: SoCalGas requests \$73.881 million as the level of Miscellaneous Revenues. Contested issues are:
 1. SEC forecast: SoCalGas estimates SEC revenues as \$25.293 million based on a five-year historical average adjusted for customer growth (see Exhibit SCG-21-E, p. 3).
 2. SoCalGas proposes to amortize all regulatory account balances in the standard method, through the regulatory account (see Exhibit SCG see Exhibit SCG 252, pages 1-3).

DRA Position: DRA proposes \$81.776 million as the level of Miscellaneous Revenues.
 1. SEC: DRA uses “ratio analysis” to develop its forecast of \$25.918 million, an increase of \$0.625 million (see Exhibit DRA-29, p. 4-6).
 2. DRA would amortize the PBOPA balance via a \$9.459 million adjustment to miscellaneous revenues (see Exhibit DRA-23, page 23-3).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Type	SoCalGas	DRA	Difference
Misc. Revenues	\$73,881	\$81,776	\$7,894

Note: DRA amounts contain an actual Miscellaneous Revenue change of \$0.523 million plus the amortization of the PBOPs balancing account \$9,459 and offset by a flow-through reduction from Shared Asset changes of (\$2.087) million. The difference between the \$0.523 and \$0.625 amounts cited above is unexplained.

SETTLEMENT AGREEMENT

The Joint Parties agree to accept an increase of \$0.609 million reflecting the differing analytical approaches of TURN and DRA used in forecasting miscellaneous revenues. The Joint Parties agree that the resulting amount of \$74.490 million represents a reasonable level of miscellaneous revenues for SoCalGas for 2008.

Part B

Nonshared O&M Expense Issues

B1: Clearing Accounts

B2: Underground Storage

B3: Gas Transmission

B4: Gas Distribution

B5: Customer Services

B6: Uncollectables

B7: Administrative & General

B8: Franchise Fees

B9: O&M Reassignments to Capital

B10: Escalation

B1: CLEARING ACCOUNTS

Summary of Differences (\$000)

FERC	Testimony	Witness	DRA vs. SCG	Reference
184.2	Support Services	Krumvieda	(1,817)	3B1-1
184.3	Support Services	Krumvieda	(334)	3B1-2
		Total	(2,151)	

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts.

Chapter 3B1-1
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 184.2

Witness: R. Krumvieda – Support Services

Issue Description: Clearing Accounts -- Fleet

SoCalGas Position: SoCalGas requests \$47.506 million for the activities in this account. Contested issues are:

1. Fuel expense: forecast of \$11.580 million based on the latest available information per an updated fuel price forecast provided in rebuttal testimony (see Exhibit SCG-237, p.5).
2. Incremental fleet vehicles: SoCalGas agrees to TURN’s methodology of using the ratio of incremental vehicles acquired in 2006 vs. the forecast ($41/63 = 34.9\%$) as the adjustment to the forecast 2008 incremental vehicle request which results in a request of \$1.326 million for this activity (see Exhibit SCG-237, p.7)

DRA Position: DRA proposes \$45.689 million for the activities in this account.

1. Fuel expense: forecast of \$10.642 million based on the average AAA 2006 retail price per gallon in southern California less an \$0.11 off-site differential, a reduction of \$0.938 million (see Exhibit DRA-34, pp.4,5).
2. Incremental fleet vehicles: no incremental vehicle need over the 2006 level has been justified which results in a proposed level of funding of \$0.410 million for this activity, a reduction of \$0.916 million (see Exhibit DRA-34, p.5,6).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$6,650	\$7,186	\$536
Nonlabor	(\$368)	\$343	\$711
Nonstandard	\$41,224	\$38,160	(\$3,064)
Total	\$47,506	\$45,689	(\$1,817)

SETTLEMENT AGREEMENT

The Joint Parties agree to SoCalGas' requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$6,650
Nonlabor	(\$368)
Nonstandard	\$41,224
Total	\$47,506

Chapter 3B1-2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 184.3

Witness: R. Krumvieda – Support Services

Issue Description: Clearing Accounts – Supply Management

SoCalGas Position: SoCalGas proposes \$3.250 million for the activities in this account. This is an \$80,000 increase over base year 2005 level of expense related to realizing the full year impact of FTE hired in 2005 offset by a reduction of a one-time cost related to a process change in 2005 (see Exhibit 10-E, pp. 28-29).

DRA Position: DRA proposes \$2.916 million for the activities in this account. DRA updated the forecast amount to the adjusted-recorded 2006 amount for this account, a reduction of \$0.334 million (see Exhibit DRA-34, p. 7).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$1,330	\$1,330	\$0
Nonlabor	\$1,920	\$1,586	(\$334)
Nonstandard	\$0	\$0	\$0
Total	\$3,250	\$2,916	(\$334)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$1,330
Nonlabor	\$1,586
Nonstandard	\$0
Total	\$2,916

B2: UNDERGROUND STORAGE

Summary of Differences (\$000)

FERC	Testimony	Witness	DRA vs. SCG	Reference
833.0	Underground Storage	Weibel	(1,200)	3B2
818.0	Unexplained variance	NA	5	NA
		Total	(1,195)	

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts. The unexplained variance is eliminated and will be the SCG proposed amount.

Chapter 3B2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 833.0

Witness: R. Weibel – Underground Storage

Issue Description: Corrosion Control

SoCalGas Position: SoCalGas forecasts \$2.793 million for corrosion control of lead based pipeline coatings that have reached the end of their life expectancy and require replacement (see Exhibit SCG-223, pp. 2-3).

DRA Position: DRA proposes \$1.593 million for the activities in this account. DRA states that there is insufficient justification for the request and acceptance of O&M funding would create a double-counting of expenses already provided for this activity in capital accounts, a reduction of \$1.200 million (see Exhibit DRA-30, pp. 39-40).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$411	\$411	\$0
Nonlabor	\$2,382	\$1,182	(\$1,200)
Nonstandard	\$0	\$0	\$0
Total	\$2,793	\$1,593	(\$1,200)

SETTLEMENT AGREEMENT

The Joint Parties agree to SoCalGas' requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$411
Nonlabor	\$2,382
Nonstandard	\$0
Total	\$2,793

B3: GAS TRANSMISSION

Summary of Differences (\$000)

FERC	Testimony	Witness	DRA vs. SCG	Reference
853.0	Gas Transmission	Taylor	(452)	3B3-1
863.0	Gas Transmission	Taylor	(369)	3B3-2
863.7	Engineering	Rivera	(4,598)	3B3-3
850.0	Unexplained variance	NA	15	NA
856.0	Unexplained variance	NA	91	NA
859.0	Unexplained variance	NA	90	NA
864.0	Unexplained variance	NA	715	NA
		Total	(4,508)	

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts. The unexplained variances are eliminated and will be the SCG proposed amount.

Chapter 3B3-1
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 853.0

Witness: D. Taylor – Gas Transmission

Issue Description: Operating Permit Fees

SoCalGas Position: SoCalGas recommends \$2.078 million for this account. Contested issues are:

1. SoCalGas uses a linear least squares model estimations technique for forecasting regulatory operating permit fees (see Exhibit SCG-220, pp. 4).
2. SoCalGas forecasts increased operating costs in 2008 related to preparing for and receiving LNG into the SoCalGas system (see Exhibit SCG-220, pp. 5).

DRA Position: DRA recommends \$1.626 million for this account, a reduction of \$0.452 million.

1. DRA uses the average annual increase over 2001-2005 as its forecast methodology for operating permit fees, a \$0.130 reduction (see Exhibit DRA-30, pp. 35).
2. DRA believes that receipt of LNG into the SoCalGas system in 2008 is highly speculative and funding should be denied, a \$0.326 million reduction (see Exhibit DRA-30, pp. 36).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$959	\$901	(\$58)
Nonlabor	\$618	\$725	\$107
Nonstandard	\$501	\$0	(\$501)
Total	\$2,078	\$1,626	(\$452)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$901
Nonlabor	\$725
Nonstandard	\$0
Total	\$1,626

Chapter 3B3-2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 863.0

Witness: David Taylor – Gas Transmission

Issue Description: Cathodic Protection

SoCalGas Position: SoCalGas requests a total of \$2.768 million for additional cathodic protection vigilance on pipelines not located in high consequence areas as defined by the DOT pipeline integrity rules and the need for additional pipeline technicians to protect the pipelines from external threats (see Exhibit SCG-220, pp.5,6).

DRA Position: DRA recommends \$2.399 million for these activities because SoCalGas did not adequately support the request and thus all incremental funding should be rejected, a reduction of \$0.369 million (see Exhibit DRA-30, p.36).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$1,601	\$1,241	(\$360)
Nonlabor	\$1,167	\$1,158	(\$9)
Nonstandard	\$0	\$0	\$0
Total	\$2,768	\$2,399	(\$369)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$1,241
Nonlabor	\$1,158
Nonstandard	\$0
Total	\$2,399

Chapter 3B3-3
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 863.7

Witness: J. Rivera – Engineering

Issue Description: Transmission Pipeline Integrity Program (TIMP)

SoCalGas Position: SoCalGas proposes \$6.879 million for the activities in this account. Contested issues are:

1. SoCalGas proposes to move to the FERC methodology for capitalization of in-line inspections beginning in TY2008 resulting in an increase to this account of \$4.617 million over base year 2005 (see Exhibit SCG-214, pp.16-18).
2. SoCalGas proposes to continue to comply with DOT rules by performing external corrosion direct assessment of 27.51 miles of pipeline in this account in 2008 at a cost of \$2.010 million (see Exhibit SCG-214, pp. 18-19).
3. SoCalGas proposes full funding for the activities in this account, or in the alternative, full funding with the establishment of a two-way balancing account (see Exhibit SCG-214, pp. 22-23).

DRA Position: DRA proposes \$2.281 million for the activities in this account.

1. DRA forecasts the expenses associated with the capitalization change to be \$2.029 million, which is a reduction of \$2.588 million to the SCG request (see Exhibit DRA-30, pp. 42).
2. DRA forecasts \$0 for External Corrosion Direct Assessment (ECDA) in 2008 and concludes that SoCalGas' ECDA forecast for 2008 is unnecessary, which is a reduction of \$2.010 million to the SCG request (see Exhibit DRA-30, pp. 43-46).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$734	\$255	(\$479)
Nonlabor	\$6,145	\$2,026	(\$4,119)
Nonstandard	\$0	\$0	\$0
Total	\$6,879	\$2,281	(\$4,598)

Note: In Exhibit DRA-30, the Gas Engineering Summary Table 30-10 states DRA's forecast as \$4.686 million, not the \$2.281 million shown in the R.O. model. This error was subsequently copied into the rebuttal testimony of Mr. Joseph M. Rivera, Exhibit 214 in summary tables JMR-1 and JMR-7. The individual amounts shown in DRA Tables 30-11 and 30-12 as well as in SoCalGas Rebuttal Exhibit 214 Tables JMR-9 and JMR-10 are consistent with the R.O. model. Just the summary tables are incorrect.

SETTLEMENT AGREEMENT

SoCalGas requested \$6.879 million for labor and non-labor costs associated with the maintenance of transmission mains associated with the mandated pipeline integrity program. DRA proposed a downward adjustment of \$4.598 million with respect to requested increases associated with the change in capitalization policy and performing ECDA activities. The settlement value reflects a reduction of \$2.177 million, which is a reasonable compromise that falls between the parties' litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$495
Nonlabor	\$4,207
Nonstandard	\$0
Total	\$4,702

B4: GAS DISTRIBUTION

Summary of Differences (\$000)

FERC	Testimony	Witness	DRA vs. SCG	Reference
870.0	Engineering	Rivera	(9,998)	3B4-1
887.7	Engineering	Rivera	(7,730)	3B4-2
870.7	Distribution	Rendler	(2,609)	3B4-3
874.3	Distribution	Rendler	(2,226)	3B4-4
880.1	Distribution	Rendler	(421)	3B4-5
880.4	Distribution	Rendler	(888)	3B4-5
880.2	Distribution	Rendler	(259)	3B4-6
880.5	Distribution	Rendler	(246)	3B4-7
887.0	Distribution	Rendler	255	3B4-8
887.1	Distribution	Rendler	(145)	3B4-8
892.0	Distribution	Rendler	(1,960)	3B4-9
892.4	Distribution	Rendler	(2,179)	3B4-10
893.0	Distribution	Rendler	(142)	3B4-11
893.1	Distribution	Rendler	(132)	3B4-11
893.5	Distribution	Rendler	(616)	3B4-11
874.4	Unexplained variance	NA	8	NA
880.3	Unexplained variance	NA	20	NA
		Total	(29,268)	

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts. The unexplained variances are eliminated and will be the SCG proposed amount.

Chapter 3B4-1
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 870.0

Witness: J. Rivera – Engineering

Issue Description: Distribution Pipeline Integrity Program (DIMP) Supervision and Engineering

SoCalGas Position: SoCalGas requests \$15.199 million for the activity in this account, or in the alternative, full funding with the establishment of a two-way balancing account for DIMP expenses (see Exhibit SCG-216, pp.4-9).

DRA Position: DRA recommends \$5.201 for the activities in this account, a reduction of \$9.998 million (see Exhibit DRA-30, p. 46). DRA proposes the removal of costs associated with the Department of Transportation (DOT) Pipeline Integrity Program from GRC rates, and in place recommends memorandum account treatment. In the event this request is authorized, DRA submits that the PTY ratemaking calculation should exclude any forecasted or spent monies for the program if granted such accounting treatment (see DRA-25, page 25-24 to 25).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$5,323	\$4,440	(\$883)
Nonlabor	\$9,876	\$761	(\$9,115)
Nonstandard	\$0	\$0	\$0
Total	\$15,199	\$5,201	(\$9,998)

SETTLEMENT AGREEMENT

SoCalGas requested \$15.199 million for labor and non-labor costs associated with providing engineering and supervision to support operation of distribution assets. DRA proposed a downward adjustment of \$9.998 million to remove Distribution Integrity Management Program (DIMP) expenses consistent with its proposed memorandum approach treatment. The Settlement value of \$15.000 million represents a compromise that accommodates most of the funding requested by SoCalGas. The Joint Parties also agree that within this amount is \$10.000 million related to the Distribution Integrity Management Program (DIMP) expenses which were represented in FERC Account 870.0. There shall be a one way balancing account mechanism for DIMP costs for the term of the GRC Cycle, and any over- or under-collections may be carried forward within the GRC cycle. Any unspent DIMP funds at the end of this GRC cycle would be returned to customers in the next GRC.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$5,216
Nonlabor	\$9,784
Nonstandard	\$0
Total	\$15,000

Chapter 3B4-2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 887.7

Witness: J. Rivera – Engineering

Issue Description: Distribution Pipeline Integrity Program (DIMP)

SoCalGas Position: SoCalGas proposes \$8.072 million for the activities in this account. Contested issues are:

1. SoCalGas proposes to move to the FERC methodology for capitalization of in-line inspections beginning in TY2008 resulting in an increase to this account of \$0.620 million over base year 2005 (see Exhibit SCG-214, pp.16-18).
2. SoCalGas proposes continue to comply with DOT rules by performing external corrosion direct assessment of 28.31 miles of pipeline in this account in 2008 at a cost of \$7.425 million (see Exhibit SCG-214, pp. 18-19).
3. SoCalGas proposes full funding for the activities in this account, or in the alternative, full funding with the establishment of a two-way balancing account (see Exhibit SCG-214, pp. 22-23).

DRA Position: DRA proposes \$0.342 million for the activities in this account.

1. DRA forecasts the expenses associated with the capitalization policy change to be \$0.315 million for 2008 under the FERC methodology which is a reduction of \$0.305 million to the SCG request (see Exhibit DRA-30, pp. 41-43).
2. DRA forecasts \$0 for external corrosion direct assessment (ECDA) in 2008 and concludes that the SoCalGas request is not needed, which is a reduction of \$7.425 million in TY2008 (see Exhibit DRA-30, pp. 43-46).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$1,016	\$58	(\$958)
Nonlabor	\$7,056	\$284	(\$6,772)
Nonstandard	\$0	\$0	\$0
Total	\$8,072	\$342	(\$7,730)

SETTLEMENT AGREEMENT

SoCalGas requested \$8.072 million for labor and non-labor costs associated with the maintenance of mains associated with the mandated pipeline integrity program. DRA proposed a downward adjustment of \$7.730 million with respect to requested increases associated with the change in capitalization policy and performing ECDA activities. The settlement value reflects a reduction of \$2.728 million to partially reflect DRA's ECDA position on this account. The settlement is a reasonable compromise that falls between the parties' litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$661
Nonlabor	\$4,683
Nonstandard	\$0
Total	\$5,344

Chapter 3B4-3
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 870.7

Witness: D. Rendler – Distribution

Issue Description: Distribution Supervision and Engineering

SoCalGas Position: SoCalGas requests \$16.492 million for the activities in this account. Contested issues are:

1. Pipeline Integrity Management Support: SoCalGas requests incremental funding of \$1.373 million for operations labor required to collect, verify and reconcile data for pipelines operated by Gas Distribution (see Exhibit SCG-2-E, p. 11 and SCG-217, p. 7).
2. Field Supervision and Quality Assurance: SoCalGas requests incremental funding of \$0.652 million in order to maintain the 2005 employee to supervisor ratio by hiring six field supervisors and three quality assurance inspectors (see Exhibit SCG-2-E, p. 11 and Exhibit SCG-217, p. 7,8).
3. Supervision Development Program: SoCalGas requests \$0.459 million in incremental funding to create a supervisor development program for nine entry-level supervisors (see Exhibit SCG-2-E, p. 12 and Exhibit SCG-217, p. 8,9).
4. Operator Qualification Requirements: SoCalGas requests incremental funding of \$0.419 million to hire additional inspectors for new operator re-qualification requirements (see Exhibit SCG-217, p. 9,10) – note: this increase includes a \$0.025 million increase in 870.5 but included in this account discussion by DRA for ease of reference.
5. Engineering Development Program: SoCalGas requests incremental funding of \$0.360 million to hire six entry-level associate engineers to participate in a development and mentoring program (see Exhibit SCG-217, p. 10,11).

DRA Position: DRA proposes \$13.883 million for the activities in this account.

1. Pipeline Integrity Management Support: DRA recommends these expenses be tracked for future recovery in a one-way memorandum account, a reduction of \$1.373 million (see Exhibit DRA-30, p. 7).

2. Field Supervision and Quality Assurance: DRA recommends the elimination of the three quality assurance inspector portion of the request due to their need being unsupported, a reduction of \$0.259 million (see Exhibit DRA-30, p. 8).

3. Supervision Development Program: DRA recommends the elimination of the program from the request as its' need and existence have not been adequately supported, a reduction of \$0.459 million (see Exhibit DRA-30, p. 9).

4. Operator Qualification Requirements: DRA recommends the elimination of the request as its' need has not been adequately supported, a reduction of \$0.419 million (see Exhibit DRA-30, p. 10,11).

5. Engineering Development Program: DRA states that the purpose of this program has been adequately covered under existing programs and accordingly no incremental funding for a new program is necessary, a reduction of \$0.360 million (see Exhibit DRA-30, p. 11,12).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$14,254	\$11,663	(\$2,591)
Nonlabor	\$2,238	\$2,220	(\$18)
Nonstandard	\$0	\$0	\$0
Total	\$16,492	\$13,883	(\$2,609)

Note: DRA amount does not reflect an agreed change already in SoCalGas amount of \$0.228 million.

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$11,663
Nonlabor	\$2,220
Nonstandard	\$0
Total	\$13,883

Chapter 3B4-4
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 874.3

Witness: D. Rendler – Distribution

Issue Description: Mains and Service Operations Expense

SoCalGas Position: SoCalGas requests \$10.800 million for the activities in this account. Contested issues are:

1. Locate and Mark: SoCalGas requests \$1.397 million in incremental funding to address the continued growth in locate and mark activity (see Exhibit SCG-2-E, p. 20 and SCG-217, p. 12).
2. Job Site Requirements: SoCalGas requests \$1.354 million in incremental funding to comply with new a regulation requiring mandatory job site meetings when an excavation is proposed within 10 feet of a high pressure natural gas substructure (see Exhibit SCG-217, p. 13).

DRA Position: DRA proposes \$8.574 million for the activities in this account.

1. Locate and Mark: DRA proposes no incremental funding for this activity because a change in California law will lower the number of USA tickets to be processed in the future, a reduction of \$1.397 million (see Exhibit DRA-30, p. 14).
2. Job Site Requirements: DRA develops a different forecast methodology than SoCalGas to determine the number of tickets and uses a difference estimate of total time per ticket, a reduction of \$0.836 million (see Exhibit DRA-30, p. 15-18).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$10,582	\$8,356	(\$2,226)
Nonlabor	\$218	\$218	\$0
Nonstandard	\$0	\$0	\$0
Total	\$10,800	\$8,574	(\$2,226)

SETTLEMENT AGREEMENT

SoCalGas requested \$10.800 million for labor and non-labor costs associated with pipeline leak survey and locate and mark activities, and other miscellaneous main compliance activity. DRA proposed a downward adjustment of \$2.226 million with respect to requested increases for locate and mark work and additional requirements associated with high pressure USA tickets. The settlement value reflects a reduction of \$1.085 million, which partially reflects DRA's proposed changes to locate and mark activities and is a reasonable compromise that falls between the parties' litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$9,519
Nonlabor	\$196
Nonstandard	\$0
Total	\$9,715

Chapter 3B4-5
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 880.1 and 880.4

Witness: D. Rendler – Distribution

Issue Description: Training, Meetings and Off-Production Time

SoCalGas Position: SoCalGas requests \$2.104 million for FERC 880.1 and \$12.083 million for FERC 880.4. Contested issues are:

1. Trainings, Meetings and Other Off-production activity: SoCalGas requests an incremental \$1.309 million for this activity (\$0.421 million in FERC 880.1 and \$0.888 million in FERC 880.4). This increase is needed for training and other off-production time related to the expected increase in field employees (see Exhibit 2-E, p. 25 and Exhibit 217, pp.14-17).
2. Training for Dispatch Work Scheduling Program: SoCalGas originally requested an incremental \$0.215 million for this account related to the implementation of a new dispatch program that will require additional training of all field employees (see Exhibit SCG-2-E, p. 28 and SCG-217, pp. 14-17). Subsequently SoCalGas agreed to the DRA proposal below. The SoCalGas numbers below already reflect this agreement.

DRA Position: DRA proposes \$1.683 million for FERC 880.1 and \$11.195 for FERC 880.4.

1. Trainings, Meetings and Other Off-production activity: DRA does not believe any incremental need exists so existing budgets are sufficient to cover any increased expenses in this area and accordingly proposes \$0 for the activities in these accounts, a \$0.421 million reduction to FERC 880.1 and a \$0.888 million reduction to FERC 880.4 (see Exhibit 30, p.18).
2. DRA proposes \$0.043 million for this account due to the expense being one-time in nature. Accordingly DRA amortizes the \$0.215 over 5 years--DRA's proposed GRC term, a reduction of \$0.172 million to FERC 880.4 (see Exhibit DRA-30, p. 21). Applicants have agreed to this change and incorporated it into the account request shown below.

