

Application of SOUTHERN CALIFORNIA GAS)
COMPANY for authority to update its gas revenue)
requirement and base rates)
effective January 1, 2016 (U 904-G))

Application No. 14-11-____
Exhibit No.: (SCG-02-WP)

WORKPAPERS TO
PREPARED DIRECT TESTIMONY
OF DIANA L. DAY
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

NOVEMBER 2014



2016 General Rate Case - APP
INDEX OF WORKPAPERS

Exhibit SCG-02-WP - RISK MANAGEMENT

DOCUMENT	PAGE
Overall Summary For Exhibit No. SCG-02-WP	1

Overall Summary For Exhibit No. SCG-02-WP

Area:	RISK MANAGEMENT
Witness:	Diana L. Day

Description	In 2013 \$ (000) Incurred Costs			
	Adjusted-Recorded	Adjusted-Forecast		
	2013	2014	2015	2016
<i>Non-Shared Services</i>	0	0	0	0
<i>Shared Services</i>	0	1,315	2,592	2,592
Total	0	1,315	2,592	2,592

Note: Totals may include rounding differences.

Southern California Gas Company
 2016 GRC - APP
 Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day

Summary of Shared Services Workpapers:

Description	In 2013 \$ (000) Incurred Costs			
	Adjusted-Recorded	Adjusted-Forecast		
	2013	2014	2015	2016
A. Risk Management	0	1,315	2,592	2,592
Total	0	1,315	2,592	2,592

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Cost Center: 2200-8962.000

Summary for Category: A. Risk Management

	In 2013\$ (000) Incurred Costs			
	Adjusted-Recorded	Adjusted-Forecast		
	2013	2014	2015	2016
Labor	0	405	807	807
Non-Labor	0	910	1,785	1,785
NSE	0	0	0	0
Total	0	1,315	2,592	2,592
FTE	0.0	2.5	5.0	5.0

Cost Centers belonging to this Category:

2200-8962.000 RISK MANAGEMENT

Labor	0	405	807	807
Non-Labor	0	910	1,785	1,785
NSE	0	0	0	0
Total	0	1,315	2,592	2,592
FTE	0.0	2.5	5.0	5.0

Note: Totals may include rounding differences.

Beginning of Workpaper
2200-8962.000 - RISK MANAGEMENT

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

Activity Description:

SoCalGas' and SDG&E's risk management governance will facilitate for the review and discussion of safety and security risks, risk registries, mitigation strategies, and related investments. This Enterprise Risk Management (ERM) structure will improve consistency for SoCalGas and SDG&E in risk identification, analysis, evaluation and prioritization to focus on the risks that are most critical to our businesses. The framework will be refined, as needed, to reflect ongoing changes in the risk environment of business unit operations, industry practices, Commission priorities, and new regulations. The approaches we use to identify, prioritize and mitigate risks will conform to the stated and emerging expectations of the Commission.

Forecast Explanations:

Labor - Zero-Based

The zero-based forecast method is most appropriate as this department did not exist at SCG prior to 2014. Since adequate history is lacking, no other forecasting methodology is feasible.

Non-Labor - Zero-Based

The zero-based forecast method is most appropriate as this department did not exist at SCG prior to 2014. Since adequate history is lacking, no other forecasting methodology is feasible.

NSE - Zero-Based

Not applicable

Summary of Results:

		In 2013\$ (000) Incurred Costs								
		Adjusted-Recorded					Adjusted-Forecast			
Years		2009	2010	2011	2012	2013	2014	2015	2016	
Labor		0	0	0	0	0	405	807	807	
Non-Labor		0	0	0	0	0	910	1,785	1,785	
NSE		0	0	0	0	0	0	0	0	
Total		0	0	0	0	0	1,315	2,592	2,592	
FTE		0.0	0.0	0.0	0.0	0.0	2.5	5.0	5.0	

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

Cost Center Allocations (Incurred Costs):

	2013 Adjusted-Recorded					2014 Adjusted-Forecast				
	Labor	Non-Labor	NSE	Total	FTE	Labor	Non-Labor	NSE	Total	FTE
Directly Retained	0	0	0	0	0.00	178	910	0	1,088	1.50
Directly Allocated	0	0	0	0	0.00	0	0	0	0	0.00
Subj. To % Alloc.	0	0	0	0	0.00	227	0	0	227	1.00
Total Incurred	0	0	0	0	0.00	405	910	0	1,315	2.50
% Allocation										
Retained	100.00%	100.00%				56.60%	56.60%			
SEU	0.00%	0.00%				43.40%	43.40%			
CORP	0.00%	0.00%				0.00%	0.00%			
Unreg	0.00%	0.00%				0.00%	0.00%			

	2015 Adjusted-Forecast					2016 Adjusted-Forecast				
	Labor	Non-Labor	NSE	Total	FTE	Labor	Non-Labor	NSE	Total	FTE
Directly Retained	354	1,785	0	2,139	3.00	354	1,785	0	2,139	3.00
Directly Allocated	0	0	0	0	0.00	0	0	0	0	0.00
Subj. To % Alloc.	453	0	0	453	2.00	453	0	0	453	2.00
Total Incurred	807	1,785	0	2,592	5.00	807	1,785	0	2,592	5.00
% Allocation										
Retained	56.57%	56.57%				56.57%	56.57%			
SEU	43.43%	43.43%				43.43%	43.43%			
CORP	0.00%	0.00%				0.00%	0.00%			
Unreg	0.00%	0.00%				0.00%	0.00%			

