

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

Application No. 10-12-\_\_\_\_  
Exhibit No.: (SCG-36-WP)

WORKPAPERS TO  
PREPARED DIRECT TESTIMONY  
OF RAJAN AGARWAL  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

DECEMBER 2010



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**SOUTHERN CALIFORNIA GAS COMPANY**  
**Summary of 2010 – 2012 GRC Percentages of Reassignment to Capital**  
**Test Year 2012 General Rate Case**

Line #	Account	Description	Basis of Costs used to derive the Reassignment rates	Costs allocated to Capital (A)	Total Costs (B)	GRC Reassignment to Capital Rate (C) = (A) / (B)	Worksheet Tab Reference
1		LABOR OVERHEADS					
2	920.4	1) Incentive Compensation Plan (ICP)	Labor costs from 2009 FERC Form 2	92,034,084	524,217,122	17.6%	(RA-WP-2) Labor
4	925.0	3) Public Liability and Property Damage (PLPD)	Labor costs from 2009 FERC Form 2	92,034,084	524,217,122	17.6%	(RA-WP-2) Labor
3	925.1	2) Workers' Compensation (WC)	Labor costs from 2009 FERC Form 2	92,034,084	524,217,122	17.6%	(RA-WP-2) Labor
5	926.0-926.5	4) Pension and Benefits (P&B)	Labor costs from 2009 FERC Form 2	92,034,084	524,217,122	17.6%	(RA-WP-2) Labor
6							
7	920.0-920.2, 920.5, 921.0-921.2, 921.5, 923.0-923.2.	ADMINISTRATIVE AND GENERAL EXPENSES	2009 A&G surveys of the A&G departments.	6,032,980	46,888,161	12.9%	(RA-WP-3) Capital A&G
8							
9	163.1	WAREHOUSING	2009 Warehousing costs allocated to capital activities.	3,717,489	4,752,066	78.2%	(RA-WP-4) Non-Labor - Line 5
10							
11	163.2	PURCHASING	2009 Purchasing costs allocated to capital activities.	2,850,349	6,521,746	43.7%	(RA-WP-4) Non-Labor - Line 7
12							
13	184.2	FLEET	2009 Fleet utilization charges allocated to capital activities.	8,434,080	43,652,853	19.3%	(RA-WP-4) Non-Labor - Line 3
14							
15	184.3	SHOP	2009 Shop costs allocated to capital activities.	377,404	2,759,579	13.7%	(RA-WP-4) Non-Labor - Line 13
16							
17	184.6	EXEMPT MATERIAL-MPM	2009 MPM costs allocated to capital activities.	352,288	469,111	75.1%	(RA-WP-4) Non-Labor - Line 9
18							
19	184.7	SMALL TOOLS	2009 Small Tools costs allocated to capital activities.	1,772,601	12,885,801	13.8%	(RA-WP-4) Non-Labor - Line 11
20							
21	892.4	PIPE FITTINGS	Data were provided by Gas Distribution Division.	109,559,079	198,714,256	55.1%	(RA-WP-5) Pipe Fitting - Line 9

**SOUTHERN CALIFORNIA GAS COMPANY**  
**Derivation of 2009 Percentages of Reassignment to Capital for Labor Overheads**  
**Test Year 2012 General Rate Case**

Line #	Description	FERC Form 2 Column E (2009 \$)	FERC Form 2 Column C (2009 \$)	Total (2009 \$)	Worksheet Tab Reference
		(A)	(B)	(C)=(A)-(B)	
1)					
2)					
3)	SALARY AND WAGES FOR CAPITAL JOBS				
4)	Salary and Wages for Plant	110,261,541	22,485,841	87,775,700	(RA-WP-6-7) FERC Form 2, pp 354 & 355 - Line 67
5)	Salary and Wages for Plant Removal	4,447,462	189,078	4,258,384	(RA-WP-6-7) FERC Form 2, pp 354 & 355 - Line 72
6)	Total Salary and Wages for Capital Jobs	<u>114,709,003</u>	<u>22,674,919</u>	<u>92,034,084</u>	
7)					
8)	COMPANY SALARY AND WAGES				
9)	Salary and Wages for Capital Jobs	114,709,003	22,674,919	92,034,084	(RA-WP-6-7) FERC Form 2, pp 354 & 355 - Line 67 and 72
10)	Salary and Wages for Operation and Maintenance	490,270,738	74,266,259	416,004,479	(RA-WP-6-7) FERC Form 2, pp 354 & 355 - Line 60
11)	Salary and Wages for Other Accounts	17,967,766	1,789,207	16,178,559	(RA-WP-6-7) FERC Form 2, pp 354 & 355 - Line 76
12)	Total Company Salary and Wages	<u>622,947,507</u>	<u>98,730,385</u>	<u>524,217,122</u>	(RA-WP-6-7) FERC Form 2, pp 354 & 355 - Line 77
13)					
14)	<b>GRC Labor Overhead Reassignment to Capital Rate Ln 6 / Ln 12</b>			<b>17.6%</b>	[Calculated]

