

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

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Application 10-12-\_\_\_\_  
Exhibit No.: (SCG-21)

**PREPARED DIRECT TESTIMONY OF  
SARAH E. EDGAR  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

**DECEMBER 2010**



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**PREPARED DIRECT TESTIMONY OF**  
**SARAH E. EDGAR**  
**ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**  
**(HUMAN RESOURCES, DISABILITY & WORKERS' COMPENSATION)**

**I. INTRODUCTION**

**A. Purpose of Testimony**

This exhibit presents the Test Year 2012 (TY2012) costs for the Human Resources (HR) Department; Workers' Compensation and Long-Term Disability Programs (LTD); and the Offices of the President & Chief Executive Officer (CEO) and Chief Operating Officer (COO) Southern California Gas Company (SCG).

**B. Summary of Request**

The total operations and maintenance (O&M) expense for the costs described above is \$33.6 million, as presented in Table SCG-SEE-1 below. The costs represented in this testimony are both shared and non-shared. There are no forecasted capital costs presented within this exhibit.

**Table SCG-SEE-1**  
**Summary of TY2012 Change**  
**(Thousands of \$2009)**

Description	2009 Adjusted-Recorded	TY2012 Estimated	Change	Testimony Reference
Total Non-Shared	23,387	27,179	3,792	Section II
Total Shared Services (Book Expense)	5,934	6,399	465	Section III
<b>Total O&amp;M</b>	<b>29,321</b>	<b>33,578</b>	<b>4,257</b>	

**C. Challenges Facing Operations**

The following challenges drive increases in the forecasted costs requested within this exhibit.

**Workforce Requirements**

SCG's workforce needs to have the skills and competencies necessary to provide safe, reliable, and sustainable natural gas services in an efficient and customer focused manner. SCG's

1 workforce must be diverse and reflect the communities we serve. New technology adopted over  
2 the last several years requires retraining of our existing employees and then matching the  
3 employees and their new skill sets with the work that needs to be performed. To aid in managing  
4 this effort, HR is planning to implement a new workforce planning software system to make the  
5 process more accurate and efficient. This software will allow the company to track employee  
6 skills so that employees can be easily identified and matched with the work required.  
7 Additionally, HR must increase its testing of new applicants as well as current employees  
8 bidding on higher level jobs to ensure that skill and competency requirements are met during the  
9 hiring and placement process.

### 10 11 **Increasing Medical Costs**

12 Medical costs, which have historically made up in excess of 30% of workers' compensation  
13 costs at SCG, are expected to escalate in the coming years as described in the testimony of  
14 Debbie S. Robinson (Exhibit SCG-19). Workers' compensation costs are presented in section  
15 IV.B of my testimony.

### 16 17 **Increasing State and Federal Requirements**

18 Mandatory requirements associated with Department of Transportation (DOT) drug testing  
19 continue to increase. While SCG strongly supports efforts to identify and treat drug users in the  
20 workforce, increased regulations result in additional costs. In March of 2010, additional  
21 reporting requirements associated with contractor compliance with DOT drug testing  
22 requirements were implemented by the Office of Pipeline Safety, Pipeline and Hazardous  
23 Materials Safety Administration. Beginning in October of 2010, testing for two additional drug  
24 panels will be required by the DOT and cut off levels for two other drugs will be lowered.  
25 Testing for additional drugs increases testing costs. Additionally, more positive test results are  
26 anticipated, requiring intervention and case management. Another example of increasing  
27 governmental reporting requirements are the new Medicare reporting requirements as defined in  
28 section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007 which become  
29 effective in January of 2011, causing increases in workers' compensation costs.



**Table SCG-SEE-3**  
**Non-Shared Services Costs**  
**(Thousands of \$2009)**

	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
A. Vice President of Human Resources SCG	55	278	223
B. Diversity	0	545	545
C. Labor Relations	1,448	1,421	-27
D. Staffing	831	987	156
E. Relocation	50	385	335
F. Employee Care Services	309	269	-40
G. Workers Compensation & Long Term Disability	19,373	21,550	2,177
H. President & CEO and COO	1,321	1,744	423
<b>Total</b>	<b>23,387</b>	<b>27,179</b>	<b>3,792</b>

My workpapers (Exhibit SCG-21-WP) provide greater details into the non-shared services costs for each of the departments/functions.

