

Decision 90 09 040 SEP 12 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into)
the findings, recommendations and)
implementation action plans of the)
Management Audit of Southern)
California Gas Company.)

I.89-04-051
(Filed April 26, 1989)

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Richard Baish, Mike Ferguson, Randolph Wu, Attorneys at Law, for El Paso Natural Gas Company; Edward Cameron, for the City of Glendale; Edward Duncan, for himself; Michel Peter Florio, for Toward Utility Rate Normalization (TURN); Robert J. Hohne, for himself; Leamon Murphy, for the Imperial Irrigation District; Jones, Day, Revis & Pogue, by Norman A. Pedersen, Attorney at Law, for Southern California Utility Power Pool; Robert L. Pettinato, for Los Angeles Department of Water and Power; David Plumb, for the City of Pasadena; Patrick Power, Attorney at Law, for the City of Long Beach; Donald G. Salow, for the Association of California Water Agencies (ACWA); Shelley Ilene Smith, Asst. City Attorney, for the City of Los Angeles; and Ronald Stassi, for the City of Burbank; interested parties.

Izetta C. R. Jackson, Attorney at Law, and Ray Charvez, for the Division of Ratepayer Advocates.

O P I N I O N

Summary

This decision closes our investigation (I.89-04-051) into Southern California Gas Company's (SoCalGas) Phase I management audit. This phase examined SoCalGas' operational and financial processes as well as its management performance. The parties, through a series of workshops, reached agreement on 112 audit recommendations. In addition, eight other recommendations were referred to SoCalGas' then pending general rate case (GRC) (Application (A.) 88-12-047).

We find the parties' resolution of the Phase I audit reasonable and order implementation of the recommendations according to the conditions laid out in the parties' Memorandum of Understanding (XOU). For the first year, quarterly reports shall be filed on the status of implementation. Thereafter, semiannual reports shall be filed until a decision is issued in SoCalGas' next GRC.

Finally, we determine that Phase II of the management audit will proceed under the auspices of the Commission Advisory and Compliance Division (CACD), and will issue a new Order Instituting Investigation (OII or I.) to deal with those issues at an appropriate time.

Background

On October 28, 1987, the Commission adopted Resolution G-2736, initiating a comprehensive management audit of SoCalGas. The resolution divided the audit into two phases. The first phase was to examine SoCalGas' operational and financial processes as well as its management performance. This Phase I audit was to be conducted by a management consulting firm resulting in specific recommendations for improvement. The second phase of the audit would investigate SoCalGas' marketing and procurement policies in its core and noncore competitive natural gas markets. The

resolution authorized the project coordinator, appointed from the Evaluation and Compliance Division (now called Commission Advisory and Compliance Division or CACD) to determine the final scope and timing of the audit's second phase. With respect to when Phase II of the audit should begin, the Commission will make that determination at a later date.

The Phase I audit report was prepared by the joint venture consulting firms of Touche Ross & Co. and Doherty & Co. Inc. (Touche Ross) and submitted to the Commission in February 1989. The four-volume Phase I report containing 120 recommendations.

An investigation was issued on April 26, 1989 (I.89-04-051) to provide a procedural forum to review the findings, recommendations, and implementation action plans of the Phase I report. Pursuant to the schedule set forth in the OII, a prehearing conference (PHC) was held on May 8, 1989, for the purpose of determining the areas of agreement which could be reached by interested parties.

At the PHC, the administrative law judge (ALJ) ordered SoCalGas to prepare a response to the audit report indicating recommendations it had already implemented; recommendations in the process of being implemented; recommendations which had not yet been implemented but it concurred with; recommendations it disagreed with; and finally recommendations that were the same as issues in its GRC application (A.88-12-047). SoCalGas' response was served on June 12, 1989. As ordered by the ALJ, the project coordinator of CACD organized workshops which were held June 26 through June 29, 1989, to allow discussion among the interested parties of the audit recommendations and SoCalGas' response. CACD prepared a workshop report which was filed on July 13, 1989.