Notes:

- (A) Column (A) reflects Total salaries and Wages including payroll billed by affiliated companies to SCG and payroll charged to clearing accounts.
- (B) Column (B) reflects payroll billed by affiliated companies to SCG.
- (C) Column (C) reflects SCG's payroll excluding payroll billed by affiliated companies to SCG.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**Derivation of 2009 Percentages of Reassignment to Capital**  
**for Administrative and General (A&G) Costs**  
**Test Year 2012 General Rate Case**

Line #	Descriptions	A&G Costs Allocated to Capital Jobs (2009 \$)	A&G Costs (2009 \$)	GRC A&G Reassignment to Capital Rate (C) = (A) / (B)
1)		(A)	(B)	
2)	Sempra Energy A&G Departments	1,261,308	24,737,557	
3)	SDG&E A&G Departments	1,172,763	9,611,032	
4)	SCG A&G Departments	3,598,909	12,539,572	
5)				
6)	Total	6,032,980	46,888,161	<b>12.9%</b>

Notes:

The A&G Reassignment to Capital Rate is a weighted average rate. It is derived by dividing the 2009 A&G costs allocated to the SCG construction jobs (A) by the 2009 SCG A&G Costs (B).

(A) At the end of 2009, the A&G cost centers (departments) in Sempra Energy Corporate Center (SECC), SDGE and SCG were surveyed. They were required to provide the allocation percentages of their work to be applied to the SCG construction jobs. These percentages were multiplied by the A&G costs of the respective A&G cost centers to derive the total A&G Costs Allocated to the SCG Capital Jobs.

(B) The A&G Costs represent the total SCG A&G costs allocated from SECC, SDGE and SCG.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**Derivation of 2009 Percentages of Reassignment to Capital**  
**for Non-Labor Overheads**  
**Test Year 2012 General Rate Case**

Line #	Descriptions	Overhead allocated to		Total Overhead (2009 \$)	GRC Non-Labor Overhead Reassignment to Capital Rate
		Construction Jobs (2009 \$)	Operation and Maintenance, and Others (Note 1) (2009 \$)		
		(A)	(B)	(C)=(A)+(B)	(D) = (A) / (C)
1)					
2)					
3)	Fleet	8,434,080	35,218,772	43,652,853	19.3%
4)					
5)	Warehousing	3,717,489	1,034,577	4,752,066	78.2%
6)					
7)	Purchasing	2,850,349	3,671,397	6,521,746	43.7%
8)					
9)	Exempt Material-MPM	352,288	116,824	469,111	75.1%
10)					
11)	Small Tools	1,772,601	11,113,200	12,885,801	13.8%
12)					
13)	Shop	377,404	2,382,174	2,759,579	13.7%
14)					
15)	Notes:				
16)	1) Others include affiliate billings and refundables.				

**SOUTHERN CALIFORNIA GAS COMPANY**  
**Derivation of 2009 Percentages of Reassignment to Capital**  
**for Pipe Fitting**  
**Test Year 2012 General Rate Case**

Line #	Descriptions	(2005 - 2009 \$)	
1)	Field Work Costs		
2)			
3)	Costs applicable to Construction Jobs	\$109,559,079	(A)
4)			
5)	Costs applicable to O&M	\$89,155,178	(B)
6)			
7)	Total Field Work Costs	<u>\$198,714,256</u>	(C) = (A) + (B)
8)			
9)	<b>Pipe Fitting Reassignment to Capital Rate</b>	55.1%	(D) = (A) / (C)

Notes:

Pipe Fitting Reassignment Percentage was provided by Business Planning & Budgets/Operations Department. It was derived by dividing the Costs for Capital activities (A) by the Costs for total Capital and O&M activities which require Pipe Fittings (C).

(A) Costs applicable to Construction Jobs represent the 5 year historical expenditures associated with Capital activities.

(C) Total field work costs represent the 5 year historical cost for applicable construction and O&M work.

Name of Respondent Southern California Gas Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2009/Q4
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**Distribution of Salaries and Wages**

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals and Other Accounts, and enter such amounts in the appropriate lines and columns provided. Salaries and wages billed to the Respondent by an affiliated company must be assigned to the particular operating function(s) relating to the expenses.