**III. SHARED SERVICES COSTS**

Table SCG-SEE-4 presents the total shared services portion of O&M costs for each of the departments/functions sponsored in this testimony.

**Table SCG-SEE-4**  
**Shared Services Costs**  
**(Thousands of \$2009)**

	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
A. HR Business Partner	805	741	-64
B. Organizational Effectiveness	277	1,148	871
C. Human Resources Services & Analysis	1,065	1,188	123
D. USS Billed-in from SDG&E	3,787	3,322	-465
<b>Total Shared Services (Book Expense)</b>	<b>5,934</b>	<b>6,399</b>	<b>465</b>

My workpapers (Exhibit SCG-21-WP) provide greater details into the non-shared services costs for each of the departments/functions.

1 **IV. DESCRIPTION OF COSTS AND ACTIVITIES**

2 **A. HR Department**

3 **1. Overview**

4 The SCG HR Department’s primary responsibility is to attract, develop, and retain employees  
5 with the experience, qualifications, and skills necessary to ensure the safe, reliable delivery of  
6 natural gas services to SCG’s 20 million consumers. SCG’s HR Department is divided into the  
7 following sub-departments:

- 8 • Vice President of HR, Diversity, and Inclusion (VP of HR)
- 9 • Diversity
- 10 • Business Partner
- 11 • Labor Relations
- 12 • Organizational Effectiveness
- 13 • Staffing
- 14 • Relocation
- 15 • HR Services and Analysis

16  
17 **2. HR Reorganization**

18 In April 2010, SCG and SDG&E underwent an organizational restructuring initiative, as  
19 described in the Policy testimony of Anne Smith (Exhibit SCG-01). As part of that restructuring,  
20 the HR department was reorganized to further optimize HR support. In order to facilitate  
21 autonomy, the single shared service Sempra Energy Utilities (SEU) HR organization was  
22 separated and two distinct HR departments were created, one at each utility. Specifically, the  
23 Business Partner, Labor Relations, Staffing, and Organizational Effectiveness groups were split  
24 establishing departments at SCG and SDG&E. In addition, some functions previously located  
25 within Corporate Center were distributed into the individual utility HR functions. Where  
26 optimal, some of the HR functions within the utility remain shared services. Workforce  
27 Readiness and HR Services and Analysis remain shared services. HR shared services are located  
28 within the organizational hierarchy at SDG&E.

1  
2 **3. HR Department TY2012 Costs**

3 Table SCG-SEE-5 presents the HR Department's non-shared services costs by each major  
4 department within HR.  
5

6 **Table SCG-SEE-5**  
7 **Non-Shared Services Costs**  
8 **HR Department**  
9 **(Thousands of \$2009)**

	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
A. Vice President of SCG Human Resources	55	278	223
B. Diversity	0	545	545
C. Labor Relations	1,448	1,421	-27
D. Staffing	831	987	156
E. Relocation	50	385	335
F. Employee Care Services	309	269	-40
<b>Total</b>	<b>2,693</b>	<b>3,885</b>	<b>1,192</b>

10  
11 //

12 //

1 Table SCG-SEE-6 presents the HR Department's shared services costs by each major department  
 2 within HR.

3 **Table SCG-SEE-6**  
 4 **Shared Services Costs**  
 5 **HR Department**  
 6 **(Thousands of \$2009)**