Workshop participants agreed that eight recommendations were covered in SoCalGas' GRC application. The CACD report identified five audit recommendations likely to be litigated, five

and eight recommendations agreed to in principal which required additional information from SoCalGas for review by Touche Ross. The parties were in agreement on the remaining 74 recommendations out of the original 120 in the audit.

As a result of the workshops, a MOU was prepared and signed by representatives of SoCalGas, Touche Ross, and the Division of Ratepayer Advocates (DRA). Under the MOU, certain conditions regarding the timing, action steps, and costs and benefits contained in the recommendations were agreed to by the signing parties. (See Appendix A for the full text of the MOU.) A key clause of the MOU is that acceptance by the parties is contingent upon the MOU's acceptance in its entirety by the Commission. The MOU makes SoCalGas responsible for undertaking implementation of the recommendations. SoCalGas may, but is not required to, implement the action steps on the timetable set by Touche Ross. SoCalGas will report its progress towards implementing the audit recommendations to the satisfaction of the Commission in its next GRC application following test year 1990. The MOU states SoCalGas will absorb implementation costs associated with the recommendations through productivity savings and reallocation of its budget. These savings will be reflected in rates in its next GRC. SoCalGas will not be expected to reconcile actual or projected costs and benefits with the costs and benefits estimated in the Phase I audit report. In addition, the MOU states that SoCalGas will not be required to implement recommendations for which costs exceed savings, but will have to justify its decision. Finally, the MOU establishes a framework for a monitoring program.

The parties continued to discuss and clarify the recommendations with the MOU serving as the underlying basis for reaching agreement. On August 21, 1989, a second workshop was noticed to be held on August 28, 1989. At the end of this second workshop only four recommendations required further discussion. Following further telephone conversations and exchange of data, the

parties reached agreement on all 112 recommendations that were not being addressed in the GRC.

On October 2, 1989, the ALJ issued a ruling setting an evidentiary hearing on October 16, 1989. The ruling required workshop participants to prepare testimony on the final results of both workshops and subsequent discussions.

On October 16, 1989, two exhibits were received in evidence. The first exhibit is the February 1989 Touche Ross four-volume report on the management audit. The second exhibit received is the Final Report of Touche Ross dated October 16, 1989, which includes joint testimony of Touche Ross, SoCalGas, and DRA, the MOU, a listing of the 112 audit recommendations agreed upon (attached as Appendix B), a listing of the eight audit recommendations being addressed in the GRC, and a stipulation presenting this exhibit as the joint recommendation of the parties requesting approval by the Commission as the final negotiated resolution of this proceeding.

At the hearing, there was discussion regarding timing of the periodic reports due to CACD and DRA as agreed upon in the MOU. For the first year after issuance of this decision, the parties agreed to quarterly reports. Then the reports would become semiannual with the exception that as to any recommendations SoCalGas could not implement due to cost or other factors, SoCalGas could then submit a report in a timely fashion as a supplemental report. Parties also discussed the appropriate mechanism for commenting on the periodic reports, agreeing that both CACD and DRA should have the right to comment on the reports hopefully coordinating their comments to the extent possible. (RT 15.) No objections were made to the receipt of both exhibits into evidence.

Only SoCalGas filed comments on the ALJ's proposed decision. These comments have been reviewed and carefully considered by the Commission.

Discussion

SoCalGas, Touche Ross, and DRA have presented us with an uncontested resolution of the issues raised by this investigation. Their MOU and accompanying agreement on 112 audit recommendations were presented as joint testimony at the duly noticed evidentiary hearing held on October 16, 1989. No party present at the hearing objected to the joint exhibit. Therefore, Rule 51.10 of our Rules of Practice and Procedure applies which states that joint testimony may be sponsored by two or more witnesses without application of our settlement rules (with the accompanying comment periods).

We find that the MOU and agreed-upon audit recommendations (Appendices A and B to this decision) are a reasonable and thorough resolution of the Phase I SoCalGas management audit. Our original intention regarding this audit, as set forth in Resolution G-2736, was for SoCalGas to participate in this audit in a spirit of cooperation. The joint testimony before us shows that SoCalGas and other parties followed that directive. We commend the parties for their cooperative effort in resolving their areas of dispute in this manner. We will order the continued implementation of the audit recommendations according to the terms of the MOU.