In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 75.01, 75.02, etc.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
1	Electric				
2	Operation				
3	Production				
4	Transmission				
5	Distribution				
6	Customer Accounts				
7	Customer Service and Informational				
8	Sales				
9	Administrative and General				
10	TOTAL Operation (Total of lines 3 thru 9)				
11	Maintenance				
12	Production				
13	Transmission				
14	Distribution				
15	Administrative and General				
16	TOTAL Maintenance (Total of lines 12 thru 15)				
17	Total Operation and Maintenance				
18	Production (Total of lines 3 and 12)				
19	Transmission (Total of lines 4 and 13)				
20	Distribution (Total of lines 5 and 14)				
21	Customer Accounts (line 6)				
22	Customer Service and Informational (line 7)				
23	Sales (line 8)				
24	Administrative and General (Total of lines 9 and 15)				
25	TOTAL Operation and Maintenance (Total of lines 18 thru 24)				
26	Gas				
27	Operation				
28	Production - Manufactured Gas				
29	Production - Natural Gas(Including Exploration and Development)				
30	Other Gas Supply	2,963,760	1,739	975,934	3,941,433
31	Storage, LNG Terminaling and Processing	10,518,283	57,166	3,303,591	13,879,040
32	Transmission	17,419,129	1,995,139	5,494,604	24,908,872
33	Distribution	141,720,703	7,954,299	37,953,107	187,628,109
34	Customer Accounts	83,808,028	15,181,430	19,638,426	118,427,884
35	Customer Service and Informational	17,610,060	4,913,846	6,537,446	29,061,352
36	Sales				
37	Administrative and General	18,072,644	40,453,732	2,429,356	60,955,732
38	TOTAL Operation (Total of lines 28 thru 37)	291,912,607	70,557,351	76,332,464	438,802,422
39	Maintenance				
40	Production - Manufactured Gas				
41	Production - Natural Gas(Including Exploration and Development)				
42	Other Gas Supply				
43	Storage, LNG Terminaling and Processing	3,168,447	46,422	878,010	4,092,879
44	Transmission	4,121,398	84,951	1,371,903	5,578,252
45	Distribution	24,053,807	730,322	8,942,230	33,726,359

**Distribution of Salaries and Wages (continued)**

Line No.	Classification  (a)	Direct Payroll Distribution  (b)	Payroll Billed by Affiliated Companies  (c)	Allocation of Payroll Charged for Clearing Accounts  (d)	Total  (e)
46	Administrative and General	4,368,673	2,847,213	854,940	8,070,826
47	TOTAL Maintenance (Total of lines 40 thru 46)	35,712,325	3,708,908	12,047,083	51,468,316
48	Gas (Continued)				
49	Total Operation and Maintenance				
50	Production - Manufactured Gas (Total of lines 28 and 40)				
51	Production - Natural Gas (Including Expt. and Dev.)(ll. 29 and 41)				
52	Other Gas Supply (Total of lines 30 and 42)	2,963,760	1,739	975,934	3,941,433
53	Storage, LNG Terminating and Processing (Total of ll. 31 and 43)	13,686,730	103,588	4,181,601	17,971,919
54	Transmission (Total of lines 32 and 44)	21,540,527	2,080,090	6,866,507	30,487,124
55	Distribution (Total of lines 33 and 45)	165,774,510	8,684,621	46,895,337	221,354,468
56	Customer Accounts (Total of line 34)	83,608,028	15,181,430	19,638,426	118,427,884
57	Customer Service and Informational (Total of line 35)	17,610,080	4,913,846	6,537,446	29,061,352
58	Sales (Total of line 36)				
59	Administrative and General (Total of lines 37 and 46)	22,441,317	43,300,945	3,284,296	69,026,558
60	Total Operation and Maintenance (Total of lines 50 thru 59)	327,624,932	74,266,259	88,379,547	490,270,738
61	Other Utility Departments				
62	Operation and Maintenance				
63	TOTAL ALL Utility Dept. (Total of lines 25, 60, and 62)	327,624,932	74,266,259	88,379,547	490,270,738
64	Utility Plant				
65	Construction (By Utility Departments)				
66	Electric Plant				
67	Gas Plant	27,519,061	22,485,841	60,256,639	110,261,541
68	Other				
69	TOTAL Construction (Total of lines 66 thru 68)	27,519,061	22,485,841	60,256,639	110,261,541
70	Plant Removal (By Utility Departments)				
71	Electric Plant				
72	Gas Plant	1,835,118	189,078	2,423,266	4,447,462
73	Other				
74	TOTAL Plant Removal (Total of lines 71 thru 73)	1,835,118	189,078	2,423,266	4,447,462
75	Other Accounts (Specify) (footnote details)		1,789,207	16,176,559	17,967,766
76	TOTAL Other Accounts		1,789,207	16,176,559	17,967,766
77	TOTAL SALARIES AND WAGES	356,979,111	98,730,385	167,238,011	622,947,507