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ALJ : Wong
Witness : Maricela Sierra



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 and SoCalGas
Supply Service & Diverse Business Enterprises
Operation & Maintenance Expenses

San Francisco, California
September 1, 2011

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1 **SUPPLY SERVICES & BUSINESS ENTERPRISES**

2 **I. INTRODUCTION**

3 This exhibit presents the analyses and recommendations of the Division of
4 Ratepayer Advocates (DRA) regarding San Diego Gas & Electric Company’s
5 (SDG&E) and Southern California Gas Company’s (SCG) forecasts of Supply
6 Services & Business Enterprises operations and maintenance (O&M) expenses for
7 Test Year (TY) 2012.

8 Supply Services & Business Enterprises is responsible for Supply
9 Management, Diverse Business Enterprises (DBE), Senior Vice President and Chief
10 Information Technology Officer (SVPCITO) and Business Planning.

11 SDG&E and SCG record their Supply Service & Business Enterprises O&M
12 expenses in total non-shared services and total shared services and utilized cost
13 centers as sub-accounts to further identify their historical expenses associated with
14 activities within each cost center.

15 **II. SUMMARY OF RECOMMENDATIONS**

16 **SDG&E**

17 SDG&E forecasts \$13.06 million for its TY 2012 Supply Services & Diverse
18 Business Enterprises O&M expense and a book value of \$4.88 million. SDG&E’s
19 TY 2012 forecast for its Supply Services & Diverse Business Enterprises O&M
20 expenses is based on its 2009 recorded adjusted expenses and five-year averages,
21 plus incremental expenses for activities within each cost center. DRA’s estimate for
22 SDG&E’s Supply Services & Diverse Business Enterprises O&M expenses is \$13.06
23 million and a book value of \$4.88 million.

24 As part of its analysis, DRA reviewed SDG&E’s exhibit and workpapers, data
25 responses and met with SDG&E staff. DRA does not oppose SDG&E’s TY 2012
26 forecast for total O&M expense.

1 Table 19-1 compares DRA's and SDG&E's TY 2012 forecasts of Supply
2 Services & Diverse Business Enterprises expenses:

3 **Table 19-1**
4 **SDG&E Supply Services & Diverse Business Enterprises Expenses for TY 2012**
5 **(In Thousands of 2009 Dollars)**

Description (a)	DRA Recommended (b)	SDG&E Proposed ¹ (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
Total Non-Shared	\$8,178	\$8,178	\$0.00	0.0%
Total Shared (Book expense)	\$4,880	\$4,880	\$0.00	0.0%
Total O&M	\$13,058	\$13,058	\$0.00	0.0%

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7 **SCG**

8 SCG forecasts \$19.52 million for its TY 2012 Supply Services & Diverse
9 Business Enterprises O&M expense and a book value of \$6.96 million. SCG's TY
10 2012 forecast for its Supply Services & Diverse Business Enterprises O&M
11 expenses is based on its 2009 recorded adjusted expenses and five-year averages,
12 plus incremental expenses for activities within each cost center. DRA's estimate for
13 SCG's Supply Services & Diverse Business Enterprises O&M expenses is \$17.72
14 million and a book value of \$6.48 million.

15 As part of its analysis, DRA reviewed SCG's exhibit and workpapers, data
16 responses and met with SCG staff.

17 The following summarizes DRA's recommendations associated with SCG's
18 Supply Services & Diverse Business Enterprises O&M expenses:

- 19 • DRA recommends a TY 2012 forecast of \$9.03 million for O&M non-
20 shared services cost centers: 2SS001.000 and 2SS002.000 Logistics
21 Shops North-Pool Warehousing expenses, compared to SCG's forecast of
22 \$9.80 million. This represents a \$763,000 adjustment to SCG's forecast.
- 23 • DRA recommends a TY 2012 forecast of \$2.19 million for O&M non-
24 shared services cost center 2SS003.000 Office Services expense,
25 compared to SCG's forecast of \$2.76 million. This represents a \$564,000
26 adjustment to SCG's forecast.

¹ Exh. SDG&E-16, p. KLS-5.

