

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.

A.10-12-005
(Filed December 15, 2010)

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

A.10-12-006
(Filed December 15, 2010)

Application 10-12-006
Exhibit No.: (SCG-07-R)

REVISED

PREPARED DIRECT TESTIMONY OF

ED FONG

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

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

JULY 2011



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1 **REVISED PREPARED DIRECT TESTIMONY OF**
2 **ED FONG**
3 **ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**
4 **CUSTOMER SERVICES – CUSTOMER SERVICE**
5 **FIELD OPERATIONS & CUSTOMER CONTACT**

6 **I. INTRODUCTION**

7 **A. Purpose of Testimony**

8 The purpose of this testimony is to present Southern California Gas
9 Company’s (“SCG’s” or “SoCalGas”) Customer Service Field Operations
10 (“CSF”) and Customer Contact (“CC”)¹ non-shared and shared services estimated
11 expenses. The estimated operations and maintenance (“O&M”) and capital
12 expenses for General Rate Case (“GRC”) test year (“TY”) 2012 support CSF’s
13 and CC’s fundamental goal of providing basic, convenient, responsive, efficient,
14 reliable and safe customer service to approximately 5.6 million forecasted
15 customers in 2012.

16 CSF and CC include the following major activities:

- 17 • **CSF** workforce provides service at customer sites and consists of field
18 technicians who perform turn-on, appliance check, safety service
19 checks and meter change-outs. CSF activities are influenced by meter
20 growth, customer turnover, and the level of meter and regulator
21 replacements. SCG CSF personnel completed over 4.3 million CSF
22 orders in 2009. SCG is forecasted to serve approximately 5.6 million
23 gas customers in 2012 in a service territory covering approximately
24 20,000 square miles and 500 different communities with a population
25 of 20.5 million. CSF operations are located at 51 SCG bases dispersed
26 throughout SCG service territory.
- 27 • **Customer Contact Center (“CCC”)** is a call center operation that has
28 averaged almost 7.7 million customer service representative (“CSR”)

¹ Customer Contact (CC) includes the Customer Contact Centers, Branch Offices, Authorized Payment Locations and Meter Reading.

1 calls per year. SCG has two call centers with approximately 600
2 CSRs.

- 3 • **Branch Offices (“BOs”) and Authorized Payment Locations**
4 **(“APLs”)** provide in-person bill payment services in 47 different BO
5 locations and over 200 contracted APLs. SCG BOs and APLs
6 processed approximately 7 million bill payments in 2009.
- 7 • **Meter Reading** completes approximately 5.6 million meter reads per
8 month or 67 million meter reads annually. Meter readers are dispersed
9 across 46 base locations.

10 This testimony will include recorded and estimated expenses for cost
11 centers within CSF, CCC, Meter Reading, BOs and APLs. This testimony will
12 also discuss business requirements for various capital expenditures that are more
13 specifically covered in several other witness testimonies, including information
14 technology initiatives and gas meter and regulator replacements. Finally, this
15 testimony will discuss several components of miscellaneous revenues that are
16 CSF related, but are forecasted in Todd J. Cahill’s testimony, Exh. SCG-32. The
17 following is a brief summary of each section of this testimony:

- 18 • Section I summarizes the proposed O&M expenses for the CSF and
19 CC organizations identified above.
- 20 • Section II describes the nature of non-shared CSF and CC services and
21 the major factors and assumptions influencing requested O&M
22 expenses. Section II also identifies the 2009 base year expenses and
23 relevant adjustments and the rationale for O&M estimated non-shared
24 expenses by organization for 2010, 2011 and TY 2012.
- 25 • Section III provides the rationale for O&M estimated expenses by
26 shared service cost centers for TY 2012.
- 27 • Section IV provides a description of CSF and CC capital projects and
28 their respective business purpose. These capital project costs are
29 identified in other witness testimonies (Jeffrey C. Nichols, Exh. SCG-
30 12 and Gina Orozco-Mejia, Exh. SCG-2).

- Section V focuses on CSF and CC components of miscellaneous revenues.
- Section VI provides a conclusion; and
- Section VII provides my witness qualifications.

B. Challenges Facing CSF and CC

SCG continues to experience customer growth, albeit, at a slower rate due to the economic recession and slow recovery. Base year 2009 activity levels for the CSF and CC reflect the slowdown in economic activity. Therefore, TY 2012 operations reflect a return to normal or average, but higher levels of customer activity for the CCC and CSF.

C. Excludes Advanced Metering Infrastructure (“AMI”)

Estimated expenses for TY 2012 CSF and CC are based on a continuation of current customer service operations without AMI deployment at SCG. Commission decision (D.) 10-04-027 authorized SCG to deploy AMI to 6 million customers over a period of 7 years. SCG will not complete AMI deployment until 2017. Installation of SCG AMI will not commence until the latter half of 2012. All estimated expenses presented in SCG TY 2012 GRC reflect business processes and practices without AMI deployment. Operational benefits reflected in SCG’s AMI business case and adopted by the Commission are incorporated in SCG’s Advice Letter filing of May 10, 2010 (AL-4110, U 904 G) forecasted net revenue requirements for SCG AMI over the 2010 through 2017 timeframe. TY 2012 estimated expenses assume continuing operations in CSF and meter reading. Explicit assumptions of meter reading management and staff costs that are recognized as benefits in the SCG AMI case reflect 2008 GRC authorized expense levels for meter reading. However, the rates of customer growth (as part of the 2008 GRC and SCG AMI) have not been incorporated in this TY 2012 request.

If the Commission authorizes operating expenses that are different than that assumed in SCG’s AMI operating benefits, then the differences will be reconciled in an updated advice letter to ensure that AMI operating benefits are

1 consistent with and no more or no less than what is authorized in SCG's TY 2012
2 GRC.

3 **D. Summary of CSF and CC Requested Expenses**

4 **1. Summary of Operations & Maintenance Expenses**

5 SCG total estimated expenses for the above organizations' non-
6 shared services and shared services are reflected in Table SCG-EF-1.
7 Table SCG-EF-1 identifies the specific customer service field operations
8 and customer contact operational organizations adjusted base year 2009
9 recorded costs and TY 2012 estimated expenses.

10 **Table SCG-EF-1**
11 **Summary of CSF and CC O&M**
12 **Non-shared and Shared Services**
13 **2009\$ (000)**

Functional Area: CS - FIELD OPERATIONS & CUSTOMER CONTACT				
Description	2009 Adjusted-Recorded	TY2012 Estimated	Change	Testimony Reference
Total Non-Shared	\$207,028	\$224,930	\$17,902	Section II
Total Shared Services (Book Expense)	\$4,944	\$5,391	\$447	Section III
Total O&M	\$211,972	\$230,321	\$18,349	

14 SCG's total TY 2012 estimated expenses for CSF and CC,
15 including non-shared and shared services, is \$230.3 million. The TY 2012
16 request consists of \$224.9 million for CSF and CC non-shared services
17 and \$5.4 million for shared services. This testimony describes SCG's
18 request for CSF and CC's non-shared services net increase of \$17.9
19 million and shared services net increase of book expenses of \$0.4 million
20 over 2009 base year levels, including the billed amounts from San Diego
21 Gas & Electric ("SDG&E").

22 **2. Summary of CSF and CC Related Capital Projects**

23 Table SCG-EF-2 reflects the various capital expenditures that are
24 CSF and CC related. SCG witness Jeffrey C. Nichols, Exh. SCG-12,
25

1 identifies the estimated cost of IT projects that support CSF and CC.
 2 These capital projects address CSF and CC’s need for information
 3 technology (“IT”) hardware, automated technology or software
 4 applications required because of customer growth, obsolescence of
 5 existing technology, process improvements, and regulatory and
 6 compliance activities. Witness Richard D. Phillips, Exh. SCG-13,
 7 provides testimony sponsoring the estimated cost of Operational
 8 Excellence (“OpEx”) projects that support CSF and CC. Witness Gina
 9 Orozco-Mejia, Exh. SCG-2, provides testimony sponsoring the estimated
 10 expenditures for gas distribution capital expenses that support CSF and
 11 CC, including gas meter and regulator planned replacements.

12
 13 **Table SCG-EF-2**
 14 **Summary of CSF and CC**
 15 **Capital Expenditures**
 16 **2009\$ (000)**

Description	Sponsoring Witness	2010 Estimated	2011 Estimated	TY 2012 Estimated
Call Recording Replacement (“NICE”)	IT – J. Nichols	\$788	\$0	\$0
CSF Operating Efficiency	IT - J. Nichols	\$266	\$0	\$0
Forecasting & Scheduling	IT - J. Nichols	\$1,107	\$1,666	\$0
CSF Mobile Data Terminals (“MDT”)	IT - J. Nichols	\$486	\$282	\$147
PACER Refresh	IT - J. Nichols	\$0	\$0	\$3,908
Meter Reading Handheld System Replacement	IT - J. Nichols	\$0	\$243	\$6,674
Meter Replacements (Planned/Routine Small)	GD – G. Orozco-Mejia	\$9,777	\$9,777	\$9,777
Total		\$12,424	\$11,968	\$20,506

17
 18 **3. CSF and CC Related Miscellaneous Revenues**

19 The forecast of TY 2012 miscellaneous revenues are included in
 20 SCG witness Todd J. Cahill’s testimony, Exh. SCG-32. Mr. Cahill
 21 provides estimated miscellaneous revenues from customer service fees
 22 associated with CSF and CC activities. Table SCG-EF-3 shows CSF and
 23 CC miscellaneous revenues. Specific CSF and CC activities and
 24 associated fees include:

- Service Establishment Charge (“SEC”);
- Reconnection Charges;
- Residential and Commercial Parts Programs;
- Appliance Connect Services;
- Timed Appointment Services;
- General Restore Services; and
- Seismic Services.

Table SCG-EF-3
Summary of Customer Service Field and Customer Contact
Miscellaneous Revenues
2009\$ (000)

Description	2009 Base Year	2010 Estimated	2011 Estimated	TY2012 Estimated
Service Establishment Charge	\$26,489	\$25,103	\$25,304	\$25,557
Reconnection Charge	\$1,707	\$1,885	\$1,900	\$1,919
Residential Parts Program	\$1,576	\$1,494	\$1,506	\$1,521
Commercial Parts Program	\$2,984	\$3,008	\$3,032	\$3,063
Connect Appliance Services	\$131	\$260	\$262	\$264
Timed Appointments	\$68	\$68	\$69	\$69
Seismic Services	\$393	\$413	\$416	\$523
General Restore Service	\$21	\$22	\$22	\$22
Total	\$33,369	\$32,253	\$32,511	\$32,938

4. Five-Year Average for Transactions or Expense Levels and the Meter Growth Rate is Used for Estimating Expenses

In almost all cases where specific historical transactions data (e.g., call volume, field orders, etc.) were available and were comparable for a five-year period (2005-09), SCG calculated the five-year average transactions and then applied the assumed annual meter growth forecast to estimate 2010-12 expenses for transactions based CSF and CC cost center workgroups.²

² A “workgroup” is a series of related CSF or CC cost centers that were forecasted as a group. Where a representative five-year recorded history was not available for individual CSF order types, the most recent available data was used for estimated activity levels. Some CSF order types remain constant because of specific annual target levels.

1 Specifically, for most CSF and CCC operational estimated
2 expenses, the five-year average on a transactions per meter basis is
3 calculated. The estimated or forecasted 2010-12 transaction volume (e.g.,
4 for specific field order volumes and call volumes) is the product of the
5 five-year average of transactions per meter and the number of forecasted
6 meters for 2010-12.

7 The underlying premise of the five-year average methodology is
8 that a multitude of exogenous and endogenous variables impact customer
9 demand for services. The state of the economy, customer turnover, the
10 level of natural gas prices, and the weather are key exogenous variables.
11 Also, changes in regulations and appliance technologies can affect
12 customer demand. For the most part, SCG has little or no control over
13 these economic, cyclical, demographic, and customer equipment choice
14 variables. As a result, SCG believes future estimates should be based on a
15 historic average of sufficient length to capture a variety of conditions for
16 these exogenous variables. SCG believes a five-year period is a sufficient
17 period to capture these cyclical effects.

18 Endogenous variables also affect customer demand for service and
19 employee productivity. SCG has relatively more control over these
20 variables, such as its own service policies and procedures. These kinds of
21 changes can have the effect of establishing a new set of operating
22 conditions. In these cases, SCG used the historic time period appropriate
23 for the current policy.

24 Cost center workgroups for meter reading, BO and APL, and non-
25 operations or support staff in the CSF and CCC were estimated on a five-
26 year average of expenses for 2005-09. Specifically, several of the shared
27 service cost centers have shared analyst or management resources and are
28 not transactions based. Therefore, most shared service cost centers have
29 been estimated by using a five-year average of recorded expenses, with
30 adjustments for partial year incremental employee additions during 2009
31 and 2010, if applicable.

1 The five-year average methodology, adjusted for meter growth, is
2 also consistently applied for the 2010-12 estimates of customer service
3 related miscellaneous revenues.

4 The CSF Quality Assurance function was not fully implemented
5 until 2007. Therefore, a three-year average (2007-09) of expenses was
6 used for the TY 2012 estimated expenses. Similarly, a meter reading cost
7 center used a three-year average (2007-09) because water meter reading
8 contract services were eliminated in 2006.

9 Several exceptions to the five-year average methodology are
10 identified at the cost center workgroup activity level. For example, CSF
11 planned or generated orders (e.g., periodic meter change-outs and
12 regulator replacements) are set at targeted activity levels for 2010-12
13 estimated expenses and capital requirements. The 2009 base year
14 recorded self-service adoption percentage is applied to the total forecasted
15 customer transactions to calculate CCC self-service interactive voice
16 response (“IVR”) transactions.

18 **II. NONSHARED SERVICES**

19 **A. Introduction**

20 CSF and CC supports the daily interaction with customers to initiate new
21 and terminate existing accounts, deliver customer services on premises, respond
22 to customer inquiries, resolve customer issues, process office payments, and read
23 meters. By TY 2012, SCG will serve approximately 5.6 million gas customers in
24 a service territory covering almost 20,000 square miles and 500 different
25 communities with a population of 20.5 million. On an annual basis, SCG handles
26 approximately ten million customer contacts (CSR handled + IVR+ email +
27 others); dispatches 4 million customer requests requiring service at the customer
28 site; replaces about 180,000 meters; reads over 67 million meters; and processes 7
29 million payments between the BOs and APLs. This section will describe the
30 major activities involved in CSF and CC and the assumptions and factors
31 impacting estimated expenses for TY 2012.