At the October 16, 1989 hearing, the issue of the timing of the periodic status reports to CACD was raised. As set forth in the MOU, periodic reports would be submitted to CACD regarding the status of implementation of the agreed-upon 112 recommendations. Since some of the recommendations have already been implemented or are in the process of being implemented, we agree with the parties that quarterly reports for one year, with semiannual reports to follow, are appropriate. Parties suggested that supplemental reports could be submitted for any recommendation SoCalGas chose not to implement. However, this seems unnecessary in light of the frequency of the periodic reports. Therefore, we will order quarterly reports in the form of compliance filings to this

decision to be filed December 1, 1990; March 1, 1991; June 1, 1991; and September 1, 1991 regarding the status of implementing the audit recommendations. Thereafter, semiannual reports shall be filed starting February 1, 1992 and continuing every six months until the date of the Commission decision in SoCalGas' next GRC. Parties may file comments on the status reports within 30 days. Parties should attempt to resolve any disputes that arise in the reports or comments. Any unresolved disputes regarding implementation of the audit recommendations will be addressed in SoCalGas' next GRC.

This proceeding dealt exclusively with Phase I of SoCalGas' management audit. As stated in Resolution G-2736, the project coordinator of CACD shall determine the scope and timing of Phase II of the audit. SoCalGas filed comments to the ALJ's proposed decision in which it argues that it is unwise to go forward with Phase II of the audit at this time because of the industry restructuring that is proposed, particularly in the areas of gas marketing and procurement. We will defer going forward with Phase II of the SoCalgas audit at this time. However, CACD is directed to present recommendations to the Commission within 60 days for proceeding with those aspects of Phase II, if any, which it believes can yield valuable results even as the Commission moves forward with the gas industry restructuring. When the Phase II audit proceeds, we will issue a new OII at the appropriate time to address Phase II issues. This docket, being limited to Phase I issues, can be closed at this time.

Findings of Fact

1. The Commission adopted Resolution G-2736 on October 28, 1987, initiating a comprehensive management audit of SoCalGas in two phases.
2. Phase I of the management audit examined SoCalGas' operational and financial processes as well as its management performance and is the subject of this investigation, I.89-04-051.

3. The consulting firms of Touche Toss & Co. and Doherty & Co. submitted a four-volume management audit to the Commission in February 1989.

4. The Commission issued I.89-04-051 to provide a procedural forum to deal with the Phase I audit report.

5. After the PHC, workshops were held to allow parties to work towards agreement on the audit recommendations.

6. The parties reached agreement that eight recommendations were being litigated in SoCalGas' pending GRC.

7. Through continued discussion, SoCalGas, DRA, and Touche Ross reached agreement on 112 recommendations and a Memorandum of Understanding to control implementation of those recommendations.

8. At hearing, the parties presented their MOU and 112 recommendations as joint testimony and no party cross-examined or objected to its receipt into evidence.

9. The MOU and agreed-upon audit recommendations are a reasonable and thorough resolution of the Phase I SoCalGas management audit.

10. It is reasonable to require quarterly compliance filings from SoCalGas on the implementation status of the audit recommendations for the first year with semiannual compliance filings thereafter until a decision is issued in its next GRC.

11. It is reasonable to allow parties to file comments on the compliance filings within 30 days and instruct parties to attempt to resolve any disputes that arise regarding the compliance filings.

12. SoCalGas' next GRC is the appropriate forum to resolve any remaining disputes regarding the audit recommendations.

13. There are no further issues which need to be addressed in this proceeding.

14. Given the continued restructuring of the gas industry, it is reasonable to go forward with the Phase II audit at a later date.

Conclusions of Law

1. The Commission should adopt the MOU and agreed-upon 112 recommendations as the final resolution of this proceeding as set forth in the ordering paragraphs below.

2. This investigation, I.89-04-021, should be closed because no issues remain for resolution regarding the Phase I management audit.

3. CACD should proceed with the second phase of the audit when the Commission has determined that it would provide a useful set of information given the new operating environment. The Commission will issue a new OII to deal with those issues at an appropriate time.