FERC 880.1

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$2,040	\$1,661	(\$379)
Nonlabor	\$64	\$22	(\$42)
Nonstandard	\$0	\$0	\$0
Total	\$2,104	\$1,683	(\$421)

FERC 880.4

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$11,325	\$10,437	(\$888)
Nonlabor	\$758	\$758	\$0
Nonstandard	\$0	\$0	\$0
Total	\$12,083	\$11,195	(\$888)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$12,098
Nonlabor	\$780
Nonstandard	\$0
Total	\$12,878

Chapter 3B4-6
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 880.2

Witness: D. Rendler – Distribution

Issue Description: Operations Support Materials

SoCalGas Position: SoCalGas requests \$3.007 million for the activities in this account. Contested issues are:
1. Support Materials: SoCalGas requests incremental funding of \$0.259 million for pagers, cell phones, business forms and associated stationary supplies related to a forecasted increase in field and back office workforce (see Exhibit SCG-2-E, p. 26 and SCG-217, pp. 23-24).

DRA Position: DRA proposes \$2.748 million for the activities in this account.
1. DRA does not believe any incremental need exists so existing budgets are sufficient to cover any increased expenses in this area and accordingly proposes \$0 for the activities in this account, a reduction of \$0.259 million (see Exhibit 30, p.20).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$3,007	\$2,748	(\$259)
Nonstandard	\$0	\$0	\$0
Total	\$3,007	\$2,748	(\$259)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$2,748
Nonstandard	\$0
Total	\$2,748

Chapter 3B4-7
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 880.5

Witness: D. Rendler – Distribution

Issue Description: Environmental Specialists

SoCalGas Position: SoCalGas requests \$1.210 million for the activities in this account. Contested issues are:
1. SoCalGas requests and incremental \$0.246 million for this account related to the addition of three Field Environmental Compliance Specialists to handle increasing complex environmental compliance issues (see Exhibit SCG-2-E, p. 26 and SCG-217, pp. 25).

DRA Position: DRA proposes \$0.964 million for the activities in this account.
1. DRA believes the existing workforce is sufficient to handle the expected level of environmental regulations, a reduction of \$0.246 million (see Exhibit DRA-30, p. 20).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$707	\$483	(\$224)
Nonlabor	\$503	\$481	(\$22)
Nonstandard	\$0	\$0	\$0
Total	\$1,210	\$964	(\$246)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$483
Nonlabor	\$481
Nonstandard	\$0
Total	\$964

Chapter 3B4-8
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 887.0 and 887.1

Witness: D. Rendler – Distribution

Issue Description: Maintenance of Mains -- Paving and Contractor Rates

SoCalGas Position: SoCalGas requests \$7.808 million for FERC 887.0 and \$7.761 million for FERC 887.1. Contested issues are:
1. Pipeline and Contractor Rates: SoCalGas requests an incremental \$0.400 million for this activity (\$0.255 million in FERC 887.0 and \$0.145 million in FERC 887.1). This increase is needed to reflect the outcome of new competitive bids received since the end of current contracts (see Exhibit SCG-2-E, p. 31).

DRA Position: DRA proposes \$8.063 million for FERC 887.0 and \$7.616 million for FERC 887.1.
1. Pipeline and Contractor Rates: DRA states the request is not supported by actual documentation and should be denied, a \$0.255 million reduction to FERC 887.0 and a \$0.145 million reduction to FERC 887.1 (see Exhibit 30, p.23).

FERC 887.0
Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$4,886	\$4,886	\$0
Nonlabor	\$2,922	\$3,177	\$255
Nonstandard	\$0	\$0	\$0
Total	\$7,808	\$8,063	\$255

FERC 887.1
Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$4,619	\$4,619	\$0
Nonlabor	\$3,142	\$2,997	(\$145)
Nonstandard	\$0	\$0	\$0
Total	\$7,761	\$7,616	(\$145)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$9,505
Nonlabor	\$6,174
Nonstandard	\$0
Total	\$15,679

Chapter 3B4-9
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 892.0

Witness: D. Rendler – Distribution

Issue Description: Maintenance of Services

SoCalGas Position: SoCalGas requests \$14.146 million for the activities in this account. Contested issues are:

1. Service Maintenance/Alteration (\$1.162 million incremental request): system growth requires service maintenance expense increase of \$0.045 million over the 2005 level and 3 year average of historical growth rates in service alteration applied to base year 2005 levels to estimate 2008 service alteration incremental expense of \$1.117 million (see Exhibit SCG-2-E, p. 36,37).
2. Riser Replacement (\$0.618 million incremental request): four year average riser replacement cost times the forecasted level of riser replacement used to forecast the incremental request (see Exhibit SCG-2-E, p. 37).
3. Pipeline and Paving Contractor Rates (\$0.384 million incremental request): With the expiration of their current agreements in 2005, SCG competitively bid contracts for both its crew hour pipeline (time and equipment) and paving contractor work. The result of this bidding process is a 9% increase in pipeline contractor rates, and a 35% increase in paving contractor rates.

DRA Position: DRA proposes \$12.186 million for the activities in this account.

1. Service Maintenance: DRA concludes that the 2005 base year level of expense should be sufficient and that no incremental request has been justified, a reduction of \$1.162 million (see Exhibit DRA-30, p. 27-29).
2. Riser Replacement: DRA disagrees with the work unit forecast and derives a different forecast, a reduction of \$0.414 million (see Exhibit DRA-30, p. 29).
3. Pipeline and Paving Contractor Rates: DRA states the request is not supported by actual documentation and should be denied, a \$0.384 million reduction (see Exhibit DRA-30, p. 30).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$10,842	\$10,102	(\$740)
Nonlabor	\$3,304	\$2,081	(\$1,223)
Nonstandard	\$0	\$0	\$0
Total	\$14,146	\$12,186	(\$1,960)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount. It should be noted that the table shown below reflects the labor value of \$10.105 million that is consistent with DRA's proposed amount. This represents a correction to the labor value indicated in the initial Joint Comparison Exhibit.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$10,105
Nonlabor	\$2,081
Nonstandard	\$0
Total	\$12,186

Chapter 3B4-10
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 892.4

Witness: D. Rendler – Distribution

Issue Description: Maintenance of Services -- Pipe Fittings

SoCalGas Position: SoCalGas requests \$9.368 million for the activities in this account. Contested issues are:
1. Precharged Pipe Fittings (Raw Materials Expense): SoCalGas requests \$1.773 million in incremental funding related to increases in raw materials costs and for increases in volume of work (see Exhibit SCG-2-E, p. 36).
2. Precharged Pipe Fittings (Volume Related Expense) SoCalGas requests \$1.027 million in incremental funding related to an increase in volume of work and associated requirements for pipeline fittings (see Exhibit SCG-2-E, pg. 36).

DRA Position: DRA proposes \$7.189 million for the activities in this account.
1. DRA believes SCG has provided insufficient evidence to justify an increase for materials expense, a reduction of \$1,773 million (see Exhibit DRA-30, p. 25).
2. DRA uses the actual annual average pipe fittings expense over the period of 2001-2005 to estimate its' forecast of this account, a reduction of \$0.406 million (see Exhibit DRA-30, p. 26).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$1	\$1	\$0
Nonlabor	\$7,594	\$7,188	(\$406)
Nonstandard*	\$1,773	\$0	(\$1,773)
Total	\$9,368	\$7,189	(\$2,179)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$1
Nonlabor	\$7,188
Nonstandard	\$0
Total	\$7,189

Chapter 3B4-11
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 893.0 and 893.1 and 893.5

Witness: D. Rendler – Distribution

Issue Description: Medium and Large Meter Set Assembly

SoCalGas Position: SoCalGas requests \$0.706 million for FERC 893.0, \$2.920 million for FERC 893.1 and \$3.237 million for FERC 893.5. Contested issues are:
1. Medium and Large Meter Maintenance: SoCalGas requests an incremental \$0.890 million for this activity (\$0.142 million in FERC 893.0, \$0.132 million in FERC 893.1 and \$0.616 million in FERC 893.5). This increase is needed to perform maintenance on a growing and aging infrastructure of medium and large meter set assemblies (see Exhibit SCG-2-E, p. 40).

DRA Position: DRA proposes \$0.564 million for FERC 893.0, \$2.788 million for FERC 893.1 and \$2.621 million for FERC 893.5.
1. Medium and Large Meter Maintenance: DRA states the request is not supported by recorded data and the base year level of expense is sufficient for this activity, a \$0.142 million reduction to FERC 893.0, a \$0.132 million reduction to FERC 893.1 and a \$0.616 million reduction to FERC 893.5 (see Exhibit 30, p.31).

FERC 893.0

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$668	\$528	(\$140)
Nonlabor	\$38	\$36	(\$2)
Nonstandard	\$0	\$0	\$0
Total	\$706	\$564	(\$142)

FERC 893.1

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$2,572	\$2,454	(\$118)
Nonlabor	\$348	\$334	(\$14)
Nonstandard	\$0	\$0	\$0
Total	\$2,920	\$2,788	(\$132)

FERC 893.5

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$3,043	\$2,471	(\$572)
Nonlabor	\$194	\$150	(\$44)
Nonstandard	\$0	\$0	\$0
Total	\$3,237	\$2,621	(\$616)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$5,453
Nonlabor	\$520
Nonstandard	\$0
Total	\$5,973

B5: CUSTOMER SERVICES

Summary of Differences (\$000)

FERC	Testimony	Witness	DRA vs. SCG	Reference
879.0	Customer Services Operations	Petersilia	(5,841)	3B5-1
879.3	Customer Services Operations	Petersilia	(470)	3B5-2
903.1	Customer Services Operations	Petersilia	(986)	3B5-3
908.0	Customer Services Information	P. Baker	(6,972)	3B5-4
		Total	(14,269)	

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts.

In addition, the Joint Parties agree to reflect the approval of the consolidation of the core portfolios of SoCalGas and SDG&E, as shown with regard to SoCalGas below in the Summary of Additional Changes.

Summary of Additional Changes (\$000)

FERC	Testimony	Witness	DRA vs. SCG	Reference
807.5	Gas Procurement	Harrigan	356	3B5-5

Chapter 3B5-1
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 879.0

Witness: P. Petersilia – Customer Services Operations

Issue Description: Customer Installation Expense

SoCalGas Position: SoCalGas requests \$99.577 million for the activities in this account. Contested issues are:

1. Field order volume (\$5.730 million incremental request):
SoCalGas generally uses a 2001-2005 average of historical data on an activity frequency factor to forecast orders per meter (with a 3-year average of 2003-2005 data for certain items) – (see Exhibit SCG-7-E, pp. 23-24).
2. Off production expense (\$1.984 million incremental request):
SoCalGas estimates a need for additional meeting and training related expenses due to (1) a large number of new hires in recent years, 2) changing gas appliance technologies and (3) because of a more challenging driving environment in southern California (see Exhibit SCG-7-E, pp. 25-28).
3. Supervisor expense (\$1.124 million incremental request):
SoCalGas proposes to preserve the ratio of supervisors to field employees at a similar level to that of 2005 (about 1:13) – (see Exhibit SCG-7-E, pp. 29).
4. Time studies (\$0.334 million incremental expense): SoCalGas proposes to hire four FTE to conduct industrial time and motion studies to determine how long each order type should take – 45 districts x 30 order types x 35 studies = 47,250 studies over four years (see Exhibit SCG-7-E, pp. 39-40).
5. Gas quality monitoring (\$0.750 million incremental expense):
SoCalGas requests funding for a gas quality monitoring program to ensure the introduction of LNG into the SoCalGas system has no adverse effects on customer appliances (see Exhibit SG-7-E, p. 40).

- DRA Position:
1. Field order volume: DRA generally uses a 2004-2006 historical average to derive a revised field order forecast for areas that SoCalGas used a 2001-2005 average, a reduction of \$2.907 million (see Exhibit DRA-32, p. 8).
 2. Off production expense: DRA concludes that the level of new hires is declining from higher historical levels and that the future need of training and meeting time will diminish such that the base year 2005 level of expense will be sufficient, a reduction of \$1.984 million (see Exhibit DRA-32, p. 13-14).
 3. Supervisor expense: due to DRA's proposed reduction in the field order forecast SoCalGas will need three less supervisors than forecast, a reduction of \$0.228 million (see Exhibit DRA-32, p. 15).
 4. Time studies: DRA recommends one third of the studies recommended by SoCalGas and normalizes this amount over a 5-year GRC term, a reduction of \$0.244 million (see Exhibit DRA-32, p. 16-17).
 5. Gas quality monitoring: DRA concludes that there is no evidence that LNG will flow on the SoCalGas system in 2008 and therefore the proposed expense for this area should be eliminated, a reduction of \$0.750 million (see Exhibit DRA-32, p. 18).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$96,003	\$90,642	(\$5,361)
Nonlabor	\$3,574	\$3,094	(\$480)
Nonstandard	\$0	\$0	\$0
Total	\$99,577	\$93,736	(\$5,841)

SETTLEMENT AGREEMENT

SoCalGas requested \$99.577 million for labor and non-labor costs associated with establishing and closing gas service, investigating and stopping leaks at customer premises, services for customer owned gas appliances, high bill investigations, altering service extensions and meter connections, other miscellaneous service orders, and also removing, replacing and maintaining meters. DRA proposed a total downward adjustment of \$5.841 million with respect to requested increases associated with service order volumes, “off production” expenses, supervisor expenses, time studies, and gas quality monitoring. The settlement value reflects a reduction of \$1.664 million to partially reflect DRA’s field order forecast change for this account. The Joint Parties agree that SoCalGas will strive to perform 180,000 planned meter change-outs and an additional 35,000 regulators annually using the funding level in this account. The settlement is a reasonable compromise that falls between the parties’ litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$94,406
Nonlabor	\$3,507
Nonstandard	\$0
Total	\$97,913

Chapter 3B5-2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 879.3

Witness: P. Petersilia – Customer Services Operations

Issue Description: Customer Installation Expense

SoCalGas Position: SoCalGas requests \$1.133 million for the activities in this account. Contested issues are:
1. Quality Assurance (\$0.760 million incremental request):
SoCalGas requests that the Quality Assurance function increase from 3.5 FTE in 2005 to about 13 FTE in 2008 to allow for greater in home monitoring and to account for the increased number of field personnel (see Exhibit SCG-7-E, p. 37-39).
2. Gas Technology (\$0.151 million incremental request):
SoCalGas is requesting 2 FTE to monitor and report on changing gas technology in gas appliances (see Exhibit SCG-7-E, p. 39).

DRA Position: DRA proposes \$0.663 million for the activities in this account.
1. Quality Assurance: DRA proposes the level of Quality Assurance FTE be kept at the 2006 recorded level, a reduction of \$0.319 million (see Exhibit DRA-32, p. 19).
2. Gas Technology: DRA concludes that these positions are unnecessary and this function can be absorbed within existing budgets, a reduction of \$0.151 million (see Exhibit DRA-32, p. 20).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$948	\$599	(\$349)
Nonlabor	\$185	\$64	(\$121)
Nonstandard	\$0	\$0	0
Total	\$1,133	\$663	(\$470)

SETTLEMENT AGREEMENT

SoCalGas requested \$1.133 million for labor and non-labor costs associated with gas quality assurance activities, quality inspections performed by Quality Insurance Inspectors. DRA proposed a total downward adjustment of \$0.470 million with respect to requested increases associated with quality assurance and technical training. The settlement value reflects a reduction of \$0.233 million, which partially reflects DRA's position on Quality Insurance Inspectors and is a reasonable compromise that falls between the parties' litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$752
Nonlabor	\$148
Nonstandard	\$0
Total	\$900

Chapter 3B5-3
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 903.1

Witness: P. Petersilia – Customer Services Operations

Issue Description: Customer Records and Collection Expense

SoCalGas Position: SoCalGas requests \$63.433 million for the activities in this account. Contested issues are:

1. Customer Contact Center training and development (\$0.704 million incremental request): SoCalGas has experienced a large increase of new employees in recent years and training and meeting time expenses need to be increased to keep pace (see Exhibit SCG-205, p.18).
2. Branch Office Closure (\$0.031 million decremental request): SoCalGas proposes to close seven branch offices and flow back the TY2008 savings to customers (see Exhibit SCG-7-E, p. 71).

DRA Position: DRA proposes a funding level of \$62.447 for the activities in this account.

1. Customer Contact Center training and development: DRA concludes that the projected increases are unlikely to take place and that the 2005 level of expense is sufficient for this activity, a reduction of \$0.741 million (see Exhibit DRA-32, p.24, 25).
2. DRA proposes to amortize the total 5-year savings from the branch office closures over the rate case period, a reduction of \$0.494 million (see Exhibit DRA-32, p. 25-28).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$55,742	\$54,756	(\$986)
Nonlabor	\$7,691	\$7,691	\$0
Nonstandard	\$0	\$0	\$0
Total	\$63,433	\$62,447	(\$986)

Note: DRA amount does not reflect an agreed change of \$0.222 million already incorporated in the SoCalGas amount.

SETTLEMENT AGREEMENT

SoCalGas requested \$63.433 million for labor and non-labor costs associated with the Customer Contact Center, Branch Office and Authorized Payment Locations, Customer Billing and Credit and Collections. DRA proposed a total downward adjustment of \$0.986 million with respect to requested increases associated with Customer Contact Center training and development and the amortization of savings from proposed branch office closures. The settlement value reflects a reduction of \$0.633 million, which partially reflects the DRA's and TURN's position on Customer Contact Center expenses and is a reasonable compromise that adopts more than half of DRA's litigation position. The settlement does not resolve the policy issues related to the use of certain Authorized Payment Locations raised by TURN.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$55,172
Nonlabor	\$7,628
Nonstandard	\$0
Total	\$62,800

Chapter 3B5-4
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 908.0

Witness: P. Baker – Customer Services Information

Issue Description: Customer Assistance Expense

SoCalGas Position: SoCalGas requests \$20.538 million for the activities in this account. SoCalGas requests incremental funding of \$5.550 million for a variety of expanded customer information programs, including Expanded Communications & Ethnic Outreach, Special Needs Programs, Communications & Outreach, Expanded CO Testing, Enhanced Services, California Energy Action Plan Support, and Enhanced Economic Development among others. In the alternative, SoCalGas proposes a base level of funding with a layered on set of critical programs (see Exhibit SCG-201, p.3-13).

DRA Position: DRA proposes \$13.566 million for the activities in this account. DRA rejects the need for incremental funding and instead provides a forecast based on the average of 2005 and 2006 adjusted-recorded expenses, a reduction of \$6.972 million (see Exhibit DRA-32, p. 34-35).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$9,203	\$6,512	(\$2,691)
Nonlabor	\$11,335	\$7,054	(\$4,281)
Nonstandard	\$0	\$0	\$0
Total	\$20,538	\$13,566	(\$6,972)

SETTLEMENT AGREEMENT

SoCalGas requested \$20.538 million for labor and non-labor costs associated with services and information essential to achieve customer awareness, compliance and overall satisfaction with CPUC authorized services, programs, rates and regulatory policies. DRA proposed a total downward adjustment of \$6.972 million with respect the request for incremental funding above base year expenses for such activities. The settlement value reflects a reduction of \$3.038 million, which partially reflects DRA's and TURN's alternative forecasting methodology and is a reasonable compromise that is between the parties' litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$7,806
Nonlabor	\$9,694
Nonstandard	\$0
Total	\$17,500

Chapter 3B5-5
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 807.5

Witness: J. Harrigan – Procurement

Issue Description: Consolidation of SoCalGas and SDG&E Core Portfolios

SoCalGas Position: SoCalGas requested 2008 funding of \$2.890 million for Account 807.5 relating to miscellaneous other gas purchase expenses, including expenses incurred directly in connection with the purchase of gas for resale.

DRA Position: DRA did not contest the SoCalGas request for funding of these activities.

SETTLEMENT AGREEMENT

As discussed in the Supplemental Testimony of James P. Harrigan (Exhibit 278) and pursuant to the testimony as adopted in D.07-12-019, the consolidation of the SoCalGas and SDG&E core procurement consolidation results in an increase in the SoCalGas 807.5 Account of \$0.356 million to add three new employees to handle the additional workload (see Exhibit SCG-278, p.2). This amount does not include labor overheads or escalation. There is a corresponding removal of charges from SDG&E accounts that results in an overall combined reduction of approximately \$1.98 million consistent with the figure presented in A.06-08-026. TURN combined the requested SoCalGas and SDG&E procurement department funding, subtracted \$2.00 million, and assigned the resulting amount between the utilities, resulting in continuation of funding at SDG&E and a reduction in funding for SoCalGas. As a provision of the settlement, the Joint Parties agree to reflect the procurement consolidation savings consistent with the manner documented in the SoCalGas testimony of A.06-08-026.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>End of Hearings</u>	<u>Portfolio Consolidation</u>	<u>Joint Party Settlement</u>
Labor	\$2,764	\$278	\$3,042
Nonlabor	\$126	\$78	\$204
Nonstandard	\$0	\$0	\$0
Total	\$2,890	\$356	\$3,246

B6: UNCOLLECTIBLES

Chapter 3B6
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 904.0

Witness: P. Petersilia – Customer Services Operations

Issue Description: Uncollectible Rate

SoCalGas Position: SoCalGas originally proposed an uncollectible rate of 0.261% but in rebuttal proposed an alternative uncollectible rate of 0.247% based on a five-year average (2001-2005) for the residential segment and a three-year average (2003-2005) for the commercial and industrial segments (see Exhibit SCG-205, p. 21). The RO model does not incorporate the revised uncollectible rate proposal.

DRA Position: DRA proposes an uncollectible rate of 0.221% base on a four-year average (2003-2006) of the recorded uncollectible rate (see Exhibit DRA-32, p. 29).

Note: the difference in the table below reflects both the difference due to the disagreement about the uncollectible rate plus the flow through impact of other changes to each parties RO models. Also, if the SoCalGas RO model was updated to reflect the rebuttal proposal for the uncollectible rate, the SoCalGas expense would be reduced by \$0.233 million.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Total	\$4,459	\$3,396	(\$1,063)

SETTLEMENT AGREEMENT

SoCalGas originally proposed an uncollectible rate of 0.261% but in rebuttal proposed an alternative uncollectible rate of 0.247%. DRA proposed an uncollectible rate of 0.221%. The settlement value of \$3.833 million results from flow-through impact of other changes and an uncollectible rate of 0.238% which reflects a compromise between the parties.