- 1 • DRA does not oppose SCG's TY 2012 O&M shared cost center: 2200-
2 2301.000 Foundation expense.
- 3 • DRA recommends a TY 2012 forecast of \$1.94 million for O&M shared
4 Logistics/Shops North cost center 2200-0798.000 be adopted. DRA's
5 estimate of \$1.94 million is \$328,000 lower than SCG's TY forecast.
- 6 • DRA recommends a TY 2012 forecast of \$553,000 for O&M shared
7 services cost centers 2200-0620.000 Portfolio Management expense,
8 compared to SCG's forecast of \$724,000. This represents a \$171,000
9 adjustment to SCG's forecast.
- 10 • DRA does not oppose SCG's TY 2012 O&M shared SVP and CITO cost
11 center 2200-2151.000 expenses.

12 Table 19-2 compares DRA's and SCG's TY 2012 forecasts of Supply
13 Services & Diverse Business Enterprises expenses:

14 **Table 19-2**
15 **SCG Supply Services & Diverse Business Enterprises Expenses for TY 2012**
16 **(In Thousands of 2009 Dollars)**

Description (a)	DRA Recommended (b)	SCG Proposed ² (c)	Amount SCG>DRA (d=c-b)	Percentage SCG>DRA (e=d/b)
Total Non-Shared	\$11,233	\$12,559	\$1,326	12%
Total Shared (Book expense)	6,482	6,961	479	7%
Total O&M	\$17,715	\$19,520	\$1,805	10%

² Exh. SCG-10, p. KLS-4.

1 **III. DISCUSSION / ANALYSIS OF SUPPLY SERVICES & BUSINESS**
 2 **ENTERPRISES**

3 The discussion that follows focuses on the accounts where DRA has
 4 differences with SCG's TY 2012 forecasts.

5 **SCG**

6 **A. O&M Non-Shared Services Cost Centers: Logistics Shops**
 7 **North-Pool Warehousing (2SS001.000 and 2SS002.000) and**
 8 **Office Services (2SS003.000)**

9 The non-shared services cost centers record costs of Supply Management,
 10 DBE, SVP CITO and Business Planning (Supply Services & Diverse Business
 11 Enterprises).³ Table 19-3 provides an overview of SCG's O&M non-shared services
 12 recorded adjusted data from 2005 to 2010 and TY 2012 forecast for the Logistics
 13 Shops North-Pool Warehousing cost centers (2SS001.000 and 2SS002.000). Table
 14 19-4 provides an overview of SCG's O&M non-shared services recorded adjusted
 15 data from 2005 to 2010 and TY 2012 forecast for the Office Services cost centers
 16 (2SS003.000).

17 **Table 19-3**
 18 **SCG O&M Non-Shared Services**
 19 **2005-2010 Recorded / TY 2012 Forecast**
 20 **(In Thousands of 2009 Dollars)**

COST CENTER	LOGISTICS SHOPS NORTH-POOL WAREHOUSING	Adjusted Recorded						SCG TY	DRA TY	SCG > DRA	SCG > DRA
		2005	2006	2007	2008	2009	2010	2012 (c)	2012 (d)	(e = c-d)	(f = e/d)
2SS001.000	Labor	5,223	5,305	5,466	5,321	5,959	5,382	5,779	5,554	225	4%
	Non-Labor	936	787	650	648	658	574	735	627	108	17%
	Logistics Shops North	6,159	6,092	6,116	5,969	6,617	5,956	6,514	6,181	333	5%
2SS002.000	Labor	1,395	1,360	1,269	1,213	1,312	1,112	1,312	1,212	100	8%
	Non-Labor	2,152	2,268	2,132	1,668	1,635	1,621	1,971	1,641	330	20%
	Office Services	3,547	3,628	3,401	2,881	2,947	2,733	3,283	2,854	429	15%
	TOTAL	9,706	9,720	9,517	8,850	9,564	8,689	9,797	9,034	763	8%

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³ Exh. SCG-10, p. KLS-5.