ORDER

IT IS ORDERED that:

1. Southern California Gas Company (SoCalGas) shall implement the 112 agreed-upon audit recommendations (as set forth in Appendix B) in accordance with the terms set forth in the Memorandum of Understanding (Appendix A).

2. SoCalGas shall file quarterly status reports regarding implementation of the audit recommendations on December 1, 1990; March 1, 1991; June 1, 1991; and September 1, 1991. Thereafter, SoCalGas shall file semiannual status reports beginning February 1, 1992 and continuing every six months until a Commission decision is rendered in SoCalGas' next general rate case. These status reports shall be in the form of compliance filings, with an original and 12 copies filed with the Commission's Docket office and served on all parties of record in this proceeding.

3. Parties may file comments on these status reports within 30 days of the compliance filings.

4. Parties shall attempt to resolve any disputes that arise regarding the implementation of the audit recommendations. Any unresolved disputes shall be addressed in SoCalGas' next general rate case proceeding.

5. The Commission shall issue a new investigation to deal with Phase II audit issues at an appropriate time.

6. This proceeding is closed.

This order is effective today.

Dated SEP 12 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
PATRICIA M. ECKERT
Commissioners

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE COMMISSIONERS TODAY


NEAL J. SHULMAN, Executive Director

APPENDIX A
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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

OII 89-04-051
MANAGEMENT AUDIT OF SOUTHERN
CALIFORNIA GAS COMPANY

MEMORANDUM OF UNDERSTANDINGS
BETWEEN THE PARTIES

In recognition that a commonly accepted framework for the consideration of the recommendations of the auditors will substantially expedite this proceeding, the undersigned parties hereby agree as follows:

1) The recommendations of the auditors include the subject matter of each recommendation, action steps the auditor believes are necessary to implement the recommendations, the estimated costs and benefits of implementation, and a recommended timetable for implementation.

2) In its response of June 12, 1989, SoCalGas identifies numerous auditor recommendations that it agrees with in whole or in part, and has either implemented or is in the process of implementing. Most of these recommendations will not become contested issues in this proceeding.

3) Of those recommendations that SoCalGas disagrees with in whole or in part, many of them will become contested issues in the case, unless they can be resolved through negotiation.

4) As to the issues that are resolved through negotiation, as well as those that become contested in the case, and are ultimately resolved by Commission decision, the parties agree that SoCalGas will be responsible for undertaking their implementation between the date of the Commission decision in this case, and the date of the Commission decision in SoCalGas' next general rate case following Test Year 1990.

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5) In its application in the next general rate case, SoCalGas will report on its progress in implementing the audit recommendations adopted by the Commission decision in this case. SoCalGas will have the responsibility of demonstrating that it has implemented the adopted recommendations, or that it has made progress toward implementing them to the satisfaction of the Commission. In its next general rate case, SoCalGas' cost structure will reflect the savings it has realized through implementing this program, or the projected savings for the recommendations which have not been fully implemented it expects to realize through the new Test Year. SoCalGas will not be expected to reconcile actual or projected costs and benefits with the costs and benefits estimated in the management audit report.

6) The action steps, and therefore the related timetables, developed by the auditors are proposals for implementing the specific recommendations, but are not necessarily the only way that the recommendations could be achieved. SoCalGas therefore may, but is not required to, implement the action steps as specifically recommended and may choose to implement them in an alternate manner in order to achieve the same results.

7) The parties to this proceeding recognize that the projected costs and savings associated by the auditors with each recommendation are good faith estimates. The actual savings realized by SoCalGas once the adopted recommendations are implemented may not be the same as the auditor's estimates. SoCalGas must show that the savings realized in implementing this program are equal to or in excess of the costs incurred. SoCalGas shall demonstrate to the Commission that the adopted recommendations have been carried out, or are being carried out in good faith.

8) SoCalGas will not be required to implement recommendations for which the costs exceed the benefits. Within 30 days from its determination that any recommendation is not cost effective, SoCalGas shall fully explain how it quantifies cost and benefits in a report filed with CACD and DRA. DRA will notify SoCalGas within 30 days of receipt of the SoCalGas explanation if it disagrees with the explanation. If the parties cannot agree, SoCalGas shall be responsible in its next general rate case for supporting its basis for not implementing those recommendations which it determines are not cost effective.