B7: ADMINISTRATIVE & GENERAL

Summary of Differences (\$000)

FERC	Testimony	Witness	DRA vs. SCG	Reference
920.0	Nonshared A&G	Kyle	(248)	3B7-1
920.1	Benefits	Rowland	(6,524)	3B7-2
920.2	Benefits	Rowland	(14,491)	3B7-3
921.0	Nonshared A&G	Kyle	(104)	3B7-4
923.1	Corporate Center	Haas	(14,451)	3B7-5
923.2	Bus. Unit Charge Up	Reyes	(1,131)	3B7-6
923.3	Shared Assets	Kyle	(193)	3B7-7
923.4	Corporate Center	Haas	(847)	3B7-8
924.0	Corporate Center	Haas	74	3B7-9
925.0	Nonshared A&G	Kyle	228	3B7-10
925.1	Benefits	Rowland	(1,426)	3B7-11
925.3	Corporate Center	Haas	(475)	3B7-12
925.5	Emergency Prep.	Boland	(21)	3B7-13
926.1	Pensions/PBOPs	Householder	(2,079)	3B7-14
926.2	Pensions/PBOPs	Householder	(1,957)	3B7-15
926.3	Benefits	Rowland	(13,921)	3B7-16
926.4	Benefits	Rowland	(1,227)	3B7-17
926.5	Benefits	Rowland	(3,691)	3B7-18
930.1	Nonshared A&G	Kyle	(500)	3B7-19
930.2	RD&D	P. Baker	(1,202)	3B7-20
931.6	Rents	Krumvieda	(252)	3B7-21
935.6	Facilities	Krumvieda	(3,832)	3B7-22
923.1	Unexplained variance	NA	(340)	NA
923.3	Unexplained variance	NA	16	NA
		Total*	(68,594)	

* NOTE: The difference between SoCalGas and DRA as shown in their respective RO models for A&G totals \$67.174 million while the table above totals \$68.594 million (a \$1.420 million gap). This occurs because neither the SoCalGas RO model or the DRA RO model reflect an 8/16/07 errata correction of \$1.420 million from J. Rowland to FERC 926.3.

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts. The unexplained variances are subsumed within the settlement amounts for the respective accounts.

Chapter 3B7-1
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 920.0

Witness: S. Kyle – Administrative and General Expense (A&G)

Issue Description: Nonshared A&G Labor

SoCalGas Position: SoCalGas requests funding of \$5.553 million for the activities in this account. Contested issues are:
1. Accounting Operations (\$0.140 million incremental request): SoCalGas requests 2 incremental FTE for Sarbanes-Oxley (SOX) Compliance (see Exhibit SCG-13-E, p. 15 and SCG-224, p. 2).
2. Staffing and Relocation (\$0.192 million incremental request): SoCalGas requests 3 FTE to staff expanded efforts in recruiting professionals, nonprofessionals and government mandates/audits (see Exhibit SCG-13-E, p. 15-17 and SCG-224, p. 3-4).

DRA Position: DRA proposes \$5.305 million for the activities in this account.
1. Accounting Operations: DRA concludes that SoCalGas has already complied with increased SOX compliance issues and no additional FTE are needed, a reduction of \$0.140 million (see Exhibit DRA-36, pp. 2-5).
2. Staffing and Relocation: DRA proposes 1.3 FTE for these functions based on a lack of specific support, only a varying percentage of each function should be authorized and allocates a portion of the reduction to each of labor and nonlabor, with a labor reduction \$0.108 million (see Exhibit DRA-36, pp. 6-12).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$5,553	\$5,305	(\$248)
Nonlabor	\$0	\$0	\$0
Nonstandard	\$0	\$0	\$0
Total	\$5,553	\$5,305	(\$248)

SETTLEMENT AGREEMENT

The Joint Parties agree to SoCalGas' requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$5,553
Nonlabor	\$0
Nonstandard	\$0
Total	\$5,553

Chapter 3B7-2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 920.1

Witness: J. Rowland – Benefits

Issue Description: Long Term Incentive Plan (LTIP)

SoCalGas Position: SoCalGas requests funding of \$6.307 million for LTIP awards as part of its total compensation package for senior level employees in leadership positions (see Exhibit SCG-11-E, p. 7).

DRA Position: DRA recommends that the SoCalGas request of \$6.307 million for its LTIP be disallowed. DRA concludes that the SoCalGas LTIP is linked to specific financial or shareholder measures and it provides no direct and/or identifiable ratepayer benefit, a reduction of \$6.307 million (see Exhibit DRA-35, p. 38-40).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$6,307	(\$217)	(\$6,524)
Total	\$6,307	(\$217)	(\$6,524)

Note: this account also includes a reduction of \$0.217 million reflecting the proposal of DRA witness M. Loy to disallow meals and entertainment related expenses.

SETTLEMENT AGREEMENT

SoCalGas requested \$6.307 million for the Long Term Incentive Plan (LTIP), an executive compensation benefit. DRA proposed a total downward adjustment of \$6.524 million to disallow the LTIP request and certain meals and entertainment related expenses. The settlement value reflects DRA's position with regard to the LTIP, but does not include further reduction for disallowed meals and entertainment expenses and does not resolve any policy issues related to LTIP.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$0
Total	\$0

Chapter 3B7-3
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 920.2

Witness: J. Rowland – Benefits

Issue Description: Incentive Compensation Plan (ICP) and Recognition Awards

SoCalGas Position: SoCalGas requests funding of \$24.621 million for the activities in this account. Contested issues are:

1. ICP: SoCalGas requests funding at target levels of \$23.928 million for its' Incentive Compensation Plan, which is part of total compensation as presented in the Total Compensation Study (see Exhibit SCG-11-E, p. 6)
2. Recognition awards: SoCalGas requests funding of \$0.783 million for special recognition awards for employees (see Exhibit SCG-11-E, p. 8-9).

DRA Position: DRA proposes funding of \$10.130 million for this account.

1. ICP: DRA's estimate is based on ratepayer funding at the 50% level and on a three year average (2004-2006) of SoCalGas' targeted ICP, a reduction of \$13.798 million (see Exhibit DRA-35, pp. 33-37).
2. Special Recognition awards: DRA recommends that SoCalGas' request of \$0.783 million for Spot Cash and Recognition Awards be disallowed for ratemaking purposes as supererogatory in nature and providing no clear or identifiable benefit to ratepayers, a reduction of \$0.783 million (see Exhibit DRA-35, pp. 40-42).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$24,621	\$10,130	(\$14,491)
Nonlabor	\$0	\$0	\$0
Nonstandard	\$0	\$0	\$0
Total	\$24,621	\$10,130	(\$14,491)

Note: amounts include an additional reduction of \$0.090 million reflecting the impact of the dynamic labor overhead function in the RO model.

SETTLEMENT AGREEMENT

SoCalGas requested \$24.621 million for the annual Incentive Compensation Plan (ICP) and spot cash awards. DRA proposed a total downward adjustment of \$14.491 million which represents 50% funding of the ICP awards and to disallow the spot cash awards. The settlement value reflects a reduction of \$12.121 million to reflect DRA's position on this account. The settlement is a compromise that falls between the parties' litigation positions. However no policy issues are resolved as a result of this settlement.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$12,500
Nonlabor	\$0
Nonstandard	\$0
Total	\$12,500

Chapter 3B7-4
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 921.0

Witness: S. Kyle – Administrative and General Expense (A&G)

Issue Description: Nonshared A&G Nonlabor

SoCalGas Position: SoCalGas requests funding of \$1.263 million for the activities in this account. Contested issues are:
1. Staffing and Relocation (\$0.172 million incremental request): SoCalGas requests nonlabor associated with 3 FTE to staff expanded efforts in recruiting professionals, nonprofessionals and government mandates/audits (see Exhibit SCG-13-E, p. 15-17 and SCG-224, p. 10).
2. Labor Relations (\$0.138 million incremental request): SoCalGas expects to incur costs for contract negotiations in 2008 and ongoing annual costs for labor relations monitoring and reporting (see Exhibit SCG-13-E, p. 23 and SCG-224, p. 11).

DRA Position: DRA proposes \$1.159 million for the activities in this account.
1. Staffing and Relocation: DRA proposes 1.3 FTE for these functions based on a lack of specific support, only a varying percentage of each function should be authorized and allocates a portion of the reduction to each of labor and nonlabor, with a nonlabor reduction of \$0.095 million (see Exhibit DRA-36, p. 6).
2. Labor Relations: DRA would amortize the total request of \$0.287 million (base year + incremental request) over a three year period based on DRA assumptions about the average frequency of contract negotiations, a reduction of \$0.163 million (see Exhibit DRA-36-Revised, p. 14).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$1,263	\$1,159	(\$104)
Nonstandard	\$0	\$0	\$0
Total	\$1,263	\$1,159	(\$104)

Note: DRA amount does not reflect an agreed change of \$0.154 million already incorporated into the SoCalGas amount.

SETTLEMENT AGREEMENT

The Joint Parties agree to SoCalGas' requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$1,263
Nonstandard	\$0
Total	\$1,263

Chapter 3B7-5
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 923.1

Witnesses: M. Haas

Issue Description: Corporate Center Expenses

SoCalGas Position: SoCalGas proposes \$49.532 million as for the activities in this account (see Exhibit SCG/SDGE-15-E).

DRA Position: DRA recommends \$34.741 million for the activities in this account, proposing reductions to the following Corporate Center functional areas that are recorded to FERC 923.1 (see Exhibit DRA-19):

- Communications & Investor Relations (100% reduction)
- Finance
- Human Resources
- External Affairs (100% reduction)
- Executive (100% reduction)
- Benefits

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$49,532	\$34,981	(\$14,451)
Total	\$49,532	\$34,981	(\$14,451)

SETTLEMENT AGREEMENT

SoCalGas requested \$49.532 million for charges for professional services provided to the utility by Sempra Energy Corporate Center. DRA proposed a total downward adjustment of \$14.451 million. The settlement value reflects a reduction of \$2.584 million, which reflects a portion of the downward adjustments proposed by DRA and TURN and is a reasonable compromise between the positions of the Joint Parties.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$46,948
Total	\$46,948

Chapter 3B7-6
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 923.2

Witness: S. Kyle

Issue Description: BUCU Reallocation Percentages

SoCalGas Position: BUCU reallocation percentages calculated per filed request (see Exhibit SCG-13-E, pp. 27 to 28, and SCG-13-E-WP, p. SDK-WP-56-E to 59-E).

DRA Position: Flow through impact of DRA proposed changes to Corporate Center costs result in changes to the BUCU reallocation factors (see Exhibit DRA-18, p.41-44).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$5,618	\$4,487	(\$1,134)
Total	\$5,618	\$4,487	(\$1,131)

SETTLEMENT AGREEMENT

SoCalGas requested \$5.618 million for charges for Sempra Energy Corporate Center cost reallocations to the utility. DRA proposed a total downward adjustment of \$1.131 million. The settlement value reflects a reduction of \$0.518 million, which reflects the flow through impacts of the settlement.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$5,100
Total	\$5,100

Chapter 3B7-7
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 O&M Expenses

Subject / Account: FERC 923.3

Witness: S. Kyle

Issue Description: Shared Asset Reallocation Percentages

SoCalGas Position: Shared asset reallocation percentages calculated per filed request (see Exhibit SCG-13-E, pp. 27 to 28, and SCG-13-E-WP, p. SDK-WP-56-E to 59-E).

DRA Position: Flow through impact of DRA proposed changes to Corporate Center costs result in changes to the corporate reallocation factors (see Exhibit DRA-18, p.44).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$10,278	\$10,085	(\$193)
Total	\$10,278	\$10,085	(\$193)

SETTLEMENT AGREEMENT

The Joint Parties agree to SoCalGas' requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$10,278
Total	\$10,278

Chapter 3B7-8
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 923.4

Witnesses: M. Haas – Corporate Center

Issue Description: Corporate Center Expenses – Depreciation & ROR

SoCalGas Position: Corporate Center allocates \$3.848 million of depreciation and ROR to SoCalGas (see Exhibit SCG/SDGE-15-E, p. 69).

DRA Position: DRA recommends \$3.001 million for this account to reflect proposed reductions in other Corporate Center allocations to SoCalGas (see Exhibit DRA-19, p. 41).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$3,848	\$3,001	(\$847)
Total	\$3,848	\$3,001	(\$847)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA’s requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$3,001
Total	\$3,001

Chapter 3B7-9
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 924.0

Witness: M. Haas – Corporate Center

Issue Description: Corporate Center Expenses – Property Insurance

SoCalGas Position: Corporate Center allocates \$4.109 million of certain liability insurance expenses to SoCalGas (see Exhibit SDG&E/SCG-15-E, p. 86).

DRA Position: DRA does not oppose this expense (see Exhibit DRA-19, page 19-48). Difference unexplained.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$4,109	\$4,183	\$74
Total	\$4,109	\$4,183	\$74

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA’s requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$4,183
Total	\$4,183

Chapter 3B7-10
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 925.0

Witness: S. Kyle – A&G Nonshared

Issue Description: Claims Payments

SoCalGas Position: SoCalGas requests \$8.934 million for the activities in this account. Contested issues are:
1. Damage Claims (incremental request of \$0.231 million):
SoCalGas initially forecast total required funding for damage claim payments of \$5.220 million based on a 5-year trend of actual and estimated claims payments. Subsequent to the direct testimony filed in December 2006, SoCalGas revised its' request downward to \$3.775 million to reflect a change in the self-insurance deductible assumption from \$2 million to \$1 million (see Exhibit SCG-13-E, p. 24 and SCG-224, p. 12).

DRA Position: DRA proposes \$9.162 million for the activities in this account.
1. Damage Claims: DRA adds 2006 recorded to create a six year average of recorded expenses totaling \$3.520 million, a reduction of \$0.255 million from SoCalGas revised request (see Exhibit DRA-36, p. 14-17).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	(\$1,445)	\$0	\$1,445
Nonstandard	\$10,379	\$9,162	(\$1,217)
Total	\$8,934	\$9,162	\$228

Note: DRA amount does not reflect an agreed change of \$0.483 million already incorporated into the SoCalGas amount.

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$9,162
Total	\$9,162

Chapter 3B7-11
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 925.1

Witness: J. Rowland -- Benefits

Issue Description: Worker's Compensation

SoCalGas Position: SoCalGas requests funding of \$15.953 million for the activities in this account. Contested issues are:
1. Worker's Compensation Benefits: SoCalGas requests \$14.612 million for worker's compensation claims payments (see Exhibit SCG-235, p.2).

DRA Position: DRA proposes funding of \$14.527 million for the activities in this account (\$13.514 million related to utility activity (see DRA witness Godfrey -- DRA-35) and \$1.013 million related to corporate activity billed to the utility (see DRA witness Bower -- DRA-19).
1. Worker's Compensation Benefits: DRA uses the last recorded year as the basis for its forecast of this expense, a reduction of \$1.098 million (see Exhibit DRA-35, p. 22).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$46	\$46	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$15,907	\$14,481	(\$1,426)
Total	\$15,953	\$14,527	(\$1,426)

Note: DRA amount does not reflect an errata change of \$0.328 million already incorporated into the SoCalGas amount.

SETTLEMENT AGREEMENT

SoCalGas requested \$15.953 million for costs associated with uninsured losses from claims and suits for injuries and damages related to workers compensation. DRA proposed a downward adjustment of \$1.098 million using the last recorded year as the basis for its forecast of this expense. The settlement value reflects a reduction of \$0.429 million, partially reflecting DRA's proposed methodology and is a reasonable compromise of the parties' litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$46
Nonlabor	\$0
Nonstandard	\$15,478
Total	\$15,524

Chapter 3B7-12
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 O&M Expenses

Subject / Account: FERC 925.3

Witnesses: M. Haas – Corporate Center

Issue Description: Corporate Center Expenses – Other Liability Insurance (non-nuclear)

SoCalGas Position: Corporate Center allocates \$3,489 of certain liability insurance expenses to SoCalGas (see Exhibit SDG&E/SCG-15-E, p. 86).

DRA Position: DRA recommends disallowing 50% of D&O insurance costs because it also benefits the shareholders and directors and officers (see Exhibit DRA-19, page 19-48).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$3,489	\$3,014	(\$475)
Total	\$3,489	\$3,014	(\$475)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$3,014
Total	\$3,014

Chapter 3B7-13
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 925.5

Witness: J. Boland – Emergency Preparedness

Issue Description: Preparedness Activities

SoCalGas Position: SoCalGas requests \$0.726 million for the activities in this account. Contested issues are:
1. Supplies: SoCalGas requests \$0.035 million for adequate food and water supplies in case of emergency (see Exhibit SCG-9, p. 8).

DRA Position: DRA proposes \$0.705 million for this account.
1. Supplies: DRA proposes \$0.014 million for adequate food and water supplies in case of emergency, a reduction of \$0.021 million (see Exhibit DRA-33, p. 4).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$342	\$342	\$0
Nonlabor	\$384	\$363	(\$21)
Nonstandard	\$0	\$0	\$0
Total	\$726	\$705	(\$21)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$342
Nonlabor	\$363
Nonstandard	\$0
Total	\$705

Chapter 3B7-14
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 O&M Expenses

Subject / Account: FERC 926.1

Witness: J. Householder – Pensions and Post-retirement Benefits Other than Pensions (PBOPs)

Issue Description: Supplemental Pension

SoCalGas Position: SoCalGas requests \$2.079 million for Supplemental Pension expense (see Exhibit SCG-11-E, p. 37).

DRA Position: DRA proposes no funding for Supplemental Pension expense, a reduction of \$2.079 million (see Exhibit DRA-27, p. 5).

FERC 926.1
Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$2,079	\$0	(\$2,079)
Total	\$2,079	\$0	(\$2,079)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$0
Total	\$0

Chapter 3B7-15
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 926.2

Witness: J. Householder – Pensions & Post-retirement Benefits Other than Pensions (PBOPs)

Issue Description: PBOPs

SoCalGas Position: SoCalGas requests \$33.357 million for PBOPs expense (see Exhibit SCG-11-E, p. 40).

DRA Position: DRA proposes funding of \$31.400 million for PBOPs expense based on updated actuarial projections, a reduction of \$1.957 million (see Exhibit DRA-27, p. 9-10).

FERC 926.2
Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$0	\$0	\$0
Nonlabor	\$457	\$457	\$0
Nonstandard	\$32,900	\$30,943	(\$1,957)
Total	\$33,357	\$31,400	(\$1,957)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$457
Nonstandard	\$30,943
Total	\$31,400

Chapter 3B7-16
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 926.3

Witness: J. Rowland – Benefits

Issue Description: Medical Benefits

SoCalGas Position: SoCalGas requests gross funding of \$56.012 million for the activities in this account, which becomes \$55.784 million after reflecting the impact of the dynamic labor overhead adjustment. Contested issues are:

1. Medical: SoCalGas proposes a funding level of \$50.250 million for employee medical plan expenses (see Exhibit SCG-11-E, p.15-21).
2. Dental: SoCalGas proposes a funding level of \$2.333 million for employee dental plan expenses (see Exhibit SCG-11-E, p.21-22).
3. Vision: SoCalGas proposes a funding level of \$0.524 million for employee vision plan expenses (see Exhibit SCG-11-E, p.22-23).
4. Employee Assistance: SoCalGas proposes a funding level of \$2.146 million for employee assistance expenses (see Exhibit SCG-11-E, p.24, adjusted by \$1.419 million to reflect an errata item).

DRA Position: DRA proposes gross funding of \$44.046 million for the activities in this account, which becomes \$41.680 million after reflecting the impact of the dynamic labor overhead adjustment.

1. Medical: DRA recommends \$41.067 million for SCG’s Medical Plan expenses. DRA calculated its estimate for 2007 and 2008 by applying an annual inflation rate of 8% to SCG’s 2006 recorded Medical expenses (see Exhibit DRA-35, pp. 9-11).
2. Dental: DRA recommends \$2.070 million for SCG’s Dental expenses. SCG’s 2006 forecast of \$2.346 million was \$0.525 million higher or 28.83% more than its 2006 recorded expenses of \$1.821 million. DRA reduced SCG’s 2008 Dental forecast by 28.83% (see Exhibit DRA-35, pp. 11-12).
3. Vision: DRA recommends \$0.428 million for SCG’s Vision expenses. SCG’s 2006 forecast of \$0.445 million was \$0.069 million higher or 18.32% more than its 2006 recorded expenses of \$0.376 million. DRA reduced SCG’s 2008 Vision forecast by 18.32% (see Exhibit DRA-35, pp. 13-14).

4. Employee Assistance: DRA recommends \$0.481 million for SCG's Employee Assistance expenses. DRA utilized a three year average (2004-2006) as a basis for its estimate (see Exhibit DRA-35, pp. 16-18).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$183	\$183	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$55,601	\$41,680	(\$13,921)
Total	\$55,784	\$41,863	(\$13,921)

Notes:

1. SoCalGas nonstandard amount reflects an 8/16/07 errata from Ms. Rowland made at the beginning of her testimony resulting in an upward adjustment of \$1.419 million.
2. The SoCalGas nonstandard amount shown reflects an additional reduction related to the impact of the dynamic labor overhead calculation performed within the RO model.
3. The DRA nonstandard amount shown reflects an additional reduction related to the dynamic labor overhead calculation (performed within the RO model) associated with FTE reductions made by various DRA witnesses.

SETTLEMENT AGREEMENT

SoCalGas requested \$55.784 million for costs associated with Medical, Dental, Vision and employee welfare programs. DRA proposed downward adjustments totaling \$13.921 million reflecting the use of different forecasting methods for each benefit category. The settlement value reflects a reduction of \$9.884 million which is a significant reduction to SoCalGas' requested amount. The Joint Parties believe this represents a reasonable compromise of litigation positions recognizing the variety of methods used to estimate cost in this area. .

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$183
Nonlabor	\$0
Nonstandard	\$45,717
Total	\$45,900

Chapter 3B7-17
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 926.4

Witness: J. Rowland – Benefits

Issue Description: Retirement Savings

SoCalGas Position: SoCalGas requests \$11.912 million for the activities in this account. Contested issues are:
1. Section 415 Savings Plan: SoCalGas requests \$0.125 million to fund retirement savings options for those employees who cannot participate in other plans due to IRS regulations (see Exhibit SCG-11-E, p. 39).

DRA Position: DRA proposes requests \$10.685 million for this account.
1. Section 415 Savings Plan: DRA states that this request does not provide any ratepayer benefits and should be denied, a reduction of \$0.125 million (see Exhibit DRA-27, p. 8).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$11,912	\$10,685	(\$1,227)
Total	\$11,912	\$10,685	(\$1,227)

Note: SoCalGas amount shown reflects the additional reduction of \$0.043 million and the DRA amount shown reflects and additional reduction of \$1.145 million due to the dynamic labor overhead calculation performed in the RO model.

SETTLEMENT AGREEMENT

SoCalGas requested \$11.912 million for costs associated with employee retirement savings. DRA proposed a downward adjustment of \$1.227 million with respect to funding for the Section 415 Savings Plan and DRA's dynamic labor overhead calculation. The settlement value reflects a reduction of \$0.933 million, which partially reflects DRA's proposed reduction to the Section 415 Savings Plan and is a reasonable compromise of the parties' litigation position.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$10,979
Total	\$10,979

Chapter 3B7-18
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 926.5

Witness: J. Rowland – Benefits

Issue Description: Other Benefits

SoCalGas Position: SoCalGas requests \$7.743 million for the activities in this account. Contested issues are:

1. Wellness: SoCalGas forecasts \$0.752 million for this program (see Exhibit SCG-11-E, p. 23).
2. Long Term Disability: SoCalGas forecasts \$3.355 million for this expense (see Exhibit SCG-11-E, p. 28).
3. Other Benefits: SoCalGas forecasts a total of \$3.636 million for other benefits, which are: Benefit Administration, Educational Assistance, Emergency Day Care, Employee Recognition, Mandatory Drug Testing, Mass Transit Incentive, Pre-employment Exams, Retirement Activities, Service Recognition and Special Events (see Exhibit SCG-11-E, p. 43-53).