Table SCG-EF-4
Summary of CSF and CC Non-Shared O&M
2009\$ (000)

CS - FIELD OPERATIONS & CUSTOMER CONTACT			
Categories of Management	2009 Adjusted-Recorded	TY2012 Estimated	Change
A. Customer Service Field	\$124,656	\$134,573	\$9,917
B. Customer Contact Center	\$40,578	\$46,305	\$5,727
C. Branch Offices & Authorized Payment Locations	\$10,137	\$11,135	\$998
D. Meter Reading	\$31,657	\$32,917	\$1,260
Total	\$207,028	\$224,930	\$17,902

B. Summary of Factors Impacting CSF and CC Expenses

Five major factors impact estimated TY 2012 CSF and CC O&M expenses and capital expenditures. Specifically, the five major factors are discussed in this section.

1. Customer Growth

Customer growth is a major driver of the \$17.9 million increase requested by SCG for CSF and CC for TY 2012 over 2009 adjusted incurred expenses. Specifically, customer or meter growth directly impacts TY 2012 estimated expenses for the following operations:

- CSF;
- CCC;
- Branch Offices; and
- Meter Reading.

In most cases, an increasing customer base will increase the estimated volume of transactions per operating cost center. However, even with customer growth, SCG is experiencing a continuing decline of customer walk-up payments at BOs and APLs. See Chart SCG-EF-1 in Section II.F.

2. Meter and Regulator Infrastructure Replacement

CSF is responsible for continuing O&M of meters and regulators. SCG replaces approximately 160,000-195,000 meters per year as an on-

1 going practice. The year-to-year variation in meter replacements depends
2 on the periodic meter change (“PMCs”) schedule, geographical
3 constraints, meter performance sampling requirements, and routine meter
4 replacements. The availability of workforce at specific CSF base
5 locations will also affect the rate at which PMCs are completed. SCG
6 proposes to continue to replace meters at the level approved in the TY
7 2008 GRC of 180,000 per year. SCG believes this is necessary because
8 the meter inventory continues to age and will progressively deteriorate
9 with regards to meter accuracy. Of almost 5.6 million meters in the SCG
10 system, approximately 3% will be replaced annually.

11 SCG proposes to continue replacement of selected regulators
12 which were installed prior to 1983 that do not have the overpressure
13 protection capability of regulators installed since that time. SCG
14 estimated expenses for regulator replacements are consistent with the 2009
15 regulator replacement activity levels.

16 **3. Compliance Activities**

17 Compliance activities related to existing or new regulatory
18 decisions and other agency directives impact several areas of CSF and CC
19 operations. As a normal course of business, SCG implements new
20 Commission, legislative and other government agency directives, rules or
21 orders. Specifically, normal rate changes and modification of customer
22 programs are typically within the base workload of staff groups and
23 functional departments. However, SCG is expecting an increase in
24 customer driven requests as a result of new rules and regulations that will
25 impact customer compliance with air quality testing rules and home
26 carbon monoxide (“CO”) detection. Incremental costs have been included
27

1 in estimated TY 2012 expenses reflecting the increase in services /
2 workload.³ Areas impacted as a result of compliance with safety,
3 regulatory or other government agency directives are:

- 4 • meter replacements due to predicted declining accuracy;
- 5 • regulator replacements due to lack of overpressure protection
6 capability;
- 7 • air quality and emission testing rules; and
- 8 • CO detector installation requirements.

9 **4. Quality and Performance**

10 SCG has instituted a formal quality assurance program with
11 customer service field technicians by creating a separate quality assurance
12 organization. The expenses related to CSF and CC quality assurance of
13 SCG personnel are primarily reflected in the CSF shared service cost
14 center 2200-2026 (CSF Quality Assurance) and CCC cost center
15 workgroup 2CC001 (CCC Support).

16 SCG began conducting engineering labor standards (“ELS”)
17 studies to develop and reaffirm work standard metrics for productivity and
18 quality starting in 2009. ELS staff expenses are included in SCG witness
19 Michael H. Baldwin’s testimony (Exh. SCG-8). This focus on several
20 work order standards, productivity, and quality metrics will provide
21 accurate and relevant information for key inputs to the CSF order and
22 workload forecasting model. These new ELS standards will be used to
23 improve scheduling, routing and dispatching of work orders to CSF
24 technicians. Improvements in overall employee productivity and quality

³ In the SCG Notice of Intent to the 2012 GRC Application, incremental costs associated with the Commission's Order Instituting Rulemaking on the Issue of Customers' Electric and Natural Gas Service Disconnection (R.10-02-005) were included. Since that time SCG and other parties have filed a joint motion to adopt a settlement agreement that, if approved and unaltered, alleviates the need to request incremental costs in the GRC. To be consistent with the proposed settlement, such costs have been removed for the GRC Application. The motion is currently pending with the Commission. In the event the Settlement is modified or not adopted, or there are further changes in Phase 2 of R.10-02-005, SCG may amend testimony to reflect costs associated with changes to business practices from Commission decisions..

1 are expected over time as work practices and workforce management are
2 better aligned with ELS work order times and quality standards.

3 **5. Continuous Improvement**

4 Continuous improvement has provided productivity improvements
5 reflected in TY 2012 expenses. Specifically, CSF estimated expenses are
6 based on the 2009 base year average on-premise order times. The
7 productivity improvements since 2005 are, therefore, incorporated in the
8 2009 average order times. In addition, CSF estimated expenses reflect
9 approximately \$990,000 in benefits from implementation of the
10 Forecasting and Scheduling and CSF Operating Efficiency capital projects
11 discussed in Section IV.C.2.

12 CSF O&M benefits of \$1.4 million for TY 2012 are included in
13 Richard D. Phillip's testimony (Exh. SCG-13) for the Operational
14 Excellence ("OpEx") program. OpEx's Field Supervisor Enablement
15 Initiative provided CSF supervisors with MDTs, enabling them to reduce
16 their office time and provide increased time for field job observations.
17 CCC productivity improvement or incremental benefits of approximately
18 \$5.6 million in TY 2012 attributed to OpEx are also included in Mr.
19 Phillip's OpEx O&M benefits.

20 Increasing the number of customer self-service channels will
21 reduce the growth in customer contact and branch office costs due to
22 continuing customer growth. Self service options offered through
23 eServices and automated pay stations located in branch offices will
24 provide greater customer convenience and avoid in-person contact with
25 SCG customer service personnel in the CCC and BOs.

26 **C. Base Year 2009 Incurred Expense Adjustments**

27 **1. Introduction**

28 Base year 2009 recorded data for CSF and CC by cost center is
29 presented in Table SCG-EF-5. Adjustments to these base year 2009
30 organizations are also presented. Explanations for these adjustments are
31 provided in respective and supporting work papers.

2. Significant Base Year Adjustments

Total net adjustments of negative \$22,000 to 2009 recorded CSF and CC non-shared services workpaper groups are identified below in Table SCG-EF-5.

Table SCG-EF-5
Base Year 2009 Adjusted Recorded Expenses
2009\$ (000)

Workpaper Group	2009 Recorded	2009 Adjustments	2009 Adjusted Recorded
CSF Operations	\$99,045	\$54	\$99,099
CSF Dispatch	\$8,835	(-\$507)	\$8,328
CSF Supervision	\$14,517	(-\$4,099)	\$10,418
CSF Office Support	\$2,259	\$4,552	\$6,811
TOTAL CSF	\$124,656	\$0	\$124,656
CCC Operations	\$31,921	\$0	\$31,921
CCC Support	\$9,190	(-\$533)	\$8,657
TOTAL CCC	\$41,111	(-\$533)	\$40,578
Branch Offices	\$10,137	\$0	\$10,137
MR – Dist Operations	\$24,738	\$478	\$25,216
MR – Clerical Operations	\$1,038	\$0	\$1,038
MR – Supv, Training, Prog	\$3,134	\$96	\$3,230
MR – Staff Support	\$2,236	(-\$63)	\$2,173
TOTAL Meter Reading	\$31,146	\$511	\$31,657
Grand Total NSS	\$207,050	(-\$22)	\$207,028

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1

Specific Adjustments in Table SCG-EF-5

CSF Operations	(-\$20) Transfer out Supervision costs to align history with forecast \$55 Transfer in CSF union employee and their tools costs from Supervision to align history with forecast \$19 Transfer in CSF employee tools costs from CSF Office Support to align history with forecast
CSF Dispatch	(-\$507) Transfer out of Field Instructor, QA Inspector, and Customer Ops Analyst to Office Support to align history with forecast
CSF Supervision	\$20 Transfer in Supervision costs from Operations to align history with forecast (-\$55) Transfer out CSF union employee and their tools costs to align history with forecast in Operations (-\$1,441) Transfer District Operations Manager costs to Office Support to align history with forecast (-\$590) Transfer Field Instructor & QA Inspector to Office Support to align history with forecast (-\$2,032) Transfer District Operations Clerk costs to Office Support to align history with forecast
CSF Office Support	\$507 Transfer in of Field Instructor, QA Inspector, and Customer Ops Analyst from Dispatch to align history with forecast (-\$19) Transfer out CSF employee tools costs to Operations \$1,441 Transfer District Operations Manager costs from Supervision to align history with forecast \$590 Transfer Field Instructor & QA Inspector from Supervision to align history with forecast \$2,032 Transfer District Operations Clerk costs from Supervision to align history with forecast
CCC Support	(-\$533) Excluded legal settlement costs from the historical analysis period
MR – Dist Operations	\$478 Add back RAMR savings to show a more accurate 5 year average
MR – Supv, Training, Prog	\$96 Add back Safety & Performance Incentive Program costs which were originally automatically transferred to HR
MR – Staff Support	(-\$63) Exclude SCG AMI Project Management Office related costs

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D. Customer Service Field Activities

**Table SCG-EF-6
Customer Service Field Activities
2009\$ (000)**

A. Customer Service Field	2009 Adjusted-Recorded	TY2012 Estimated	Change
1. Field Ops-CSF Operations	\$99,099	\$107,484	\$8,385
2. Field Ops-CSF Opers-Dispatch	\$8,328	\$8,319	(\$-9)
3. Field Ops-CSF Support	\$10,418	\$11,574	\$1,156
4. Field Ops-CSF Staff	\$6,811	\$7,196	\$385
Total	\$124,656	\$134,573	\$9,917

SCG is requesting TY 2012 expenses for CSF activities of \$134.6 million, an increase of \$9.9 million over 2009 adjusted recorded expenses. CSF workforce provides service at customer sites and consists of field technicians who perform customer generated orders, such as turn-on, appliance service, and safety checks, as well as company generated orders to maintain assets. CSF activities are impacted by customer growth, customer turnover, meter and regulator replacements and continuing focus on worker productivity and quality.

Section II.D.2 provides explanations of estimated TY 2012 O&M expenses compared with base year 2009 adjusted recorded expenses for customer service field operation organizations. The calculations for estimated expenses are included in workpapers, Exh. SCG-07-WP, 2FO000.000_Suppl.pdf.

1. CSF Workload Forecasting Methodology

SCG estimated 2010-12 CSF workload activity levels by using a five-year average of orders per active meter by order type and applied the assumed meter growth rate for 2010-2012 as a basis to determine TY 2012 CSF expenses. The five-year average methodology was applied to most of the 54 different order types.

The following SCG order types deviated from the five-year average forecasting methodology. Specifically, these order types used a forecast of activity levels that reflect known changes to business processes or rules or have established fixed annual target levels for meter change and regulator change outs.

- Turn-on service (entered and non-entered) uses the five-year average net increment/decrement due to Fair and Accurate Credit Transactions Act (“FACTA”) orders. New FACTA rules will adjust the five-year average with an increase in Entered Turn-on orders with an offsetting decrease in Non-entered Turn-on orders.
- Verify soft close uses a three-year average (see below) and adds approximately 1,700 Read Verify orders because of FACTA rules requiring on-site customer identification and verification.
- Verify orders and verify soft close orders use a three-year average because the five-year average did not reflect a change in practice effective 2007.
- Verify soft close -180 days orders uses a three-year average because the five-year average did not reflect a change in practice effective 2007.
- Meter change outs are set at the 180,000 annual target levels.
- Regulator inspections and replacements are set at the 2009 levels of 13,500 change-outs and 8,500 inspections.

Each order type (54) has an associated on-premise average order completion time and an average drive time per order. The average order completion and drive times are then converted to total full-time equivalent (“FTE”) hours required to complete the forecasted annual orders. The appropriate non-job time (e.g., start of day and end of day prep work, breaks, informal meetings with supervisors, etc.) and the SCG vacation and sickness factors are applied to compute the forecasted FTEs by year. A blended average wage rate for the various CSF job classifications is used to compute total labor expenses. An associated non-labor expense per FTE for related small tools, uniforms, materials, supplies and expenses is also added to compute total expenses for TY 2012. The proportion or percentage of total time dedicated to formal training is computed from a five-year average and then applied to estimated FTEs required for order completion, drive times and other non-job times including vacation and sickness.

1 The order types included in the forecast (and referenced in the
2 workpapers, Exh. SCG-07-WP 2FO000.000_Supp1.pdf) include the
3 following orders to:

- 4 • initiate or close gas service without entering the customer's
5 premises (Change of Account);
- 6 • collect payments for delinquent bills (Credit & Collections);
- 7 • conduct appliance checks (Customer Service Order);
- 8 • investigate for gas leaks (Gas Leak);
- 9 • close and restoration of service for fumigation (Fumigation);
- 10 • investigate the causes of a high bill (High Bill Investigation);
- 11 • set meters at newly constructed homes and businesses (Meter
12 Work - Capital);
- 13 • replace customer meters (Meter Work – O&M);
- 14 • restore service after it was closed for non-payment of the gas
15 bill (Non-Pay Turn-On);
- 16 • verify the meter read or other conditions at the customer
17 premises (Read Verify);
- 18 • initiate and close service when entrance to the customer's
19 premises is required (Turn On/Shutoff);
- 20 • complete miscellaneous meter and regulator work
21 (Miscellaneous);
- 22 • complete other service that does not fall within other service
23 order categories (Other);
- 24 • complete orders specific to food industry customers (Food
25 Industry);
- 26 • complete commercial and industrial service work
27 (Commercial/Industrial);
- 28 • complete other additional or new activities such CO testing
29 related to SB 183 (Additional Programs); and
- 30 • record orders not able to be completed, for any reason, are
31 identified as incomplete (Incomplete).

32 **2. Key Factors Impacting CSF Estimated Expenses**

33 As discussed earlier in Section II.D.1, several important factors
34 influence estimated expenses for CSF activities. The key CSF drivers
35 impacting an overall increase in expenses by TY 2012 over 2009 incurred
36 expenses are summarized below. A more detailed discussion of each CSF

1 driver follows the summary. Table SCG-EF-7 lists the impacts of the
2 factors influencing CSF estimated expenses. Table SCG-EF-8 reflects
3 historical and estimated CSF orders for years 2005-09 (recorded) and
4 forecast (2010-12).

