

Docket : A.10-12-005/006  
Exhibit Number : DRA-17  
Commissioner : Ferron  
ALJ : Wong  
Witness : Max Gomberg



**DIVISION OF RATEPAYER ADVOCATES  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations  
for  
San Diego Gas & Electric Company  
Southern California Gas Company  
General Rate Case  
Test Year 2012**

**SDG&E  
Customer Services–Office  
Operations & Maintenance Expenses  
Capital Expenditures**

San Francisco, California  
September 1, 2011

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1 **Customer Services–Office Operations Expenses &**  
2 **Capital Expenditures**

3 **I. INTRODUCTION**

4 This exhibit presents the analyses and recommendations of the Division of  
5 Ratepayer Advocates (DRA) regarding San Diego Gas & Electric Company’s  
6 (SDG&E) forecasts of Customer Service Office Operations and Maintenance (O&M)  
7 shared estimated expenses for Test Year (TY) 2012.

8 Customer Service Office Operations includes Billing Services, Office Credit  
9 and Collections, Remittance Processing, Customer Service Technology Support,  
10 and administration of these cost centers. There are three capital projects included in  
11 this area relating to billing and bill redesign.

12 **II. SUMMARY OF RECOMMENDATIONS**

13 The following summarizes DRA’s recommendations:

- 14 • Reduce Smart Meter billing services costs (\$635,000).
- 15 • Disallow HAN-related expenses (\$1.033 million).
- 16 • Reduce labor costs associated with Technology Field systems.
- 17 • Adopt actual 2010 bill redesign expense.

18  
19

1 Table 17-1 compares DRA's and SDG&E's TY 2012 forecasts of Customer  
 2 Service Office Operations expenses:

3 **Table 17-1**  
 4 **Customer Service Office Operations Expenses for TY 2012**  
 5 **(In Thousands of 2009 Dollars)**

Description (a)	DRA Recommended (b)	SDG&E Proposed <sup>1</sup> (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
Non-Shared Services	\$15,832	\$17,967	\$2,135	13.5%
Shared Services	\$3,834	\$4,663	\$829	21.6%
Total	\$19,666	\$22,630	\$2,964	15.1%

6  
 7 SDG&E proposes a total TY 2012 increase in these expense accounts of  
 8 \$3.986 million. DRA recommends an adjustment of \$2.964 million, a decrease of 74  
 9 percent to SDG&E's requested increase of \$3.986 million. Table 17-2 compares  
 10 DRA's and SDG&E's 2010-2012 forecasts of Customer Service Office capital  
 11 expenditures:

12 **Table 17-2**  
 13 **Customer Service Office Capital Expenditures for 2010-2012**  
 14 **(In Thousands of Nominal Dollars)**

Description	DRA Recommended			SDG&E Proposed <sup>2</sup>		
	2010	2011	2012	2010	2011	2012
CACS Upgrade		\$456			\$456	
CISCO Billing Regulatory Project	\$165			\$165		
Bill Redesign	\$848			\$1,171		
Total	\$1,013	\$456		\$1,336	\$456	

<sup>1</sup> Exh. SDG&E-14, p. 9.

<sup>2</sup> Id., p. 10.

1 **III. DISCUSSION / ANALYSIS OF NON-SHARED SERVICES**

2 Non-Shared Services consists of six categories:

- 3 1. Billing Services
- 4 2. Office Credit and Collections
- 5 3. Bill Delivery
- 6 4. Postage
- 7 5. Customer Service Technology Support
- 8 6. Customer Service Operations Other

9 **B. Overview of SDG&E's Request**

10 SDG&E is requesting \$17.967 million for TY 2012, an increase of \$2.309  
11 million from 2009, or 14.7%.<sup>3</sup> SDG&E's request is driven by Smart Meters,  
12 renewables, customer growth, and Home Area Network (HAN) expenses. SDG&E  
13 contends that operational complexity has increased, which also necessitates  
14 additional expenses.

15 **C. DRA Approach**

16 As it has stated elsewhere, DRA's chief concerns with Smart Meter and HAN  
17 proposals are that Smart Meter communications technology is still under  
18 development, HAN is unlikely to be cost-effective in achieving electric savings, and  
19 third parties should not have market entry costs subsidized by ratepayers. SDG&E's  
20 GRC application is full of Smart Meter costs that were either included in its original  
21 AMI business case but not completed or omitted from the AMI business case despite  
22 being integral to the supposed benefits Smart Meters could deliver. In either case,  
23 the ongoing complications and questions about effectiveness, benefits, safety,  
24 security and privacy of Smart Meters indicate that a more measured approach to  
25 additional expenses is warranted.

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<sup>3</sup> Exh. SDG&E-14, p. 9.