	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
Incurring Costs (100% Level)			
A. HR Business Partner	1,068	741	-327
B. Organizational Effectiveness	711	1,148	437
C. Human Resources Services & Analysis	1,334	1,527	193
<b>Incurring Costs Sub-Total</b>	<b>3,113</b>	<b>3,416</b>	<b>303</b>
Allocations Out To SDG&E			
A. HR Business Partner	263	0	-263
B. Organizational Effectiveness	418	0	-418
C. Human Resources Services & Analysis	250	309	59
<b>Allocations Out To SDG&amp;E Sub-Total</b>	<b>931</b>	<b>309</b>	<b>-622</b>
Allocations Out To CORP			
A. HR Business Partner	0	0	0
B. Organizational Effectiveness	14	0	-14
C. Human Resources Services & Analysis	12	17	5
<b>Allocations Out To CORP Sub-Total</b>	<b>26</b>	<b>17</b>	<b>-9</b>
Allocations Out To Unreg			
A. HR Business Partner	0	0	0
B. Organizational Effectiveness	2	0	-2
C. Human Resources Services & Analysis	7	13	6
<b>Allocations Out To Unreg Sub-Total</b>	<b>9</b>	<b>13</b>	<b>4</b>
Retained by SCG			
A. HR Business Partner	805	741	-64
B. Organizational Effectiveness	277	1,148	871
C. Human Resources Services & Analysis	1,065	1,188	123
<b>SCG Retained Sub-Total</b>	<b>2,147</b>	<b>3,077</b>	<b>930</b>
<b>Billed-In From SDG&amp;E</b>	<b>3,787</b>	<b>3,322</b>	<b>-465</b>
<b>SCG Book Expense</b>	<b>5,934</b>	<b>6,399</b>	<b>465</b>

1 **a) VP of HR**

2 Table SCG-SEE-7 below presents the costs for the VP of HR at SCG. These costs are all non-  
3 shared service costs.

4  
5 **Table SCG-SEE-7**  
6 **VP of HR Costs**  
7 **(Thousands of \$2009)**

<b>VP of HR - SCG</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
1. VP of HR - SCG	55	278	223
<b>Total</b>	<b>55</b>	<b>278</b>	<b>223</b>

8  
9 The VP of HR provides leadership and strategic direction to the organization and manages,  
10 directly and indirectly, the performance and productivity of utility employees. The VP's  
11 responsibilities include establishing SCG's HR policies and procedures, labor contract  
12 negotiations, diversity and affirmative action goals, union/management interactions involving  
13 represented employees, short and long-term workforce planning, succession planning, and  
14 employee relations.

15  
16 SCG's TY2012 request for VP of HR costs of \$278K is a \$223K increase over Base Year 2009.  
17 As part of the reorganization, SCG established its own VP of HR to oversee SCG's HR  
18 Department. The complexities unique to each utility warrant executive leadership focused on the  
19 employee issues unique to that utility.

20  
21 As described in my SDG&E testimony in this proceeding (Exhibit SDG&E-27), a portion of the  
22 costs of the VP of HR at SDG&E will continue to be allocated to SCG because the VP of HR at  
23 SDG&E oversees the portion of the HR services that remain shared services supporting both  
24 SDG&E and SCG. The costs of the VP of HR at SDG&E are appropriately allocated in TY2012  
25 based on the split of shared vs. non-shared services labor in SDG&E HR. Shared services costs  
26 of \$92K for this area are billed in from SDG&E and captured in Table SCG-SEE-6.

1 **b) Diversity**

2 Table SCG-SEE-8 below presents the costs for Diversity. These costs are all non-shared  
3 services costs.

4  
5 **Table SCG-SEE-8**  
6 **Diversity Costs**  
7 **(Thousands of \$2009)**

Diversity & OE	2009 Adjusted-Recorded	TY2012 Estimated	Change
1. Diversity	0	423	423
2. Organizational Effectiveness	0	122	122
<b>Total</b>	<b>0</b>	<b>545</b>	<b>545</b>

8  
9 As a result of the movement of functions from Corporate Center to the utilities as part of the  
10 reorganization, \$545K was transferred to SCG. These costs are 100% offset by reductions in  
11 allocations from Corporate Center. Although all the costs transferred are included in the  
12 Diversity table above, only a portion of this transfer, \$423K, is related to diversity activities.  
13 The balance of \$122K is associated with activities supporting Organizational Effectiveness at  
14 SCG, as discussed below in section IV.A.3.e of this testimony.

15  
16 The Diversity department is responsible for developing and directing the company-wide strategic  
17 business objectives for managing workplace diversity. The Diversity department performs the  
18 following activities:

- 19 • Develops the official, federally-required affirmative action plans;
- 20 • Investigates Title VII complaints;
- 21 • Develops and directs the diversity strategic plan, policies, and programs;
- 22 • Develops and conducts training for all supervisory employees on AB1825, as  
23 required by California law;
- 24 • Develops and conducts training for all employees on harassment, discrimination, and  
25 sexual harassment prevention in the workplace;

- Conducts investigations into any complaints that have to do with harassment or discrimination on the basis of sex, race, national origin, religion, color, disability, sexual orientation and any other protected class;
- Oversees the creation and maintenance of the company-wide Employee Diversity Council, as well as several local diversity committees located at various company locations;
- Prepares EEO Reports;
- Prepares VETs 100 reports;
- Responds to Helpline complaints that are related to Title VII; and
- Provides coaching, counseling, and guidance to management and represented employees regarding Title VII.