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9) SoCalGas will be allowed to absorb the costs of implementing the adopted recommendations through productivity savings and reallocation of its budget. SoCalGas will not be required to reflect any associated savings in rates until the final Commission decision in its next general rate case following Test Year 1990.

10) SoCalGas agrees that it will file periodic reports with the Commission Advisory and Compliance Division and the Division of Ratepayer Advocates on the status of implementing adopted recommendations between the date of the decision in this case and the date of the Commission decision in the next general rate case. If during implementation SoCalGas discovers that any recommendations approved by the Commission cannot or should not be implemented, it will state the reasons in its periodic report. These reports will not be expected to track or reflect the costs and/or benefits of implementing the auditors' recommendations.

11) Acceptance of this agreement by the undersigned is contingent on acceptance in its entirety by the undersigned and adoption in its entirety by the Commission.

Accepted and Agreed to:

By: [Signature]
Division of
Ratepayer Advocates

By: [Signature]
Southern California
Gas Company

By: [Signature]
Touche Ross

(END OF APPENDIX A)

III • AUDIT RECOMMENDATIONS ADDRESSED IN THE CURRENT OIL HEARINGS

This section of the testimony presents 112 audit recommendations developed by Touche Ross and accepted by SoCalGas for implementation in the current OIL. The wording of 80 recommendations is identical to the original contained in the Auditor's February 1989 report; 32 recommendations were clarified or revised following discussions among SoCalGas, Touche Ross, and the DRA.

<u>RECOMMENDATION NUMBER</u>	<u>RECOMMENDATION</u>
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- | | |
|-------|--|
| III-1 | Institute a detailed review of the Company's organizational structure designed to result in a better functional alignment, a reduction in the number of management levels, and increased spans of control. The review should emphasize top management (i.e., Vice President and "Manager Of") reporting and functional alignment, and span of control to the manager level for selected areas. |
| III-2 | Stabilize the organization. |
| III-3 | Increase the emphasis on planning in lower organizational levels. |
| III-4 | Clearly define and communicate the roles of all the principal participants in the planning process. |
| III-5 | Set the planning calendar to provide SoCalGas line and staff departments with sufficient time for their portions of the planning process. |
| III-6 | Simplify the correlation of objectives process. |
| III-7 | Improve the means of communicating the planning process to the field, and place greater emphasis on educating middle management regarding the process. |
| III-8 | Keep the planning process simple and straightforward. |

- III-9 Include Public and National Public Affairs in the comprehensive summary of the overall organization.
- IV-1 Review the current priority for enhancements to accounting and financial systems.
- IV-2 Review the cost of critical bank relationships on a regular basis.
- IV-3 Continue to evaluate alternative cash management policies with specific emphasis on evaluating ways to expedite the deposit of funds from payment agencies.
- IV-4 Reevaluate the current methodology for determining objective bank balances.
- IV-5 Curtail all analysis of noncollectible work orders under \$50,000 by Headquarters and Division staff.
- IV-6 Maintain or accelerate if possible the implementation schedule of the new Accounts Payable System.
- V-1 Reorganize the work effort within the Customer Services and Consumer Affairs Departments along functional lines so that the personnel who will be held accountable for project implementation are involved in project development.
- V-2 Develop professional productivity measures and staffing methodology for staff personnel.
- V-3 Designate the Senior Consumer Affairs Representative as the Consumer Affairs Department Head.
- V-5 Enhance centralized training to meet supervisors' needs.
- V-6 Provide functional training to all new supervisors.
- V-7 Identify and develop service level objectives for all customer services functions.
- V-8 Develop monitoring systems for trunk utilization.