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Table 19-4
SCG O&M Non-Shared Services
2005-2010 Recorded / TY 2012 Forecast
(In Thousands of 2009 Dollars)

COST CENTER	OFFICE SERVICES	Adjusted Recorded						SCG TY	DRA TY	SCG > DRA	SCG > DRA
		2005	2006	2007	2008	2009	2010	2012 (c)	2012 (d)	(e = c-d)	(f = e/d)
	Labor	-	-	-	-	-	-	-	-	-	0%
	Non-Labor	2,350	2,425	2,294	2,172	1,096	1,050	1,520	1,439	81	6%
	NSE	-	-	-	-	1,035	1,242	1,242	759	483	64%
2SS003.000	TOTAL	2,350	2,425	2,294	2,172	2,131	2,292	2,762	2,198	564	26%

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**1. SCG's TY 2012 Request for O&M Non-Shared Services
Cost Centers: Logistics Shops North-Pool
Warehousing (2SS001.000 and 2SS002.000) and Office
Services (2SS003.000)**

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10 SCG is requesting \$12.56 million or an increase of \$864,000 above 2009
11 recorded non-shared expenses for cost centers: Logistics Shops North-Pool
12 Warehousing (2SS001.000 and 2SS002.000) and Office Services (2SS003.000).
13 SCG used 2009 recorded adjusted expenses and a five-year average for its forecast
14 and added \$864,000 for TY 2012.⁴

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**2. DRA's TY 2012 Recommendation for O&M Non-
Shared Services Cost Centers: Logistics Shops
North-Pool Warehousing (2SS001.000 and
2SS002.000) and Office Services (2SS003.000)**

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19 DRA recommends a TY 2012 forecast of \$11.23 million. DRA recommended
20 forecasting methods including a three-year average of recorded labor and non-labor
21 expenses and the 2010 recorded expenses as base year recorded for TY 2012.

22 DRA takes issue with SCG's forecast methodology of 2009 recorded adjusted
23 expenses and a five-year average to forecast TY 2012. SCG's forecasting
24 methodologies do not reflect appropriate expectations for these cost centers based
25 on historical data. For example, SCG forecasted an increase for 2010 and actual
26 2010 recorded adjusted costs show a decrease. DRA recommends using a three-

⁴ Exh. SCG-10 workpapers, pp. 2-11.

1 year average which provides an appropriate method to forecast total TY 2012
2 expenses for non-shared services. In addition, DRA's forecast methods reflect the
3 most current level of activity within these cost centers and historical expenses.

4 DRA takes issue with the proposed increase of \$233,000 above 2009
5 recorded expenses of \$9.56 million for non-shared Logistics Shops North-Pool
6 Warehousing for cost centers 2SS001.000 and 2SS002.000. DRA recommends
7 \$9.03 million for Logistics Shops North-Pool Warehousing TY 2012 for the same
8 reasons as stated above. Table 19-3 provides an overview of SCG non-shared
9 Logistics Shops North-Pool Warehousing O&M recorded adjusted data from 2005 to
10 2010 and TY 2012 forecast for Cost Centers 2SS001.000 and 2SS002.000.

11 DRA takes issue with the proposed increase of \$631,000 for cost center
12 2SS003.000 non-shared Office Services. SCG is requesting an increase of 29.6%
13 above recorded 2009 costs for TY 2012. For the same reasons as stated above
14 DRA recommends a three-year average to forecast TY 2012 expenses for cost
15 center 2SS003.000. Table 19-4 provides an overview of SCG non-shared Office
16 Services O&M recorded adjusted data from 2005 to 2010 and TY 2012 forecast for
17 Cost Centers 2SS003.000.

18 **B. O&M Shared Services Cost Centers: Logistics/Shops North**
19 **(2200-0798.000 and Portfolio Management (2200-0620.000))**

20 The shared services cost centers record costs of Foundation, Logistics/Shops
21 North, Portfolio Management, SVP and CITO.⁵ Table 19-5 provides an overview of
22 SCG's O&M shared services recorded adjusted data from 2005 to 2010 and TY
23 2012 forecast for Cost Center Logistics/Shops North (2200-0798.000). Table 19-6
24 provides an overview of SCG's O&M shared services recorded adjusted data from
25 2005 to 2010 and TY 2012 forecast for Cost Center Portfolio Management (2200-
26 0620.000).

⁵ Exh. SCG-10, p. KLS-8.