DRA Position: DRA proposes \$4.052 million for the activities in this account.

1. Wellness: DRA recommends that SCG’s request of \$0.752 million for its Wellness program be disallowed. SCG’s ratepayers already provide funding for SCG’s Medical Plans and its Employee Assistance Plan that essentially cover the same services that SCG’s Wellness program will cover (see Exhibit DRA-35, pp. 14-16).
2. Long Term Disability: DRA recommends funding of \$2.536 million for SCG’s Long Term Disability. DRA utilized a three year average (2004-2006) as a basis for its estimate (see Exhibit DRA-35, p. 20-21).
3. Other Benefits: DRA did not take issue with the forecast of \$1.516 million for SCG’s Other Benefits for the following: Benefit Administration, Educational Assistance, Mandatory Drug Testing and Pre-employment Exams.

4. DRA recommends that \$1.793 million of SCG's forecast for Other Benefits be denied as they are supererogatory benefits which do not provide a clear and identifiable benefit to ratepayers: Emergency Day Care, Employee Recognition, Mass Transit Incentive, Retirement Activities, Service Recognition and Special Events (see Exhibit DRA-35, pp. 26-30).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$0	\$0	\$0
Nonlabor	\$139	\$139	\$0
Nonstandard	\$7,604	\$3,913	(\$3,691)
Total	\$7,743	\$4,052	(\$3,691)

SETTLEMENT AGREEMENT

SoCalGas requested \$7.743 million for costs associated with other employee benefits, including wellness programs, long term disability, education, transportation, service rewards, and other programs of similar nature. DRA proposed a downward adjustment of \$3.691 million with respect to funding for employee wellness programs and certain other benefits, and also reflecting use of different forecasting method for long term disability. The settlement value reflects a reduction of \$1.691 million to partially reflect DRA's position for this account, which is a reasonable compromise that falls between the parties' litigation positions.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$105
Nonstandard	\$5,947
Total	\$6,052

Chapter 3B7-19
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 O&M Expenses

Subject / Account: FERC 930.1

Witness: S. Kyle – Nonshared A&G

Issue Description: AGA Dues

SoCalGas Position: SoCalGas requests \$0.500 million to fund AGA membership dues (see Exhibit SCG-13-E, pp. 25, 26).

DRA Position: DRA proposes no funding for AGA membership dues, a reduction of \$0.500 million (see Exhibit DRA-36, p. 18-19).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$0	\$0	\$0
Nonlabor	\$500	\$0	(\$500)
Nonstandard	\$0	\$0	\$0
Total	\$500	\$0	(\$500)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$0
Total	\$0

Chapter 3B7-20
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 930.2

Witness: P. Baker

Issue Description: Research Development & Demonstration (RDD)

SoCalGas Position: SoCalGas proposes funding of \$10.137 million for the activities in this account (see Exhibit SCG-8-E, p. 83.).

DRA Position: DRA proposes to maintain funding at the 2004 Cost of Service level (\$8.835 million) plus \$0.100 million for NGV RD&D project management, a reduction of \$1.202 million (see Exhibit DRA-32, p. 36). Note: see “Other Differences” section for additional RD&D account differences not relating to the TY2008 revenue requirement.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$1,233	\$0	(\$1,233)
Nonlabor	\$8,904	\$0	\$8,904
Nonstandard	\$0	\$8,935	(\$8,935)
Total	\$10,137	\$8,935	(\$1,202)

SETTLEMENT AGREEMENT

The Joint Parties agree to SoCalGas' requested amount. This amount includes annual funding of \$10.000 million for Research Development & Demonstration (RDD) activities. There shall be a one way balancing account mechanism for RD costs for the term of the GRC Cycle, and any over- or under-collections may be carried forward within the GRC cycle. Any unspent RDD funds at the end of this GRC cycle would be returned to customers in the next GRC.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$1,233
Nonlabor	\$8,904
Nonstandard	\$0
Total	\$10,137

Chapter 3B7-21
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 931.6

Witness: R. Krumvieda

Issue Description: Rents

SoCalGas Position: SoCalGas requests \$1.956 million for the activities in this account. Contested issues are:
1. Branch Office Closure: SoCalGas has included all relevant costs and cost savings related to the 7 proposed branch office closures in the TY2008 request (see Exhibit SCG-237, p. 8-9).

DRA Position: DRA proposes \$1.704 million for the activities in this account.
1. Branch Office Closure: DRA determines the total savings to be realized over their proposed 5-year GRC cycle and amortizes those annually, resulting in a reduction to rent expense of \$0.252 million annually (see Exhibit DRA-34, p.9).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$0	\$0	\$0
Nonlabor	\$0	\$0	\$0
Nonstandard	\$1,956	\$1,704	(\$252)
Total	\$1,956	\$1,704	(\$252)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$1,704
Total	\$1,704

Chapter 3B7-22
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 935.6

Witness: R. Krumvieda

Issue Description: Facilities

SoCalGas Position: SoCalGas requests \$14.493 million for the activities in this account. Contested issues are:

1. Branch Office Closure: SoCalGas has included all relevant costs and cost savings related to the 7 proposed branch office closures in the TY2008 request (see Exhibit SCG-237, p. 8-9).
2. Facilities expense forecasting: SoCalGas did not use recorded 2006 data in its forecasts (see Exhibit SCG-237, p. 9-10).

DRA Position: DRA proposes \$10.661 million for the activities in this account.

1. Branch Office Closure: DRA determines the total savings to be realized over their proposed 5-year GRC cycle and amortizes those annually, resulting in a reduction to rent expense of \$0.052 million annually (see Exhibit DRA-34, p.9).
2. Facilities expense forecasting: DRA uses the 2006-recorded-adjusted level of expense as the forecast for this account, a reduction of \$3.870 million (see Exhibit DRA-34, p.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$3,526	\$3,526	\$0
Nonlabor	\$10,967	\$7,135	(\$3,832)
Nonstandard	\$0	\$0	\$0
Total	\$14,493	\$10,661	(\$3,832)

SETTLEMENT AGREEMENT

SoCalGas requested \$14.493 million for labor and non-labor costs associated with building maintenance and cleaning, and also the maintenance and repair of NGV station compressors, garage fuel islands, measurement shop equipment and meter test racks. DRA proposed a downward adjustment of \$3.832 million with respect to the amortization of savings related to branch office closures and to reflect use of 2006 expenses to forecast the account. The settlement value reflects a reduction of \$0.786 million to partially reflect DRA's position for this account, which is a reasonable compromise between the parties' litigation positions. The Joint Parties accept the closure of the seven branch offices requested by SoCalGas in this GRC, but the Joint Parties do not resolve any policy issues regarding branch office closures in general or take any position regarding the appropriateness of any future branch office closure requests, should that occur.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$3,028
Nonlabor	\$10,679
Nonstandard	\$0
Total	\$13,707

B8: FRANCHISE FEES

Chapter 3B8
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: FERC 927.0

Witness: R. Rose – Franchise Fees

Issue Description: Franchise Fee Revenues

SoCalGas Position: There is no dispute in this account. The difference is entirely due to the flow-through effects of other changes.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Total	\$25,495	\$22,946	(\$2,549)

SETTLEMENT AGREEMENT

The settlement value of \$23.940 million results from the flow-through impact of other items plus updating the SoCalGas franchise fee to reflect D.07-10-024 (City of Ventura) to 1.462%.

B9: O&M REASSIGNMENTS TO CAPITAL

Chapter 3B9
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: Reassignments to Capital

Witness: E. Reyes

Issue Description: Reassignment of O&M to Capital Accounts

SoCalGas Position: There is no dispute in this account. The difference is entirely due to the flow-through effects of other changes.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Total	(\$57,457)	(\$47,394)	\$10,062

SETTLEMENT AGREEMENT

The settlement value of (\$50,641) reflects the flow-through impact of other changes.

B10: ESCALATION

Chapter 3B10
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 O&M Expenses

Subject / Account: Escalation (nonshared services)*

Witness: S. Wilder

Issue Description: Escalation of Nonshared Labor and Nonlabor to TY2008 levels

SoCalGas Position: There is no dispute in this account. The difference is entirely due to the flow-through effects of other changes.

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor Esc.	\$36,617	\$33,210	(\$3,407)
Nonlabor Esc.	\$12,344	\$9,090	(\$3,254)
Total	\$48,961	\$42,300	(\$6,661)

*Note: DRA made a posting error in the escalation rate for Shared Services that is not relevant to the above amounts but that understates the DRA Shared Services requested on their SOE table.

SETTLEMENT AGREEMENT

The settlement values reflects the flow-through impact of other changes

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor Esc.	\$34,375
Nonlabor Esc	\$11,634
Total	\$46,009

Part C

Shared Services O&M Expense Issues

Chapter 3C

Southern California Gas Company 2008 Test Year GRC A.06-12-010

Summary of Shared Services O&M Expense Issues

Function	Cost Center	Witness	Description	SCG	DRA	Difference	Reference
IT	2200-2047	J. Chris Baker	IT Business Partner	\$ 397	\$ 292	\$ (105)	3C1
IT	2200-0619	J. Chris Baker	IT Network & Telecom	\$ 2,927	\$ 2,847	\$ (80)	3C2
IT	2200-2089	J. Chris Baker	IT Network & Telecom	\$ 115	\$ 80	\$ (35)	3C2
A&G	2200-2072	S. Kyle	A&G External Relations	\$ 332	\$ -	\$ (332)	3C3
A&G	2200-2043	S. Kyle	A&G Human Resources	\$ 180	\$ 150	\$ (30)	3C4
A&G	2200-2163	S. Kyle	A&G Human Resources	\$ 96	\$ -	\$ (96)	3C4
Gas Dist.	2200-0805	D. Rendler	Regional Public Affairs	\$ 693	\$ -	\$ (693)	3C5
Gas Dist.	2200-2098	D. Rendler	Regional Public Affairs	\$ 280	\$ -	\$ (280)	3C5
Gas Dist.	2200-2208	D. Rendler	Regional Public Affairs	\$ 198	\$ -	\$ (198)	3C5
CS-Info	Various	P.Baker	Amortization of NGVA	\$ 3,664	\$ 2,961	\$ (703)	3C6
CS	2200-0355	NA	Unexplained Variance	\$ 3,716	\$ 3,899	\$ 183	NA
Eng.	2200-0310	NA	Unexplained Variance	\$ 1,164	\$ 1,184	\$ 20	NA
Eng.	2200-0312	NA	Unexplained Variance	\$ 1,083	\$ 1,096	\$ 13	NA
Eng.	2200-0319	NA	Unexplained Variance	\$ 643	\$ 644	\$ 1	NA
Eng.	2200-0320	NA	Unexplained Variance	\$ 629	\$ 630	\$ 1	NA
Eng.	2200-0322	NA	Unexplained Variance	\$ 845	\$ 846	\$ 1	NA
Gas Trans.	2200-0223	NA	Unexplained Variance	\$ 0	\$ 565	\$ 565	NA
Gas Trans.	2200-0253	NA	Unexplained Variance	\$ 383	\$ 385	\$ 2	NA
Gas Trans.	2200-0255	NA	Unexplained Variance	\$ 3,464	\$ 3,466	\$ 2	NA
Gas Trans.	2200-0329	NA	Unexplained Variance	\$ 2,395	\$ 3,790	\$ 1,395	NA
Gas Trans.	2200-2172	NA	Unexplained Variance	\$ 424	\$ 430	\$ 6	NA
Sup. Serv.	2200-0618	NA	Unexplained Variance	\$ 26,984	\$ 28,177	\$ 1,193	NA
Total:				\$ 50,612	\$ 51,442	\$ 830	

* Note: difference amounts will not tie directly to the difference shown on the Summary of Earnings comparison page as the above amounts reflect differences at the 100% incurred cost level prior to any shared services billing and the Summary of Earnings presentation is after shared service billing which includes allocations from SDG&E with loading and escalation.

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts. The unexplained variances are eliminated and will be the SCG proposed amount. The settlement amounts are presented on the basis of 100% direct cost prior to any billing, which adds loading and escalation. The final RO settlement values reflect the net shared services request after billing, including loading and escalation.

Chapter 3C1
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: IT Shared Services – USS Cost Center 2200-2047

Witnesses: J. Chris Baker – Information Technology

Issue Description: IT Business Partner & Strategic Planning Expenses

SoCalGas Position: The proposed TY2008 expense is a reflection of the increased activities and initiatives that the department is currently involved in as well as expects to be developing and implementing over the next few years (see Exhibit SCG/SDGE-14, Chapter III, p. 45).

DRA Position: DRA based its forecast on available 2006 recorded data and increased this by its forecast of customer growth for 2007 and 2008. In DRA’s judgment, Sempra’s IT expenses in 2007 and 2008 will be similar to those in 2006 and are driven by customer growth. DRA proposes expenses of \$0.209 million for this account, which is an decrease of \$0.188 million (see Exhibit DRA-17 and DRA-18, p. 16).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA*</u>	<u>Difference</u>
Labor	\$361	\$173	(\$188)
Nonlabor	\$36	\$36	\$0
Nonstandard	\$0	\$0	\$0
Total	\$397	\$209	(\$188)

- Note: DRA RO amounts for cost center 2200-2047 shown in summary table equals \$0.292 million and the variance from DRA testimony is unexplained.

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount from the RO model.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$242
Nonlabor	\$50
Nonstandard	\$0
Total	\$292

Chapter 3C2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: IT Shared Services – USS Cost Centers 2200-0619 & 2200-2089

Witnesses: J. Chris Baker -- Information Technology

Issue Description: IT Network & Telecom Services Expenses

SoCalGas Position: The SoCalGas forecast for TY2008 of \$3.042 million reflects an increase of \$0.140 million from base year 2005 expenditures. The increase supports significant activities being planned and undertaken to maintain or improve current levels of network and communications services (see Exhibit SCG/SDGE-14, Chapter III, p. 39)

DRA Position: DRA based its forecast on available 2006 recorded data and increased this by its forecast of customer growth for 2007 and 2008. In DRA’s judgment, Sempra’s IT expenses in 2007 and 2008 will be similar to those in 2006 and are driven by customer growth. DRA proposes expenses of \$3.008 million for this account, which is a reduction of \$0.034 million. (see Exhibit DRA-17 and DRA-18, p. 16).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA*	Difference
Labor	\$2,444	\$2,495	\$51
Nonlabor	\$598	\$513	(\$85)
Nonstandard	\$0	\$0	\$0
Total	\$3,042	\$3,008	(\$34)

- Note: DRA RO amounts for cost centers 2200-0619 and 2200-2089 shown in summary table and detail tables below equals \$2.927 million and the variance from DRA testimony is unexplained.

USS Cost Center 2200-0619:

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$2,331	\$2,362	\$31
Nonlabor	\$596	\$485	(\$111)
Nonstandard	\$0	\$0	\$0
Total	\$2,927	\$2,847	(\$80)

USS Cost Center 2200-2089:

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$113	\$66	(\$47)
Nonlabor	\$2	\$14	\$12
Nonstandard	\$0	\$0	\$0
Total	\$115	\$80	(\$35)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount from the RO model.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$2,428
Nonlabor	\$499
Nonstandard	\$0
Total	\$2,927

Chapter 3C3
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 O&M Expenses

Subject / Account: A&G Shared Services – USS Cost Center 2200-2072

Witnesses: S. Kyle – A&G

Issue Description: A&G External Relations Expenses

SoCalGas Position: The SoCalGas forecast for TY2008 of \$0.332 million is equivalent to base year 2005 expenditures (see Exhibit SCG/SDGE-14, Chapter II, p.15).

DRA Position: DRA believes this to be an example of lobbying, and recommends that \$0.332 million be removed from TY2008 expenses (see Exhibit DRA-18, p.11).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

Expense Type	SoCalGas	DRA	Difference
Labor	\$279	\$0	(\$279)
Nonlabor	\$53	\$0	(\$53)
Nonstandard	\$0	\$0	\$0
Total	\$332	\$0	(\$332)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA’s requested amount.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$0
Total	\$0

Chapter 3C4
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

- Subject / Account: A&G Shared Services – USS Cost Centers 2200-2043 & 2200-2163
- Witnesses: S. Kyle – A&G
- Issue Description: A&G Human Resources Expenses
- SoCalGas Position: The SoCalGas forecast for TY2008 of \$2.744 million reflects an increase of \$0.955 million from base year 2005 expenditures. Contested issues are:
1. SoCalGas requests \$0.030 million for employee handbooks, and believes making the material available in printed format to all employees increases compliance. SoCalGas indicates printed versions are necessary for field employees who may not be able to readily access electronic versions (see Exhibit SCG/SDG&E-14, Chapter II, p. 90).
 2. The utility requests \$0.096 million for Wellness programs. Of the amount \$0.060 is associated with federally mandated programs. The charges reflect administrative costs to provide drug testing, the Employee Assistance Program, and wellness such as the Emergency Childcare Program and Fitness Subsidy Program (see Exhibit SCG/SDG&E-14, Chapter II, p. 90).
- DRA Position:
1. DRA believes the cost of printing an employee handbook each year should be borne by shareholders, and recommends a \$0.030 million adjustment to Cost Center 2200-2043 expenses for the TY2008 forecast (see Exhibit DRA-18, p. 15).
 2. To be consistent with recommendations in exhibits DRA-14 and DRA-35, DRA requests that all costs associated with Wellness programs be removed from Cost Center 2200-2163 for the TY2008 forecast (see Exhibit DRA-18, p. 15).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$1,750	\$1,658	(\$92)
Nonlabor	\$994	\$960	(\$34)
Nonstandard	\$0	\$0	\$0
Total	\$2,744	\$2,618	(\$126)

USS Cost Center 2200-2043:

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$128	\$128	\$0
Nonlabor	\$52	\$22	(\$30)
Nonstandard	\$0	\$0	\$0
Total	\$180	\$150	(\$30)

USS Cost Center 2200-2163:

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$92	\$0	(\$92)
Nonlabor	\$4	\$0	(\$4)
Nonstandard	\$0	\$0	\$0
Total	\$96	\$0	(\$96)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount for USS Cost Centers 2200-2043 & 2200-2163.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$128
Nonlabor	\$22
Nonstandard	\$0
Total	\$150

Chapter 3C5
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: Distribution Shared Services

Witness: D. Rendler – Gas Distribution

Issue Description: Regional Public Affairs

SoCalGas Position: SoCalGas requests \$1.261 million for shared Regional Public Affairs activities in cost centers 2200-0805, 2200-2098 and 2200-2208 (see Exhibit SCG/SDGE-14, Chapter XI).

DRA Position: DRA proposes \$0.090 million for these accounts, based on the conclusion that the balance of the request should be removed as inappropriate lobbying expenses (see Exhibit DRA-18, p. 29).

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$933	\$80	(\$853)
Nonlabor	\$328	\$10	(\$318)
Nonstandard	\$0	\$0	\$0
Total	\$1,261	\$90	(\$1,171)

USS Cost Center 2200-0805:

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$498	\$0	(\$498)
Nonlabor	\$195	\$0	(\$195)
Nonstandard	\$0	\$0	\$0
Total	\$693	\$0	(\$693)

USS Cost Center 2200-2098:

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$237	\$0	(\$237)
Nonlabor	\$43	\$0	(\$43)
Nonstandard	\$0	\$0	\$0
Total	\$280	\$0	(\$280)

USS Cost Center 2200-2208:

Proposed TY2008 Forecast (in thousands of 2005 dollars)

<u>Expense Type</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Labor	\$118	\$0	(\$118)
Nonlabor	\$80	\$0	(\$80)
Nonstandard	\$0	\$0	\$0
Total	\$198	\$0	(\$198)

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's requested amount for cost centers 2200-0805, 2200-2098 and 2200-2208.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Labor	\$0
Nonlabor	\$0
Nonstandard	\$0
Total	\$0

Chapter 3C6
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
O&M Expenses

Subject / Account: Customer Services Information Shared Services

Witness: P. Baker

Issue Description: Amortization of Natural Gas Vehicle Account (NGVA) overcollection

SoCalGas Position: SoCalGas requests \$3.664 million for the activities in this area (see Exhibit SCG/SDGE-14-E, Chapter VI). The NGVA should not be amortized through offsets to base margin but rather amortized through the regulatory accounts as is the customary practice. SoCalGas also disputes the projected NGVA balance (Exhibit SCG-252, p.4).

DRA Position: DRA proposes \$2,961 (i.e., \$3,661 million with a \$700k annual offset) for this account, based on using this cost center to amortize a projected NGVA overcollection of \$3.5 million over five years (\$0.7 million per year) -- (see Exhibit DRA-18, p. 22).

Note: difference in starting values relates to an errata not reflected in DRA amount.

SETTLEMENT AGREEMENT

The Joint Parties agree to SoCalGas' requested amounts for contested Cost Centers 2200-0225 and 2200-2229. The NGVA regulatory account balances will be amortized consistent with the currently authorized methodology (within the account).

Part D

Depreciation Issues

D1: Net Salvage Rates

D2: Regulatory Liability Account

D3: Next GRC Reporting Requirements

D4: Annual Reporting Requirements

Chapter 3D1
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Depreciation Issues

Subject / Account: Net Salvage Rates / Various Accounts

Witnesses: R. Larsen -- Depreciation

Issue Description: Proposed Net Salvage Rates

SoCalGas Position: SoCalGas requested changes to net salvage rates for 23 of the 45 plant accounts subject to its 2008 GRC. The proposals are primarily due to updating the net salvage rate calculations using the most recent 15 years of recorded data.

DRA Position: DRA opposed changes to 8 of the 45 plant accounts. DRA does not uniformly rely upon a 15 year band of company specific data for each account, and takes into account information relating to PG&E and SCE, and the gas and electric industry “Average Service Mean” (ASM) statistics to formulate proposed net salvage rates.

Note: The difference in the proposed TY2008 depreciation expense is shown in the initial table below, which reflects the impact of different net salvage rates. Each difference in the individual net salvage rates are provided in subsequent tables on an account by account basis.