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- V-9 Develop quality and productivity standards that incorporate off-board time, and use this information for CSR staffing purposes.
- V-10 Establish standards for response to telephone calls letters and other types of correspondence.
- V-11 Monitor the number and type of customer complaints and inquiries and customer perceptions of how they were addressed.
- V-14 Continue to work toward reducing billing delays to core and non-core customers within Special Accounts.
- V-15 Develop a training program specifically for SARs that includes and is based on a review of customer needs.
- V-16 Develop productivity and quality standards for SARs.
- V-19 Collect customer telephone numbers and telephone ahead to schedule Quality Assurance checks to avoid visits when no one is home.
- V-20 Strengthen the Energy Diversion Investigation program.
- V-21 Accelerate collection action on unpaid closing bills.
- V-22 Modify the current collections reports and produce new reports to indicate the effectiveness with which the Company collects all accounts.
- VI-1 Continue to work with the State Government Affairs section of Public Affairs to enact stronger and more enforceable penalties for failure to notify USA before an excavation.
- VI-2 Reduce the number of leak orders in the Northwest and Western Divisions.

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- VI-3 Reduce the number of "damages Company aware not marked" with particular emphasis on the Inland Division.
- VI-4 Evaluate the current use of the work measurement system and educate managers on the appropriate uses of the work measurement system.
- VI-5 Develop and implement an integrated work management and scheduling system for Distribution Operations.
- VI-6 Lower the level of budgeting and responsibility center reporting to the district level in the Distribution Divisions.
- VI-7 Increase the percent of contractor jobs that are bid.
- VI-8 Consolidate the Meter Shop's management organizational reporting structure.
- VI-9 Institute manufacturing cost controls in the Meter Shop.
- VI-10 Implement procedures to minimize meter inventory levels at the Pico Rivera Yard and the divisions.
- VI-11 Consolidate the productivity and payroll data entry functions to prevent duplication of effort.
- VI-12 Enhance the effectiveness of the Measurement Department's work measurement programs.
- VI-13 Increase the use of the MARS system by conducting retrospective statistical analyses activities performed by division measurement personnel.
- VI-14 Institute a policy such that when M&R Technicians are rotated to a new work area (that is, for example, steam plants, or a new Division or District where different work is being done) their training background will be reviewed to ensure the adequacy of their skill set and refresher training will be scheduled as needed.

- VI-15 Identify appropriate reporting relationships for measurement field personnel in each Distribution Division.
- VII-1 Continue the recent efforts to improve employee productivity, particularly as measured by overtime hours in the operating Divisions.
- VII-2 Create a project management system for Transmission and Storage projects, and document it in a comprehensive set of construction/project management manuals. (Note: This recommendation is the same as VIII-7.)
- VIII-1 Formalize the process to solicit feedback on Engineering and Research performance through regular use of "Quality of Service Surveys".
- VIII-2 Conduct an organizational study aimed at increasing the span of control of E&R functional department managers with special emphasis on the Manager of Research and the Manager of Engineering Services positions.
- VIII-3 Expand the scope of the long-range planning process to more fully incorporate the potential impacts of low-probability events.
- VIII-4 Include in each year's plan a variance analysis of the previous year's long-range plan.
- VIII-5 Establish the Environmental Planning function within the Environmental Engineering Department.
- VIII-6 Establish priorities for Environmental Engineering tasks on an annual basis.
- VIII-7 Assign to Project Management the responsibility for leading a Companywide effort to standardize and formalize construction and project management techniques. (Note: This recommendation is the same as VII-2.)

- VIII-8 Establish a set of formal procedures for selecting and administering Engineering Design contracts. At a minimum, the procedures should include establishing contractor eligibility criteria, establishing criteria for using bid versus time and materials, establishing contractor selection criteria and process, determining the form and frequency of contract/client communications, and maintaining a vendor evaluation file.
- X-2 Strengthen the monitoring and cost control over services provided by Pacific Enterprises. (Note: This recommendation is the same as XIV-1.)
- X-3 Install an additional microcomputer in the Customer Complaints section and implement an automated tracking system for informal CPUC complaints.
- X-4 Implement formal variance analysis activities in the Demand Forecasting Group.
- XI-1 Take steps to reduce grievances, disciplinary actions, and arbitrations through a combination of improved relations with the Company's bargaining unit and an enhanced information system (subject to the Project Call review process).
- XI-2 Evaluate the usefulness of the Shop Committee Program, and make certain Labor Relations training courses mandatory.
- XI-4 • Conduct a detailed review of the management incentive program and management overtime. The review should be designed to result in reduced management overtime and increased incentive compensation.
- XI-5 Strengthen the Company's bargaining position by implementing the non-management job evaluation system, and continuing the clerical salary survey.
- XI-6 Conduct a comprehensive comparative cost study of the Company's health care benefits.