SCG's TY2012 request for Diversity costs of \$423K is a \$423K increase over Base Year 2009. The sole driver for the increase in costs is the movement of this group from Corporate Center to SCG. This increase in direct costs is 100% offset by a reduction in allocated costs from Corporate Center. This is described in further detail in the testimony of Bruce A. Folkmann (Exhibit SCG-17).

***c) HR Business Partner***

Table SCG-SEE-9 below presents the costs for HR Business Partner. These costs are all shared services costs.

**Table SCG-SEE-9**  
**HR Business Partner Costs**  
**(Thousands of \$2009)**

<b>HR Business Partner</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
Incurring Costs (100% Level)	1,068	741	-327
Allocations Out To SDG&E	263	0	-263
Retained by SCG	805	741	-64
<b>SCG Book Expense</b>	<b>805</b>	<b>741</b>	<b>-64</b>

1 HR Advisors (HRAs) serve as the primary point of contact on human resources issues for utility  
 2 leadership and employees. HRAs work closely with all departments to administer company  
 3 policies as well as policies which are mandated by state and federal laws and regulations. HRAs  
 4 provide coaching and counseling on complex human resource issues such as employee  
 5 engagement and motivation, hiring, compensation, disciplinary action, and implementation of  
 6 affirmative action strategies.

7  
 8 SCG's TY2012 request for Business Partner costs of \$741K is \$64K below Base Year 2009.  
 9 Prior to the reorganization, this work group provided services to SCG and SDG&E. Post  
 10 reorganization, and for the foreseeable future, this group supports SCG only. These costs are  
 11 appropriately allocated 100% to SCG. Additionally, shared service costs of \$452K are billed in  
 12 from SDG&E. These costs, which are captured in Table SCG-SEE-6, are associated with  
 13 Business Partner and HRA activities performed by SDG&E employees in support of SCG.  
 14 HRAs at SDG&E provide services supporting organizations that contain both SCG and SDG&E  
 15 employees. These HRA costs are appropriately split between the two companies based on the  
 16 number of employees at each utility.

17  
 18 ***d) Labor Relations***

19 Table SCG-SEE-10 below presents the costs for Labor Relations. These costs are all non-shared  
 20 service costs.

21  
 22 **Table SCG-SEE-10**  
 23 **Labor Relations Costs**  
 24 **(Thousands of \$2009)**

<b>Labor Relations</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
1. Labor Relations	1,448	1,421	-27
<b>Total</b>	<b>1,448</b>	<b>1,421</b>	<b>-27</b>

25  
 26 Labor Relations Advisors (LRAs) are responsible for union relations, Collective Bargaining  
 27 Agreement (CBA) negotiations, contract administration, grievances, mediations, arbitrations and  
 28 National Labor Relations Board (NLRB) actions. LRAs ensure compliance with the CBA and

1 regulations and laws impacting represented employees which are not addressed by the CBA. In  
 2 addition, LRAs provide guidance to supervisors of represented employees on matters pertaining  
 3 to the CBA, including local union relations, contract interpretation, performance management,  
 4 dispute resolution, discipline and other labor relations matters.

5  
 6 SCG's TY2012 request for Labor Relations costs of \$1,421K is \$27K below Base Year 2009.  
 7 This decrease is associated with the use of the 5-year averaging methodology in forecasting for  
 8 this cost center.

9  
 10 *e) Organizational Effectiveness (OE)*

11 Table SCG-SEE-11 below presents the costs for OE. These costs are all shared service costs that  
 12 are 100% retained at SCG. Prior to the reorganization, this group was a shared service. Post  
 13 reorganization, this group is 100% dedicated to SCG.