Proposed Expense (in thousands of 2005 dollars)

Year	SoCalGas	DRA	Difference
2008	\$317,075	\$292,903	(\$24,172)
Total	\$317,075	\$292,903	(\$24,172)

Underground Storage Plant Account 351:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Structures & Improvements	- 40%	- 30%	+ 10%

Underground Storage Plant Account 352:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Wells	- 70%	- 45%	+ 25%

Underground Storage Plant Account 353:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Lines	- 55%	- 45%	+ 10%

Transmission Plant Account 366:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Structures & Improvements	- 30%	- 20%	+ 10%

Distribution Plant Account 376:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Mains	- 75%	- 60%	+ 15%

Distribution Plant Account 380:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Services	- 90%	- 85%	+ 5%

Distribution Plant Account 387:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Other Equipment	0%	10%	+ 10%

General Plant Account 390:

Proposed Net Salvage Rates

<u>Description</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
Structures & Improvements	- 30%	- 20%	+ 10%

General Plant Account 397.4:

Proposed Net Salvage Rates

Description	SoCalGas	DRA	Difference
Structures & Improvements	- 10%	0%	+ 10%

SETTLEMENT AGREEMENT

SoCalGas requested changes to net salvage rates for 23 of the 45 plant accounts subject to its 2008 GRC. The proposals are primarily due to updating the net salvage rate calculations using the most recent 15 years of recorded data. DRA opposed changes to 8 of the 45 plant accounts. DRA does not uniformly rely upon a 15 year band of company specific data for each account, and takes into account information relating to PG&E and SCE, and the gas and electric industry "Average Service Mean" (ASM) statistics to formulate proposed net salvage rates. TURN also proposed changes to various net salvage rates and proposed to amortize certain funds collected for future asset retirement obligations resulting in reductions to Depreciation expense. The Joint Parties agree to a set of net salvage rates that result in a total depreciation expense that is a reasonable compromise of the parties' litigation positions. The agreed upon depreciation expense does not resolve any policy issues related to any component of depreciation expense.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
2008 Depreciation Expense	\$294,450

Net Salvage Rate Component of Depreciation Rate

Plant Account Number	Settlement Agreement
Account 351.0	- 30 %
Account 352.0	- 60 %
Account 353.0	- 55 %
Account 366.0	- 20 %
Account 376.0	- 60 %
Account 380.0	- 85 %
Account 387.0	+ 5 %
Account 390.0	- 20 %
Account 397.4	- 5 %

Chapter 3D2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Depreciation Issues

Subject / Account: Cost of Removal

Witnesses: C. Gentes – Depreciation Ratemaking

Issue Description: Regulatory Liability Account for Ratemaking Purposes

SoCalGas Position: With respect to the accrual for future cost of removal included in authorized depreciation rates, SoCalGas does not believe it is necessary to establish a regulatory liability account for ratemaking purposes. DRA presents no information or evidence that would compel the Commission to impose such requirements on the utilities. Reporting processes should only be added if they are cost justified by virtue of meeting a requirement or mitigating a real risk.

DRA Position: DRA requests the Commission require SoCalGas to establish a regulatory liability account for ratemaking purposes similar to the requirement established for PG&E.

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's position.

Chapter 3D3
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Depreciation Issues

- Subject / Account: Cost of Removal
- Witnesses: C. Gentes – Depreciation Ratemaking
- Issue Description: GRC Reporting Requirements
- SoCalGas Position: With respect to information that PG&E was ordered to provide in their next GRC proceeding, SoCalGas believes the need for such information should be evaluated on a case by case basis. DRA presents no information or evidence that would compel the Commission to impose such requirements on the utilities. Reporting processes should only be added if they are cost justified by virtue of meeting a requirement or mitigating a real risk.
- DRA Position: DRA requests the Commission require SoCalGas to provide the following information in the next GRC proceeding consistent with requirements ordered by the Commission for PG&E in D.07-03-044:
- a. The present balance of pre-funded removal costs.
 - b. A year-by year projection of 1) when the then-existing balance of pre-funded removal costs will be consumed and 2) the implicit inflation rate for future asset removal costs.
 - c. A five year project of the year-end balance of pre-funded removal costs showing for each year the gross additions to the balance, gross expenditures for removal costs, and the net change in the balance of pre-funded removal costs.

SETTLEMENT AGREEMENT

The Joint Parties agree to DRA's position.

Chapter 3D4
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Depreciation Issues

Subject / Account: Cost of Removal

Witnesses: C. Gentes – Depreciation Ratemaking

Issue Description: Annual Reporting Requirements

SoCalGas Position: Reporting processes should only be added if they are cost justified by virtue of meeting a requirement or mitigating a real risk. DRA presents no information or evidence that would compel the Commission to impose such requirements on the utilities.

DRA Position: DRA recommends the Commission require SoCalGas to separate the accrual for cost of removal from accruals for depreciation expense when filing annual depreciation rate schedules.

SETTLEMENT AGREEMENT

SoCalGas agrees to conduct a study for presentation in the next GRC that will separate the accrual for cost of removal from accruals for depreciation expense.

Part E

Tax Expense Issues

Chapter 3E
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 Tax Issues

Subject / Account: Taxes

Witnesses: R. Rose -- Taxes

Issue Description: Income Taxes and Taxes Other than Income

Proposed Expense (in thousands of 2005 dollars)

Year	SoCalGas	DRA	Difference
2008 Income Tax	\$138,406	\$135,121	(\$3,285)
2008 Other Tax	\$71,161	\$71,029	(\$132)
Total	\$209,567	\$206,150	(\$3,417)

SETTLEMENT AGREEMENT

The final outcome for Income Taxes represents the flow-through impact of other changes and the incorporation of a reduction to acknowledge a portion of the TURN position on Employee Stock Ownership Plans (ESOP). The settlement outcome does not resolve any policy issues related to ESOP.

SoCalGas proposed a payroll tax rate of 7.68% and a property tax rate of 1.226331%. The final outcome for Taxes Other than Income reflects the flow-through impact of other changes and the use of TURN's proposed payroll tax (7.57%) and property tax (1.1890737%) rates.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
Taxes on Income	\$133,049
Taxes Other than Income	\$68,021
Total	\$201,070

Part F

Rate Base Issues

F1: Capital Expenditures

F2: Working Cash

F1: Capital Expenditure Issues

Chapter F1
Southern California Gas Company
A.06-12-010
Rate Base Differences (\$000)

Capital Expenditures

Project	Testimony	Witness	SoCalGas 2006	DRA 2006	Difference	SoCalGas 2007	DRA 2007	Difference	SoCalGas 2008	DRA 2008	Difference	Section Reference
Distribution Pipeline Integrity	Engineering	Rivera	6,194	5,699	(495)	13,647	5,947	(7,700)	27,490	12,090	(15,400)	3F1-1
Transmission Compressor Station	Engineering	Rivera	5,686	5,077	(609)	5,870	5,870	-	5,902	5,902	-	3F1-1
Transmission M&R Station	Engineering	Rivera	3,898	1,674	(2,224)	3,898	3,398	(500)	3,898	3,398	(500)	3F1-1
BTU District LNG Impact	Engineering	Rivera	-	-	-	558	258	(300)	2,591	1,191	(1,400)	3F1-1
New Business	Distribution	Rendler	35,770	54,433	18,663	36,099	26,766	(9,333)	37,536	28,210	(9,326)	3F1-2
Meters and Regulators	Distribution	Rendler	27,332	27,840	508	28,593	27,044	(1,549)	30,628	27,450	(3,178)	3F1-2
Pressure Betterment	Distribution	Rendler	11,047	16,117	5,070	11,047	8,512	(2,535)	11,047	8,512	(2,535)	3F1-2
Other Distribution Capital	Distribution	Rendler	4,179	4,471	292	4,179	3,900	(279)	4,179	3,900	(279)	3F1-2
Cathodic Protection	Distribution	Rendler	3,852	3,382	(470)	4,498	4,498	-	5,357	5,357	-	3F1-2
Field Capital Support	Distribution	Rendler	39,071	43,995	4,924	40,848	38,386	(2,462)	41,565	39,103	(2,462)	3F1-2
IT Capital Projects - Various BC	Distribution	Baker	35,175	22,157	(13,018)	34,753	22,656	(12,097)	35,010	17,009	(18,001)	3F1-3
Mainframe Disaster Recovery Facilities	Emergency Prep	Boland	875	875	-	3,740	3,180	(560)	2,660	2,660	-	3F1-4
Mainframe Disaster Recovery Bandwidth	Emergency Prep	Boland	6	6	-	622	2	(620)	-	-	-	3F1-4
Email Redundancy	Emergency Prep	Boland	1,121	1,121	-	928	148	(780)	-	-	-	3F1-4
Total					12,641			(39,188)			(53,562)	

Working Cash Comparison

Description	Area	Witness	SoCalGas TY2008	DRA TY2008	Difference	Section Reference
Cash Balances	WC	Kyle	3,358	-	(3,358)	3F2-1
Accrued Vacation	WC	Kyle	-	(28,248)	(28,248)	3F2-2
Revenue Lag Days (1)	WC	Kyle	-	-	-	3F2-3
Federal Income Tax Lag Days (1)	WC	Kyle	-	-	-	3F2-4
CA Corporate Franchise Tax Lag Days (1)	WC	Kyle	-	-	-	3F3-5

(1) Lead lag recommendations will change based on adopted level of operating expenses

SETTLEMENT AGREEMENT

See detail chapters for settlement agreement amounts.

Chapter 3F1-1
Southern California Gas Company
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Capital Expenses

Project / Budget: Transmission Capital

Witnesses: J. Rivera -- Engineering

Issue Description: Distribution Pipeline Integrity (BC276)
 Transmission Compressor Station (BC305)
 Transmission M&R Station (BC308)
 BTU District – LNG Impact (BC318)

SoCalGas Position: 1. Distribution Pipeline Integrity: SoCalGas requests \$47.331 million of funding for this area for 2006-2008 (see Exhibit SCG-5, p. 43). SoCalGas requests full funding for this account, or in the alternative, full funding with a two-way balancing account (see Exhibit SCG-214, p. 22)
 2. Transmission Compressor Station: SoCalGas requests \$17.458 million of funding for this area for 2006-2008 (see Exhibit SCG-5, p. 51).
 3. Transmission M&R Station: SoCalGas requests \$11.694 million of funding for this area for 2006-2008 (see Exhibit SCG-5, p. 52).
 4. BTU District LNG Impact: SoCalGas requests \$3.149 million of funding for this area for 2006-2008 (see Exhibit SCG-5, p. 52).

DRA Position: 1. Distribution Pipeline Integrity: DRA recommends \$23.736 million for this account with the difference of \$23.100 million to be recovered via a memorandum account (see Exhibit DRA-31, p. 12-15).
 2. Transmission Compressor Station: DRA recommends \$16.849 million for this account based on differing forecasting methodology, a reduction of \$0.609 million (see Exhibit DRA-31, p. 12-15). DRA witness Lee subsequently issued revised testimony DRA-31-R, which accepts the SoCalGas proposal. Accordingly, there is no remaining difference in this account.
 3. Transmission M&R Station: DRA recommends \$8.470 million for this account based on differing forecasting methodology, a reduction of \$3.224 million (see Exhibit DRA-31, p. 12-15).
 4. BTU District – LNG Impact: DRA recommends \$1.449 million for this account based on differing forecasting methodology, a reduction of \$1.700 million (see Exhibit DRA-31, p. 12-15).

Distribution Pipeline Integrity - BC276

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas*</u>	<u>DRA</u>	<u>Difference</u>
2006	\$6,194	\$5,699	(\$495)
2007	\$13,647	\$5,947	(\$7,700)
2008	\$27,490	\$12,090	(\$15,400)
Total	\$47,331	\$23,736	(\$23,595)

Transmission Compressor Station - BC305

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas*</u>	<u>DRA</u>	<u>Difference</u>
2006	\$5,686	\$5,077	(\$609)
2007	\$5,870	\$5,870	\$0
2008	\$5,902	\$5,902	\$0
Total*	\$17,458	\$16,849	(\$609)

* NOTE: difference remains in the RO models as the revised testimony is not reflected there.

Transmission M&R Station - BC308

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas*</u>	<u>DRA</u>	<u>Difference</u>
2006	\$3,898	\$1,674	(\$2,224)
2007	\$3,898	\$3,398	(\$500)
2008	\$3,898	\$3,398	(\$500)
Total	\$11,694	\$8,470	(\$3,224)

BTU District LNG Impact - BC318

Proposed Capital Expenditures (in thousands of 2005 dollars)

Year	SoCalGas	DRA	Difference
2006	\$0	\$0	\$0
2007	\$558	\$258	(\$300)
2008	\$2,591	\$1,191	(\$1,400)
Total	\$3,149	\$1,449	(\$1,700)

SETTLEMENT AGREEMENT

Budget Code 276: SoCalGas capital expenditures were requested for investments to comply with the transmission pipeline integrity rule, including line retrofit and in-line inspections, main replacements, and down stream impact additions. The Joint Parties agree to DRA’s requested amount for 2006, a \$7.608 million reduction for 2007, and to SoCalGas’ requested amount for 2008. The settling parties believe this is a reasonable compromise, particularly since the costs are driven by mandated work requirements.

Budget Code 305: SoCalGas capital expenditures were requested for investments for installing and replacing compressor station equipment used in transmission system operations. The Joint Parties agree to a \$0.500 million reduction for 2006, and to SoCalGas’ requested amounts for 2007 and 2008. The Settlement amounts are a reasonable compromise that adopts the majority of DRA’s position in 2006, and allowing SoCalGas the funds for necessary investments in subsequent years.

Budget Code 308: SoCalGas capital expenditures were requested for meter and/or regulator station additions or replacements for new customers / increased capacity. The Joint Parties agree to a \$1.000 million reduction for 2006, and to SoCalGas’ requested amounts for 2007 and 2008. The Settlement amounts are a reasonable compromise that falls between the parties’ litigation positions for 2006, and allowing SoCalGas the funds for necessary investments in subsequent years.

Budget Code 318: The Joint Parties agree to DRA’s requested amounts for 2006 – 2008.

TY2008 Forecast (in thousands of 2005 dollars)

	2006	2007	2008
Budget Code 276	\$5,699	\$6,009	\$27,490
Budget Code 305	\$5,186	\$5,870	\$5,902
Budget Code 308	\$2,898	\$3,898	\$3,898
Budget Code 318	\$0	\$258	\$1,192

Chapter 3F1-2
Southern California Gas Company
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Capital Expenses

- Project / Budget: Gas Distribution Capital
- Witnesses: D. Rendler – Distribution
- Issue Description: New Business (BC151)
Meters & Regulators (BC163, 164, 180, 181, 280, 281)
Pressure Betterment (BC251)
Other Distribution Capital (BC264, 270)
Cathodic Protection (BC273)
Field Capital Support (BC903)
- SoCalGas Position: 1. New Business: SoCalGas requests \$109.404 million of funding for this area for 2006-2008 based on expected growth (see Exhibit SCG-2-E, p. 49).
2. Meters & Regulators: SoCalGas requests \$86.475 million of funding for this area for 2006-2008 based on expected units and cost per unit (see Exhibit SCG-2-E, p. 62).
3. Pressure Betterment: SoCalGas requests \$32.931 million of funding for this area for 2006-2008 based on the 5-year average adjusted for an increase in pipeline and paving contractor rates (see Exhibit SCG-2-E, p. 50).
4. Other Distribution Capital: SoCalGas requests \$12.269 million of funding for this area for 2006-2008 based on the 5-year average plus expenditures for installation of meter guards (see Exhibit SCG-2-E, p. 61).
5. Cathodic Protection: SoCalGas requests \$13.421 million of funding for this area for 2006-2008 based on a smooth transition to the 5-year average (see Exhibit SCG-2-E, p. 56). Note: DRA revised its position for this item after the August 31 Update filing was made (see below). SoCalGas agrees with the revision and accordingly there is no more dispute over this item.
6. Field Capital Support: SoCalGas requests \$102.539 million of funding for this area for 2006-2008 based on various growth rates as applicable to the work being completed (see Exhibit SCG-2-E, p. 69).

DRA Position:

1. New Business: DRA recommends \$109.409 million for this account based on replacing the 2006 forecast with the higher adjusted recorded value and then making reductions to each of 2007 and 2008 based on 50% of the difference between forecast 2006 and adjusted-recorded 2006, a reduction of \$9.3 million in each year (see Exhibit DRA-31, p.6).
2. Meters & Regulators: DRA recommends \$82.334 million for this account based on applying an annual growth rate of 1.5% to the base year 2005 level of expense, a reduction of \$4.219 million in the years 2007 and 2008 (see Exhibit DRA-31, p.9).
3. Pressure Betterment: DRA recommends \$33.141 million for this account based on replacing the 2006 forecast with the higher adjusted recorded value and then making reductions to each of 2007 and 2008 based on 50% of the difference between forecast 2006 and adjusted-recorded 2006, a reduction of \$2.535 million in each year 2007 and 2008 (see Exhibit DRA-31, p. 7).
4. Other Distribution Capital: DRA recommends \$12.271 million for this account based on using the adjusted-recorded value for 2006 and an annual reduction of \$0.279 million to 2007 and 2008 estimates (see Exhibit DRA-31-Revised, p. 8).
5. Cathodic Protection: DRA recommends \$13.237 million for this account based on Exhibit 21-Revised, p. 8. SoCalGas agrees with this revision.
6. Field Capital Support: DRA recommends \$121,484 million for this account based on replacing the 2006 forecast with the higher adjusted recorded value and then making reductions to each of 2007 and 2008 based on 50% of the difference between forecast 2006 and adjusted-recorded 2006, a reduction of \$2.462 million in each year 2007 and 2008(see Exhibit DRA-31, p.9).

New Business - BC151

Proposed Capital Expenditures (in thousands of 2005 dollars)

Year	SoCalGas	DRA	Difference
2006	\$35,770	\$54,433	\$18,663
2007	\$36,099	\$26,766	(\$9,333)
2008	\$37,536	\$28,210	(\$9,326)
Total	\$109,404	\$109,409	\$5

Meters & Regulators - BC163, 164, 180, 181, 280, 281

Proposed Capital Expenditures (in thousands of 2005 dollars)

Year	SoCalGas	DRA	Difference
2006	\$27,332	\$27,840	\$508
2007	\$28,593	\$27,044	(\$1,549)
2008	\$30,628	\$27,450	(\$3,178)
Total	\$86,553	\$82,334	(\$4,219)

Note: DRA placed total annual difference in BC163

Pressure Betterment - BC251

Proposed Capital Expenditures (in thousands of 2005 dollars)

Year	SoCalGas*	DRA	Difference
2006	\$11,047	\$16,117	\$5,070
2007	\$11,047	\$8,512	(\$2,535)
2008	\$11,047	\$8,512	(\$2,535)
Total	\$33,141	\$33,141	\$0

Other Distribution Capital - BC264, 270

Proposed Capital Expenditures (in thousands of 2005 dollars)

Year	SoCalGas*	DRA**	Difference
2006	\$4,179	\$4,471	\$292
2007	\$4,179	\$3,900	(\$279)
2008	\$4,179	\$3,900	(\$279)
Total	\$12,537	\$12,271	(\$266)

Note: DRA placed total annual difference in BC270

Cathodic Protection - BC273

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas*</u>	<u>DRA</u>	<u>Difference</u>
2006	\$3,852	\$3,382	(\$470)
2007	\$4,498	\$4,498	\$0
2008	\$5,357	\$5,357	\$0
Total	\$13,707	\$13,237	(\$470)

Field Capital Support - BC903

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas*</u>	<u>DRA</u>	<u>Difference</u>
2006	\$39,071	\$43,995	\$4,924
2007	\$40,848	\$38,386	(\$2,462)
2008	\$41,565	\$39,103	(\$2,462)
Total	\$121,484	\$121,484	\$0

SETTLEMENT AGREEMENT

Budget Code 151: The Joint Parties agree to DRA's requested amounts for 2006 – 2008.

Budget Codes 163, 164, 180, 181, 280 & 281: SoCalGas capital expenditures were requested for investments for gas meters and pressure gauges, regulators, electronic gas pressure and temperature correction equipment, and electronic pressure monitors. The Joint Parties agree to DRA's requested amount for 2006, a \$34,000 reduction for 2007 and \$95,000 reduction for 2008. The settling parties believe this is a reasonable compromise that adopts the majority of SoCalGas' position that allows funding for necessary investments during the GRC timeframe.

Budget Code 251: The Joint Parties agree to DRA's requested amounts for 2006 – 2008.

Budget Codes 264 & 270: SoCalGas capital expenditures were requested for adjustments to facilities not specifically included in the other categories of work and meter guard installations. The Joint Parties agree to DRA's requested amounts for 2006, and to SoCalGas' requested amounts for 2007 – 2008.

Budget Code 273: The Joint Parties agree to SoCalGas' requested amounts for 2006 – 2008.

Budget Code 903: The Joint Parties agree to DRA's requested amounts for 2006 – 2008.

TY2008 Forecast (in thousands of 2005 dollars)

	2006	2007	2008
Budget Code 151	\$54,433	\$26,766	\$28,210
Budget Codes 163, 164, 180, 181, 280 & 281	\$27,840	\$28,559	\$30,533
Budget Code 251	\$16,117	\$8,511	\$8,512
Budget Codes 264 & 270	\$4,472	\$4,179	\$4,179
Budget Code 273	\$3,852	\$4,498	\$5,357
Budget Code 903	\$43,995	\$38,386	\$39,103

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DRA Differences to SoCalGas Requests
Capital Expenses

Project / Budget: Information Technology Capital

Witnesses: J. Chris Baker – Distribution

Issue Description: IT Capital Projects (various budget codes)

SoCalGas Position: SoCalGas requests \$104.938 million of funding for IT capital projects related to Customer Services, Utility Operations, IT infrastructure and Network and Telecom for 2006-2008 (see Exhibit SCG-12, p. 16-19, Table NSS-SCG-JCB-4).

DRA Position: DRA recommends \$61.822 million for this account based on denying IT projects without approved business cases, denying funding for deferred projects, and reducing expenditures for approved projects (see Exhibit DRA-17, p. 12, Table 17-5).

Proposed Capital Expenditures (in thousands of 2005 dollars)

Year	SoCalGas	DRA	Difference
2006	\$35,175	\$22,157	(\$13,018)
2007	\$34,753	\$22,656	(\$12,097)
2008	\$35,010	\$17,009	(\$18,001)
Total	\$104,938	\$61,822	(\$43,116)

SETTLEMENT AGREEMENT

SoCalGas requested a total of \$104.938 million for capital costs associated with IT projects for Customer Services, Utility Operations, IT infrastructure and Network and Telecom for 2006-2008. DRA proposed total downward adjustments of \$43.116 million with respect to projects without approved business cases, denying funding for deferred projects, and reducing expenditures for approved projects. The settlement value reflects a reduction of a combined total of \$41.458 million, which is a compromise that adopts the majority of DRA's position for 2006 – 2008.

TY2008 Forecast (in thousands of 2005 dollars)

	Settlement Agreement
2006	\$22,200
2007	\$23,734
2008	\$17,546

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Southern California Gas Company
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DRA Differences to SoCalGas Requests
Capital Expenses

Project / Budget: Emergency Preparedness Capital

Witnesses: J. Boland – Emergency Preparedness

Issue Description: Mainframe Disaster Recovery Facilities (BC694)
Mainframe Disaster Recovery Bandwidth (BC792.2)
Email Redundancy (BC793)

SoCalGas Position: 1. Mainframe Disaster Recovery Facilities: SoCalGas requests \$7.275 million of funding for this area for 2006-2008 (see Exhibit SCG-213, p. 9).
2. Mainframe Disaster Recovery Bandwidth: SoCalGas requests \$0.628 million of funding for this area for 2006-2008 (see Exhibit SCG-213, p. 9).
3 Email Redundancy: SoCalGas requests \$2.050 million of funding for this area for 2006-2008 (see Exhibit SCG-213, p. 9).