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**Table 19-5
SCG O&M Shared Services
2005-2010 Recorded / TY 2012 Forecast
(In Thousands of 2009 Dollars)**

COST CENTER	LOGISTICS/SHOPS NORTH	Adjusted Recorded						SCG TY	DRA TY	SCG > DRA	SCG > DRA
		2005	2006	2007	2008	2009	2010	2012 (c)	2012 (d)	(e = c-d)	(f = e/d)
	Labor	1,702	1,701	1,650	1,482	1,646	1,439	1,646	1,439	207	14%
	Non-Labor	815	679	568	660	428	508	629	508	121	24%
2200-0798.000	Meter Shop & Records	2,517	2,380	2,218	2,142	2,074	1,947	2,275	1,947	328	17%
	TOTAL	2,517	2,380	2,218	2,142	2,074	1,947	2,275	1,947	328	17%

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**Table 19-6
SCG O&M Shared Services
2005-2010 Recorded / TY 2012 Forecast
(In Thousands of 2009 Dollars)**

COST CENTER	PORTFOLIO MANAGEMENT	Adjusted Recorded						SCG TY	DRA TY	SCG > DRA	SCG > DRA
		2005	2006	2007	2008	2009	2010	2012 (c)	2012 (d)	(e = c-d)	(f = e/d)
	Labor	538	517	635	597	517	505	560	505	55	11%
	Non-Labor	16	468	232	53	53	48	164	48	116	242%
2200-0620.000	Gas Portfolio Manager	554	985	867	650	570	553	724	553	171	31%
	TOTAL	554	985	867	650	570	553	724	553	171	31%

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11 **1. SCG's TY 2012 Request for O&M Shared Services Cost**
 12 **Centers: Logistics/Shops North (2200-0798.000) and**
 13 **Portfolio Management (2200-0620.000)**

14 SCG is requesting \$2.99 million or an increase of \$355,000 above 2009
 15 recorded shared expenses for cost centers: Logistics/Shops North (2200-0798.000)
 16 and Portfolio Management (2200-0620.000). SCG used both 2009 recorded
 17 adjusted expenses and a five-year average for its forecast and added \$355,000 for
 18 TY 2012.⁶

⁶ Exh. SCG-10 workpapers, pp. 28-57.

2. DRA's TY 2012 Recommendation for O&M Shared Services Cost Centers: Logistics/Shops North (2200-0798.000) and Portfolio Management (2200-0620.000)

DRA recommends a TY 2012 forecast of \$2.50 million. DRA is using 2010 recorded expenses of \$2.50 million as the basis to forecast TY 2012 expenses for Cost Centers Logistics/Shops North (2200-0798.000) and Portfolio Management (2200-0620.000).

DRA takes issue with SCG's forecast methodology of 2009 recorded adjusted expenses and a five-year average to forecast TY 2012. SCG's forecasting methodologies do not reflect the current downward trend for these cost centers. The 2005 to 2010 recorded expenses show decreases over the past four years. In addition, 2010 recorded expenses reflect the most current level of activity within these cost centers given their decreases. For this reason, DRA recommends using 2010 recorded expense for cost centers Logistics/Shops North (2200-0798.000) and Portfolio Management (2200-0620.000) TY 2012.

DRA takes issue with the proposed increase of \$201,000 above 2009 recorded expenses of \$2.07 million for shared Logistics/Shops North cost center 2200-0798.000. DRA recommends using 2010 recorded expense of \$1.95 million for TY 2012. Table 19-5 provides an overview of SCG's shared Logistics/Shops North O&M recorded adjusted data from 2005 to 2010 and TY 2012 forecast for Cost Center 2200-0798.000.

DRA takes issue with the proposed increase of \$154,000 above 2009 recorded expenses of \$570,000 for shared Portfolio Management cost center 2200-0620.000. DRA recommends using 2010 recorded expense of \$553,000 for TY 2012. This estimate is consistent with the recent recorded figures for 2009 and 2010. Table 19-6 provides an overview of SCG's shared Portfolio Management O&M recorded adjusted data from 2005 to 2010 and TY 2012 forecast for Cost Center 2200-0620.000.