14  
 15 **Table SCG-SEE-11**  
 16 **Organizational Effectiveness Costs**  
 17 **(Thousands of \$2009)**

<b>OE</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
Incurring Costs (100% Level)	711	1,148	437
Allocations Out To SDG&E	418	0	-418
Allocations Out To CORP	14	0	-14
Allocations Out To Unreg	2	0	-2
Retained by SCG	277	1,148	871
<b>SCG Book Expense</b>	<b>277</b>	<b>1,148</b>	<b>871</b>

18  
 19 OE provides employee and leadership development programs, instructional design activities, and  
 20 organizational development programs for SCG. OE consists of two work groups that provide  
 21 services to SCG: Organizational Development (OD) and Instructional Design and Technology  
 22 (ID&T).

23  
 24 OD manages programs designed to enhance organizational performance and individual  
 25 development. The group provides services in the areas of strategic planning, organization  
 26 design, leadership development, employee development, team effectiveness, change

1 management, and managerial coaching. OD is responsible for managing succession planning  
2 tools and using the data to place high performing employees on key projects or into key positions  
3 to develop their skills for broader responsibility within the organization. In addition, the OD  
4 group manages the performance management and succession planning process at SCG.  
5 ID&T designs, develops, and evaluates classroom and on-line training for job skill training and  
6 professional development for both individual contributors and supervisors at SCG. Training  
7 topics include understanding of and compliance with labor laws, business policies, and current  
8 collective bargaining agreements. ID&T also provides job-skill training design, development,  
9 and evaluation. All design work supports SCG's goals of maintaining high levels of performance  
10 in safety, customer satisfaction, and cost management.

11  
12 SCG's TY2012 request for OE costs of \$1,148K is an \$871K increase over Base Year 2009.  
13 This increase is due to two factors: (1) a reduced allocation of costs from this area to SDG&E  
14 because this group no longer provides services to SDG&E, and (2) new and additional training  
15 offerings as described in the paragraph below. Additionally, \$401K in shared service costs are  
16 billed in from the SDG&E in this area. These costs are captured in Table SCG-SEE-6. These  
17 billed-in costs are associated with SDG&E employees that are currently, and for the foreseeable  
18 future, 100% dedicated to activities supporting SCG. Further, as mentioned in Diversity section  
19 above (section IV.A.3.b), \$122K in costs were transferred from Corporate Center to SCG as part  
20 of the reorganization for activities related to this function. There is a corresponding decrease of  
21 \$122K in Corporate Center allocations to SCG.

22  
23 In order to keep up with the pace of change that SCG is experiencing, such as advances in  
24 technology and generational shifts in the U.S. workforce, SCG must provide its employees with  
25 the knowledge and skills needed to accomplish the company's objectives. SCG will provide  
26 opportunities for its employees to receive professional development training to enhance the  
27 execution of operational initiatives. Types of training that the company will offer include Six  
28 Sigma certification, project management certification, and leadership development training.  
29 Increases in training costs will benefit customers by ensuring that SCG has the tools and  
30 leadership to continue providing safe, reliable, and high quality service.

1 *f) Staffing*

2 Table SCG-SEE-12 below presents the costs for Staffing. These costs are all non-shared  
3 services costs.

4  
5 **Table SCG-SEE-12**  
6 **Staffing Costs**  
7 **(Thousands of \$2009)**

<b>Staffing</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
1. HR Staffing	831	987	156
<b>Total</b>	<b>831</b>	<b>987</b>	<b>156</b>

8  
9 Staffing manages the recruitment and selection of a qualified and diverse workforce, while  
10 ensuring legal requirements are followed throughout the staffing process. The department  
11 conducts extensive internal and external recruitment activities for exempt, non-exempt, and  
12 represented positions. Staffing handles in excess of 10,000 applications from external applicants  
13 and processes in excess of 1,000 internal moves and promotions annually. Staffing ensures that  
14 the selection and hiring process follows the legal requirements of the EEOC and Department of  
15 Labor's Office of Federal Contract Compliance Programs (OFCCP). This includes maintaining  
16 applicant tracking in accordance with the OFCCP, following DOT requirements when  
17 performing pre-employment drug testing, and completion of documentation required by the  
18 Department of Homeland Security. Staffing also makes union position placements by using  
19 complex eligibility and seniority rules determined by the CBA governing those positions.