- 5 • Increase workload from continuing customer growth will
6 progressively add to the five-year average of orders per active
7 meter through 2012. See Table SCG-EF-8 (meter growth per
8 year).
- 9 • An annual increase of 1% in average drive time per order during
10 2010-12 is assumed.
- 11 • Include productivity improvements by using 2009 average on-
12 premise time per order instead of five-year average and explicit
13 benefits from more efficient forecasting and scheduling.
- 14 • Gas meter replacements will continue at the same pace as
15 established in the 2008 GRC, as discussed in Section II.D.2.d.
- 16 • Regulator replacements and inspections that do not have
17 overpressure protection capability will continue at 2009 levels.
- 18 • Increase in Industrial Service Technicians (“ISTs”) to perform
19 increased customer requests for gas engine and boiler
20 maintenance and tune-ups and changing air quality regulations
21 from the South Coast Air Quality Management District
22 (“SCAQMD”).
- 23 • Additional CO alarm orders are forecasted because of California
24 Senate Bill (“SB”) 183.
- 25 • Other CSF support activities, including Dispatch, Supervision
26 and Management support staff.
- 27 • Each of these factors is described in more detail below and
28 summarized in Table SCG-EF-7.

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Table SCG-EF-7

**Factors Influencing CSF Estimated Expenses TY 2012
2009\$ (000)**

Activity	2009 - 2012 Change		
	Labor	Non-labor	Total
5-Year Average Order Forecast ^{1,2}	\$2,018	\$479	\$2,497
Order Growth ^{1,2}	\$2,265	\$156	\$2,421
Drive Time Change			
Order Forecast w/o Growth	\$1,130	\$78	\$1,208
Order Growth	\$34	\$2	\$36
Total Drive Time Change	\$1,165	\$80	\$1,245
Meter Replacements ¹	\$889	\$61	\$950
SCAQMD Industrial Service Activities	\$1,614	\$139	\$1,753
SB 183 CO Testing ¹	\$238	\$16	\$254
CSF Forecast & Scheduling Benefit	(\$417)	\$0	(\$417)
CSF Operating Efficiency Benefit	(\$319)	\$0	(\$319)
Other			
Dispatch	\$113	\$132	\$245
Dispatch Forecast & Scheduling Benefit	(\$254)	\$0	(\$254)
Supervision	\$989	\$118	\$1,107
OpEx Supervisor Enablement	\$0	\$49	\$49
Support Staff	\$323	\$62	\$385
Total Other	\$1,171	\$361	\$1,532
Total	\$8,625	\$1,292	\$9,917

¹ Costs related to incremental drive time are accounted for in the "Drive Time Change" section of the table.

² Excludes Meter Replacements and SB 183 CO Testing which are accounted for elsewhere in the table.

Table SCG-EF-8 shows the related CSF order forecast for 2010-2012 that is consistent with the five-year average methodology, including the different factors influencing estimated expenses identified above.

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**Table SCG-EF-8
Customer Service Field Order Forecast**

Active Customers	5,328,430	5,391,974	5,445,791	5,466,979	5,480,314	5,520,424	5,565,817	5,621,055
Order Group	Historical Orders					Forecast Orders		
	2005	2006	2007	2008	2009	2010	2011	2012
Total Change Of Account	1,414,854	1,351,035	1,305,327	1,421,703	1,607,321	1,561,557	1,515,793	1,470,029
Total Credit / Collections	440,873	433,149	472,519	482,383	394,467	416,641	438,814	460,988
Total CSO	521,693	519,842	496,958	450,686	440,318	461,561	482,804	504,047
Total Gas Leak	338,058	341,354	316,383	294,270	302,883	312,073	321,264	330,454
Total Fumigation	204,755	174,175	130,615	117,248	116,112	128,877	141,643	154,408
Total HBI	23,111	18,711	19,667	25,434	12,178	14,974	17,770	20,566
Total Meter Work (Capital)	76,413	80,150	59,351	41,443	28,193	38,592	48,992	59,391
Total Meter Work (O&M)	206,758	198,263	169,647	167,363	169,273	189,573	190,589	191,604
Total Nonpay Turn On	117,657	128,068	134,333	142,990	110,172	117,202	124,231	131,261
Total Read / Verify	160,749	188,536	189,638	193,106	207,311	207,188	207,065	206,943
Total Turn On / Shut Off	281,455	288,537	300,074	333,002	363,355	350,974	338,593	326,212
Total Miscellaneous	62,446	67,944	91,425	85,003	110,593	108,327	106,061	103,796
Total Other	7	31	4	4	3	5	8	10
Total Food Industry	78,632	74,804	70,779	69,190	67,733	70,129	72,525	74,920
Total Commercial / Industrial	65,213	64,136	67,692	64,041	64,900	65,796	66,692	67,588
Total Additional Programs	0	0	0	0	0	1,859	3,718	5,577
Incomplete Orders	283,411	308,963	307,716	300,781	323,982	321,338	318,693	316,049
Total	4,276,085	4,237,698	4,132,128	4,188,647	4,318,794	4,366,667	4,395,255	4,423,842

4

a. Customer Growth

Even with the economic slowdown, SCG is expected to add approximately 141,000 customers (active meters) by TY 2012 over 2009 levels. See Table SCG-EF-8 above. This customer increase over 2009 levels will increase CSF estimated expenses for TY 2012 by approximately \$2.4 million over 2009 recorded expenses.

10

b. Increased Drive Time per Order Due to Increased Traffic Congestion

SCG is proposing a 1% annual increase in drive time per order, resulting in a 19 second increase in drive time by TY 2012 from 2009.

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CPUC’s Division of Ratepayer Advocates (“DRA”) in SCG’s AMI proceeding proposed an annual increase of 2.5%.

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1 Since traffic can change dramatically and tends to increase
2 over time, a projection of annual drive time increase of less
3 than 1 percent has the potential to seriously underestimate
4 actual drive times. DRA therefore suggests increasing the
5 congestion forecast from an annual increase in drive time
6 of 6 seconds (which is slightly less than 1%) to an annual
7 increase of 2.5%. For a 10.24 minute trip, this would mean
8 that after four years it would be approximately 10% higher,
9 or 11.26 minutes.⁴

10
11 SCG's 2009 average drive time was 10.4 minutes. Using
12 DRA's average drive time increase of 2.5% per year, SCG average
13 drive time would increase 0.26 minutes in 2010, 0.27 minutes in
14 2011 and 0.27 minutes in 2012 for total average drive time of 11.2
15 minutes by 2012 or approximately 48 seconds by TY 2012.
16 Accordingly, SCG's assumption of a 1% annual increase or a total
17 increase of 19 seconds in average drive time by TY 2012 over
18 2009 is conservative and consistent with assumptions in the 2008
19 GRC and SCG AMI proceeding. CSF estimated expenses increase
20 by approximately \$1.2 million as a result of the 1% annual drive
21 time increase.

22 **c. Productivity Improvements in 2009 Average On-**
23 **premise Times per Order**

24 CSF enhanced and provided greater frequency of quality
25 assurance job observations during field rides with quality
26 assurance specialists beginning in 2006. An ELS study to establish
27 job standards and quality metrics was initiated in 2009 and will be
28 completed in 2011. Because of greater scrutiny of on-premise and
29 off-premise productivity, SCG utilizes 2009 actual average on-
30 premise times and non-job time factors to compute TY 2012
31 requirements and estimated expenses. 2009 average on-premise

⁴ Southern California Gas Company Advanced Metering Infrastructure, A.08-09-023, Division of Ratepayer Advocates Report, April, 23 2009, Chapter 4, p 4-10, lines 9-14 (DRA witness Irwin). See Exh. SCG-07-WP 2FO000.000_Supp2.pdf

1 job times capture the productivity increases since 2007 as shown in
2 Table SCG-EF-9 of Average On-premise CSF Order Times.

3 2009 CSF on-premise times have improved approximately
4 8% since 2007. See Table SCG-EF-9.

5
6 **Table SCG-EF-9**
7 **Average On-premise CSF Order Times**
8 **(Minutes)**

Year	Average On-premise Time
2005	16.10
2006	16.57
2007	16.95
2008	16.24
2009	15.59

9 **d. Continuation of Meter Replacements**

10 SCG proposes to replace 180,000 meters in TY 2012, the
11 same amount in the Test Year 2008 Settlement Agreement with
12 DRA and TURN that was authorized in SCG's previous GRC.
13 SCG averaged 172,000 meter replacements per year from 2004
14 through 2009. In managing its installed meter base, SCG strives to
15 ensure that meters are:

- 16 • operating safely;
- 17 • functioning and measuring accurately the flow of gas;
- 18 • removed and replaced in the most cost effective
19 manner; and
- 20 • repaired, when cost effective, and placed back in
21 service.

22 SCG believes three reasons support continuing
23 replacements at 180,000 meters per year. First, SCG believes that
24 "pruning" the poorest performing segments of the meter stock
25 optimizes its overall performance. Second, the logistics of
26 replacing meters – the ability to purchase meters and hire and train

1 work force – are optimized when replacements are planned at a
2 constant level. And third, SCG’s meters in service are aging.

3 The circumstances for continuing an average of 180,000
4 meter replacements per year have not fundamentally changed from
5 the 2008 GRC. SCG’s AMI case assumed 180,000 meters will be
6 replaced on an annual basis. The actual meter replacements may
7 fluctuate from year-to-year due to operating circumstances and
8 variation in customer site visits within local CSF bases, but the
9 planned level of replacements remain per the 2008 GRC. The
10 average annual replacements from 2004-2009 reflect SCG’s effort
11 to maintain an 180,000 replacement pace.

12 Table SCG-EF-10 shows that annual meter change outs
13 have ranged between approximately 160,000 -195,000. The
14 average annual level of meter replacements is approximately
15 172,000 per year since 2004.

16 **Table SCG-EF-10**
17 **SCG Meter Change-Outs**

Year	Meter Change-Outs
2004	179,203
2005	195,340
2006	185,214
2007	157,029
2008	157,082
2009	160,715
Average	172,431

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28 Even changing meters out at a pace of 180,000 per year,
29 SCG will continue to have an aging installed base of meters and a
30 growing portion of meters greater than 31 years in-service. The
31 current average book or accounting life of a SCG meter is 31

1 years. Replacing 180,000 meters per year is approximately 3% of
2 the meter population.

3 Because 2009 meter replacements were slightly less than
4 the 180,000 annual meter replacement goal, SCG is requesting an
5 increase of approximately \$950,000 in TY 2012 estimated
6 expenses for meter replacements over the 2009 level.

7 **e. Continued Replacement of Regulators without**
8 **Overpressure Protection**

9 Since 1983, SCG has been installing regulators that contain
10 an overpressure protection feature. This feature ensures that the
11 regulator will relieve the excess pressure through a vent and
12 maintain an acceptable level of houseline pressure. Regulators
13 installed prior to 1983 did not generally possess this feature.

14 SCG has implemented a policy requiring CSF employees to
15 identify these regulators any time they work at a meter. This
16 minimizes the inconvenience to customers. This information is then
17 used to update a database of known locations, allowing SCG to
18 schedule orders for replacement of the regulator.

19 SCG is not proposing a complete and immediate removal
20 of these regulators. However, as older gas appliances with pilot
21 lights are replaced with new pilotless appliances, the urgency of
22 replacing regulators without overpressure protection increases.
23 Specifically, California Code of Regulations, Title 24, Part 6,
24 Section 115 requires pilotless ignition on all natural gas central
25 furnaces, cooking equipment, pool and spa heaters (with the
26 exception of household cooking appliances without an electric
27 supply voltage connection and in which each pilot consumes less
28 than 150 Btu/hr). Appliances with standing pilot lights (e.g., water
29 heaters) can, through the standing pilot lights, burn a small amount
30 of excessive gas. If the release of gas increases, customers would
31 likely notice changes in the performance of appliances and notify

1 SCG. A copy of the applicable section of Title 24 is included in
2 workpapers, Exh. SCG-07-WP, 2FO000.000_Supp3.pdf.

3 SCG's concern is that most, if not all, new appliances do
4 not have pilot lights. To the extent that appliances with pilot lights
5 'backstop' small gas releases, this 'backstop' will be removed as
6 new appliances replace the old. In addition, as the number of these
7 regulators declines, the probability that they will be replaced as an
8 incidental part of another service order is reduced.

9 Thus, SCG proposes to replace regulators that do not have
10 overpressure protection capability at the same level as 2009. SCG
11 changed out approximately 13,500 additional regulators that did
12 not have overpressure protection capability in 2009. SCG
13 proposes to continue the program to locate and change these older
14 regulators. In addition to the 13,500 regulator change-outs, SCG
15 conducted approximately 8,500 inspections to confirm or identify
16 location and overprotection capability of these older regulators.

17
18 **f. Increase in Industrial Service Technicians ("ISTs") to**
19 **Perform Gas Engine and Boiler Maintenance and Tune-**
20 **ups to Meet Changing Air Quality Regulations**

21 SCG employs a highly trained workforce of ISTs to
22 provide specialized services for a wide range of industrial gas
23 equipment. ISTs have expertise in the diagnosis, repair, and parts
24 replacement of complex gas-fired equipment. ISTs perform
25 services that include flue gas analyses ("FGA"), nitrogen oxide
26 ("NOx") testing, and CO testing. ISTs have been performing these
27 services for many years.

28 The South Coast Air Quality Management District
29 ("SCAQMD") has air quality and gas equipment emission
30 jurisdiction over the Los Angeles Basin and surrounding areas
31 (counties of Orange, Riverside, San Bernardino, and the remaining
32 portions of Los Angeles County). The SCAQMD has recently

1 approved specific rules governing emissions of gas engines,
2 industrial and commercial boilers, steam generators, process
3 heaters, and other miscellaneous sources. Specifically, SCAQMD
4 Rules 1146, 1146.1, 1146.2, 1147, and 1110.2 have been recently
5 modified and approved.⁵ In addition, SCAQMD Rule 433 for Gas
6 Quality Monitoring is designed to determine the effects of gas
7 quality changes from LNG-derived natural gas on emissions from
8 selected end-user combustion equipment within the SCAQMD
9 Territory. Table SCG-EF-11 summarizes the impact of the newly
10 instituted SCAQMD natural gas equipment emission and gas
11 quality monitoring rules.

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⁵ Copies of Rules can be located at <http://www.aqmd.gov/rules/rulesreg.html> .