- XI-7 Implement the new Employee Information System (EIS).
- XI-8 Closely monitor the competitiveness of management compensation and continue to take the steps necessary to bring management compensation into line with the market.
- XI-9 Restructure the long-term portion of the Executive Incentive Plan (EIP) to eliminate an inappropriate goal for senior SoCalGas executives.
- XI-10 Reduce the number of salary surveys in which the Company participates annually.
- XI-11 Develop a management appraisal system that forces greater discrimination in performance levels.
- XI-12 Set as a goal to bring the rate of management movement within the Company to or below the average level experienced during the period from 1985-1987. Movement is defined as including new hires, promotions, parallel moves and returns from temporary positions but excluding upgrades and changes in status from temporary to regular (both parallel and promotions) and excluding reorganizations necessary to implement Auditor or consultant recommendations (such as those recommendations made by the Touche Ross management auditors and those made by the consultants currently analyzing the Marketing and Gas Supply Departments).
- XI-13 Restructure the Readiness For Management Program.
- XI-14 Further upgrade the accident investigation procedure.
- XI-15 Implement other new safety programs.
- XI-16 Conduct a review of the Human Resources organizational structure to ensure proper functional alignment, determine appropriate levels of services and staffing, and identify potential staff reductions, where possible.

- XI-17 Undertake a feasibility study to examine the creation of a Medical Director position; then, if study results indicate appropriate need, establish the position.
- XI-18 Investigate the feasibility of charging user departments for the cost of management training and industrial engineering services provided by Human Resources.
- XI-19 Institute a policy that requires managers to notify Industrial Engineering before hiring an outside consultant for the types of services IE is capable of providing.
- XII-1 Conduct a productivity study to develop new work standards for mail payment processing at Monterey Park and Conejo Valley.
- XII-2 Implement an incentive program for mail payment processing personnel that ties compensation or non-monetary benefits to an individual's performance against productivity work standards, subject to union approval.
- XII-3 Develop Service Level Agreements between Information Systems and the users for all major new and critical existing applications (defined as applications requiring at least six months of effort).
- XII-4 Expand performance management reports and develop guidelines and standards for capacity planning and system performance tuning.
- XII-5 Develop end-user computing policies and standards, including a definition of the appropriate boundaries between Information Systems and end-user applications development. The standards should cover how users develop systems and the controls to be incorporated into the system. Information Systems should coordinate training, and supervisors should ensure that training is job-related and that prerequisites have been satisfied.

- XII-6 Expedite the implementation of the Blueprint plan and ensure that it is actively supported and promoted by executive management.
- XII-7 Develop a methodology for controlling maintenance projects either by modifying PDP procedures or developing separate procedures. The methodology should include at least a checklist of major steps to be accomplished (e.g., fill out paperwork, update documentation, convert/change data files, notify users, test changes).
- XII-9 Ensure that the Company has detailed knowledge of its switch inventory by site and that the Company has a methodology to ensure that this inventory is allocated efficiently throughout the system. The methodology should be based on a set of guidelines for cost-effective network and system design and should include periodic reviews to ensure compliance.
- XII-10 Apply additional resources to the implementation of the Network Management and Control Center as rapidly as possible.
- XII-11 Engage an outside inventory management firm to assist in capturing data on existing telephone equipment inventory and establishing adequate inventory control systems.
- XII-12 Establish standards for telephone and Automatic Call Distribution (ACD) service levels, and link them to standards for PBX, ACD, and trunk configuration.
- XIII-1 Continue to identify ways to reduce the vehicle fleet.
- XIII-2 Analyze and update general automotive policies and procedures and develop more definitive vehicle maintenance standards. In addition, periodically compare internal vehicle repair costs to industry costs to ensure that internal repairs are performed cost-effectively.