20  
21 In addition, this group also prepares and responds to the growing number of requests for  
22 information from community organizations and in preparation of the California Public Utilities  
23 Commission's (Commission's) Annual En Banc hearing. Generally the requests are for progress  
24 on our hiring practices, diversity goals and good faith efforts. This information is also prepared  
25 and shared at the monthly meetings of the California Utility Diversity Council (CUDC)  
26 established by the Commission.

1 SCG's TY2012 request for Staffing costs of \$987K is a \$156K increase over Base Year 2009.  
 2 This increase is due to the expansion of SCG's current pre-employment testing. Beginning in  
 3 2011 SCG will expand its pre-employment testing to all applicants. Pre-employment tests, such  
 4 as work behavior and aptitude tests, ensure that those individuals hired into the company have  
 5 the right skills, abilities and other characteristics to perform their jobs efficiently. The proposed  
 6 expansion of applicant testing will benefit customers by improving customer service and  
 7 employee retention.

8  
 9 ***g) Relocation***

10 Table SCG-SEE-13 below presents the costs for Relocation. These costs are all non-shared  
 11 service costs.

12  
 13 **Table SCG-SEE-13**  
 14 **Relocation Costs**  
 15 **(Thousands of \$2009)**

<b>Relocation</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
1. Relocation	50	385	335
<b>Total</b>	<b>50</b>	<b>385</b>	<b>335</b>

16  
 17 The Staffing department manages the relocation program which is intended for out-of-area new  
 18 employees and internal transferees, providing assistance and resources for job related geographic  
 19 moves.

20  
 21 SCG's TY2012 request for Relocation costs of \$385K is a \$335K increase over Base Year 2009.  
 22 Due to the economy and a reduction in hiring in 2009, the relocation costs in Base Year 2009  
 23 were extraordinarily low. The TY2012 relocation forecast is based on the 5-year historical  
 24 average of relocation costs at SCG adjusted for anticipated additional relocations in 2012.

25  
 26 ***h) Workforce Readiness***

27 The Workforce Readiness department was established in 2007 to provide guidance and support  
 28 to organizations that train young people in the underserved communities of Southern California

in jobs that can lead to future careers. The department collaborates with local communities to identify and train potential candidates for highly skilled trades. This department collaborates with community based agencies, workforce investment boards, community colleges, and high schools to develop classes and training programs to prepare young adults to work in the utility industry.

Shared service costs of \$93K in this area are billed in from SDG&E. These costs are captured in Table SCG-SEE-6. These shared services are appropriately allocated in TY2012 between SDG&E and SCG based on the current split of projects supporting each utility, 44% to SDG&E and 56% to SCG. This allocation methodology is updated annually based on the project split from the previous calendar year.

*i) HR Services and Analysis*

Table SCG-SEE-14 below presents the costs for HR Services and Analysis. These costs are a combination of shared and non-shared service costs.

**Table SCG-SEE-14**  
**HR Services and Analysis Costs**  
**(Thousands of \$2009)**

<b>HR Services &amp; Analysis</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
Incurring Costs (100% Level)	1,643	1,796	153
Allocations Out To SDG&E	250	309	59
Allocations Out To CORP	12	17	5
Allocations Out To Unreg	7	13	6
Retained by SCG	1,374	1,457	83
<b>SCG Book Expense</b>	<b>1,374</b>	<b>1,457</b>	<b>83</b>

HR Services and Analysis is divided into four distinct workgroups: HR Projects and Compensation, Employee Care Services (ECS), Employee Assistance Program (EAP) and Wellness, and Research and Analysis, all of which report to the HR Services and Analysis Director. HR Services and Analysis provides shared services for SCG, SDG&E, and Corporate Center/Other.

1                    HR Projects and Compensation

2                    HR Projects and Compensation is responsible for developing and delivering  
3                    competitive compensation programs and ensuring legal compliance and adherence to  
4                    compensation policies. The department performs the following:

- 5                    • Performs market studies to deliver competitive compensation;
- 6                    • Administers incentive, rewards, and recognition programs;
- 7                    • Conducts market analysis, trending analysis, forecasting, modeling, and  
8                    analytics in support of union negotiations;
- 9                    • Conducts efficiency studies for specific HR areas and implements  
10                   improvement projects; and
- 11                   • Develops, drafts, and distributes centralized HR communications to  
12                   management, supervisors, and the SCG workforce.