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
Witness: Diana L. Day
Category: A. Risk Management
Category-Sub: 1. Risk Management Division
Cost Center: 2200-8962.000 - RISK MANAGEMENT

Cost Center Allocation Percentage Drivers/Methodology:

Cost Center Allocation Percentage for 2013

This cost center did not exist in 2013

Cost Center Allocation Percentage for 2014

Shared service allocation was derived by the allocation of employees that will directly support the utilities. Employees allocate a portion of time spent on projects at both SDG&E and SCG. The method of time spent was used.

Cost Center Allocation Percentage for 2015

Shared service allocation was derived by the allocation of employees that will directly support the utilities. Employees allocate a portion of time spent on projects at both SDG&E and SCG. The method of time spent was used.

Cost Center Allocation Percentage for 2016

Shared service allocation was derived by the allocation of employees that will directly support the utilities. Employees allocate a portion of time spent on projects at both SDG&E and SCG. The method of time spent was used.

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

Forecast Summary:

In 2013 \$(000) Incurred Costs										
Forecast Method		Base Forecast			Forecast Adjustments			Adjusted-Forecast		
Years		2014	2015	2016	2014	2015	2016	2014	2015	2016
Labor	Zero-Based	0	0	0	405	807	807	405	807	807
Non-Labor	Zero-Based	0	0	0	910	1,785	1,785	910	1,785	1,785
NSE	Zero-Based	0	0	0	0	0	0	0	0	0
Total		0	0	0	1,315	2,592	2,592	1,315	2,592	2,592
FTE	Zero-Based	0.0	0.0	0.0	2.5	5.0	5.0	2.5	5.0	5.0

Forecast Adjustment Details:

<u>Year/Expl.</u>	<u>Labor</u>	<u>NLbr</u>	<u>NSE</u>	<u>Total</u>	<u>FTE</u>	<u>Adi Type</u>
2014	137	0	0	137	0.5	1-Sided Adj

Vice President of Risk Management is an executive position dedicated to building an enterprise-wide risk management organization for both SoCalGas and SDG&E.

2014	90	0	0	90	0.5	1-Sided Adj
------	----	---	---	----	-----	-------------

This full year impact Director position will be responsible for the leadership, innovation, governance, and management necessary to identify, evaluate, mitigate, and monitor operational and strategic risk and to integrate the risk management and asset management with companies' investment management process.

2014	64	0	0	64	0.5	1-Sided Adj
------	----	---	---	----	-----	-------------

This full year impact Manager position will manage the Risk staff in facilitating the identification of risks throughout the organization, developing, reporting and monitoring formats on risk management issues and developing methodologies for the assessment of risks throughout the organization while working collaboratively with all appropriate business units to ensure a consistent and integral approach is applied to risk governance that aligns to the overall ERM mandate.

2014	114	0	0	114	1.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Principal level professionals will develop and maintain enterprise governance frameworks, standards and practices relating to risk governance and effectively implementing them throughout the Utilities. In addition, they will be responsible for coordinating a comprehensive process for identifying, assessing, reducing, monitoring, controlling and reporting key business risks that might impair the achievement of the Utilities' business goals and objectives.

2014	0	750	0	750	0.0	1-Sided Adj
------	---	-----	---	-----	-----	-------------

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

<u>Year/Expl.</u>	<u>Labor</u>	<u>NLbr</u>	<u>NSE</u>	<u>Total</u>	<u>FTE</u>	<u>Adi Type</u>
-------------------	--------------	-------------	------------	--------------	------------	-----------------

Third-party consultants skilled in developing and upgrading risk management processes, systems and tools that will enhance SCG's asset management processes, procedures and systems and integrate risk management and asset management into their strategic planning and investment optimization processes, to develop an industry-leading ERM program.

2014	0	160	0	160	0.0	1-Sided Adj
------	---	-----	---	-----	-----	-------------

Software upgrade designed to meet the requirements in linking together the three components of risk management including asset management, investment management and risk management.

2014 Total	405	910	0	1,315	2.5	
-------------------	------------	------------	----------	--------------	------------	--

2015	273	0	0	273	1.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Vice President of Risk Management is an executive position dedicated to building an enterprise-wide risk management organization for both SoCalGas and SDG&E.

2015	180	0	0	180	1.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Director position will be responsible for the leadership innovation, governance, and management necessary to identify, evaluate, mitigate, and monitor operational and strategic risk and to integrate the risk management and asset management with companies' investment management process.

2015	127	0	0	127	1.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Manager position will manage the Risk staff in facilitating the identification of risks throughout the organization, developing, reporting and monitoring formats on risk management issues and developing methodologies for the assessment of risks throughout the organization while working collaboratively with all appropriate business units to ensure a consistent and integral approach is applied to risk governance that aligns to the overall ERM mandate.