DRA Position: 1. Mainframe Disaster Recovery Facilities: DRA recommends \$6.715 million for this account based on replacing the 2006 forecast with the adjusted recorded value (see Exhibit DRA-33, p. 5).
2. Mainframe Disaster Recovery Bandwidth: DRA recommends \$0.008 million for this account based on replacing the 2006 forecast with the adjusted recorded value (see Exhibit DRA-33, p. 5).
3. Email Redundancy: DRA recommends \$1.268 million for this account based on replacing the 2006 forecast with the adjusted recorded value (see Exhibit DRA-33, p. 5).

Mainframe Disaster Recovery Facilities - BC694

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
2006	\$875	\$875	\$0
2007	\$3,740	\$3,180	(\$560)
2008	\$2,660	\$2,660	\$0
Total	\$7,275	\$6,715	(\$560)

Mainframe Disaster Recovery Bandwidth - BC792.2

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
2006	\$6	\$6	\$0
2007	\$622	\$2	(\$620)
2008	\$0	\$0	\$0
Total	\$628	\$8	(\$620)

Email Redundancy - BC793

Proposed Capital Expenditures (in thousands of 2005 dollars)

<u>Year</u>	<u>SoCalGas</u>	<u>DRA</u>	<u>Difference</u>
2006	\$1,121	\$1,121	\$0
2007	\$928	\$148	(\$780)
2008	\$0	\$0	\$0
Total	\$2,050	\$1,268	(\$780)

SETTLEMENT AGREEMENT

Budget Code 694: The Joint Parties agree to DRA's requested amounts for 2006 – 2008.

Budget Code 792.2: The Joint Parties agree to DRA's requested amounts for 2006 – 2008.

Budget Code 793: The Joint Parties agree to DRA's requested amounts for 2006 – 2008.

TY2008 Forecast (in thousands of 2005 dollars)

	2006	2007	2008
Budget Code 694.0	\$875	\$3,180	\$2,660
Budget Codes 792.2	\$6	\$2	\$0
Budget Code 793	\$1,121	\$148	\$0

F2: Working Cash

SETTLEMENT AGREEMENT

The Joint Parties agree that (\$92,516) will be the level of working cash for SoCalGas for 2008. This amount reflects a compromise on a number of positions raised by DRA and TURN, including a reduction related to the removal of pre-payments for 50% of D&O insurance. No specific sub-components of working cash are resolved by the Joint Parties and the Joint Parties agree that this result does not resolve any policy issues raised by DRA or TURN related to working cash.

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 Southern California Gas Company
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 DRA Differences to SoCalGas Requests
 Rate Base

Project / Budget: Working Cash

Witnesses: Kyle (SoCalGas) / Chan (DRA)

Issue Description: Cash Balances

SoCalGas Position: SCG proposes to include \$3.358 million for cash balances in its working cash requirement. The utility has negotiated with its banks to not require a specific minimum balance. However, the minimum cash balances requested are a necessity for running the utility prudently.

DRA Position: DRA recommends that cash balances be removed from the working capital requirement and rate base because it is not a “required” deposit.

Proposed Amount in Rate Base (in thousands of nominal dollars)

Year	SoCalGas	DRA	Difference
2008	\$3,358	\$0	(\$3,358)
Total	\$3,358	\$0	(\$3,358)

SETTLEMENT AGREEMENT

See summary page.

Chapter 3F2-2
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 Rate Base

Project / Budget: Working Cash

Witnesses: Kyle (SoCalGas) / Chan (DRA)

Issue Description: Accrued Vacation

SoCalGas Position: SCG did not include any deduction for accrued vacation in its working cash requirement calculation because no funding is requested through operating expenses for future vacation and sick leave liability accruals.

DRA Position: DRA proposes a reduction for accrued vacation, resulting in a rate base reduction of \$28.248 million. DRA believes the Commission should use the guidelines in Standard Practice U-16 which states “these amounts represent monies accrued through operating expenses for future liabilities which the utility has available until payments to employees for vacation and sick leave are made.”

Proposed Amount in Rate Base (in thousands of nominal dollars)

Year	SoCalGas	DRA	Difference
2008	\$0	(\$28,248)	(\$28,248)
Total	\$0	(\$28,248)	(\$28,248)

SETTLEMENT AGREEMENT

See summary page.

Chapter 3F2-3
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Rate Base

Project / Budget: Working Cash

Witnesses: S. Kyle – Working Cash

Issue Description: Revenue Lag Days

SoCalGas Position: SCG requested 42.36 revenue lag days to calculate its working cash requirement based on 2005 recorded information.

DRA Position: DRA proposes 40.26 revenue lag days, a reduction of 2.10 days, based on a five-year average of revenue lag days during 2002 – 2006.

Rate Base Impact: The effect of reducing the revenue lag by 2.10 days results in a reduction to the working cash requirement and TY2008 rate base that is dependent on the level of authorized expenses.

SETTLEMENT AGREEMENT

See summary page.

Chapter 3F2-4
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Rate Base

Project / Budget: Working Cash

Witnesses: S. Kyle – Working Cash

Issue Description: Federal Income Tax Lag Days

SoCalGas Position: SCG requested 16.74 lag days for Federal Income Tax (FIT) payments to calculate its working cash requirement. SCG is required by the IRS to make four quarterly tax payments during each calendar year and used the mid-point of each quarter.

DRA Position: DRA recommends 151.45 lag days, an increase of 134.71 days, which results in an associated reduction in rate base. DRA calculates using mid-year dates instead of quarterly service midpoint days to weight the timing of the quarterly tax payments.

Rate Base Impact: The effect of reducing the expense lag by 134.71 days results in a reduction to the working cash requirement and TY2008 rate base that is dependent on the level of authorized expenses.

SETTLEMENT AGREEMENT

See summary page.

Chapter 3F2-5
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Rate Base

Project / Budget: Working Cash

Witnesses: S. Kyle – Working Cash

Issue Description: California Corporate Franchise Tax Lag Days

SoCalGas Position: SCG requested 14.29 lag days for California Corporate Franchise Tax payments to calculate its working cash requirement. SCG is required by the Franchise Tax Board to make four quarterly tax payments during each calendar year to calculate the lag days and used the mid-point of each quarter.

DRA Position: DRA proposes 72.46 revenue lag days, an increase of 58.17 days, which results in an associated reduction in rate base. DRA calculates using mid-year dates instead of quarterly service midpoint days to weight the timing of the quarterly tax payments.

Rate Base Impact: The effect of reducing the expense lag by 58.17 days results in a reduction to the working cash requirement and TY2008 rate base that is dependent on the level of authorized expenses.

SETTLEMENT AGREEMENT

See summary page.

Part G

Other Issues

- G1: Compressor Station Electricity
- G2: Pension Balancing Account
- G3: PBOPs Balancing Account
- G4: ICCMA Balancing Account
- G5: Post Test-Year Ratemaking (PTYR) – O&M Escalation
- G6: PTYR -- Productivity
- G7: PTYR – Capital Escalation
- G8: PTYR – Medical Escalation
- G9: PTYR – Earnings Sharing Symmetry
- G10: PTYR – Earnings Sharing Bands
- G11: PTYR – Earnings Sharing Tax Benefits
- G12: PTYR – GRC Term
- G13: PTYR – Corporate Center Adjustment
- G14: Residential Customer Forecast
- G15: Pipeline Integrity Reporting
- G16: Testing of Replaced Meters
- G17: RD&D Royalties
- G18: RD&D Escalation
- G19: Performance Incentives (PI) - Safety
- G20: PI - Safety
- G21: PI – Customer Satisfaction
- G22: PI – Customer Satisfaction
- G23: PI – Customer Satisfaction
- G24: PI – Customer Satisfaction
- G25: PI – Customer Satisfaction
- G26: PI – Customer Satisfaction

Chapter 3G1
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 Other Issues

Subject / Account: FERC 855.0

Witness: D. Taylor – Gas Transmission

Issue Description: Balancing Account Treatment for Compressor Station Electricity

SoCalGas Position: SoCalGas proposes two-way balancing account treatment for compressor station electricity expenses and subsequently be addressed in the Biennial Cost Allocation Proceeding (BCAP) (see Exhibit SCG 3, page DGT-8). SoCalGas estimates expenses could be \$1.400 million per year with respect to current power prices, and does not believe the Commission should delay approving this proposal (see Exhibit SCG 220, page 7).

DRA Position: DRA does not have an opinion regarding the reasonableness of this request, but recommends the request along with detailed cost estimates be submitted in the next SoCalGas BCAP (see Exhibit DRA-30, page 30-35).

Estimated Two-Way Account Balance (in thousands of dollars)

Year	SoCalGas	DRA	Difference
Electricity Costs	\$1,400	N/A	(\$1,400)

N/A = Not applicable

SETTLEMENT AGREEMENT

The Joint Parties agree to the SoCalGas request, but agree that the disposition of any balance in the account and the cost allocation of the account will be determined in the next BCAP proceeding.

Chapter 3G2
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Pension Balancing Account (PBA)

Witness: S. Rahon – Regulatory Accounts

Issue Description: Pension Balancing Account Amortization

SoCalGas Position: SoCalGas proposes to amortize an estimated \$6.329 million overcollection in the PBA over the adopted GRC period (Exhibit SDG&E/SCG-300, p. UP-70). SCG has explicit authority in its preliminary statements to amortize the PBA. Going forward, SCG requests that PBA over/under collections be amortized on an annual basis (Exhibit SCG-252, pages 1-3).

DRA Position: DRA recommends that the PBA balance be carried forward because it is relatively small (see Exhibit DRA-23, page 23-3).

Proposed PBA Amortization (in thousands of 2007 dollars)

Year	SoCalGas	DRA	Difference
2008	(\$1,055)	\$0	\$1,055
2009	(\$1,055)	\$0	\$1,055
2010	(\$1,055)	\$0	\$1,055
2011	(\$1,055)	\$0	\$1,055
2012	(\$1,055)	\$0	\$1,055
2013	(\$1,054)	\$0	\$1,054
Total	(\$6,329)	\$0	\$6,329

SETTLEMENT AGREEMENT

- The Joint Parties agree to amortize the balance in this account (\$48.276 million) using the standard methodology (within the balancing account) over the 2008-2009 period subsequent to a final decision in GRC Phase I.
- Two-way balancing accounts shall be used to recover both Pension and PBOP costs. These shall be interest bearing accounts and the disposition of any balance in the accounts at the end of this GRC cycle shall be determined in the next GRC.
- As noted above, the most recent DRA estimate of pension expenses (identified in Exhibit DRA-27) shall be adopted. Any increase or decrease in actual contributions at the ERISA minimum required funding level for any year will be adjusted through the two-way balancing account.
- For the period 2009 through the end of the GRC term, annual Pension contributions will be no greater than the ERISA minimum required funding amount. If the ERISA minimum exceeds the DRA estimate of Pension expense (identified in Exhibit DRA-27) in any year, then the company will file an advice letter containing the supporting calculation of the minimum ERISA contribution made.
- As noted above, the most recent DRA estimate of PBOP expense will be adopted for 2008 and each subsequent year in the rate case cycle. Any increase or decrease in actual PBOP expense for any year will be adjusted through the two-way balancing account.
- There will be no cost sharing mechanism between customers and shareholders related to the above pension and PBOP funding mechanisms during this GRC cycle.

Chapter 3G3
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post Retirement Benefits Other Than Pension Balancing Account (PBOPBA)

Witness: S. Rahon – Regulatory Accounts

Issue Description: PBOPBA Balance Amortization

SoCalGas Position: SoCalGas proposes to amortize an estimated \$48.276 million overcollection in the PBOPBA over the adopted GRC period (Exhibit SDG&E/SCG-300, p. UP-70). SoCalGas would support an amortization period that matches the adopted length of the GRC. The amortization would occur in the PBOPBA regulatory account as part of the normal amortization process for all regulatory accounts (see Exhibit SCG 252, pages 1-3). Going forward, SCG requests that PBOPBA over/under collections be amortized on an annual basis (Exhibit SCG-252, pages 1-3).

DRA Position: DRA recommends amortizing the overcollection as a \$9.459 million credit incorporated within miscellaneous revenues category of the base margin revenue requirement (see Exhibit DRA-23, page 23-3).

Proposed PBOPA Amortization (in thousands of 2007 dollars)

Year	SoCalGas	DRA	Difference
2008	(\$8,046)	(\$9,459)	\$1,413
2009	(\$8,046)	(\$9,459)	\$1,413
2010	(\$8,046)	(\$9,459)	\$1,413
2011	(\$8,046)	(\$9,459)	\$1,413
2012	(\$8,046)	(\$9,459)	\$1,413
2013	(\$8,046)	\$0	(\$8,046)
Total	(\$48,276)	(\$47,296)	(\$980)

SETTLEMENT AGREEMENT

- The Joint Parties agree to amortize the balance in this account (\$48.276 million) using the standard methodology (within the balancing account) over the 2008-2009 period subsequent to a final decision in GRC Phase I.
- Two-way balancing accounts shall be used to recover both Pension and PBOP costs. These shall be interest bearing accounts and the disposition of any balance in the accounts at the end of this GRC cycle shall be determined in the next GRC.
- As noted above, the most recent DRA estimate of pension expenses (identified in Exhibit DRA-27) shall be adopted. Any increase or decrease in actual contributions at the ERISA minimum required funding level for any year will be adjusted through the two-way balancing account.
- For the period 2009 through the end of the GRC term, annual Pension contributions will be no greater than the ERISA minimum required funding amount. If the ERISA minimum exceeds the DRA estimate of Pension expense (identified in Exhibit DRA-27) in any year, then the company will file an advice letter containing the supporting calculation of the minimum ERISA contribution made.
- As noted above, the most recent DRA estimate of PBOP expense will be adopted for 2008 and each subsequent year in the rate case cycle. Any increase or decrease in actual PBOP expense for any year will be adjusted through the two-way balancing account.
- There will be no cost sharing mechanism between customers and shareholders related to the above pension and PBOP funding mechanisms during this GRC cycle.

Chapter 3G4
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Interim Call Center Memorandum Account (ICCMA)

Witnesses: S. Rahon – Regulatory Accounts

Issue Description: Cost Allocation Method for ICCMA Balance

SoCalGas Position: SoCalGas requested to eliminate the ICCMA and to transfer the estimated \$1,555 undercollected balance as of December 31, 2007 (Exhibit SDG&E/SCG-300, p.UP-70) to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) on an Equal Percent of Marginal Cost (EPMC) allocation methodology. In this GRC, the CARE call center labor costs of the ICCMA will be part of base margin costs. Traditionally, base rates (i.e., margin) costs are allocated to core and noncore customers based on an EPMC basis (Exhibit SCG-252, p.3).

DRA Position: DRA does not contest the proposal to eliminate the ICCMA, but recommends the undercollection be allocated on an equal cents per therm basis (ECPT).

SETTLEMENT AGREEMENT

The Joint Parties agree to the SoCalGas request.

NOTE: The following section of this document deals with Post-Test Year Issues and Post-Test Year Issues are outside the scope of the Settlement Agreement related TY2008 revenue requirement issues.

Chapter 3G5
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: Escalation Factor – O&M Expenses

SoCalGas Position: SoCalGas proposed post test year adjustments to O&M expenses using a formula that in part multiplies the previous year O&M by inputs for utility cost escalation factors from Global Insight's Utility Cost Information Service (UCIS) (see Exhibit SCG-31, pages MMS-5).

DRA Position: DRA requests use of the Consumer Price Index (CPI) instead of the UCIS utility specific cost escalation factor (see DRA-25, page 25-7).

Chapter 3G6
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: Productivity + Stretch Factors

SoCalGas Position: SoCalGas proposes a progressive productivity factor that begins at 1.1% the first year of attrition and increases by 0.1% per year to 1.5% in the last year of the requested 6-year GRC term (see Exhibit SCG-31, pages MMS-5 to 6).

DRA Position: DRA recommends the 1.3% average productivity factor in each attrition year to form the basis from which a progressive productivity structure should start (see DRA-25, page 25-9).

DRA proposes an additional progressive stretch factor of 0.1% be added to the productivity factor for calculating attrition year revenue requirements (see DRA-25, page 25-10).

DRA recommends a stretch factor of 0.1% for non-UoF related productivity gains (see DRA-25, page 25-11).

Taken in whole, the proposed productivity begins at 1.3% in 2009 and increases 0.2% in each of the attrition years, ending at 1.9% in 2012 under DRA's contemplated 5-year GRC term (see DRA-25, page 25-11).

Chapter 3G7
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: Escalation Factor – Capital Expenditures

SoCalGas Position: SoCalGas proposed post test year adjustments to capital-related costs using a 3-year rolling average of historical plant additions, escalated to PTY dollars using Handy-Whitman construction indexes (see Exhibit SCG-31, pages MMS-6 to 7).

DRA Position: DRA does not object to the 3-year average to adjust capital-related costs, but requests use of the Consumer Price Index (CPI) instead of the Handy-Whitman construction indexes (see DRA-25, page 25-11 to 25-12).

Chapter 3G8
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: Escalation Factor – Medical Costs

SoCalGas Position: To adjust for the impact of inflation on medical costs during the post test years, SoCalGas proposed the use of different escalation factors specifically developed to address medical costs. Expenses for the upcoming year are derived multiplying the previous year medical cost by the one-year-ahead projection, with no adjustment for customer growth or productivity (see Exhibit SCG-31, pages MMS-8).

DRA Position: DRA did not take issue with the requested approach, but does recommend an 8% cap for the PTY medical cost escalation factor (see DRA-25, page 25-12).

Chapter 3G9
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: Earnings Sharing Mechanism – Sharing Band Symmetry

SoCalGas Position: SoCalGas proposed a symmetrical earnings sharing mechanism whereby ratepayers and shareholders both receive earnings that are above or below an authorized Rate of Return (see Exhibit SCG-31, pages MMS-10).

DRA Position: DRA did not object to the concept of earnings sharing, but recommends asymmetrical sharing bands. DRA believes that SoCalGas should bear all the risk associated with earnings below the authorized ROR (see DRA-25, page 25-15 to 18).

Chapter 3G10
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: Earnings Sharing Mechanism – Sharing Bandwidth

SoCalGas Position: SoCalGas proposed sharable earnings for attrition years consisting of sharing bands identical to the mechanism adopted in Phase II of the 2004 Cost of Service (D.05-03-023), presented below (see Exhibit SCG-31, pages MMS-10):

2004 Cost of Service Phase II – Sharing Bands

Bands	Sharing Band Relative to ROR	Company	Customer
Inner	0 – 50	100%	0%
1	51 – 100	25%	75%
2	101 – 125	35%	65%
3	126 – 150	45%	55%
4	151 – 175	55%	45%
5	176 – 200	65%	35%
6	201 – 300	75%	25%
Outer	Above 300	Suspend	Suspend

DRA Position: DRA recommends the basis points for the Inner band be “narrowed” to 0 – 25 and Band 1 be “narrowed” to 26 – 100 (see DRA-25, page 25-18).

Chapter 3G11
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: Earnings Sharing Mechanism – Tax Deduction Benefits

SoCalGas Position: The gross-up of the ratepayer’s allocation of gain is appropriate as it properly allocates the tax benefits consistent with the adopted percentages under the adopted earnings sharing mechanism (see Exhibit SCG-250, pages 20 to 23).

DRA Position: DRA proposes to change the methodology currently used by SoCalGas to calculate the grossed-up amount of sharable earnings allocated to ratepayers. DRA requests revision of the formula currently used $1/(1-r * t)$ to $1/(1-t)$, where “t” represents the adopted gross-up factor for income taxes, franchise fees and uncollectibles (see DRA-25, page 25-18 to 20).

Chapter 3G12
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider Post Test-Year Ratemaking

Issue Description: GRC Term

SoCalGas Position: SoCalGas proposes a 6-year GRC term from 2008 – 2013 unless certain “off-ramp” events are triggered (see Exhibit SCG-31, pages MMS-9 to 10).

DRA Position: DRA believes a term longer than the traditional 3-year period is appropriate, but recommends a 5-year term ending in 2012 (see DRA-25, page 25-20 to 22).

Chapter 3G13
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Post-Test Year Ratemaking Mechanism

Witness: M. Schneider – Post Test-Year Ratemaking

Issue Description: Corporate Center Expenses

SoCalGas Position: SoCalGas indicates there is no basis for an assumption that the decline in Corporate Center allocations will continue. Recent transactions and the recommendations of intervening parties in this proceeding to disallow large portions of Corporate Center costs could result in double-dipping on the reductions to this area, to the extent disallowances are adopted (see Exhibit SCG-250, page 32).

DRA Position: DRA recommends an annual decrease of \$1.5 million be applied to the SoCalGas PTY ratemaking mechanism due to the belief the allocation of Corporate Center charges will be reduced annually (see DRA-25, page 25-24 to 25).

Chapter 3G14
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Customer Forecast

Witness: H. Emmrich -- Customers

Issue Description: Single-Family Residential Customer Count

SoCalGas Position: SoCalGas forecasted 3,593,130 single-family residential customers for TY2008 (see Exhibit SCG-247, page 1 to 3).

DRA Position: DRA proposes 3,583,733, which is a reduction of 9,396, or 0.26% (see DRA-29, page 29-2 to 4).

Chapter 3G15
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Pipeline Integrity Balancing Account

Witness: J. Rivera -- Engineering

Issue Description: Gas Distribution Pipeline Integrity Balancing Treatment

SoCalGas Position: SoCalGas believes the Pipeline Integrity expenses should be authorized in base rates with no balancing account treatment. However, in the alternative, SoCalGas proposes base rate funding at the requested level with a two-way balancing account for these expenses (see Exhibit SCG-214, p. 10).

DRA Position: DRA proposes the removal of costs associated with the Department of Transportation (DOT) Pipeline Integrity Program for Gas Distribution from GRC rates, and in place recommends memorandum account treatment. In the event this request is authorized, DRA submits that the PTY ratemaking calculation should exclude any forecasted or spent monies for the program if granted such accounting treatment (see DRA-25, page 25-24 to 25).

Chapter 3G16
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: USS Cost Center 2200-0798

Witness: P. Petersilia – Customer Services Operations

Issue Description: Testing of Replaced Meters

SoCalGas Position: SoCalGas presents information so the Commission can re-visit the practice of performing accuracy tests on all meters removed from service. Of the 180,000 meters to be removed each year, SoCalGas estimates that the accuracy test should be performed on about 80,000 meters and could be eliminated for up to 100,000 meters. If the Commission desires to pursue this alternative, SoCalGas proposes to reduce its expense request by \$0.208 million in this cost center (see Exhibit SCG/SDG&E-14, page JPP-12 to 14).

DRA Position: DRA recommends the Commission continue to require SoCalGas to in-test all meters removed after 10 or more years of service. SoCalGas should continue to perform accuracy tests on all meters removed from service, including the 100,000 meters associated with meter families that are removed because they fail the MPCP parameters (see DRA-32, page 32-21).

Chapter 3G17
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: FERC 930.2 – Research, Development & Demonstration

Witness: P. Baker – Customer Services Information

Issue Description: RD&D Royalties / Gains on Sale

SoCalGas Position: SoCalGas proposes to maintain the revenue treatment that royalties continue the sharing mechanism for net revenues (royalties, sale of securities) related to the RD&D program where they are split equally between ratepayers and shareholders (see Exhibit SCG -8, page PEB-84).