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**Table SCG-EF-11
SCAQMD Emission and Gas Quality Rules and Impact**

Gas Engine & Boiler Assessment-Inspection, Maintenance & Tune-Up						Gas Quality
SCAQMD Rule	Rule 1146 Boilers > 5MM	Rule 1146.1 Boilers > 2MM < 5MM	Rule 1146.2 Boilers > 400K < 2MM	Rule 1147 Miscellaneous Sources ⁽¹⁾	Rule 1110.2 Gas Engines > 50 BHP	Rule 433 Natural Gas Quality
Effective Dates	Amended 9/5/08 Compliance 7/1/09	Amended 9/5/08 Compliance 7/1/09	Amended 5/5/06 Compliance 5/5/06	Adopted 12/5/08 Compliance 1/1/10	Amended 2/1/08 Compliance 2/1/09	Adopted 6/5/09
Rule Change	Monthly emissions check or every 750 unit operating hours; three consecutive checks, without adjustments, then quarterly or every 2,000 unit operating hours. ⁽²⁾	Quarterly emissions check or every 2,000 unit operating hours; four consecutive checks, without adjustments, then semi-annually or every 4,000 unit operating hours. ⁽²⁾	Perform maintenance in accordance with manufacturer's schedule and specs. Maintain onsite copy of manufacturer's instructions and retain record of maintenance activity.	Perform maintenance in accordance with manufacturer's schedule and specs. Maintain onsite copy of manufacturer's instructions and retain record of maintenance activity.	Weekly emissions check or every 150 engine operating hours by a portable NOx, CO and oxygen analyzer; three consecutive checks, without adjustments, then monthly or every 750 engine operating hours. ⁽²⁾	Determine the effects of gas quality changes from LNG-derived natural gas on emissions from selected end-user combustion equipment within the District, before and after the introduction of LNG.
Activity	Boiler Certification Failures Leading to FGA Tune-Ups		Inspection & Tune-Up	Inspection & Tune-Up	Engine Certification Failures Leading to FGA Tune-Ups	Various Gas Equipment (Boilers, Turbines, Engines)

⁽¹⁾ Sources include ovens, dryers, dehydrators, heaters, kilns, calciners, furnaces, crematories, incinerators, heated post, cookers, roasters, fryers, closed and open heated tanks and evaporators, distillation units, afterburners, degassing units, vapor incinerators, catalytic or thermal oxidizers, soil and water remediation units and other combustion equipment with nitrogen oxide emissions.

⁽²⁾ Upon emissions check indicating non-compliance, the certification process begins anew.

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SCG made a similar request for incremental IST funding in the 2008 GRC, but the actual SCAQMD rules governing emissions of gas engines, industrial and commercial boilers, steam generators, process heaters, and other miscellaneous sources, as well as gas quality, were not in effect until mid-2009. The enforcement by SCAQMD of emission rules 1146, 1146.1, 1146.2, 1147 and 1110.2 will be effective soon after the addition of trained SCAQMD inspectors. SCG expects customers with gas engines and boilers under SCAQMD jurisdiction, who are required to meet the emissions standards, will request SCG IST services for

1 engine/boiler inspection, assessment, tune-up and maintenance.
 2 The customers with the eligible gas equipment are ultimately
 3 responsible to fully comply with SCAQMD emission standards.

4 The proposed rule changes will require more frequent
 5 monitoring, testing and tune-ups by operators of the equipment
 6 covered by each rule. SCG estimates that these changes will
 7 increase the demand for industrial equipment service. Table SCG-
 8 EF-12 contains the SCG estimate of the rule impacts.

9 Supplemental workpaper, Exh. SCG-EF-07-WP,
 10 2FO000.000_Supp1.pdf provides the calculations for the estimated
 11 expenses related to the forecasted increase in annual IST orders
 12 resulting from SCAQMD rule changes.

13 **Table SCG-EF-12**
 14 **Estimated Increase in Industrial Service Orders**
 15 **Due to SCAQMD Rule Changes**
 16

AQMD Rule	Equipment	Equipment Count	Annual Orders	TY 2012 Annual Expense (\$000)
1146	Boilers > 5MM	1,500	1,800	\$352
1146.1	Boilers > 2MM < 5MM	1,150	920	\$182
1146.2	Boilers > 400K < 2MM	23,000	3,450	\$672
1147	Miscellaneous Sources	5,000	1,250	\$246
1110.2	Gas Engines > 50 BHP	870	1,218	\$240
433	Gas Quality Monitoring	Thousands	200	\$62
Total			8,638	\$1,753

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 18
 19 SCG currently has a strong presence among gas engine
 20 customers and performs annual gas engine testing for many
 21 customers. SCG believes that gas engine customers will request
 22 service on a more frequent basis because of the SCAQMD rule
 23 changes. SCG has a stronger presence among boiler customers
 24 and is frequently the service provider of choice to test and tune
 25 their equipment.

1 In addition, SCG is responsible for conducting gas quality
2 monitoring and its impact on gas equipment on a regularly
3 scheduled basis. The SCAQMD Rule 433 Gas Quality Monitoring
4 program will require SCG to statistically sample a representative
5 cross-section of commercial and industrial gas end-use appliances
6 and equipment. The purpose of this monitoring program is to
7 ensure that customer appliances are properly functioning as new
8 sources of natural gas supplies enter into the SCG gas distribution
9 system.

10 SCG is requesting \$1.691 million and an additional 19.1
11 FTEs to perform gas engine and boiler assessments, tuning, and
12 maintenance required and requested by customers due to
13 SCAQMD rules 1146, 1146.1, 1146.2, 1147 and 1110.2. SCG is
14 requesting an additional \$62,000 of estimated expenses because of
15 Rule 433 requirements. The total increase in CSF estimated
16 expenses due to changes in SCAQMD regulations is approximately
17 \$1.753 million. See Table SCG-EF-11 for the specific rule change
18 impact on CSF estimated expenses for TY 2012.

19 **g. Carbon Monoxide (“CO”) Detectors Requirements**

20 Additional customer requested CO tests conducted by CSF
21 are forecasted because of California SB 183. SB 183 signed into
22 law on May 7, 2010 requires new and existing dwellings intended
23 for human occupancy to have CO monitors. Specifically, Senate
24 Bill No. 183, Lowenthal, Residential Building Safety states the
25 following:

26 Chapter 8. Carbon Monoxide Poisoning Prevention Act of 2010
27 SEC. 4. Section 17926 is added to the Health and Safety Code,
28 to read:

29 17926. (a) An owner of a dwelling unit intended for human
30 occupancy shall install a carbon monoxide device, approved and
31 listed by the State Fire Marshal pursuant to Section 13263, in
32 each existing dwelling unit having a fossil fuel burning heater or
33 appliance, fireplace, or an attached garage, within the earliest
34 applicable time period as follows:
35

- 1 (1) For all existing single-family dwelling units intended for
2 human occupancy on or before July 1, 2011.
3 (2) For all other existing dwelling units intended for human
4 occupancy on or before January 1, 2013.
5 (b) With respect to the number and placement of carbon
6 monoxide devices, an owner shall install the devices in a manner
7 consistent with building standards applicable to new construction
8 for the relevant type of occupancy or with the manufacturer's
9 instructions, if it is technically feasible to do so.

10
11 SCG estimates an increase of 5,600 orders because of CO
12 alarms in TY 2012. The additional customer requested CO safety
13 checks has an estimated increase of approximately \$254,000 on
14 estimated TY 2012 CSF expenses. A copy of the applicable
15 section of SB 183 is included in workpapers, Exh. SCG-07-WP,
16 2FO000.000_Supp4.pdf.

17 **h. Customer Service Field Operations – Dispatch**
18 **Activities**

19 SCG is requesting \$8,319,000 in TY 2012, a net decrease
20 of \$9,000 from the 2009 adjusted recorded expense level for CSF
21 dispatch activities. The 2009 recorded costs are the labor and non-
22 labor costs associated with providing dispatch services for CSF on
23 a 24 hour basis, 365 days a year. Dispatch services include both
24 the routing and dispatching of orders to field personnel on a day
25 before and same day basis and managing the order completion
26 schedule.

27 The dispatch estimated expenses are based on the five-year
28 average of historical expenditures which results in a \$245,000
29 increase from 2009 levels. Implementation of the Forecasting and
30 Scheduling capital project discussed in Section IV.C.2 generates
31 efficiency gains of \$254,000. The \$254,000 reduction in dispatch
32 expenses results from a reduction in straight time (3 FTEs) and
33 overtime (0.5 FTE) and other office efficiencies.
34

1 **i. Customer Service Field Operations – Supervision**
2 **Activities**

3 SCG is requesting \$11,574,000 in TY 2012, an increase of
4 \$1,156,000 from the 2009 adjusted recorded expense level for CSF
5 supervision and related activities. Included in this estimate is
6 \$49,000 in TY 2012 expenses for wireless broadband
7 communications cards. This on-going non-labor expense is a
8 result of the OpEx Supervisor Enablement Initiative, which
9 deployed MDTs to field supervision.

10 The estimated number of supervisors was based on
11 preserving the field employee to supervisor ratio of approximately
12 one-to-twelve that existed in 2009. The increase in 11 supervisor
13 FTEs is due to the estimated increase of 124 FTEs of CSF
14 personnel from the TY 2012 increased workload forecast.

15 **j. Customer Service Field Operations – Office Support**
16 **Activities**

17 SCG is requesting \$7,196,000 in TY 2012, an increase of
18 \$385,000 from the 2009 adjusted recorded expense level in CSF
19 office support activities. The change from year 2009 adjusted
20 recorded expense to the TY 2012 estimated expense is attributable
21 to the number of field instructors which is higher in the five-year
22 average as compared to the 2009 levels. Field instructors fluctuate
23 in number depending upon the attrition and turnover rate of CSF
24 personnel.

25 2009 adjusted recorded expenses are the labor and non-
26 labor costs associated with the higher-level management of the
27 CSF organization (Region Management). Specifically, CSF
28 operations support staff includes CSF region and district
29 management, field instructors, administrative and clerical support,
30 and budget and operations analysts. The office support estimated
31 expenses are based on the five-year average of historical

expenditures. The five-year average forecasting methodology is reflective of the variability of support staff.

E. Customer Contact Center (“CCC”) Activities

SCG CCC operations are available 24 hours per day, 365 days per year. A mix of CSR contacts and self-service technology provide SCG customers with multiple convenient transaction channels for timely response to customer inquiries. SCG offers multi-lingual communications through its CCCs, and language line translation services through a third party provider.

**Table SCG-EF-13
Customer Contact Center Activities
2009\$ (000)**

B. Customer Contact Center	2009 Adjusted-Recorded	TY2012 Estimated	Change
1. Customer Contact Center - Operations	\$31,921	\$36,208	\$4,287
2. Customer Contact Center - Support	\$8,657	\$10,097	\$1,440
Total	\$40,578	\$46,305	\$5,727

SCG is requesting TY 2012 expenses for CCC activities of \$46.3 million, an increase of \$5.7 million over 2009 adjusted recorded expenses. CCC TY 2012 estimated expenses do not reflect incremental OpEx benefits. Estimated incremental OpEx benefits that reduce CSR handled calls because customer contacts are completed via customer self-service channels are included in witness Richard D. Phillips testimony (Exh. SCG-13). The calculations for CCC estimated expenses are included in workpapers, Exh. SCG-07-WP, 2CC000.000_Supp1.pdf.

1. CCC Operations

SCG is requesting a TY 2012 estimated expense increase of \$4.287 million from 2009 adjusted recorded levels for CCC Operations. The major impacts on the CCC Operations TY 2012 expenses are identified in Table SCG-EF-16 below.

SCG has 2 CCC locations: San Dimas and Redlands. The San Dimas and Redlands CCC facilities accommodate approximately 345 and 260 CSRs, respectively. SCG CCC expenses cover the cost of:

- answering customer telephone calls;
- responding to incoming e-mail from customers;
- answering written customer correspondence regarding customer account activity;
- following up on all CPUC telephone referrals and informal/formal CPUC complaints; and,
- responding to other customer account related inquiries.

The customer generated field service orders described in Section II.D are usually initiated by a customer call. The CCC also responds to billing and payment inquiries, requests for customer assistance program information, and other miscellaneous requests.

SCG has two call centers that act as one “virtual” call center and serve as back-up sites to one another in the case of an emergency. Calls are routed to the first available CSR at either site. The CCC typically handles approximately 10 million contacts each year and is staffed by approximately 600 full and part-time CSRs. With its own representatives, SCG provides telephone service in six languages: English, Spanish, Cantonese, Korean, Mandarin and Vietnamese. SCG provides service in other languages through a third party language line established in 2005. SCG also provides services for the hearing-impaired.

The CCCs are complex operations, utilizing communications hardware and software technology to ensure customer accessibility and to assist SCG in forecasting call volume and optimizing staffing levels. SCG CCC operations implemented new telephony technology in October 2009, including a new automated call distributor, IVR unit, operational insight analytic software capabilities, and a new CSR desktop. These technology capabilities provide the following.

- The Automated Call Distributor (“ACD”) is a programmable device that queues calls, distributes calls to agents, and enables real-time and historical monitoring of these activities.
- The Interactive Voice Response (“IVR”) is a unit which greets customers, allows customers to select from a menu of services to facilitate the efficient routing of calls to appropriate CSRs

1 and enables customers to complete a variety of self-service
2 transactions.

- 3 • The Operational Insight Analytics software applications enable
4 analysis on recorded calls, channel navigation effectiveness,
5 frequency of callers and CSR agent productivity.
- 6 • The E-Work Force Management System is software for
7 forecasting call volumes, determining staffing requirements, and
8 scheduling work force.
- 9 • The Call Recording Equipment offers a capability that enables
10 calls to be monitored or listened to after the fact, to ensure
11 quality customer service.
- 12 • The new CSR Desktop reconfigured the old CSR computer
13 desktop or user interface to fully integrate with the additional
14 functionality of the new ACD.

15 SCG CCC incremental TY 2012 estimated expenses compared to
16 2009 are based on increased call volume and increased AHT. Forecasted
17 2012 CSR handled call volume is based on the five-year (2005-09)
18 average of CSR handled calls per meter. The 2009 CSR handled call
19 volume was an extraordinary low call volume year of approximately 7.2
20 million calls (lowest year since 2002). The five-year average as shown in
21 Table SCG-EF-14 is approximately 7.7 million CSR handled calls.

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Table SCG-EF-14
CSR Historical Call Volume and Forecast

Year	Total CSR Calls	Average Meters	Calls Per Meter
2001	7,736,974	5,069,718	1.53
2002	6,653,160	5,137,054	1.30
2003	7,477,190	5,198,173	1.44
2004	7,766,802	5,266,235	1.47
2005	7,873,796	5,328,430	1.48
2006	7,911,488	5,445,791	1.38
2007	7,517,698	5,391,974	1.47
2008	8,046,339	5,466,979	1.47
2009	7,215,157	5,480,314	1.32
2010F	7,851,895	5,520,424	1.42
2011F	7,916,459	5,565,817	1.42
2012F	7,995,026	5,621,055	1.42
Average (2005-09) Calls	7,712,896	Average (2005-09) Calls Per Meter	1.42

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Table SCG-EF-15
Total Customer Contacts and Transactions

Year	CSR Calls	% of Total	IVR Calls	% of Total	Pay By Phone	% of Total	E-mail	% of Total	Total Contacts
2005	7,873,796	75.8%	1,827,347	17.6%	353,949	3.4%	329,986	3.2%	10,385,078
2006	7,911,488	76.6%	1,800,014	17.4%	369,308	3.6%	251,827	2.4%	10,332,637
2007	7,517,698	77.3%	1,685,974	17.3%	344,468	3.5%	182,419	1.9%	9,730,559
2008	8,046,339	77.8%	1,728,490	16.7%	320,944	3.1%	249,358	2.4%	10,345,131
2009	7,215,157	78.6%	1,548,149	16.9%	242,926	2.6%	168,152	1.8%	9,174,384
2010F	7,851,895	78.6%	1,685,333	16.9%	264,452	2.6%	183,052	1.8%	9,984,732
2011F	7,916,459	78.6%	1,698,816	16.9%	266,568	2.6%	184,517	1.8%	10,066,360
2012F	7,995,026	78.6%	1,715,804	16.9%	269,233	2.6%	186,362	1.8%	10,166,425
'09 to '12 growth	779,869	11%	167,655	11%	26,307	11%	18,210	11%	

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Table SCG-EF-16 summarizes the changes in CCC Operations and Support.