1                   **1. Billing Services**

2                   SDG&E is requesting an increase of \$1.208 million over the five-year average  
3 of \$3.907 million, an increase of 31%.<sup>4</sup> Smart Meter costs account for \$527,000 of  
4 the proposed increase. Renewable energy programs, more complex billing  
5 activities, and compliance activities account for the remainder of the proposed  
6 increase.

7                   The Smart Meter billing O&M section typifies how SDG&E has eviscerated  
8 Smart Meter cost savings by adding back expenses that nullify the purported  
9 savings. SDG&E describes a \$262,000 labor cost reduction resulting from fewer re-  
10 bills, exceptions and errors due to Smart Meters. Then SDG&E turns around and  
11 claims the need for \$247,000 in new expenses due to more complex billing  
12 exceptions due to the volume of data collected by the Smart Meters. Furthermore,  
13 SDG&E claims \$388,000 in additional expenses to configure and test the interval  
14 data systems that capture Smart Meter data. Salary increases account for an  
15 additional \$154,000.<sup>5</sup>

16                  Ratepayers need to see lasting benefits from the elimination of meter readers.  
17 Added expenses pertaining to Smart Meter IT technicians, data sleuths, and  
18 management analysts only serve to make a further mockery of the purported  
19 reasonable benefit-cost analysis used to justify the installation of Smart Meters in the  
20 first place. DRA recommends disallowing the Smart Meter O&M expenses with the  
21 exception of the \$154,000 salary increases, which are reasonable to allow for  
22 existing staff as fair compensation for becoming Smart Meter savvy. SDG&E should  
23 bear any additional expenses related to billing exceptions and configuration and  
24 testing because these costs may not materialize and should have been included in  
25 the original AMI business case.

26                  DRA recommends disallowing \$199,500 from the other parts of the Billing  
27 Services increase request. DRA recommends disallowing \$60,000 for a project  
28 analyst that would create policies and procedures and conduct job training. These

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<sup>4</sup> *Id.*, p. 13.

<sup>5</sup> *Id.*, p. 14.

1 are management functions and should not require an additional position to fulfill.  
2 DRA recommends disallowing another \$49,500 for a position to support the limited  
3 re-opening of the Direct Access proceeding. SDG&E is requesting two positions to  
4 support the Revert-to-Owner (RTO) program under the Direct Access proceeding.  
5 SDG&E did not justify the need for two additional staff to support the RTO,  
6 especially given the limited nature of issues being reassessed in the Direct Access  
7 proceeding. SDG&E's description of tasks to support the RTO is consistent with the  
8 need for one additional employee. Finally, DRA recommends a full disallowance for  
9 SDG&E's proposed Compliance Advisor. This position would "translate the tariffs  
10 into business requirements" so other groups can "implement system changes to  
11 support new tariffs."<sup>6</sup> SDG&E is requesting additional staff for what should be part  
12 of existing staff duties with management guidance. Indeed, SDG&E notes that "[t]he  
13 Compliance Manager spent significant time discussing with (sic) other utilities, IT  
14 programmers as well as seeking input from CPUC staff before determining system  
15 coding requirements that were both workable and supported the law."<sup>7</sup> SDG&E  
16 does not need additional staff to assist management to determine how to implement  
17 tariffs. DRA does not oppose funding at the 2009 staffing level for one Manager, two  
18 Customer Service Analysts, and one Special Investigator.

## 19 **2. Office Credit & Collections**

20 SDG&E is requesting an increase of \$307,000 over the five-year average  
21 expense level of \$2.469 million, an increase of 12%.<sup>8</sup> \$188,000 of SDG&E's  
22 proposed increase relates to additional Meter Revenue Protection (MRP)  
23 investigators. SDG&E claims that these MRP investigators are needed because "[i]n  
24 the smart meter environment, the theft investigations will be generated by analysis of  
25 remotely generated meter tamper alarms which will generate investigations  
26 immediately upon unauthorized movement of the meter. This will therefore increase

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<sup>6</sup> Id., p. 19.

<sup>7</sup> Id., p. 20.

<sup>8</sup> Id.

1 the volumes of theft investigations.”<sup>9</sup> SDG&E reasons that simply because Smart  
2 Meters have tamper detectors the utility will be alerted to more attempted or actual  
3 theft. SDG&E has no evidence to support this assertion, other than the claim that  
4 currently meter theft goes undetected. An equally likely scenario is that theft  
5 investigations will decline because potential thieves will be deterred from tampering  
6 with the Smart Meters at the outset. DRA recommends disallowing this expense  
7 request.