2015	227	0	0	227	2.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Principal level professionals will develop and maintain enterprise governance frameworks, standards and practices relating to risk governance and effectively implementing them throughout the Utilities. In addition, they will be responsible for coordinating a comprehensive process for identifying, assessing, reducing, monitoring, controlling and reporting key business risks that might impair the achievement of the Utilities' business goals and objectives.

2015	0	1,500	0	1,500	0.0	1-Sided Adj
------	---	-------	---	-------	-----	-------------

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

<u>Year/Expl.</u>	<u>Labor</u>	<u>NLbr</u>	<u>NSE</u>	<u>Total</u>	<u>FTE</u>	<u>Adi Type</u>
-------------------	--------------	-------------	------------	--------------	------------	-----------------

Third-party consultants skilled in developing and upgrading risk management processes, systems and tools that will enhance SCG's asset management processes, procedures and systems and integrate risk management and asset management into their strategic planning and investment optimization processes, to develop an industry-leading ERM program.

2015	0	285	0	285	0.0	1-Sided Adj
------	---	-----	---	-----	-----	-------------

Software upgrade designed to meet the requirements in linking together the three components of risk management including asset management, investment management and risk management.

2015 Total	807	1,785	0	2,592	5.0	
-------------------	------------	--------------	----------	--------------	------------	--

2016	273	0	0	273	1.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Vice President of Risk Management is an executive position dedicated to building an enterprise-wide risk management organization for both SoCalGas and SDG&E.

2016	180	0	0	180	1.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Director position will be responsible for the leadership innovation, governance, and management necessary to identify, evaluate, mitigate, and monitor operational and strategic risk and to integrate the risk management and asset management with companies' investment management process.

2016	127	0	0	127	1.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Manager position will manage the Risk staff in facilitating the identification of risks throughout the organization, developing, reporting and monitoring formats on risk management issues and developing methodologies for the assessment of risks throughout the organization while working collaboratively with all appropriate business units to ensure a consistent and integral approach is applied to risk governance that aligns to the overall ERM mandate.

2016	227	0	0	227	2.0	1-Sided Adj
------	-----	---	---	-----	-----	-------------

Principal level professionals will develop and maintain enterprise governance frameworks, standards and practices relating to risk governance and effectively implementing them throughout the Utilities. In addition, they will be responsible for coordinating a comprehensive process for identifying, assessing, reducing, monitoring, controlling and reporting key business risks that might impair the achievement of the Utilities' business goals and objectives.

2016	0	1,500	0	1,500	0.0	1-Sided Adj
------	---	-------	---	-------	-----	-------------

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

<u>Year/Expl.</u>	<u>Labor</u>	<u>NLbr</u>	<u>NSE</u>	<u>Total</u>	<u>FTE</u>	<u>Adi Type</u>
-------------------	--------------	-------------	------------	--------------	------------	-----------------

Third-party consultants skilled in developing and upgrading risk management processes, systems and tools that will enhance SCG's asset management processes, procedures and systems and integrate risk management and asset management into their strategic planning and investment optimization processes, to develop an industry-leading ERM program.

2016	0	285	0	285	0.0	1-Sided Adj
------	---	-----	---	-----	-----	-------------

Software upgrade designed to meet the requirements in linking together the three components of risk management including asset management, investment management and risk management.

2016 Total	807	1,785	0	2,592	5.0	
-------------------	------------	--------------	----------	--------------	------------	--

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

Determination of Adjusted-Recorded (Incurred Costs):

	2009 (\$000)	2010 (\$000)	2011 (\$000)	2012 (\$000)	2013 (\$000)
Recorded (Nominal \$)*					
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0
Adjustments (Nominal \$) **					
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0
Recorded-Adjusted (Nominal \$)					
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0
Vacation & Sick (Nominal \$)					
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0
Escalation to 2013\$					
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0
Recorded-Adjusted (Constant 2013\$)					
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0

* After company-wide exclusions of Non-GRC costs

** Refer to "Detail of Adjustments to Recorded" page for line item adjustments

Note: Totals may include rounding differences.

Southern California Gas Company
2016 GRC - APP
Shared Services Workpapers

Area: RISK MANAGEMENT
 Witness: Diana L. Day
 Category: A. Risk Management
 Category-Sub: 1. Risk Management Division
 Cost Center: 2200-8962.000 - RISK MANAGEMENT

Summary of Adjustments to Recorded:

In Nominal \$ (000) Incurred Costs					
Years	2009	2010	2011	2012	2013
Labor	0	0	0	0	0
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0

Detail of Adjustments to Recorded:

<u>Year/Expl.</u>	<u>Labor</u>	<u>NLbr</u>	<u>NSE</u>	<u>FTE</u>	<u>Adj Type</u>	<u>From CCtr</u>	<u>RefID</u>
2009 Total	0	0	0	0.0			
2010 Total	0	0	0	0.0			
2011 Total	0	0	0	0.0			
2012 Total	0	0	0	0.0			
2013 Total	0	0	0	0.0			

Note: Totals may include rounding differences.