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Table SCG-EF-16
Customer Contact Center Estimated Expenses 2009\$
TY 2012

	TY 2012 - 2009 Change			FTEs
	(\$000)			
CCC Operations	Labor	Non-Labor	Total	
5 Year Average Call Volume CSRs	\$2,444	\$40	\$2,484	39
Growth Call Volume CSRs	\$844	\$9	\$853	13
Wage Differential	\$629	\$0	\$629	0
2008 Retropay - Collective Bargaining Agreement	(\$278)	\$0	(\$278)	0
Other (Managers, Supervisors, Leads, Administrative)	\$594	\$5	\$599	8
CCC Operations Sub-total	\$4,233	\$54	\$4,287	60
CCC Support				
5 Year Average Reconciliation	\$75	\$338	\$413	1
OpEx Analyst	\$106	\$0	\$106	1
Annual Maintenance	\$0	\$695	\$695	0
Telco	\$0	\$226	\$226	0
CCC Support Sub-total	\$181	\$1,259	\$1,440	2
Total TY 2012 Impact	\$4,414	\$1,313	\$5,727	62

TY 2012 increased call volumes over the 2009 levels results from using the five-year average CSR calls per meter methodology.

Specifically, the five-year average of CSR handled calls results in an increase of approximately 39 CSR FTEs to handle an additional 580,000 calls and an additional 13 FTEs for customer growth to handle an additional 200,000 calls by TY 2012. The respective increases for TY 2012 estimated expenses for the 5-year average method and customer growth are approximately \$2,484,000 and \$853,000, respectively.

SCG CSRs received a wage increase in October 2009. The full-year effect of this wage increase is \$629,000 for approximately 600 CSRs. This wage increase is adjusted for the one-time retroactive pay increase of \$278,000 recorded in 2009 expenses to reflect compensation for the period of October – December 2008. These wage increases result from the Collective Bargaining Agreement. As a result of the estimated increase of

1 52 CSRs⁶, the CCC will add approximately 8 FTEs for supervisory (2.9),
2 Lead CSR (4.6) and administrative support (0.4) to maintain the current
3 operational support ratios. The estimated expense increase of operational
4 support due to estimated increases in CSRs is approximately \$599,000.

5 **2. CCC Support**

6 CCC support staff cost centers include resource planning and
7 scheduling, technology support, training staff, quality assurance, policy
8 and procedures support, planning and analysis functions and clerical
9 personnel. SCG CCC Support cost centers' TY 2012 estimated expenses
10 are based on the five-year average of adjusted recorded expenses. SCG
11 proposes a TY 2012 increase of \$1.440 million from 2009 recorded
12 adjusted. The major impacts on the CCC Support TY 2012 expenses are
13 identified in Table SCG-EF-16 above.

14 Annual maintenance expenses for CCC software and hardware
15 (implemented with OpEx) increase TY 2012 estimated expenses by
16 approximately \$695,000. Specific additional costs include annual
17 maintenance fees for Avaya Technology (hardware), Nexidia, Click Fox
18 and Merced analytical insight software applications. As a result of these
19 additional data analytical tools provided by OpEx, SCG's CCC will be
20 adding an analyst position to support and use these applications. An
21 incremental \$106,000 is requested to support CCC analysis.

22 Telecommunications expenses increase TY2012 estimated expenses by
23 \$226,000. The five-year average is greater than the 2009 recorded
24 expenses by approximately \$413,000.

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⁶ 52 CSRs = 5-year average + customer growth = (39+13).

F. Local Branch Office and Authorized Payment Locations Activities
1. Branch Office and Authorized Payment Location Operations

Table SCG-EF-17
Branch Offices and Authorized Payment Locations
2009\$ (000)

C. Branch Offices & Authorized Payment Locations	2009 Adjusted-Recorded	TY2012 Estimated	Change
1. Branch Offices & Authorized Payment Locations	\$10,137	\$11,135	\$998
Total	\$10,137	\$11,135	\$998

SCG continues to provide customer services through a network of branch offices and authorized payment locations (“APL”). SCG has enhanced these services by expanding the APL network and installing automated 24/7 self-service pay stations at various branch office locations. SCG operates 47 branch office facilities, and approximately 200 APLs. SCG TY 2012 estimated expenses shown in Table SCG-EF-17 assume that branch office and APL operations remain as is in the current state for TY 2012.

SCG branch offices provide payment services and other customer services. Approximately 98% of the branch office transactions are payment related. SCG contracts with a third party that provides a network of APLs. These APLs provide similar payment services for SCG customers and offer convenient locations and extended hours. SCG is requesting TY 2012 expenses for branch office and APL activities of \$11,135,000, an increase of \$998,000 over 2009 adjusted recorded expenses. The calculations for estimated Branch Offices and APLs expenses are included in workpapers, Exh. SCG-07-WP, 2BO000.000_Suppl.pdf.

The estimated expenses are based on the five-year average of historical expenditures of \$10,218,000 million and increases of \$475,000 for additional security guards, \$338,000 for Red Flag implementation, and \$104,000 to adjust for the full year effect of positions filled in 2009.

1 Specifically, 12 additional security guards will be located in 12 offices that
2 are currently staffed with one or two employees at any point in time.

3 The Fair & Accurate Credit Transactions Act (“FACTA”) Red
4 Flag implementation requires SCG to:

- 5 • take reasonable security measures to protect personal customer
6 information obtained through our normal course of business;
- 7 • document the precautionary measures taken to prevent identity
8 theft; and
- 9 • monitor customer accounts and identify actions taken in cases
10 where identity theft is suspected.

11 An increase of 4.3 FTEs are required to support FACTA customer
12 verification and validation activities in the branch offices. A copy of
13 Appendix J of the FACTA is included in workpapers, Exh. SCG-07-WP,
14 2BO000.000_Supp2.pdf.

15 SCG continues to experience a decline in branch office and APL
16 payments as shown in Chart SCG-EF-1. In-person payment transactions
17 have declined from approximately 9.6 million in 2001 to less than 7.2
18 million in 2009, a decrease of 25%. Branch offices alone have declined
19 from almost 6 million payment transactions in 1998 to less than 4.3
20 million in 2009, a 29% decline.

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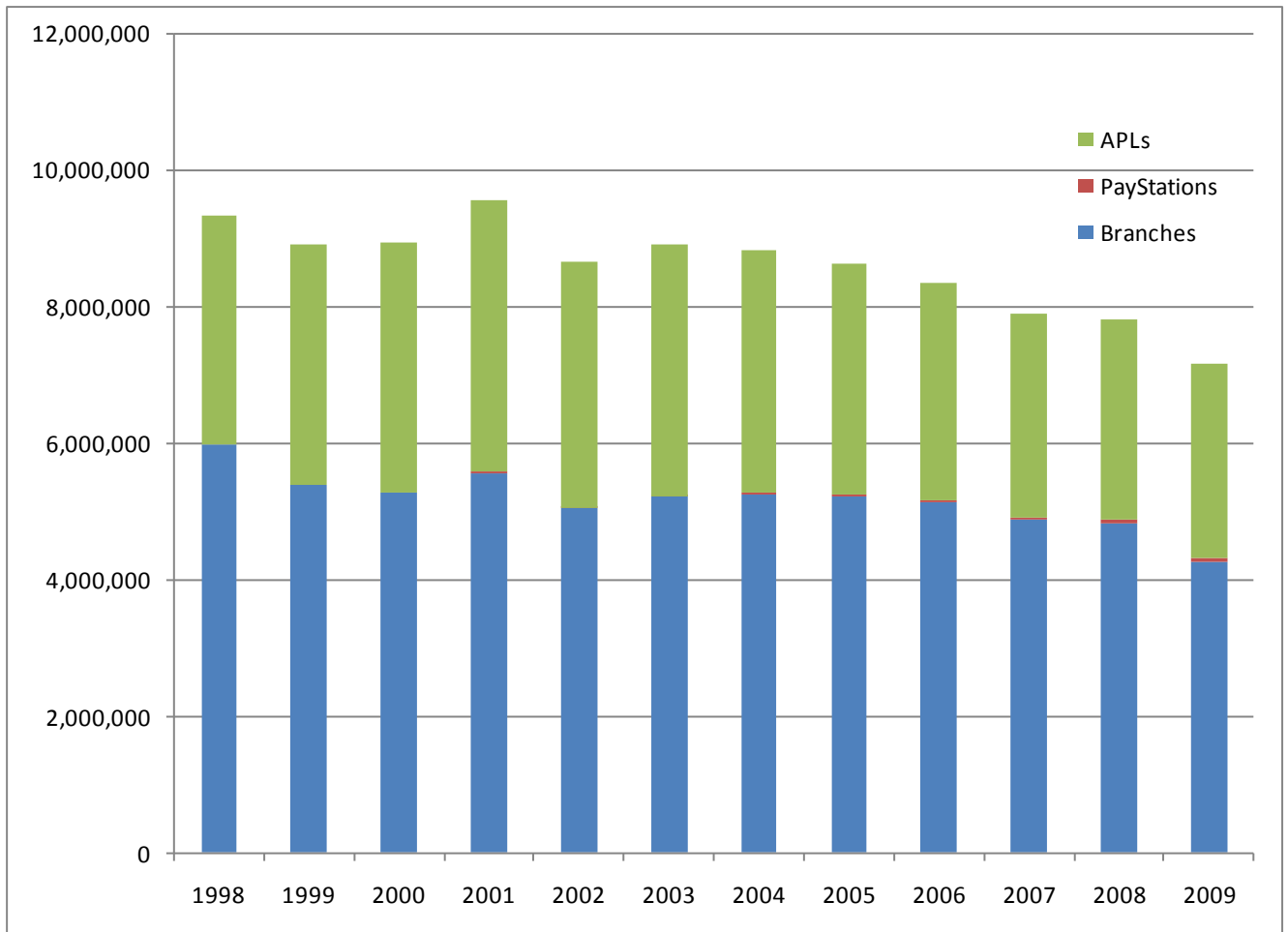
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Chart SCG-EF-1

Branch Office and APL Payment Transactions

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Branches	5,986,522	5,393,508	5,276,539	5,558,156	5,038,389	5,206,316	5,237,974	5,231,284	5,135,454	4,870,539	4,833,117	4,261,945
PayStations	0	0	0	19,584	15,151	19,753	24,845	24,384	17,038	35,967	47,575	46,853
APLs	3,337,591	3,521,703	3,647,194	3,992,106	3,588,911	3,669,445	3,558,873	3,365,139	3,200,031	2,995,339	2,934,347	2,848,893
Total In-Person Pmts	9,324,113	8,915,211	8,923,733	9,569,846	8,642,451	8,895,514	8,821,692	8,620,807	8,352,523	7,901,845	7,815,039	7,157,691



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2. Disability Rights Advocates (“DiRA”) Memorandum of Understanding (“MOU”)

SCG has made substantial progress to modify its BO facilities and network of APLs to adhere to standards and specifications established through the American with Disabilities Act (“ADA”). SCG witness Andrew E. Steinberg, Exh. SCG-41 identifies the status of specific MOU provisions approved by the 2008 GRC decision, D.08-07-046. Per the

April 1, 2010 report submitted by SCG and SDG&E to DiRA, SCG and SDG&E have completed ADA accessibility assessments of all APLs that were active as of December 31, 2007. The status of APLs is summarized in Table SCG-EF-18.

Table SCG-EF-18
SCG APL ADA Accessibility Assessment and Status
(April 1, 2010)

<u>Active APLs as of 12/31/07</u>		Agent Status				
Date	Total Agents Surveyed & Agent Ltr Mailed	Pending		Retained	Terminated	Total
		Agents do not agree to comply	Agents agree to comply but work not completed or no response	Agents confirmed completion of work	Agents who left network	
SoCalGas						
4/30/2008	170					
6/30/2008		1	157	4	8	170
9/30/2008		18	57	74	21	170
3/30/2009		18	54	72	26	170
9/30/2009		13	47	73	37	170
3/30/2010		11	43	69	47	170
9/30/2010						
3/30/2011						
9/30/2011						
3/30/2012						

As of March 30, 2010, SCG had 10 APLs who have not agreed to comply with ADA accessibility standards. One APL was terminated for reasons not related to ADA compliance. These 10 agents are still active and SCG has given the APL network provider a deadline of June 30, 2011 at which time they will be terminated for non-compliance. All 10 agents in this category have significant issues to address, including parking lot and exterior landing issues. Eight of the 10 agents are located in remote areas. If replacement APLs cannot be found in these remote areas, SCG may consider a request for an exemption. SCG APL network provider, CheckFree, continues to work with these APLs to ensure all interior modifications have been made and explore other options to meet compliance. In addition, some of these APLs are shared with SCE. SCE is currently offering a rebate to APLs who complete ADA modifications,

1 and SCG may benefit from this rebate program. All new SCG APLs since
2 2008 are required to comply with ADA accessibility standards.

3 By September 30, 2009, Equal Access (third party consultant that
4 DiRA and SCG found mutually acceptable) completed surveys of all SCG
5 branch offices to assess the degree of ADA accessibility compliance.
6 Equal Access assessed ADA compliance for all transaction-related
7 elements within applicable law. Table SCG-EF-19 below reflects progress
8 to date per remediation of SCG impacted BOs.