13  
14                   Cost effective compensation programs are crucial elements in attracting, retaining,  
15                   and motivating a high performing workforce. SCG’s compensation programs are  
16                   designed to pay for both organizational and individual performance, which helps  
17                   motivate employees to perform according to key business objectives.

18  
19                   These shared services are appropriately allocated in TY2012 between SCG and  
20                   SDG&E based on the current split of employees employed by each utility, 41% at  
21                   SDG&E and 59% at SCG. This allocation methodology is updated annually based on  
22                   the split of employees in the previous calendar year.

23  
24                   ECS

25                   ECS, formerly called Disability Management Services, is responsible for managing  
26                   and administering workers' compensation programs, short and long-term disability,  
27                   leave, and return to work programs for all Sempra employees. ECS manages cases in  
28                   a regulated, time-sensitive, and complex environment. Employee benefits are  
29                   delivered in an integrated manner providing employees with a single point of contact.  
30                   ECS managed in excess of 7000 cases in 2009. In addition to managing and

1 administering these programs, ECS also provides guidance to all departments,  
2 employees, and supervisors on disability related issues.

3  
4 These shared services are appropriately allocated in TY2012 between SCG and  
5 SDG&E based on the current percentage of worker's compensation, disability, and  
6 leave cases associated with employees from each company. This allocation  
7 methodology is updated periodically based on the caseload of the previous calendar  
8 year.

9  
10 EAP and Wellness

11 The EAP and Wellness group is responsible for managing and administering the  
12 company's drug testing programs, EAP services, as well as company wellness  
13 programs and activities. The primary function of this work group is the oversight and  
14 administration of all pre-employment, random, and other required drug testing of  
15 employees in safety sensitive positions at SCG as mandated by DOT regulations. In  
16 addition, this group addresses unique and highly complex employee issues (i.e.,  
17 workplace substance abuse, mental health behaviors affecting job performance,  
18 workplace violence threats or critical incidents requiring EAP or other intervention).  
19 Wellness provides guidance and support to all HR departments, employees,  
20 supervisors, and managers on these issues and case manages all formal management  
21 EAP referrals.

22  
23 These shared services are appropriately allocated in TY2012 between SCG and  
24 SDG&E based on the number of employees participating in the programs offered by  
25 this group, 37% at SDG&E and 56% at SCG. This allocation methodology is updated  
26 annually based on employee utilization of services in the previous calendar year.

27  
28 HR Research and Analysis

29 The Research and Analysis group is responsible for ensuring that employment related  
30 tests meet legal requirements and the needs of SCG. There are currently 27 tests  
31 administered at SCG that address general abilities, personality, job knowledge, office

1 skills, and physical abilities. Research and Analysis also performs activities to ensure  
2 compliance with the OFCCP, such as test validation, equal pay analysis, and adverse  
3 impact analysis, and performs cut score (qualification level minimum) analyses and  
4 job evaluations. In addition, Research and Analysis manages the workforce planning  
5 activities for SCG.

6  
7 These shared services are appropriately allocated in TY2012 between SCG and  
8 SDG&E based on the number of hours that employees within this group dedicate to  
9 each utility as recorded in a project management software tracking system, 40% to  
10 SDG&E and 54% to SCG. This allocation methodology is updated annually based on  
11 the data captured in software for the previous calendar year.

12  
13 SCG's TY2012 request for HR Services and Analysis costs of \$1,457K is an \$83K increase over  
14 Base Year 2009. Additionally, \$2,284K in shared services costs are billed in from SDG&E in  
15 this area and captured in Table SCG-SEE-6. The primary drivers for increases in this area are  
16 associated with additional DOT mandated drug testing requirements which are described in  
17 section 1.C. of my testimony, and the utilization of workforce planning software and additional  
18 post-offer physical testing, as described below.

19  
20 In order to keep pace with Southern California's growing demand for reliable, affordable and  
21 environmentally sustainable energy, SCG must embed a number of advanced technology  
22 solutions into its infrastructure and work processes. The operation and maintenance of this  
23 advanced technology requires a highly skilled workforce. The utilization of a formalized  
24 workforce planning system will ensure that the company will have the right people with the right  
25 skills in the right job at the right time. SCG will purchase a workforce planning system in order  
26 to identify the critical skills that exist within the company, as well as to forecast the future  
27 workforce needs and design action plans for meeting those needs through training and recruiting.