### 8 **3. Customer Service Technology Support**

9 SDG&E proposes expenses of \$328,000 above the five-year average of  
10 \$720,000, but \$23,000 less than the 2009 expense level of \$1.071 million.<sup>10</sup> About  
11 half of the proposed increase is due to staff impacts and salary differentials  
12 (\$168,000), while the other half (\$160,000) is for two new positions. SDG&E claims  
13 the positions are needed to support the GridComm project, hard drive encryption for  
14 Mobile Data Terminals (MDT), and Global Positioning System (GPS) technology.  
15 These projects seem likely to benefit from a technical advisor, but the need for a  
16 Business Systems Analyst is not clear. The MDT project will encrypt over 400 MDTs  
17 but should not require much support thereafter. GridComm and GPS should aid  
18 field technician efficiency, and may require technical support. Absent a compelling  
19 justification for the Business Systems Analyst, DRA recommends disallowing the  
20 position. This disallowance removes \$80,000 from SDG&E’s proposal.

### 21 **4. Customer Service Operations Other**

22 SDG&E proposes an increase of \$1.033 million over the five-year average of  
23 \$1.449 million, an increase of 71%.<sup>11</sup> \$1.018 million of this increase is related to  
24 HAN expenses. DRA recommends disallowing all of the HAN expenses and  
25 continuing to use the five-year average expense level. DRA recommends  
26 disallowing the HAN capital request in Exhibit DRA-12. The HAN expenses

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<sup>9</sup> SDG&E response to DRA data request DRA-SDG&E-50-MZX, Q.3.

<sup>10</sup> Exh. SDG&E-14, p. 23.

<sup>11</sup> Id., p. 26.

1 requested by SDG&E would create a whole new HAN team of 8 employees within  
2 SDG&E. These employees would be responsible for everything from tracking HAN  
3 technology development to marketing HAN technologies to customers. Even if the  
4 Commission finds an incremental HAN capital investment warranted, this O&M  
5 request is far beyond the basic need of ensuring that HAN systems function  
6 properly. Utility employees should not be marketing HAN technologies to  
7 customers; that is a job for the competitive market.

#### 8 **IV. DISCUSSION / ANALYSIS OF SHARED SERVICES**

9 Shared services includes management and support staff shared between  
10 SDG&E and SCG. The largest expense area is Customer Service Technology  
11 Support, which support various billing and customer relationship management  
12 systems.

##### 13 **A. Overview of SDG&E's Request**

14 SDG&E is requesting an increase of \$1.677 million over the 2009 expense  
15 level of \$2.986 million, an increase of 56%.<sup>12</sup> This proposed increase is mainly  
16 related to Smart Meters and operational complexity.

##### 17 **B. DRA Approach**

18 SDG&E is requesting a small army of staff to support Smart Meter interfaces,  
19 data collection, on-line presentment, billing and other tasks. In total, SDG&E's  
20 request comprises seven employees; two technical advisors and five Business  
21 Systems Analysts. Moreover, SDG&E is requesting an additional seven Business  
22 Systems Analysts to "support and maintain additional systems and increased  
23 complexity of existing systems."<sup>13</sup>

24 DRA contends that SDG&E's request overstates the actual additional staffing  
25 needs associated with Smart Meters and the complexity of activities. A modest

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<sup>12</sup> Id., p. 30.

<sup>13</sup> Id., p. 36.

1 increase above the five-year average is reasonable to account for some increased  
2 complexity, including increased complexity created by Smart Meters. DRA  
3 recommends an increase of 15% above the five-year average, or \$322,000 for this  
4 area. This increase would allow SDG&E to focus staffing needs on high priority  
5 areas that will increase system efficiency and provide value to ratepayers.

## 6 **V. DISCUSSION / ANALYSIS OF CAPITAL PROJECTS**

7 SDG&E has three proposed capital projects:

- 8 - Upgrade the Computer Assisted Collections System,
- 9 - Enhance billing, financial, and reporting functions (CISCO Billing  
10 Regulatory Project), and
- 11 - Bill Redesign.

### 12 **A. Overview of SDG&E's Request**

13 SDG&E's capital request for the three above mentioned projects totals \$1.792  
14 million in 2010 and 2011. The largest project is bill redesign at \$1.171 million.

### 15 **B. DRA Approach**

16 DRA does not oppose all three proposed projects. DRA's only adjustment is  
17 to use the actual 2010 expenditure on the bill redesign project. In response to a  
18 DRA data request, SDG&E reported that the actual 2010 bill redesign expense was  
19 \$848,000.<sup>14</sup> Therefore, DRA's capital budget recommendation is \$1.469 million.

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<sup>14</sup> SDG&E response to DRA data request DRA-SDG&E-78-MZX, Q.1, embedded MS Excel file on page 1.