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**Table SCG-EF-19
Branch Office ADA Accessibility Remediation Status**

Office	Cat 1 or 2	Owned/ Leased	Relocate/ Remediate	Year Planning Process to Begin	Estimated Date of Completion	Actual Date of Completion
2008 - Leased						
Anaheim	1	Leased	Remediate	2008 Q4	2009 Q4	10/17/08
El Centro	2	Leased	Remediate	2008 Q3	2009 Q3	12/22/08
Inglewood	1	Leased	Remediate	2008 Q2	2009 Q2	12/01/08
Wilmington	2	Leased	Remediate	2008 Q4	2009 Q4	12/19/08
2008 - Owned						
Daly Street ²	1	Owned	Remediate	2008 Q1	2009 Q1	12/19/08
Central Ave	2	Owned	Remediate	2008 Q3	2009 Q3	04/06/09
Compton	1	Owned	Remediate	2008 Q1	2009 Q1	12/19/08
Indio	2	Owned	Remediate	2008 Q2	2009 Q2	10/27/08
2009 - Leased						
San Fernando	2	Leased	Remediate	2009 Q2	2010 Q2	12/21/2009
Crenshaw	1	Leased	Remediate	2009 Q3	2010 Q3	12/21/2009
Fontana	2	Leased	Remediate	2009 Q3	2010 Q3	12/22/2009
Huntington Park	2	Leased	Remediate	2009 Q1	2010 Q1	10/19/2009
Pomona	1	Leased	Remediate	2009 Q4	2010 Q4	12/16/2009
Porterville	2	Leased	Remediate	2009 Q2	2010 Q2	11/23/2009
South Gate	2	Leased	Relocate	2009 Q2	2010 Q2	11/2/2009
Visalia ^{1,4}	2	Leased	Remediate	2009 Q2	2010 Q2	10/26/2009
Watts ⁴	2	Leased	Remediate	2009 Q2	2010 Q2	12/31/2009
2009 - Owned						
Palm Springs ¹	2	Owned	Relocate	2009 Q3	2010 Q3	11/30/2009
Lompoc ¹	2	Owned	Remediate	2009 Q2	2010 Q3	10/26/2009
2010 - Leased						
Commerce	2	Leased	Remediate	2010 Q2	2010 Q3	
Corona ¹	2	Leased	Relocate	2010 Q3	2010 Q4	
Delano	2	Leased	Remediate	2010 Q3	2010 Q4	
El Monte	2	Leased	Remediate	2010 Q4	2010 Q4	
Hemet ¹	2	Leased	Remediate	2010 Q3	2010 Q4	
Hollywood	2	Leased	Remediate	2010 Q1	2010 Q4	
Lancaster	2	Leased	Remediate	2010 Q3	2010 Q4	
Oxnard	2	Leased	Relocate	2010 Q4	2011 Q1	
San Pedro ¹	2	Leased	Relocate	2010 Q4	2011 Q1	
Santa Ana ¹	2	Leased	Remediate	2010 Q3	2010 Q4	
2011 - Owned						
Dinuba ^{1,3,4}	2	Owned	Remediate	2010 Q1	2011 Q3	
2011 - Leased						
Alhambra ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Banning ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Covina ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Glendale	2	Leased	Relocate	2011 Q1	2012 Q1	
Hanford ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Monrovia ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Ontario ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Pasadena ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Riverside	2	Leased	Relocate	2011 Q1	2012 Q1	
San Bernardino	2	Leased	Relocate	2011 Q1	2012 Q1	
San Luis Obispo ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Santa Barbara ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Santa Fe Springs ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Santa Maria ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Santa Monica ¹	2	Leased	Remediate	2011 Q1	2012 Q1	
Van Nuys	2	Leased	Relocate	2011 Q1	2012 Q1	
2011 - Owned						
Bellflower ^{1,4}	2	Owned	Remediate	2011 Q1	2012 Q1	

¹Branch Office previously identified under Section 3.6 (c)

²Daly Street was initially identified as a Category 2 office, and was reassessed as a Category 1.

³Dinuba was initially identified as a Category 1 office, and was reassessed as a Category 2.

⁴Bellflower and Dinuba remediation deferred until 2011; Visalia and Watts replace Bellflower and Dinuba and are scheduled for remediation in 2009.

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1 **G. Meter Reading Activities**

2 **Table SCG-EF-20**

3 **Meter Reading Expenses**

4 **2009\$ (000)**

D. Meter Reading	2009 Adjusted-Recorded	TY2012 Estimated	Change
1. Field Ops-MRdg-Dist Opers	\$25,216	\$25,454	\$238
2. Field Ops-MRdg-Clerical Opers	\$1,038	\$1,023	(\$-15)
3. Field Ops-MRdg-Supv/Trng/Programs	\$3,230	\$3,631	\$401
4. Field Ops-MRdg-Staff Support	\$2,173	\$2,809	\$636
Total	\$31,657	\$32,917	\$1,260

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6 SCG is requesting TY 2012 expenses for meter reading activities of
7 \$32,917,000, an increase of \$1,260,000 over 2009 adjusted recorded expenses.

8 As noted earlier, meter reading TY 2012 estimated expenses do not include SCG
9 AMI costs or benefits. Year 2009 recorded costs are the labor and non-labor costs
10 associated with meter reading. The expenses cover the cost of collecting gas
11 consumption data to accurately bill customers. The estimated expenses are based
12 on the five-year average historical expenditures. The calculations for estimated
13 Meter Reading expenses are included in workpapers, Exh. SCG-07-WP,
14 2FO004.000_Supp1.pdf.

15 **1. SCG AMI and TY 2012 GRC Reconciliation**

16 To remain consistent with the benefits approved and authorized in
17 SCG's AMI decision, D.10-04-027, SCG has included the expenses
18 authorized in SCG's 2008 GRC in the TY 2012 estimated expense. The
19 SCG AMI decision included meter reading benefits that reflected the
20 increases requested and authorized in the SCG 2008 GRC. TY 2012
21 estimated expenses increase \$1,260,000 compared to 2009 adjusted
22 recorded expenses. Specifically, the TY 2012 estimated incremental
23 expenses are similar to the requested expenses in SCG witness J. Patrick
24 Petersilia's testimony in the 2008 GRC (A.06-12-010, Exh. SCG-7-E,
25 Section IV.I.4 to IV.I.5).

1 To ensure that neither SCG nor ratepayers are disadvantaged from
2 the TY 2012 authorization for estimated operational expenses, SCG will
3 reconcile the final TY 2012 GRC authorization with the SCG AMI
4 operating benefits assumed in D.10-04-027. SCG will then adjust the
5 SCG AMI operating benefits multiplier factor accordingly in an updated
6 SCG AMI revenue requirements advice letter to reflect the outcome of the
7 TY 2012 GRC.

8 **2. Meter Reading District Operations Activities**

9 SCG reads approximately 5.6 million gas meters each month.
10 Meter readers are sent to customers' premises each month to record gas
11 usage. The meter reading work force is composed of both full-time and
12 part-time meter readers and supported by full-time meter reading
13 technicians. Meter readers are located at 46 bases and dispatched on a
14 daily basis with mobile data terminals (MDT, aka handheld devices),
15 which are used to record customers' gas consumption. The data from
16 these MDTs are uploaded each night and transferred to the mainframe
17 computer for processing and billing.

18 In the fourth quarter of 2006, SCG began installing remote access
19 meter reading ("RAMR") devices. A reduction in meter reading expense
20 is included in this section for these RAMR devices. SCG has installed
21 187,600 RAMR devices throughout selective portions of its service
22 territory.⁷ SCG suspended its RAMR deployment program in 2009
23 because of the pending SCG AMI application. SCG's AMI proposal was
24 approved by the Commission in April 2010 (D.10-04-027). The benefits
25 of the RAMR installations are reflected in TY 2012 estimated expenses.

26 SCG used a five-year average methodology to estimate TY 2012
27 meter reading operations expenses. Specifically, adjusted 2005-09
28 recorded average expenses results in an estimated expense of \$25.2
29 million, a decrease from 2009 adjusted recorded expense of \$9,000. SCG
30 forecasts the expense to read new meters from customer growth to be

⁷ As of May 4, 2010.

1 \$284,000. This expense is offset by RAMR benefits of \$564,000 in TY
2 2012 (and forecast years 2010 and 2011).

3 In late 2008, the new Collective Bargaining Agreement applied an
4 annual wage escalation of 3.5% to part-time meter reader wages which
5 significantly increased part-time meter reader costs. To adjust TY 2012
6 (and forecast years 2010 and 2011) for this expense increase late in
7 historical costs, a five-year average adjustment of \$319,000 was added to
8 estimated costs.

9 SCG forecasts the expense of \$30,000 in TY 2012 (and forecast
10 years 2010 and 2011) for customer safety communications concerning the
11 reading of accounts with multiple and/or aggressive dogs using various
12 technology mediums (such as Outbound Dialing, etc).

13 In TY 2012, the meter reading handheld system will be replaced
14 with a new system. Training of all meter readers and meter reading
15 technicians on the new handheld system is \$178,000 for a single day of
16 training. The net effect is an increase of \$238,000 from 2009 adjusted
17 recorded expenses.

18 **3. Meter Reading Clerical Activities**

19 Meter reading clerical support is required to support the
20 timekeeping, payroll, scheduling and various customer facility record
21 updates necessary for a meter reading department of almost 1,100
22 employees. SCG is requesting a TY 2012 decrease of \$15,000 for meter
23 reading clerical activities as a result of a reduction of \$28,000 in the five-
24 year average forecast methodology, offset by an increase of \$13,000 for
25 clerical support training on the new handheld system.

26 **4. Meter Reading Supervisor, Training, and Programs Activities**

27 SCG is requesting \$3,631,000 in TY 2012, an increase of \$401,000
28 from the 2009 adjusted recorded expense level. The estimated expenses
29 based on the five-year average of historical expenditures, results in a
30 reduction of \$53,000.

1 SCG is requesting \$440,000 for additional management personnel
2 in TY 2012 to increase supervisor, route management, and training
3 resources in meter reading. These increases are included (assumed) in
4 SCG's AMI authorized operating benefits. The 2008 GRC authorized
5 these increases in meter reading estimated expenses to better align
6 management resources with the current needs of the organization. SCG
7 proposes to add 5 supervisors and 1 lead field instructor.

8 A new meter reading handheld system will be replaced in TY
9 2012. Field instructors and supervisors will require training on the new
10 system. SCG estimates an increase of \$14,000 due to training
11 requirements from the new handheld system. SCG expects 1 day of
12 training per supervisor/field instructor.

13 Meter reading is planning to complete more job observations of
14 meter readers and to update and then keep current meter reading routes. In
15 the mid-1990s, the Meter Reading organization shifted from primarily
16 using full-time meter readers to primarily using part-time meter readers.
17 However, the structure of the management organization remained largely
18 the same. There were two effects. The span of control of supervisors
19 increased dramatically, and the rate of employee turnover increased. The
20 addition of five supervisors will help reduce the span of control.

21 The addition of supervisors and a lead field instructor will affect
22 the direct meter reading expenses in two ways. First, more time will be
23 spent with employees at the district conducting specialized training (in
24 office training). Second, more time will be spent in the field conducting
25 observations. This increases the amount of time it takes to read the
26 assigned meters.

27 **5. Meter Reading Staff Support Activities**

28 SCG is requesting \$2,809,000 in TY 2012, an increase of \$636,000
29 from the 2009 adjusted recorded expense level. The five-year average of
30 historical expenditures results in a reduction of \$25,000 from 2009 adjusted
31 recorded expenses. However, SCG is requesting a \$661,000 increase for

1 meter reading staff in order to reconcile with the operating benefits
2 established in the SCG AMI proceeding and 2008 GRC authorization
3 levels.

4 Meter reading staff support consists of meter reading managers
5 that support meter reading operations and business analysts that support
6 the meter reading technologies, including the daily process to download
7 and upload data to meter reading handheld computers, conduct meter
8 reading route analysis and route re-alignments, project management, and
9 plan and budget for the 46 meter reading bases. These increases are
10 included in the SCG AMI authorized operating benefits. The 2008 GRC
11 authorized these increases in meter reading to perform route management
12 and automated meter reading (“AMR”) advisor activities. SCG proposes
13 to add 5 additional meter route analysts (\$367,000) and 4 remote AMR
14 advisors (\$294,000). These increases are consistent with the levels
15 authorized in SCG’s 2008 GRC and incorporated in SCG AMI operational
16 benefits.

17 SCG is requesting additional resources to perform route
18 management activities. Meter reading ‘routes’ are based on the time it
19 takes to read the route. Route times are affected by both the volume of
20 meters to be read and the environmental conditions surrounding those
21 meters. If routes are not updated, then the times to read routes will not
22 reflect the real field conditions meter readers face. Many routes develop
23 over time in less than optimal ways, with meters being incrementally
24 added and therefore resulting in less efficient total system routes.

25 SCG’s goal is to complete audits of all routes over a six year
26 period. Some of these audits were completed by supervisors, but with the
27 shift of supervisors to performing field observations, route management
28 activities will be performed by the additional meter reading business
29 analysts. Regardless of the schedule and pace of SCG AMI deployment,
30 efficient and optimum route management is expected and required to
31 maintain high levels of productivity. Routes are realigned because new

1 meters are added (new developments) and others removed on a daily basis.
2 SCG AMI deployment will not be completed until 2017, so continuous
3 route improvements and efficiencies must be maintained.

4 **III. SHARED SERVICES**

5 **A. Introduction**

6 The purpose of this section is to present SCG's CSF and CC shared
7 service estimated expenses that are required to provide services for both SCG and
8 SDG&E operations. I also sponsor testimony of a complementary section of
9 SDG&E CSF and CC estimated expenses that are shared with SCG, Exh.
10 SDG&E-13, Section III. The CSF and CC shared services expenses include
11 services for management of operations and support staff spanning both utilities.
12 Specifically, SCG and SDG&E CSF and CC operations are managed and
13 supported, in part, by SCG employees. Therefore, labor and non-labor expenses
14 for these employees must be allocated across both utilities. This section will
15 discuss the material changes in shared service expenses in TY 2012 compared to
16 2009 adjusted incurred expenses. The SCG shared service expenses and amounts
17 billed by SDG&E to SCG for shared services are shown in Table SCG-EF-21.
18 Cost centers that have shared expenses are described in Section III.D.

19 Table SCG-EF-21, below, contains the summary for CSF and CC shared
20 service expenses, the allocations to SDG&E and allocations / billed amounts by
21 SDG&E to SCG for services rendered. CSF and CC shared service expenses have
22 no allocations to Sempra Energy corporate shared services.