DRA Position: DRA proposes that royalties and gains on sale of securities related to the RD&D program be 100% credited to ratepayers instead of the current 50/50 split between ratepayers and shareholders (see DRA-32, page 32-38).

Chapter 3G18
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: FERC 930.2 – Research, Development & Demonstration

Witness: P. Baker – Customer Services Information

Issue Description: RD&D Escalation

SoCalGas Position: SoCalGas proposes that RD&D expenditures be subject to annual escalation factors. This reflects the fact that the labor and materials (e.g., metals and ceramics used in advanced boilers and turbines) change each year with inflationary and deflationary pressures (see Exhibit SCG -8, page PEB-84 to 85).

DRA Position: DRA recommends that the RD&D funding that the Commission authorizes should not be subject to escalation factors (see DRA-32, page 32-39).

Chapter 3G19
 Southern California Gas Company
 2008 Test Year GRC A.06-12-010
 DRA Differences to SoCalGas Requests
 Other Issues

Subject / Account: Safety Performance Incentive

Witness: J. Boland -- Safety

Issue Description: Performance Incentive Parameters

SoCalGas and Utility Workers Union of America, Local 132 propose the following settlement outcome for the Safety Performance Indicator:

1. UWUA and SoCalGas agreed to a OSHA recordable target of 6.10. In addition, UWUA and SoCalGas agree to a total deadband width of 0.34 (+/- 0.17 from target) and a 1.2 liveband width for reward and penalty as well as the maximum reward/penalty potential of \$3.0 million. The table below outlines the agreement:

Indicator	Target	Penalty Live band	Dead band	Reward Live band	Change Increment	Reward/Penalty per Change Increment	Maximum Reward/Penalty Potential
OSHA Recordable Rate	6.10	6.28–7.48	5.93–6.27	4.72 – 5.92	0.01	\$25,000	\$3.0 million

See the testimony on James Boland, September 13, 2007.

DRA Position:

Issue 1: OSHA Target Value

DRA proposes to establish the OSHA target of 5.98, which is the midway point between the average of the two best performances from 2002 to 2006 and the average performance in that period (see DRA-39, page 39-8, 39-9).

Issue 2: Dead Band

DRA Position: DRA proposes a dead band with width equal to twice the difference between the SoCalGas upper deadband limit and target (see DRA-39, page 9).

Issue 3: Reward Increment

DRA Position: DRA proposes a safety incentive rewards increment of \$5,000 (see DRA-39, page 39-8).

Issue 4: Equalization Factor

DRA Position: DRA proposes, as a general approach, that the relative size of rewards and penalties be adjusted by an equalizing factor designed to prospectively balance their average over a historical period (see DRA-39, page 39-5). DRA proposes an equalization factor of 0.2 for safety performance incentives (see DRA-39, page 39-8).

Chapter 3G20
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Safety Performance Incentive

Witness: J. Boland – Safety

Issue Description: Performance Incentive Performance Reporting

SoCalGas Position: SoCalGas does not oppose the continual reporting and proposes that the categories align with the company’s current reporting structure so to ensure consistency in the reporting of OSHA recordables. SoCalGas reports OSHA recordables by organization rather than by company function – therefore, SoCalGas would agree to reporting the categories as follows: (1) Meter Reading – North, (2) Customer Service Field, (3) Gas Operations, and (4) All other organizations (see Exhibit SDG&E/SCG-213, page 16).

DRA Position: DRA recommends that SoCalGas continue to track reportable incidents related to the following categories and submit such information at the next GRC proceeding (see DRA-39, page 39-9 to 10):

- Meter Reading
- Customer Field Service
- Gas Distribution, Transmission & Storage, and
- Office.

Chapter 3G21
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Phone / Office Satisfaction Performance Incentive

Witness: P. Petersilia – Customer Satisfaction

Issue Description: Customer Contact Performance Incentive Parameters

Issue 1: Customer Contact Target Value

SoCalGas Position: SoCalGas uses the historical five-year average from 2001 to 2005 of 84.6% as the target for phone satisfaction (see Exhibit SCG-29-E, table SCG-PI-JPP-11).

DRA Position: DRA recommends the three-year average from 2004 to 2006 of 87.5% as the target for phone satisfaction (see DRA-39, table 39-6a and page 39-17).

Issue 2: Reward Increment

SoCalGas Position: SoCalGas proposes a phone satisfaction reward increment of \$0.030 million per each tenth of a percent (see Exhibit SCG-29-E, table JPP-12).

DRA Position: DRA proposes a phone satisfaction reward increment of \$0.002 million per each tenth of a percent (see DRA-39, table 39-6a).

Issue 3: Penalty Increment

SoCalGas Position: SoCalGas proposes a phone satisfaction penalty increment of \$0.030 million per each tenth of a percent (see Exhibit SCG-29-E, table JPP-12).

DRA Position: DRA proposes a phone satisfaction penalty increment of \$0.010 million per each tenth of a percent (see DRA-39, table 39-6a).

Issue 4: Maximum Reward Amount

SoCalGas Position: SoCalGas proposes a phone satisfaction incentive reward maximum of \$1.500 million (see Exhibit SCG-29-E, table JPP-12).

DRA Position: DRA proposes a phone satisfaction incentive reward maximum of \$0.500 million (see DRA-39, table 39-6a).

Issue 5: Equalization Factor

SoCalGas Position: SoCalGas opposes the DRA equalization factor element for phone satisfaction. The equalization factor re-structures the net awards potential by changing the increment value (see Exhibit SCG-205, pages 31 to 34).

DRA Position: DRA proposes, as a general approach, that the relative size of rewards and penalties be adjusted by an equalizing factor designed to prospectively balance their average over a historical period (see DRA-39, page 39-5). DRA proposes an equalization factor of 0.2 for phone satisfaction (see DRA-39, table 39-6a).

Chapter 3G22
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Phone / Office Satisfaction Performance Incentive

Witness: P. Petersilia – Customer Satisfaction

Issue Description: Indicator Definitions

SoCalGas Position: Because of proposed changes in its Branch Office operations, SoCalGas proposes the Commission make Office Satisfaction a monitor-only indicator and Phone Satisfaction a reward/penalty indicator (see Exhibit SCG -29-E, page JPP-12).

DRA Position: DRA believes that branch office visits are an important component of the indicator and should not be removed without further discussion / justification (see DRA-39, page 39-17).

Chapter 3G23
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Field Visit Performance Incentive
Witness: P. Petersilia – Customer Satisfaction
Issue Description: Field Visit Performance Incentive Parameters

Issue 1: Field Visit Target Value
SoCalGas Position: SoCalGas uses the historical five-year average from 2001 to 2005 of 94.1% as the target for field visit satisfaction (see Exhibit SCG-29-E, table SCG-PI-JPP-14).
DRA Position: DRA recommends the three-year average from 2004 to 2006 of 94.8% as the target for field visit satisfaction (see DRA-39, table 39-6a and page 39-17).

Issue 2: Reward Increment
SoCalGas Position: SoCalGas proposes a field visit satisfaction reward increment of \$0.030 million per each tenth of a percent (see Exhibit SCG-29-E, table SCG-PI-JPP-15).
DRA Position: DRA proposes a field visit satisfaction rewards increment of \$0.002 million per each tenth of a percent (see DRA-39, table 39-6a).

Issue 3: Penalty Increment

SoCalGas Position: SoCalGas proposes a field visit satisfaction penalty increment of \$0.030 million per each tenth of a percent (see Exhibit SCG-29-E, table SCG-PI-JPP-15).

DRA Position: DRA proposes a field visit satisfaction penalty increment of \$0.010 million per each tenth of a percent (see DRA-39, table 39-6a).

Issue 4: Maximum Reward Amount

SoCalGas Position: SoCalGas proposes a field visit satisfaction incentive reward maximum of \$1.500 million (see Exhibit SCG-29-E, table SCG-PI-JPP-15).

DRA Position: DRA proposes a field visit satisfaction incentive reward maximum of \$0.500 million (see DRA-39, table 39-6a).

Issue 5: Equalization Factor

SoCalGas Position: SoCalGas opposes the DRA equalization factor element for field visit satisfaction. The equalization factor re-structures the net awards potential by changing the increment value (see Exhibit SCG-205, pages 31 to 34).

DRA Position: DRA proposes, as a general approach, that the relative size of rewards and penalties be adjusted by an equalizing factor designed to prospectively balance their average over a historical period (see DRA-39, page 39-5). DRA proposes an equalization factor of 0.2 for field visit satisfaction (see DRA-39, table 39-6a).

Chapter 3G24
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Customer Contact Center (CCC) Performance Incentive

Witness: P. Petersilia – Customer Satisfaction

Issue Description: CCC Incentive Parameters

Issue 1: CCC Target Value

SoCalGas Position: SoCalGas uses the historical five-year average from 2001 to 2005 of 80.0% within 60 seconds as the target for CCC responsiveness (see Exhibit SCG-29-E, table SCG-PI-JPP-18).

DRA Position: DRA recommends the three-year average from 2004 to 2006 of 81.2% as the target for CCC responsiveness (see DRA-39, table 39-6a and page 39-17).

Issue 2: Reward Increment

SoCalGas Position: SoCalGas proposes a CCC responsiveness reward increment of \$0.090 million per each tenth of a percent (see Exhibit SCG-29-E, table SCG-PI-JPP-19).

DRA Position: DRA proposes a CCC responsiveness rewards increment of \$0.006 million per each tenth of a percent (see DRA-39, table 39-6a).

Issue 3: Penalty Increment

SoCalGas Position: SoCalGas proposes a CCC responsiveness penalty increment of \$0.090 million per each tenth of a percent (see Exhibit SCG-29-E, table SCG-PI-JPP-19).

DRA Position: DRA proposes a CCC responsiveness penalty increment of \$0.030 million per each tenth of a percent (see DRA-39, table 39-6a).

Issue 4: Maximum Reward Amount

SoCalGas Position: SoCalGas proposes a CCC responsiveness incentive reward maximum of \$4.500 million (see Exhibit SCG-29-E, table SCG-PI-JPP-19).

DRA Position: DRA proposes a CCC responsiveness incentive reward maximum of \$1.500 million (see DRA-39, table 39-6a).

Issue 5: Equalization Factor

SoCalGas Position: SoCalGas opposes the DRA equalization factor element for CCC responsiveness. The equalization factor re-structures the net awards potential by changing the increment value. SoCalGas estimates that the ‘practical’ reward potential is probably less than \$200,000, while the proposed maximum award is mathematically unachievable by requiring 108.3% of calls answered in 60 seconds (see Exhibit SCG-205, pages 31 to 34).

DRA Position: DRA proposes, as a general approach, that the relative size of rewards and penalties be adjusted by an equalizing factor designed to prospectively balance their average over a historical period (see DRA-39, page 39-5). DRA proposes an equalization factor of 0.2 for call center responsiveness (see DRA-39, table 39-6a).

Chapter 3G25
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Field Service Appointments (FSA) Performance Incentive

Witness: P. Petersilia – Customer Satisfaction

Issue Description: FSA Incentive Parameters

Issue 1: FSA Percent of Appointments Provided

SoCalGas Position: SoCalGas proposes a target of 51.5% of appointments provided, which is based on a five-year average of historical performance (see Exhibit 29-E, table SCG-PI-JPP-16). SoCalGas proposes replacing the current appointments provided/met indicator with the appointments provided indicator because it is easier to understand and eliminates the potential for a double penalty (see Exhibit SCG-205, pages 36 to 37).

DRA Position: DRA recommends that all the previous structure of this indicator be maintained (see DRA-39, table 39-6b and page 39-12 to 13).

Issue 2: Dead Band

SoCalGas Position: SoCalGas proposes a FSA dead band of plus / minus 1% (see Exhibit 29-E, table SCG-PI-JPP-17).

DRA Position: DRA recommends that all the previous structure of this indicator be maintained (see DRA-39, table 39-6b and page 39-12 to 13).

Issue 3: Reward Increment

SoCalGas Position: SoCalGas proposes a FSA reward increment of \$0.075 million per each percent provided above the dead band (see Exhibit 29-E, table SCG-PI-JPP-17).

DRA Position: DRA proposes a FSA reward increment of \$0.002 million for each band of appointments offered beginning at the 40% level (see DRA-39, table 39-6b).

Issue 4: Penalty Increment

SoCalGas Position: SoCalGas proposes a FSA penalty increment of \$0.075 million per each percent provided below the dead band (see Exhibit 29-E, table SCG-PI-JPP-17).

DRA Position: DRA proposes a FSA penalty increment of \$0.015 million per each percent at the 0% to 35% band, and a penalty of \$0.010 million per each percent in each of the other existing bands (see DRA-39, table 39-6b).

Issue 5: Maximum Reward Amount

SoCalGas Position: SoCalGas proposes a FSA incentive reward maximum of \$0.825 million (see Exhibit 29-E, table SCG-PI-JPP-17).

DRA Position: DRA proposes a FSA incentive reward maximum of \$0.500 million (see DRA-39, table 39-6b).

Issue 6: Equalization Factor

SoCalGas Position: SoCalGas opposes the DRA equalization factor element for the FSA incentive program. The equalization factor re-structures the net awards potential by changing the increment value (see Exhibit SCG-205, pages 31 to 34).

DRA Position: DRA proposes, as a general approach, that the relative size of rewards and penalties be adjusted by an equalizing factor designed to prospectively balance their average over a historical period (see DRA-39, page 39-5). DRA proposes an equalization factor of 0.2 for the FSA for each band of appointments offered beginning at the 40% level (see DRA-39, table 39-6b).

Chapter 3G26
Southern California Gas Company
2008 Test Year GRC A.06-12-010
DRA Differences to SoCalGas Requests
Other Issues

Subject / Account: Field Service Appointments (FSA) Performance Incentive

Witness: P. Petersilia – Customer Satisfaction

Issue Description: FSA Penalty Mechanism

SoCalGas Position: SoCalGas proposes to change the FSA target indicator because in D.05-03-023, the Commission imposed a service guarantee on the utility. SoCalGas believes it is penalized twice for late appointments, as reflected by missed appointments in the FSA performance indicator and with the service guarantee (see Exhibit SCG -29-E, page JPP-23).

DRA Position: DRA does not believe the existence of the service guarantee and the inclusion of missed appointments in the FSA performance indicator reflects a double penalty. SoCalGas can be rewarded for its overall performance in meeting window appointments and at the same time pay individual customers \$50 for missing their appointments (see DRA-39, page 39-16).

Chapter 4

Differences by Issue Between SoCalGas and Other Intervenors

4A. TURN

4B. Aglet

4C. WMA.

4D. SCGC.

4E. SCE (differences with intervenors).

NOTES:

1. The comparisons that follow were provided by each intervenor and may not completely reflect changes to some Applicant positions provided in errata, rebuttal or during hearings. Such changes were captured by Applicants in the August 31, 2007 Update exhibit and are reflected in the comparison of Applicants' positions with DRA elsewhere in this exhibit.
2. The comparisons that follow do not reflect differences with any intervenor that did not provide input to this exhibit.
3. The Comparison Exhibit reflects detailed comparisons of SCG and DRA positions in a number of accounts. While settling parties agree that the total revenue requirement is reasonable, and the resolution of certain accounts reflects compromises between the positions of SCG, DRA and TURN (such outcomes are included in the discussion of outcomes between SCG and DRA), the parties also considered TURN's positions in accounts where there was no dispute between SCG and DRA (so these accounts are not reflected in Chapter 3).
4. No other party is a signatory to the Settlement Agreement so no outcome is listed for any other party.

4A. The Utilities Reform Network (TURN)

Summary of TURN Differences with SoCalGas

Line	Area	FERC	Issue Description	SoCal	TURN	SoCal vs. TURN	Name Cite
Section 1: Miscellaneous Revenues Forecasts							
1		488.0	service establishment charge - SoCal 5 yr avg + CG, TURN 5 yr avg per customer + CG	\$ 25,293	\$ 25,918	\$ (625)	TURN-2-E p. 4
2		488.0	reconnection charge - SoCal 5-yr avg + Petersilia growth factor; TURN 2005 + Petersilia growth factor for consistency with underlying cost	\$ 1,685	\$ 1,769	\$ (84)	TURN-2-E pp. 4-5
3		488.0	late payment charge - TURN uses longer estimating period than 5 months	\$ 670	\$ 670	\$ 0	Parties stipulated to split difference
		488.0	training revenues - real dollars rather than nominal	\$ 135	\$ 158	\$ (23)	TURN-2-E p. 6
4		495.0	crude oil revenues - TURN forecasts higher oil prices and higher volumes at Aliso Canyon	\$ 4,112	\$ 5,196	\$ (1,084)	TURN-2-E, pp. 6-8.
Section 2: Non-Shared Services O&M Forecasts							
1	gas trans	853.0	correct arithmetic mistake on permit fee non-standard escalation	\$ 501	\$ 420	\$ 81	TURN-2-E, pp. 10-11
2	gas trans	857.0	TURN 6 year average on fluctuating non-labor credit	\$ (184)	\$ (300)	\$ 116	TURN-2-E, pp. 11
3	gas trans	859.0	TURN 2005-2006 average for labor plus 2007-2008 increment; 2006 for non-labor plus 2005-2008 increment	\$ 2,199	\$ 1,623	\$ 576	TURN-2-E, pp. 11-12
4	gas trans	863.0	TURN 2006 labor + 3/4 of increment; four-year average non-labor	\$ 2,768	\$ 2,337	\$ 431	TURN-2-E, pp. 12-14
5	gas dist	184.0	TURN 2006 base plus reduction in incremental employees	\$ 4,257	\$ 3,718	\$ 539	TURN-2-E, pp. 16-17
6	gas dist	184.6	TURN 2006 base plus reduction in incremental employees	\$ 379	\$ 421	\$ (42)	TURN-2-E, pp. 16-17

Line	Area	FERC	Issue Description	SoCal	TURN	SoCal vs. TURN	Name Cite
7	gas dist	870.7	Use 2006 labor baseline and three-year average nonlabor baseline plus 2007-2008 increment minus pipeline integrity (memo acct), mapping backlog (deferred maintenance), average one-time expenses, reduce mark and locate growth, reduce supervisors because of lower labor elsewhere	\$ 16,492	\$ 13,988	\$ 2,504	TURN-2-E, pp. 17-27
8	gas dist	874.0	use four-year average for 874.4, reduce mark and locate workload	\$ 15,042	\$ 14,210	\$ 832	TURN-2-E, pp. 28-31
9	gas dist	875.0	Use four year average and exclude growth adjustment	\$ 869	\$ 768	\$ 101	TURN-2-E, p. 32
10	gas dist	880.2	Two-year average of cost of business equipment	\$ 3,007	\$ 2,630	\$ 377	TURN-2-E, p. 33
11	gas dist	880.4	spread one-time cost over rate case cycle	\$ 12,083	\$ 12,094	\$ (11)	TURN-2-E, pp. 33-34
12	gas dist	887.0	use 2006 baseline	\$ 7,808	\$ 8,905	\$ (1,097)	TURN-2-E, pp. 35-36 *
13	gas dist	887.1	use 2006 baseline	\$ 7,762	\$ 7,235	\$ 527	TURN-2-E, pp. 35-36
14	gas dist	889.0	labor 2006 baseline with different growth trend; non-labor five-year average	\$ 1,876	\$ 1,830	\$ 46	TURN-2-E, pp. 37-38
15	gas dist	892.0	2006 baseline + 4% for growth	\$ 14,146	\$ 11,750	\$ 2,396	TURN-2-E, pp. 38-40
16	gas dist	892.4	re-estimate fittings cost using different model than SoCal in light of very low 2006 spending	\$ 9,368	\$ 6,902	\$ 2,466	TURN-2-E, pp. 40-44
17	gas dist	893.0	Use 2006 labor baseline plus 3% per year trend minus decrease from diaphragm meters; non-labor 2004-2006 3-yr average	\$ 6,863	\$ 6,112	\$ 751	TURN-2-E, pp. 44-46
18	elec dist	921.5	remove chamber of commerce expenses	\$ 827	\$ 783	\$ 44	TURN-2-E, p. 46
19	gas procure	807.0	TURN reduction for A06-08-026	\$ 3,447	\$ 2,656	\$ 791	TURN-2-E, p. 49-52
20	gas engg	870.0	TURN use 2-year average for labor + 2007-08 increment except pipeline integrity (to memo acct)	\$ 15,199	\$ 4,939	\$ 10,260	TURN-2-E, pp. 47-49

Line	Area	FERC	Issue Description	SoCal	TURN	SoCal vs. TURN	Name Cite
21	cust svc operations	184.4	Use lower cost per employee of required equipment (2002-03, 2005-06 average)	\$ 5,201	\$ 4,621	\$ 580	TURN-2-E, pp. 55-56
22	cust svc operations	870.6	2-year average of non-labor expenses	\$ 863	\$ 556	\$ 307	TURN-2-E, pp. 56-57
23	cust svc operations	878.2	Four year average of cost per employee excluding anomalous 2004 data	\$ 412	\$ 337	\$ 75	TURN-2-E, pp. 57-58
24	cust svc operations	880.3	Reduce dispatch expenses consistent with DRA field order forecast	\$ 9,519	\$ 9,284	\$ 235	TURN-2-E, p. 58.
25	cust svc operations	903.1	Use 2005-2006 average for nonlabor expenses to reflect declining costs over time	\$ 7,691	\$ 7,069	\$ 622	TURN-2-E, p. 58.
26	cust svc & info	908.0	Use recorded 2006 with no escalation given failure to spend incremental forecast dollars	\$ 20,538	\$ 11,806	\$ 8,732	TURN-2-E, pp. 59-63
27	emergency services	902.6	Correct arithmetic mistake; spread one-time costs over rate case cycle	\$ 656	\$ 360	\$ 296	TURN-2-E, pp. 64-65.
28	business services	163.1	labor annualization	\$ 4,121	\$ 4,093	\$ 28	TURN-2-E, pp. 65-67
29	business services	163.2	Labor annualization/ 2006 overforecast	\$ 1,611	\$ 1,556	\$ 55	TURN-2-E, pp. 65-67
30	business services	184.2	labor 5 yr avg plus 35% fewer incremental vehicles	\$ 49,643	\$ 48,258	\$ 1,385	TURN-2-E, pp. 67-69
31	business services	184.3	Labor annualization/ 2006 overforecast	\$ 3,250	\$ 3,170	\$ 80	TURN-2-E, pp. 65-67
32	business services	870.9	25% reduction for lower telecom costs	\$ 870	\$ 653	\$ 217	TURN-2-E, pp. 69-70
33	business services	925.2	labor annualization	\$ 515	\$ 513	\$ 2	TURN-2-E, pp. 65-67
34	business services	931.0	Average branch office savings over rate case cycle	\$ 1,956	\$ 1,704	\$ 252	TURN-2-E, p. 70; TURN/UCAN-5, p. 19.
35	business services	935.0	Two-year average 2005-2006 plus average branch office savings over rate case cycle	\$ 14,493	\$ 12,507	\$ 1,986	TURN-2-E, pp. 70-71; TURN/UCAN-5, p. 19.
36	NSS A&G	930.1	Reduce AGA 25%, remove chamber of commerce dues	\$ 505	\$ 382	\$ 123	TURN-2-E, pp. 81-82

* TURN will recommend \$400,000 less spending on brief than in testimony for Account 887.0 based on data responses.