28  
29 Physical testing for workers in operations jobs is necessary to ensure that SCG employees  
30 continue to provide quality service to customers in a safe manner. Post-offer physical testing will

1 ensure that hired employees have the physical capacity to perform their jobs safely and  
2 effectively. This testing will ensure the safety of employees and customers.

3  
4 **B. Workers' Compensation and Long-Term Disability (LTD)**

5 Table SCG-SEE-15 below presents the costs for Workers' Compensation and LTD. These costs  
6 are all non-shared service costs.

7  
8 **Table SCG-SEE-15**  
9 **Workers' Compensation and LTD Costs**  
10 **(Thousands of \$2009)**

<b>Workers' Compensation &amp; LTD</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
1. Long Term Disability	4,105	4,739	634
2. Workers Compensation	15,268	16,811	1,543
<b>Total</b>	<b>19,373</b>	<b>21,550</b>	<b>2,177</b>

11  
12 **1. Overview**

13 Workers' compensation benefits are mandated and governed by the State of California.  
14 Employees who are injured on the job receive benefits through SCG's self-insured Workers'  
15 Compensation Program. Injured employees receive indemnity payments including benefits  
16 related to temporary disability, permanent disability, and vocational rehabilitation. The costs of  
17 medical treatment, legal fees, and other claim-related expenses are also captured here. Sempra  
18 Energy's workers' compensation costs are 20% below the average insured rate (per \$100 of  
19 payroll) in the State of California.

20  
21 The LTD plan provides income replacement benefits equal to 60% of the employee's pre-  
22 disability earnings. LTD benefits are adjusted if the employee receives, or is entitled to receive,  
23 income from other deductible sources such as workers' compensation benefits, Social Security  
24 benefits, State Disability Insurance benefits, and retirement payments.

25  
26 SCG actively manages its claims to ensure that employees can return to work as soon as  
27 possible. Employees who cannot resume their prior job are provided vocational assessment and  
28 training to facilitate obtaining alternative employment opportunities.



**Table SCG-SEE-17**  
**President & CEO and COO Costs**  
**(Thousands of \$2009)**

<b>President &amp; CEO and COO</b>	<b>2009 Adjusted-Recorded</b>	<b>TY2012 Estimated</b>	<b>Change</b>
1. President & CEO and COO	1,321	1,744	423
<b>Total</b>	<b>1,321</b>	<b>1,744</b>	<b>423</b>

**1. Overview**

The President & CEO is the highest ranking officer at SCG. Reporting to the President & CEO are the COO, the VP of External Affairs & General Counsel, the VP of HR, and the Chief Financial Officer & Controller.

The COO directs the activities of the organization in accordance with policies, goals, and objectives established by the President & CEO. Reporting to the COO are the VP of Gas Acquisition, the Chief Information Officer & Senior Vice President (SVP) of Support Services, the SVP of Operations, the SVP of Gas Operations, and the VP of Customer Solutions.

**2. President & CEO and COO TY2012 Costs**

SCG's TY2012 request for President & CEO and COO costs of \$1,744K is a \$423K increase over Base Year 2009. The costs to support the leadership structure at SDG&E are consistent with the goals of the 2010 reorganization, as described in the testimony of Anne Smith (Exhibit SCG-01). While the reorganization results in an increase in costs in this cost center, there is an overall net decrease in costs for SCG, SDG&E and Corporate Center on a combined basis.

This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Sarah E. Edgar. My business address is 8306 Century Park Court, San Diego,  
3 California 92123. I am employed by SCG as the Director of Human Resources Services and  
4 Analysis. In my current position I oversee four distinct work groups; HR Projects and  
5 Compensation, ECS, EAP and Wellness, and Research and Analysis. I have been in my current  
6 position since April of 2008.

7  
8 I received a Bachelor of Science degree in Mechanical Engineering from the University of  
9 California at Santa Barbara in June of 1986. I have been employed by SCG since 1986 and have  
10 held positions of increasing responsibility in the following departments; Marketing,  
11 Transmission and Storage, Information Technology, Distribution Operations, and Human  
12 Resources.

13  
14 I have previously testified before the California Public Utilities Commission.