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Table SCG-EF-21
Summary of SCG CSF and CC Shared Service Expenses
Operating & Maintenance Expenses
2009\$ (000)

CS - FIELD OPERATIONS & CUSTOMER CONTACT			
Categories of Management	2009 Adjusted-Recorded	TY2012 Estimated	Change
A. Customer Service Field	\$3,619	\$3,942	\$323
B. Customer Contact Center	\$86	\$91	\$5
C. Meter Reading	\$820	\$844	\$24
D. USS Billed to CCTR	\$419	\$514	\$95
Total Shared Services (Book Expense)	\$4,944	\$5,391	\$447
	2009 Adjusted-Recorded	TY2012 Estimated	Change
Incurred Costs (100% Level)			
A. Customer Service Field	\$4,329	\$4,431	\$102
B. Customer Contact Center	\$114	\$119	\$5
C. Meter Reading	\$1,238	\$844	(\$-394)
Incurred Costs Sub-Total	\$5,681	\$5,394	(\$-287)
Allocations Out To SDG&E			
A. Customer Service Field	\$710	\$489	(\$-221)
B. Customer Contact Center	\$28	\$28	\$0
C. Meter Reading	\$418	\$0	(\$-418)
Allocations Out To SDG&E Sub-Total	\$1,156	\$517	(\$-639)
Allocations Out To CORP			
A. Customer Service Field	\$0	\$0	\$0
B. Customer Contact Center	\$0	\$0	\$0
C. Meter Reading	\$0	\$0	\$0
Allocations Out To CORP Sub-Total	\$0	\$0	\$0
Allocations Out To Unreg			
A. Customer Service Field	\$0	\$0	\$0
B. Customer Contact Center	\$0	\$0	\$0
C. Meter Reading	\$0	\$0	\$0
Allocations Out To Unreg Sub-Total	\$0	\$0	\$0
Retained by SCG			
A. Customer Service Field	\$3,619	\$3,942	\$323
B. Customer Contact Center	\$86	\$91	\$5
C. Meter Reading	\$820	\$844	\$24
SCG Retained Sub-Total	\$4,525	\$4,877	\$352
Billed-In From SDG&E	\$419	\$514	\$95
SCG Book Expense	\$4,944	\$5,391	\$447

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2 The estimated expense request for TY 2012 CSF and CC shared services
3 is a net decrease of \$287,000 from the comparable 2009 adjusted incurred
4 expenses level. Allocations to SDG&E from SCG CSF and CC shared services
5 are estimated to decrease by \$639,000 from 2009 adjusted recorded expenses.
6 Therefore, SCG retained shared services expenses increase by \$352,000 between
7 TY 2012 and 2009 adjusted recorded expenses. As indicated in Table SCG-EF-
8 21, SDG&E allocated to or billed SCG for \$419,000 in 2009. This amount is
9 estimated to increase to \$514,000 in TY 2012 or a \$95,000 increase. The most
10 significant change to the SCG allocation to SDG&E is the elimination of SCG
11 Orange County meter reading services provided to SDG&E, a decrease \$418,000.

12 In total, the shared service book expense incurred by SCG CSF and CC
13 shared services is an increase of \$447,000 from 2009 to TY 2012.

14 **B. Summary of Factors Impacting Shared Services Expenses**

15 The year-to-year variability of shared service expenses that are retained in
16 SCG, allocated to SDG&E, and SDG&E expenses billed to SCG depend on
17 changes in personnel and their related SCG and SDG&E organizational
18 responsibilities, activities and specific project assignments. SCG personnel
19 remain SCG employees even though changes in organizational responsibilities
20 may include a considerable number of SDG&E organizations and SDG&E
21 personnel reporting to a SCG employed manager. For various reasons (e.g.,
22 management development, attrition), several SCG and SDG&E management
23 personnel have experienced a change in organizational responsibilities between
24 2009 and 2010 (see testimony of witness Anne Smith, Exh. SCG-1). Estimated
25 expenses for TY 2012 compared to 2009 expenses reflect these organizational and
26 personnel changes in 2009 and 2010.

27 **C. Base Year 2009 Incurred Expense Adjustments**

28 After a review of SCG CSF and CC 2009 shared service incurred
29 expenses, no significant adjustments were required.
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D. Summary of Shared Services Activities

The CSF and CC shared service cost centers are shown in Table SCG-EF-22 with 2009 incurred expenses and estimated TY 2012 expenses.

**Table SCG-EF-22
Summary of SCG CSF and CC Shared Service Expenses
Operating & Maintenance Expenses
2009\$ (000)**

WorkPaper	Description	2009			2012			2009 to 2012 Change		
		Incurred	Allocated Out	Retained Expense	Incurred	Allocated Out	Retained Expense	Incurred	Allocated Out	Retained Expense
SCG CSF										
2200-0345	CSF TRNG MGR	\$1,440	\$33	\$1,407	\$1,623	\$34	\$1,589	\$183	\$1	\$182
2200-0437	CSF SI DIRECTOR	\$256	\$123	\$133	\$0	\$0	\$0	(\$256)	(\$123)	(\$133)
2200-0942	CSF STAFF MGR	\$1,895	\$441	\$1,454	\$1,950	\$338	\$1,612	\$55	(\$103)	\$158
2200-2145	SDGE EAST PROJ MGR	\$98	\$98	\$0	\$98	\$98	\$0	\$0	\$0	\$0
2200-2206	CSF QA	\$640	\$15	\$625	\$760	\$19	\$741	\$120	\$4	\$116
TOTAL SCG USS CSF		\$4,329	\$710	\$3,619	\$4,431	\$489	\$3,942	\$102	(\$221)	\$323
SCG CCC										
2200-2154	CCC RES & LOS MGR	\$114	\$28	\$86	\$119	\$28	\$91	\$5	\$0	\$5
SCG Meter Reading										
2200-0370	MR ALISO VIEJO	\$1,238	\$418	\$820	\$844	\$0	\$844	(\$394)	(\$418)	\$24
TOTAL SCG USS Expenses		\$5,681	\$1,156	\$4,525	\$5,394	\$517	\$4,877	(\$287)	(\$639)	\$352

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WorkPaper	Description	Allocation Methodology
SCG CSF		
2200-0345	CSF TRNG MGR	Allocate 2.1% to SDGE based on time spent managing SDG&E activities
2200-0437	CSF SI DIRECTOR	Cost center retired as a result of March 2010 reorganization
2200-0942	CSF STAFF MGR	Allocate 17.9% to SDGE based on activities & contributions of CSF staff
2200-2145	SDGE EAST PROJ MGR	Allocate 100% to SDGE based on managing only SDG&E activities
2200-2206	CSF QA	Allocate 2.53% to SDGE based on manager's assessment of activities
SCG CCC		
2200-2154	CCC RES & LOS MGR	Allocate 23.2% to SDGE based on the number of direct reports
SCG Meter Reading		
2200-0370	MR ALISO VIEJO	Directly allocate costs to SDGE

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1. Customer Service Field

a. 2200-0942 Customer Service Field Staff Manager

CSF staff provides policy, develops procedures, conducts practice reviews, and updates information bulletins to approximately 1,600 CSF operational employees for both SCG and SDG&E. CSF staff manages and leads major projects that implement new business policies, procedures, practices and process changes, including information technology automation, new rules and regulations, safety alerts, and manufacturer appliance recalls. The shared services allocation percentage is based on the cost center manager's assessment of activities and contributions of individual employees within his cost center. As a result of the activities and projects attributed to SCG and SDG&E, SCG allocated 17.9% of CSF Staff shared service expenses to SDG&E in 2010, a decrease from the 2009 allocation of 24.4%.

The change in CSF staff is an increase of \$55,000 between TY 2012 and 2009 adjusted incurred expenses. The expenses include labor and non-labor expenses. The retained expense for the SCG CSF staff is an estimated \$158,000 increase in TY 2012 over 2009 adjusted retained expenses.

b. 2200-0345 Customer Service Field Training Manager

CSF training is a shared service with the major allocation remaining in SCG. The Field Training Manager provides oversight and management support for the quality assurance and operations qualifications activities. A very small fraction of the SCG Field Training Manager's labor is devoted to supporting the quality assurance and operations qualification certification activities for SDG&E. The SDG&E allocation is based on the proportional number of SDG&E employees in the SCG and

1 SDG&E CSF organizations. Specifically, the allocation to
2 SDG&E is 2.3% in 2009 and changes slightly to 2.1% in 2010.

3 The change in CSF training is an increase of \$183,000
4 between TY 2012 and 2009 adjusted incurred expenses. The
5 increase in training resource requirements in TY 2012 is due to the
6 projected increase in CSF training workforce of 2 FTEs over 2009
7 recorded levels. The expenses include labor and non-labor
8 expenses. The retained expense for SCG CSF training is an
9 estimated \$182,000 increase in TY 2012 over 2009 adjusted
10 retained expenses.

11 **c. 2200-0437 Customer Service Inland Region Director**

12 This cost center included the CSF Inland Region Director
13 and administrative assistant which was eliminated effective April
14 2010, in response to changes in a recent reorganization effort.

15 The change in Customer Service Inland Region Director is
16 a decrease of \$256,000 between TY 2012 and 2009 adjusted
17 incurred expenses. There are no expenses for the Region Director
18 in TY 2012.

19 **d. 2200-2145 SDG&E Eastern Project Manager**

20 This shared services cost center covers the expense of a
21 District Operations Manager (“DOM”) who is a SCG employee
22 managing SDG&E employees. This position and associated
23 administrative support manages the CSF operations for SDG&E’s
24 Eastern and Northeast districts. The DOM is a SCG employee
25 with responsibilities for SDG&E’s Eastern and Northeast facilities,
26 Field Collections, and Meter Access group. Therefore, 100% of
27 shared labor and non-labor will be billed to SDG&E.

28 No material changes in the allocation and estimated
29 expenses are included in TY 2012 compared to 2009.

30 There is no change in CSF District Operations Manager
31 between TY 2012 and 2009 adjusted incurred expenses. The

1 expenses include labor and non-labor expenses. The retained
2 expense for the SCG CSF does not change from TY 2012 over
3 2009 adjusted retained expenses.

4 **e. 2200-2206 Customer Service Field Quality Assurance**

5 This cost center contains the labor and non-labor costs of
6 SCG employees who oversee, manage and support quality
7 assurance (“QA”) and operation qualification (“OQ”) functions on
8 behalf of SDG&E. The QA function was formed in 2006;
9 therefore a three-year average (2007-09) of adjusted recorded
10 expenses was used for the estimate of TY 2012 estimated
11 expenses.

12 The change in CSF quality assurance is an increase of
13 \$120,000 between TY 2012 and 2009 adjusted incurred expenses.
14 CSF quality assurance had 2 vacancies at the end of 2009 and has
15 filled these positions in 2010. The retained expense for the SCG
16 quality assurance is an estimated \$116,000 increase in TY 2012
17 over 2009 adjusted retained expenses.

18
19 **2. Customer Contact Center**

20 **a. 2200-2154 Customer Contact Resource and Service**
21 **Level Manager**

22 The Resource and Service Level Manager is responsible for
23 managing the clerical, financial, scheduling and forecasting
24 activities within the Customer Contact Center for SCG and
25 SDG&E, as well as managing the call center’s level of service.
26 The Resource and Service Level Manager supervises 18 SCG
27 FTEs and 5 SDG&E FTEs. The CCC Resource and Service Level
28 Manager's labor is allocated based on total FTEs.

29 The change in Resource and Service Level Manager shared
30 management is an increase of \$5,000 between TY 2012 and 2009
31 adjusted incurred expenses. The increase is due to an increase in

1 travel and associated mileage expense reimbursement for the
2 Manager responsible for SCG and SDG&E personnel. The
3 Manager is currently located in the SCG CCC San Dimas facility
4 and must travel to the SCG CCC Redlands and SDG&E CCC
5 facilities. The booked expense for the SCG CCC is an estimated
6 \$5,000 increase in TY 2012 over 2009 adjusted retained expenses.

7 **3. Meter Reading**

8 **a. 2200-0370 Meter Reading Aliso Viejo**

9 In 1999, SCG began providing electric meter reading
10 services (approximately 119,000 electric meters) in south Orange
11 County for its affiliate, San Diego Gas & Electric (“SDG&E”). In
12 compliance with its Affiliate Rules, SCG bills SDG&E monthly on
13 a fully loaded incremental cost basis for the provision of this
14 service. The expense to read the SDG&E electric meters in south
15 Orange County is covered in shared service cost center 2200-0370.
16 SDG&E will have completed its Smart Meter implementation in
17 2011 and thereafter not require SCG meter reading services in
18 south Orange County. SCG has no TY 2012 estimated expenses
19 for SDG&E electric meter reads.

20 A three-year average methodology was used to estimate TY
21 2012 expenses because water meter reading services were
22 terminated with two Orange County municipalities in 2006 and
23 2007.

24 The change in Meter Reading in Aliso Viejo is a decrease
25 of \$394,000 between TY 2012 and 2009 adjusted incurred
26 expenses. The retained expense for Aliso Viejo Meter Reading is
27 an estimated \$24,000 increase in TY 2012 over 2009 adjusted
28 retained expenses. The \$24,000 increase results from an \$11,000
29 increase due to a wage adjustment for part-time meter readers and
30 remainder due the three-year average methodology.

1 **4. SDG&E Expenses Billed Into SCG**

2
3 **Table SDG&E-EF-23**
4 **SDG&E Shared Service Billed into SCG**
5

WorkPaper	Description	SDGE USS Billed Into SCG		
		2009	2012	Change
SDG&E CSF Billed to SCG				
2100-3456	CSF STAFF MGR	\$40	\$27	(\$13)
SDG&E CCC Billed to SCG				
2100-3510	CCC DIRECTOR	\$196	\$241	\$45
2100-3511	CCC STR & ANALYSIS MGR	\$60	\$58	(\$2)
2100-3611	CCC TECH MGR	\$123	\$188	\$65
TOTAL SCG USS CCC		\$379	\$487	\$108
TOTAL SDGE Billed to SCG (2200-8909)		\$419	\$514	\$95

6
7
8 SCG has reviewed SDG&E’s billed shared service
9 expenses to SCG’s CSF and CC as identified in Sections III.D.1 to
10 III.D.2 and shown in Table EF-23 above and has concluded that
11 these expenses are reasonable. SCG has identified CSF and CC
12 shared service expenses that are allocated to SDG&E. The
13 description of SDG&E CSF and CC shared expenses are included
14 in my testimony, SDG&E Exh.13, Section III.

15 **IV. CAPITAL**

16 **A. Introduction**

17 SCG CSF and CC testimony sponsors several capital projects.
18 Specifically, this section identifies such capital projects and provides an
19 explanation and business rationale for each project. For the CSF and CC
20 sponsored capital projects, estimated capital expense requests are included in the
21 testimony of witnesses Jeffrey C. Nichols (Information Technology, Exh. SCG-
22 12) and Gina Orozco-Mejia (Gas Distribution, Exh. SCG-2). Ms. Orozco-
23 Mejia’s testimony provides the estimated capital expenditure for CSF gas meter
24 replacements identified in Section II.D.2.d of this testimony.

Table SCG-EF-24
Summary of CSF and CC
Capital Expenditures
2009\$ (000)

Description	Sponsoring Witness	2010 Estimated	2011 Estimated	TY 2012
Call Recording Replacement (“NICE”)	IT – J. Nichols	\$788	\$0	\$0
CSF Operating Efficiency	IT - J. Nichols	\$266	\$0	\$0
Forecasting & Scheduling	IT - J. Nichols	\$1,107	\$1,666	\$0
CSF Mobile Data Terminals	IT - J. Nichols	\$486	\$282	\$147
PACER Refresh	IT - J. Nichols	\$0	\$0	\$3,908
Meter Reading Handheld System Replacement	IT - J. Nichols	\$0	\$243	\$6,674
Meter Replacements (Planned/Routine Small)	GD – G. Orozco-Mejia	\$9,777	\$9,777	\$9,777
Total		\$12,424	\$11,968	\$20,506

Customer Service Field Operations and Customer Contact capital expenditures can be classified into three categories:

- customer growth related projects;
- continuous improvement; and
- obsolescence and technology replacement.