Line	Area	FERC	Issue Description	SoCal	TURN	SoCal vs. TURN	Name Cite
Section 3: Shared Services							
1	gas trans	2200-0253	5% tolerance 2006 forecast vs. actual	383	314	\$ 69	TURN-2-E, pp. 71-72
2	gas trans	2200-0255	5% tolerance 2006 forecast vs. actual	3,464	3,169	\$ 295	TURN-2-E, pp. 71-72
3	gas trans	2200-0265	5% tolerance 2006 forecast vs. actual	287	366	\$ (79)	TURN-2-E, pp. 71-72
4	gas trans	2200-0275	5% tolerance 2006 forecast vs. actual	186	9	\$ 177	TURN-2-E, pp. 71-72
5	gas trans	2200-0329	5% tolerance 2006 forecast vs. actual	2,395	2,530	\$ (135)	TURN-2-E, pp. 71-72
6	gas trans	2200-2158	5% tolerance 2006 forecast vs. actual	403	438	\$ (35)	TURN-2-E, pp. 71-72
7	gas trans	2200-2172	5% tolerance 2006 forecast vs. actual	424	297	\$ 127	TURN-2-E, pp. 71-72
8	gas trans	2200-2175	5% tolerance 2006 forecast vs. actual	-	79	\$ (79)	TURN-2-E, pp. 71-72
9	gas engg	2200-0302	5% tolerance 2006 forecast vs. actual	1,576	1,301	\$ 275	TURN-2-E, pp. 73-74
10	gas engg	2200-0304	5% tolerance 2006 forecast vs. actual	87	77	\$ 10	TURN-2-E, pp. 73-74
11	gas engg	2200-0306	5% tolerance 2006 forecast vs. actual	256	303	\$ (47)	TURN-2-E, pp. 73-74
12	gas engg	2200-0309	5% tolerance 2006 forecast vs. actual	911	1,356	\$ (445)	TURN-2-E, pp. 73-74
13	gas engg	2200-0310	5% tolerance 2006 forecast vs. actual	1,184	1,122	\$ 62	TURN-2-E, pp. 73-74
14	gas engg	2200-0311	5% tolerance 2006 forecast vs. actual	662	672	\$ (10)	TURN-2-E, pp. 73-74
15	gas engg	2200-0312	5% tolerance 2006 forecast vs. actual	1,096	1,096	\$ -	TURN-2-E, pp. 73-74
16	gas engg	2200-0319	5% tolerance 2006 forecast vs. actual	644	898	\$ (254)	TURN-2-E, pp. 73-74
17	gas engg	2200-0320	5% tolerance 2006 forecast vs. actual	630	622	\$ 8	TURN-2-E, pp. 73-74
18	gas engg	2200-0321	5% tolerance 2006 forecast vs. actual	346	245	\$ 101	TURN-2-E, pp. 73-74
19	gas engg	2200-0322	5% tolerance 2006 forecast vs. actual	846	528	\$ 318	TURN-2-E, pp. 73-74
20	gas engg	2200-2108	5% tolerance 2006 forecast vs. actual	2,017	1,371	\$ 646	TURN-2-E, pp. 73-74
21	gas engg	2200-2109	5% tolerance 2006 forecast vs. actual	610	602	\$ 8	TURN-2-E, pp. 73-74

Line	Area	FERC	Issue Description	SoCal	TURN	SoCal vs. TURN	Name Cite
22	cust svc & info	2200-0225	5% tolerance 2006 forecast vs. actual	422	368	\$ 54	TURN-2-E, pp. 76-78
23	cust svc & info	2200-0249	5% tolerance 2006 forecast vs. actual	259	199	\$ 60	TURN-2-E, pp. 76-78
24	cust svc & info	2200-0250	5% tolerance 2006 forecast vs. actual	119	115	\$ 4	TURN-2-E, pp. 76-78
25	cust svc & info	2200-0331	5% tolerance 2006 forecast vs. actual	415	419	\$ (4)	TURN-2-E, pp. 76-78
26	cust svc & info	2200-2143	5% tolerance 2006 forecast vs. actual	159	162	\$ (3)	TURN-2-E, pp. 76-78
27	cust svc & info	2200-2194	5% tolerance 2006 forecast vs. actual	-	60	\$ (60)	TURN-2-E, pp. 76-78
28	cust svc & info	2200-2215	5% tolerance 2006 forecast vs. actual	277	243	\$ 34	TURN-2-E, pp. 76-78
29	cust svc operations	2200-0340	5% tolerance 2006 forecast vs. actual	87	84	\$ 3	TURN-2-E, pp. 75-76
30	cust svc operations	2200-0354	5% tolerance 2006 forecast vs. actual	1,217	1,206	\$ 11	TURN-2-E, pp. 75-76
31	cust svc operations	2200-0355	5% tolerance 2006 forecast vs. actual	3,899	3,982	\$ (83)	TURN-2-E, pp. 75-76
32	cust svc operations	2200-0370	5% tolerance 2006 forecast vs. actual	1,037	1,044	\$ (7)	TURN-2-E, pp. 75-76
33	cust svc operations	2200-0401	5% tolerance 2006 forecast vs. actual	147	94	\$ 53	TURN-2-E, pp. 75-76
34	cust svc operations	2200-0413	5% tolerance 2006 forecast vs. actual	409	396	\$ 13	TURN-2-E, pp. 75-76
35	cust svc operations	2200-0442	5% tolerance 2006 forecast vs. actual	450	410	\$ 40	TURN-2-E, pp. 75-76
36	cust svc operations	2200-0798	5% tolerance 2006 forecast vs. actual	2,324	2,236	\$ 88	TURN-2-E, pp. 75-76
37	cust svc operations	2200-0942	5% tolerance 2006 forecast vs. actual	1,737	1,687	\$ 50	TURN-2-E, pp. 75-76
38	cust svc operations	2200-1214	5% tolerance 2006 forecast vs. actual	76	77	\$ (1)	TURN-2-E, pp. 75-76
39	cust svc operations	2200-1370	5% tolerance 2006 forecast vs. actual	503	488	\$ 15	TURN-2-E, pp. 75-76
40	cust svc operations	2200-2025	5% tolerance 2006 forecast vs. actual	304	304	\$ -	TURN-2-E, pp. 75-76
41	cust svc operations	2200-2026	5% tolerance 2006 forecast vs. actual	98	97	\$ 1	TURN-2-E, pp. 75-76
42	cust svc operations	2200-2046	5% tolerance 2006 forecast vs. actual	163	154	\$ 9	TURN-2-E, pp. 75-76
43	cust svc operations	2200-2105	5% tolerance 2006 forecast vs. actual	131	129	\$ 2	TURN-2-E, pp. 75-76

Line	Area	FERC	Issue Description	SoCal	TURN	SoCal vs. TURN	Name Cite
44	cust svc operations	2200-2140	5% tolerance 2006 forecast vs. actual	459	394	\$ 65	TURN-2-E, pp. 75-76
45	cust svc operations	2200-2145	5% tolerance 2006 forecast vs. actual	88	85	\$ 3	TURN-2-E, pp. 75-76
46	cust svc operations	2200-2153	5% tolerance 2006 forecast vs. actual	104	103	\$ 1	TURN-2-E, pp. 75-76
47	cust svc operations	2200-2154	5% tolerance 2006 forecast vs. actual	100	97	\$ 3	TURN-2-E, pp. 75-76
48	cust svc operations	2200-2156	5% tolerance 2006 forecast vs. actual	138	103	\$ 35	TURN-2-E, pp. 75-76
49	cust svc operations	2200-2195	5% tolerance 2006 forecast vs. actual	162	159	\$ 3	TURN-2-E, pp. 75-76
50	HR	2200-2164	Overland - pro-rate physical abilities testing	303	100	\$ 203	TURN/UCAN-1 II-2
51	Controller	2200-2022	Overland - eliminate unwarranted audit cost (ordered for memo account)	567	512	\$ 55	TURN/UCAN-1 II-6
52	support services	2200-0618	Overland - revise rent downward for landlord info; temporary above-market rates; unused floor space	27,391	22,798	\$ 4,593	TURN/UCAN-1 II-5

Section 4: Sempra Energy Corporate Center

Sempra Energy Corporate Center
Summary of 2008 Test Year Sempra-Requested and Overland-Recommended Amounts By DIVISION
UTILITIES-ALLOCATED AMOUNTS BY UTILITY

Sempra Ref.	Division	SDGE			SoCal		
		TURN/UCAN	SEMPRA per Rebuttal	Difference	TURN/UCAN	SEMPRA per Rebuttal	Difference
<u>2005 Dollars</u>							
A	Communications & Investor Rel	1,025,000	1,404,000	(379,000)	1,040,000	1,622,000	(582,000)
B	Finance	7,372,000	10,431,000	(3,059,000)	8,472,000	11,310,000	(2,838,000)
C	Human Resources	4,475,000	5,481,000	(1,006,000)	6,172,000	7,641,000	(1,469,000)
D	Legal	13,765,000	19,820,000	(6,055,000)	9,338,000	9,951,000	(613,000)
E	External Affairs	422,000	422,000	-	482,000	482,000	-
F	Executive	397,000	397,000	-	402,000	402,000	-
G	Depreciation / ROR	3,118,000	3,118,000	-	3,848,000	3,848,000	-
H	Benefits	12,394,000	14,533,000	(2,139,000)	12,326,000	14,431,000	(2,105,000)
I	Insurance	7,838,000	12,185,000	(4,347,000)	9,942,000	13,855,000	(3,913,000)
	Total Corporate Center 2005 \$	50,806,000	67,791,000	(16,985,000)	52,022,000	63,542,000	(11,520,000)
<u>2008 Escalated Dollars</u>							
A	Communications & Investor Rel	1,149,000	1,576,000	(427,000)	1,137,000	1,822,000	(685,000)
B	Finance	8,290,000	11,390,000	(3,100,000)	8,912,000	12,291,000	(3,379,000)
C	Human Resources	5,010,000	6,148,000	(1,138,000)	6,908,000	8,570,000	(1,662,000)
D	Legal	15,474,000	22,242,000	(6,768,000)	10,493,000	11,149,000	(656,000)
E	External Affairs	473,000	473,000	-	540,000	540,000	-
F	Executive	443,000	443,000	-	449,000	449,000	-
G	Depreciation / ROR	3,118,000	3,118,000	-	3,848,000	3,848,000	-
H	Benefits	13,213,000	15,455,000	(2,242,000)	13,114,000	15,303,000	(2,189,000)
I	Insurance	7,838,000	12,185,000	(4,347,000)	9,942,000	13,855,000	(3,913,000)
	Total Corporate Ctr Escalated \$	55,008,000	73,030,000	(18,022,000)	55,343,000	67,827,000	(12,484,000)

Sempra Energy Corporate Center
Summary of 2008 Test Year Sempra-Requested and Overland-Recommended Amounts By DIVISION
TOTAL COST CENTER AND UTILITIES-ALLOCATED EXPENSE COMPARISON

Sempra Ref.	Cost Center	Cost Center Total Expense			Utilities Allocated Expense		
		TURN/UCAN	SEMPRA per Rebuttal	Difference	TURN/UCAN	SEMPRA per Rebuttal	Difference
<u>2005 Dollars</u>							
A	Communications & Investor Rel	7,474,000	7,896,000	(422,000)	2,065,000	3,026,000	(961,000)
B	Finance	50,333,000	52,071,000	(1,738,000)	15,844,000	21,741,000	(5,897,000)
C	Human Resources	13,336,000	16,072,000	(2,736,000)	10,647,000	13,122,000	(2,475,000)
D	Legal	53,359,000	60,463,000	(7,104,000)	23,103,000	29,771,000	(6,668,000)
E	External Affairs	11,450,000	11,450,000	-	904,000	904,000	-
F	Executive	5,475,000	5,475,000	-	799,000	799,000	-
G	Depreciation / ROR	12,771,000	12,771,000	-	6,966,000	6,966,000	-
H	Benefits	72,138,000	78,917,000	(6,779,000)	24,720,000	28,964,000	(4,244,000)
I	Insurance	31,943,500	39,123,000	(7,179,500)	17,780,000	26,040,000	(8,260,000)
	Total Corporate Center 2005 \$	258,279,500	284,238,000	(25,958,500)	102,828,000	131,333,000	(28,505,000)
<u>- 2008 Escalated Dollars</u>							
A	Communications & Investor Rel	8,179,000	8,656,000	(477,000)	2,286,000	3,398,000	(1,112,000)
B	Finance	53,834,000	55,669,000	(1,835,000)	17,202,000	23,681,000	(6,479,000)
C	Human Resources	14,927,000	18,021,000	(3,094,000)	11,918,000	14,718,000	(2,800,000)
D	Legal	60,036,000	67,905,000	(7,869,000)	25,967,000	33,391,000	(7,424,000)
E	External Affairs	12,868,000	12,868,000	-	1,013,000	1,013,000	-
F	Executive	6,131,000	6,131,000	-	892,000	892,000	-
G	Depreciation / ROR	12,771,000	12,771,000	-	6,966,000	6,966,000	-
H	Benefits	75,475,000	82,030,000	(6,555,000)	26,327,000	30,758,000	(4,431,000)
I	Insurance	31,943,500	39,123,000	(7,179,500)	17,780,000	26,040,000	(8,260,000)
	Total Corporate Ctr Escalated \$	276,164,500	303,174,000	(27,009,500)	110,351,000	140,857,000	(30,506,000)

Section 5: Capital-Related Items

The difference in payroll tax rates was narrowed by rebuttal testimony.

TURN recommends a payroll tax rate of 7.57% (TURN-2-E, p. 83-86)

SoCal recommends a payroll tax rate of 7.68% (Rose Rebuttal Ex. 245, p. 16)

The effect of the difference using SoCal's expense levels and plant-in-service levels is

2008 expense	476
2007 plant-in-service	93
2008 plant-in-service	99

The figures will be adjusted in the RO model for adopted spending.

TURN recommends a property tax rate of 1.1890737% based on a 2004-2006 three-year average for both 2007-2008. (TURN-2-E, pp. 82-83)

SoCal recommends a 2008 property tax rate of 1.226331% based on a trend analysis of 2002-2005. (Rose Rebuttal, Ex. 245, p. 13)

The effect of the difference on calendar year 2008 taxes using SoCal's plant-in-service is:

963

The figures will be adjusted in the RO model for adopted spending.

TURN (TURN 2-E, p. 86-88) recommends a tax deduction for dividends paid under the employee stock ownership plan of 11,990

<u>Gas plant in Service</u>	<u>SoCal</u>	<u>TURN</u>	<u>Difference</u>
CAC to CIAC			
2007 CAC to CIAC	-	(1,917)	1,917
2008 CAC to CIAC	-	(1,917)	1,917

Note that TURN's lower payroll tax rate than SoCal's will also reduce plant-in-service but will be automatically computed in the RO model.

Customer Advances for Construction

Average year 2008	TURN forecast reflects higher 2006 actual CIAC	(56,153)	(76,476)	20,323
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<u>Cash Working Capital</u>		<u>SoCal</u>	<u>TURN</u>	<u>Change</u>	<u>Lag Days</u>		
					<u>SoCal</u>	<u>TURN</u>	<u>Change</u>
Lead Lag (rate base impacts calculated at SoCal level of revenues and expenses, will be automatically adjusted by RO Model)							
revenue lag	TURN 2003-2006 average lag days, SoCal 2005		(22,030)	22,030	42.36	40.80	1.56
CPUC Fees lag	TURN includes CPUC Fees as part of lead-lag study, SoCal does not, thereby treating as average of all other costs.		(424)	424	39.06	60.63	(21.57)
Prepayments	50-50 share D&O insurance prepayment	6,473	5,821	652			
Other Accounts Receivable	50-50 share hub and swap receivables	16,722	11,985	4,737			
Reserve for Uncollectibles	TURN includes reserve as no-cost capital	-	(1,473)	1,473			
Customer Deposits	TURN includes deposits as rate base offset	-	(87,641)	87,641			
Customer Deposit Interest	Interest included as operating expense if deposits are rate base offset	-	4,820	(4,820)			

4B. Aglet

Summary of Aglet Differences with SoCalGas

Line	Area	Issue Description	If Applicable			Exhibit Aglet-1 Cite
			SDG&E	Aglet	SDG&E vs. Aglet	
1	Policy	<u>Financial Health</u> – Aglet seeks findings regarding financial health and need for rate relief. Applicants oppose the findings.	\$	\$	\$	p. 3-9
2	Utility of the Future	Aglet seeks findings that UoF and other initiatives add uncertainty to determination of reasonable revenue requirements after 2010, and approval of a longer GRC term would allow applicants to retain more than 90% of related benefits.	\$	\$	\$	p. 9-17
3	Post-test year ratemaking	<u>GRC Term</u> – Aglet recommends a three-year term, or four years without attrition allowances in the fourth year. Applicants request six-year term. <u>Escalation Method</u> – Aglet recommends indexing using CPI, applied to entire revenue requirement, without true-up. Applicants request indexing of expenses using industry-specific escalation factors, rolling average of capital additions, with true-up. <u>Medical Escalation</u> – Aglet opposes applicants’ request for a separate medical escalation factor. <u>Z-Factor Protection</u> – Aglet opposes z-factor adjustments for short GRC term; if allowed, Aglet supports annual application of deductible amount. Applicants request z-factor, with deductible amount applied to event costs over entire six-year GRC cycle. <u>Depreciation Net-to-Gross Factor</u> – Aglet requests findings regarding calculation of book depreciation and tax depreciation. Applicants assert that majority of incremental depreciation expense is taxable.	\$	\$	\$	p. 17-19 p. 19-22 24-25 p. 23-24 p. 25 p. 26-27
4	Earnings sharing	Aglet opposes earnings sharing mechanism. If a mechanism is authorized, Aglet recommends that it be one-sided, and have no deadband. Applicants request symmetric mechanism, with a deadband.	\$	\$	\$	p. 27-28
5	Performance incentives	Aglet opposes applicants’ request for performance incentive mechanisms. Aglet requests conclusion and order to comply with information directive in previous GRC.	\$	\$	\$	p. 31-37
6	ALJ questions	Aglet argues that (a) UoF will change the obligation to minimize operating costs; (b) the current sharing mechanism will not allocate UoF savings fairly; (c) a balancing account will not result in fair sharing of UoF savings; and (d) a longer GRC cycle will magnify UoF sharing inequities.	\$	\$	\$	p. 29-31

4C. Western Manufactured Housing Communities
Association
(WMA)

Summary of WMA Differences with SoCalGas

Issue Description:	Master Meter billing service for mobile home park owners
SoCalGas Position:	SoCalGas proposes an internet based service (see Exhibit SCG-7-E, p. 75).
WMA Position	WMA proposes to have SoCalGas implement a master meter billing approach that will accept the meter reading data from the master-metered customers and then produce billing results in electronic form after running it through its billing system (see WMA Exhibit 1).

4D. Southern California Generation Coalition (SCGC)

Summary of SCGC Differences with SoCalGas

(All Values Reported in \$000's of 2005 \$'s for Test Year 2008)

Line	Area	FERC	Issue Description	SCG	SCGC	SCG vs. SCGC	SCGC Cite
<i>Non-Shared Services O&M Forecasts</i>							
1	Gas Engineering O&M Pipeline Integrity	863.7	SCGC agrees with DRA that Expenses associated with anticipated Department of Transportation ("DOT") rules regarding distribution pipeline integrity management should be disallowed from base rates. A memorandum account should be created to track such expenses subject to review before expenses are allowed in rates.	\$2.0 M	\$0	\$2.0 M	SCGC-2 at 4 See also DRA 30-43 to 30-46
2	Gas Distribution O&M Pipeline Integrity	887.7	SCGC agrees with DRA that Expenses associated with anticipated Department of Transportation ("DOT") rules regarding distribution pipeline integrity management should be disallowed from base rates. A memorandum account should be created to track such expenses subject to review before expenses are allowed in rates.	\$7.4 M	\$0	\$7.4 M	SCGC-2 at 4 See also DRA 30-43 to 30-46
3	Distribution Supervision & Engineering	870	SCGC agrees with DRA that Expenses associated with anticipated Department of Transportation ("DOT") rules regarding distribution pipeline integrity management should be disallowed from base rates. A memorandum account should be created to track such expenses subject to review before expenses are allowed in rates.	\$15.199	\$5.201	\$9.998	SCGC-2 at 4 See also DRA 30-46
<i>Other Items</i>							
Line	Area		Issue Description	SCG	SCGC	SCG vs. SCGC	SCGC Cite
1	Cayuma-Casitas Pipeline		The Commission should limit SoCalGas' recovery of the revenue requirement associated with the Cuyama-Casitas purchase during the initial six to nine years to the amount that would be otherwise recovered from ratepayers under the lease arrangement to ensure ratepayer indifference to the pipeline purchase.	\$1.411 M plus cost of O&M, replacements (if any) for line	\$1.052 M	\$0.359 M, plus cost of O&M, replacements (if any) for line	SCGC-1 at 13.
2	Cayuma-Casitas Pipeline		To protect the ratepayers, the Commission should place SoCalGas at risk for its decision to purchase a 52 year old pipeline. If Cuyama-Casitas fails before it is fully depreciated, SoCalGas should not be allowed to recover the undepreciated portion of its investment in the pipeline.	\$	\$	\$	SCGC-1 at 13.

4E. Southern California Edison
(SCE)
Differences with Intervenors

Summary of SCE Differences with Intervenors

Line	Area	Issue Description	\$	\$	\$	Name Cite
1	Depreciation – Net Salvage Methodology	<p>SCE agrees with SoCalGas and DRA’s use of the Commission’s Standard Practice U-4 (SP U-4) net salvage rate approach which leads to reasonable estimates of net salvage accruals. SP U-4 follows the traditional straight-line accrual method which is the most widely applied depreciation method used in the utility industry.</p> <p>SCE disagrees with UCAN/TURN’s proposed Modified Net Salvage method (i.e., setting net salvage at the “average of the last five years of [an account’s] net salvage expenditures,” “divided by today’s plant balance,” and “multiplied by the same account’s average service life”) and other referenced alternate methods. It is SCE’s position that they result in improper accrual patterns and continuously defer costs to future ratepayers.</p> <p><i>(Direct Testimony of Michael J. Majoros, Jr., pp. 15, 17)</i></p>	\$	\$	\$	Southern California Edison
2	Depreciation – Amortization of the Regulatory Liability for Accrued Future Removal Cost	<p>SCE disagrees with UCAN/TURN’s proposal to refund the regulatory liability which represents the accumulated depreciation accruals for future removal costs. It is SCE’s position that UCAN/TURN’s proposal to refund the balance of accumulated removal cost accruals by amortization is contrary to the traditional straight-line accrual method and the SP U-4’s requirements that future net salvage costs be accrued over the assets’ service lives.</p> <p><i>(Direct Testimony of Michael J. Majoros, Jr., p. 6-7).</i></p>	\$	\$	\$	Southern California Edison