B. Customer Growth Related Projects

1. Customer Service Mobile Data Terminals – Budget Code 00777.0

This project installs new mobile data terminals (“MDTs”) and vehicle hardware (docking stations, mobile mounts, charge guards, etc.) for CSF technicians and supervisors. The additional MDTs are necessary because of the additional 135 CSF FTEs needed to handle the growth in order volume and additional Industrial Service Technicians required for additional engine and boiler tune-up activities. See discussion in Section II.D.2.f on new SCAQMD emission rules for gas engines, boilers and other equipment. The MDTs are the company standard remote computer device and are used by the CSF technicians and supervisors for receiving,

1 recording and completing CSF scheduled and dispatched orders. The
2 project cost is for new MDTs over the 2010-2012 timeframe.

3 **C. Continuous Improvement Related Projects**

4 **1. Customer Service Field Operating Efficiency – Budget Code**
5 **00774.0**

6 This project provided a software application that electronically
7 generates reports, and tracks and stores all activity related to the services
8 provided to industrial customers. The specific performance reports and
9 metrics will provide documentation needed to determine adequate
10 workforce needs (present), future staffing requirements and most
11 importantly validate the activities performed by this classification as it
12 relates to industrial customers while ensuring appropriate business
13 controls and records retention.

14 The technology solution replaces the paper based processes
15 currently used by the Industrial Service Technician (“IST”) classification.
16 Specifically, the software application will create various service order
17 types associated with the IST orders and provide the order status to SCG’s
18 customer information system (“CIS”) and service order scheduling and
19 routing system (“PACER”) applications (including PACER Desktop and
20 MDT).

21 This project was completed and in-service first quarter of 2010.

22 **2. Forecasting & Scheduling – Budget Code 00774.0**

23 This project provides significant enhancements to PACER, CSF’s
24 service order scheduling and routing system. Specifically, the
25 enhancements will redesign the routing process to allow for improved
26 management of the order completion deferment schedule (“OCDS”) and
27 corresponding workforce scheduling. The operating benefits include:

- 28 • reduction/avoidance in extended day overtime due to
- 29 efficiencies gained in routing and reduction of wait time;
- 30 • efficiencies gained through automating the OCDS; and

- reduction of dispatch overtime associated with the CSF decrease in overtime for extended day orders.

This project is expected to be in-service by December 2011.

D. Obsolescence and Technology Replacement Related Projects

1. Call Recording Replacement (“NICE”) – Budget Code 00774.0

This project will provide a software upgrade to a current and supported version of the customer contact center call recording system, NICE. All customer calls are recorded for quality assurance and customer follow-up purposes. The current version of voice recording equipment is no longer supported by the vendor, NICE. The CCC is required to record and store all customer calls for three years.

The project completion and in-service date is September 2010.

2. Meter Reading Handheld System Replacement – Budget Code 00775.0

This project will replace the current meter reading handheld computers. Meter reading handheld computers will reach end of life in 2011-2012. The meter reading handheld vendor will no longer support the current DAP 9500 and 9800 handhelds. The project has two main components, hardware acquisition and integration of software with CIS. The hardware component involves upgrade of approximately 980 current handheld computer units (and 15 units for growth in the next two years) with new radio frequency (“RF”) based units, cradles, antennas, and set-up of the associated software into the units. The other component primarily involves the integration of new system software with CIS. This work involves IT working with the vendor consultants and includes necessary CIS testing.

Software integration work starts in 2011 with approximately 31% of the IT work expected to be completed in 2011, with the balance finished in 2012.

1 Hardware acquisition, set-up or deployment to districts and testing
2 of unit and system software is to be completed by December 2012.

3 **3. Pacer Mobile Data Terminal Refresh – Budget Code 00775.0**

4 The project will replace approximately 1,600 MDTs (Panasonic
5 Toughbooks) and ancillary equipment (e.g. docking stations) used by
6 customer service employees. The current customer service MDTs are
7 over five years old and approaching the end of their useful lifecycle.
8 Limited memory and aging processing capabilities are severely limiting
9 the ability to add any new applications to the MDTs such as GPS Turn-by-
10 Turn directions. Due to their age and condition, current MDTs are not able
11 to support the new operating system (Windows 7). Specifically, a large
12 capacity MDT is required to accommodate the Windows 7 operating
13 system and the upgraded Windows 7 PACER application software.

14 The full in-service date is expected to be the fourth quarter of 2013
15 with staggered and scheduled deployment to 51 operating bases beginning
16 in 2012.

17 **V. MISCELLANEOUS REVENUE**

18 **A. Introduction**

19 The forecast of TY 2012 miscellaneous revenues are included in Todd J.
20 Cahill's testimony, Exh. SCG-32. Mr. Cahill provides the forecast of specific
21 CSF and CC miscellaneous revenues from the associated customer service fees.
22 Miscellaneous revenues for gas services related to customer service field
23 operations and customer contact are shown in Table SCG-EF-25.

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Table SCG-EF-25
Summary of CSF and CC
Miscellaneous Revenues
2009\$ (000)

Description	2009 Base Year	2010 Estimated	2011 Estimated	TY2012
Service Establishment Charge	\$26,489	\$25,103	\$25,304	\$25,557
Reconnection Charge	\$1,707	\$1,885	\$1,900	\$1,919
Residential Parts Program	\$1,576	\$1,494	\$1,506	\$1,521
Commercial Parts Program	\$2,984	\$3,008	\$3,032	\$3,063
Connect Appliance Services	\$131	\$260	\$262	\$264
Timed Appointments	\$68	\$68	\$69	\$69
Seismic Services	\$393	\$413	\$416	\$523
General Restore Service	\$21	\$22	\$22	\$22
Total	\$33,369	\$32,253	\$32,511	\$32,938

1. Service Establishment Charge (“SEC”)

The key driver for the SEC is the number of change of account orders to open a new service. The SCG SEC is \$25 per order. The TY 2012 SEC revenue estimate is based on a five-year average of the recorded SEC revenue, adjusted for customer growth from 2010-2012.

2. Reconnect Charges

The key driver for reconnection charges is the number of customers whose service is shut off for non-payment and then reconnected after the bill is paid. The charge is \$16 per reconnection order. The TY 2012 reconnect charge revenue estimate is based on a five-year average of the revenue, adjusted for customer growth from 2010-2012.

3. Other Customer Service Related Miscellaneous Revenue Programs

a. Residential and Commercial Parts Programs

The key driver for the Residential Parts Program and Commercial Parts Program is customer growth. SCG has been attempting in recent years to sell customers small parts to repair their appliances, rather than leaving the appliance shut-off and the customer without its use. The TY 2012 Residential Parts Program

1 and Commercial Parts Program revenue estimate is based on a
2 five-year average of the revenue, adjusted for customer growth
3 from 2010-2012.

4 **b. Appliance Connect Services**

5 The key driver for Appliance Connect Services is customer
6 growth. SCG has sold customers appliance connection services,
7 rather than leaving the appliance off and the customer without its
8 use. The TY 2012 Appliance Connect Services revenue estimate is
9 based on a five-year average of the revenue, adjusted for customer
10 growth from 2010-2012.

11
12 **c. Timed Appointment Services**

13 SCG provides for specifically scheduled non-emergency
14 appointments for a charge. All customer generated orders are
15 eligible, except Leak and High Bill Investigation orders, for a
16 customer timed appointment. This service is available Monday
17 through Friday from 8:00 AM to 7:00 PM and is scheduled on the
18 hour or half-hour. Timed Appointment Service is not scheduled on
19 a same day basis, weekend or holiday. The Timed Appointment
20 Service charge is \$25. Timed Appointments are driven by
21 customer growth. For Timed Appointments, the TY 2012 revenue
22 estimate is based on the five-year average revenue, adjusted for the
23 average annual customer growth for the period 2010-2012.

24 **d. General Restore Services**

25 SCG charges for unusual costs incidental to restoration of
26 service. For General Restore Services, TY 2012 revenue estimate
27 is based on the three-year average revenue (2007-2009) because
28 revenues prior to 2007 were not recorded to miscellaneous
29 revenues. The TY 2012 estimate for General Restore Services is
30 adjusted for the average annual customer growth for the period
31 2010-2012.

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4. Seismic Services Proposed Fee Increase

SCG is requesting the Commission to authorize an increase in Seismic Services fees as shown in Table SCG-EF-26. The current charges for this service have been in effect since 2002. The costs associated with this service have increased over the past 8 years and will continue to increase through TY 2012. There have been increases in labor, gasoline and administrative costs for this service over the 8 years since 2002. By 2012, Seismic Services charges will not have increased for a decade.

**Table SCG-EF-26
SCG Proposed Revision to Seismic Service Fees
Residential and Small Commercial Customers**

Service Program	Current Rate	Estimated Rate Increase	Change
Seismic Restore -Individual Meter Flat Rate	\$63.39	\$78.82	\$15.43
Seismic Restore -Multiple Meter 1st hr	\$63.39 per meter	\$137.65	\$74.26
Seismic Restore - Multiple Meter Incremental 1/4 hr	n/a	\$31.98	\$31.98
Seismic Removal - 1st hr	\$83.28	\$138.71	\$55.43
Seismic Removal - All Incremental 1/4 hr	\$13.87	\$32.89	\$19.02
Seismic Estimate	\$34.89	\$48.17	\$13.28

Commission Resolution G-3438 stated the following:

Decision (D.) 01-11-068 authorized SoCalGas to directly charge customers who request seismic valve services. D.01-11-068 states that the installation, maintenance and removal of the earthquake valve are the responsibility of the owner and not the utility. In addition, the decision affirms that when the earthquake valve shuts off gas for any reason, the restoration of gas service should not be subsidized by the utility’s ratepayers. Language in the tariff allows the utility the option to waive the charges for restoration of service after a major earthquake. SoCalGas Rule 10 states the charges for such services. (Resolution G-3438, p. 3)

...

D. 01-11-068 did not provide for SoCalGas to use the advice letter process to seek approval for rate increases for Seismic Valve service. D.01-11-068 approved charges for certain seismic valve services, but the decision makes no mention of the

1 method by which SoCalGas should seek subsequent changes in
2 the fees for these services. *A request to increase the rates for*
3 *seismic valve services should be addressed in an application or*
4 *in its next General Rate Case proceeding.* Therefore, the
5 request to increase fees for seismic valve services is denied.
6 (emphasis and italics added, Resolution G-3438, p. 5)
7

8 Commission Resolution G-3438 approved increased fees for
9 appliance connection services and added new charges for parts related to
10 such services. This approval was granted because “Resolution G-2972,
11 which initially approved the fees for certain appliance connection services
12 and set-timed appointments, authorized SoCalGas to seek subsequent rate
13 changes related to these services by advice letter.” (Resolution G-3438, p.
14 5)

15 Therefore, SCG is requesting that the Commission approve the
16 proposed increase in Seismic Valve Services Fees per direction provided
17 in Resolution G-3438 and a corresponding change in Rule 10 service
18 charges. In addition, SCG is requesting that the Commission approve a
19 similar process for Commission review and approval of proposed fee
20 changes to Seismic Valve Services as used for Appliance Connection
21 Services fees (i.e., the advice letter process). Refer to workpapers, Exh.
22 SCG-07-WP, 2FO007.000_Supp1.pdf for copies of G-2972, G-3438, and
23 D .01-11-068.

24 **a. Seismic Restore Services – Fee Increase**

25 SCG provides restoration and reset services for customer
26 owned seismic valves in non-emergency situations. TY 2012
27 revenue estimates related to Seismic Restore Services are based on
28 the proposed increased fee structure and the 2007-2009 three-year
29 average of Seismic Restore Services orders, adjusted for customer
30 growth in 2010-2012.

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b. Seismic Estimate and Removal Services – Fee Increase

SCG provides an initial estimate for seismic valve removal services, in addition to the customer requested seismic valve removal, if the customer so chooses. TY 2012 revenue estimates related to Seismic Estimate and Removal Services are based on the proposed increased fee structure and the five-year average of Seismic Removal and Estimate orders, adjusted for customer growth in 2010-2012.

VI. CONCLUSION

This concludes my revised prepared direct testimony for estimated TY 2012 O&M and capital expenses related to SCG’s customer services field, customer contact center, branch offices, authorized payment locations and meter reading.

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1 **VII. WITNESS QUALIFICATIONS**

2 My name is Edward Fong. I am currently the Director of Operations Research for
3 the Southern California Gas Company. I am a graduate of University of California, San
4 Diego with undergraduate and graduate degrees in Economics. I am responsible for
5 operations research and industrial engineering services, data mining, data analysis, and
6 will provide operations optimization analytic support for all areas of the business for
7 SCG. Prior to assuming my current position at SCG, I was with San Diego Gas &
8 Electric from 1998-2010 as Director of Market Services for 2010, Director of Customer
9 Services Strategies from 2007-09, Director of Customer Operations from 2005-07,
10 Director of AMI Regulatory Policy & Strategy from 2004-05, Director of Measurement
11 & Meter Reading from 2002-04, Director of Customer Services Solutions from 2000-02,
12 and Director of Revenue Cycle Services from 1998-2000. I have previously directed and
13 managed measurement, meter reading, billing, call center, branch office, credit and
14 collections, customer services staff, direct access services and other customer services
15 operations at SDG&E.

16 I held various management positions with SCG in Human Resources,
17 Organizational Development, Customer Contact, Customer Services Operations Staff,
18 Information Technology, and Operations Research and Planning.

19 I have previously testified before the California Public Utilities Commission.

CHANGE LOG FOR ERRATA

SoCalGas 2012 GRC Testimony Errata Log

Exhibit	Witness	Page	Line	Errata Item
SCG-07	Ed Fong	EF-12	17-18	Change “CCC productivity improvement or benefits of approximately \$6.0 million” to “CCC productivity improvement or incremental benefits of approximately \$5.6 million.”
SCG-07	Ed Fong	EF-23	17	Corrected title for Table SCG-EF-10 from “SCG Periodic Meter Change-Out” to “SCG Meter Change-Outs”
SCG-07	Ed Fong	EF-24	24	Change “Section 116” to “Section 115”
SCG-07	Ed Fong	EF-32	15-16	Change “...estimated expenses do not reflect OpEx benefits. Estimated OpEx benefits that reduce CSR handled calls...” to “...estimated expenses do not reflect incremental OpEx benefits. Estimated incremental OpEx benefits that reduce CSR handled calls...”
SCG-07	Ed Fong	EF-47	22-25	Change “...meter reading clerical activities as a result of the five-year average forecast methodology” to “meter reading clerical activities as a result of a reduction of \$28,000 in the five-year average forecast methodology, offset by an increase of \$13,000 for clerical support training on the new handheld system. ”
SCG-07	Ed Fong	EF-59	15-16	Change “...mobile data terminals MDTs and vehicle hardware...” to “...mobile data terminals (“MDTs”) and vehicle hardware...”
SCG-07	Ed Fong	EF-67	5	Change “...related to Seismic Restore Services...” to “...related to Seismic Estimate and Removal Services...”