

Applications : A.06-12-009 / 010
Exhibit Number : DRA-
Commissioner : Bohn
ALJ : Long
Witnesses : Various



**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 2008**

Corrected / Revised Pages to
Exhibits DRA-11, DRA-17, DRA-18 and DRA-32

San Francisco, California
August, 2007

NOTES

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Changes to Exhibit DRA-11 are due to updated numbers appearing in Exhibit DRA-17.

Changes to Exhibit DRA-17 are due to corrections based on updated information.

Changes to Exhibit DRA-18 are due to consideration of information contained in rebuttal exhibits SDG&E/SCG-202 and SDG&E/SCG-236.

Changes to Exhibit DRA-32 are due to updated numbers appearing in Exhibit DRA-17 and consideration of information contained in rebuttal exhibit SCG-205.

Exhibit DRA-11 (Revised August 8, 2007)

- 1 6. DRA is recommending an uncollectible rate of 0.109% compared to
 2 SDG&E's proposed uncollectible rate of 0.207%.
- 3 7. DRA is recommending capital expenditures of ~~\$3.759~~ \$4.257 million in
 4 2006, ~~\$4.285~~ \$4.295 million in 2007, and \$5.307 million in 2008.
 5 SDG&E is requesting capital expenditures of \$4.972 million in 2006,
 6 \$6.412 million in 2007, and \$8.782 million in 2008. DRA is
 7 recommending that the capital projects that SDG&E have not
 8 completed a business case should not receive funding.

9

10 Table 11-1 compares DRA's recommended with SDG&E's proposed O&M
 11 expenses for Test Year 2008:

**Table 11-1
 Customer Service Operations O&M Expenses
 (In Thousands of 2005 Dollars)**

Account Description (a)	DRA Recommended (b)	SDG&E Proposed¹ (c)	Amount SDG&E>DRA (d=c-b)	Percentage SDG&E>DRA (e=d/b)
586 -Electric Meter & Advanced Metering Operations, Supervision	\$7,937	\$8,898	\$961	12.1%
597 -Electric Meter Maintenance & Instrumentation	\$354	\$354	\$0	0%
878 -Gas Meter & House Regulator Expense	\$3,289	\$4,358	\$1,069	32.5%
879 -Customer Service Field, Customer Installations	\$8,037	\$9,489	\$1,452	18.1%
902 -Meter Reading & Measurement Data Ops.	\$10,021	\$10,448	\$427	4.3%
903 -Customer Records, Accounts & Collections	\$30,183	\$30,876	\$693	2.3%
904 -Uncollectible Rate	0.109%	0.207%		
905 -Misc Customer Acct	\$123	\$123	\$0	0%
Total	\$59,944	\$64,546	\$4,602	7.7%

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¹ Exhibit SDG&E-9, page EF-54

Exhibit DRA-11 (Revised August 8, 2007)

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Table 11-14
FERC Account 904
Uncollectible Rate

Year	Recorded Uncollectible Expenses	Sales Revenue	Uncollectible Rate
2001	\$9,350,181	\$2,385,283,473	0.392%
2002	\$5,679,927	\$1,936,232,199	0.293%
2003	\$1,447,988	\$2,111,336,386	0.069%
2004	\$3,024,937	\$2,092,976,632	0.145%
2005	\$2,801,345	\$2,249,879,566	0.125%
2006	\$2,419,363	\$2,557,737,185	0.095%
SDG&E Proposed	5-year Average (2001-2005)	0.207%	
DRA Recommended	4-year average (2003-2006)	0.109%	

4 **IV. DISCUSSION / ANALYSIS OF CAPITAL EXPENDITURES**

5 SDG&E is requesting Information Technology (IT) capital expenditures of
6 \$4.972 million in 2006, \$6.412 million in 2007, and \$8.782 million in 2008,⁵⁷ for a
7 total of \$20.166 million over the 3-year period. DRA is recommending that the
8 Commission approve capital expenditures of ~~\$3.759~~ \$4.257million in 2006, ~~\$4.285~~
9 \$4.295 million in 2007, and \$5.307 million in 2008, for a total of ~~\$12.899~~ \$13.859
10 million.

11 DRA recommends a total of ~~\$7.267~~ \$6.307 million in adjustments over the
12 2006-2008 time frames based on the fact that SDG&E's IT capital projects that do
13 not have completed business cases should be rejected. DRA's discussion on
14 SDG&E's process for IT capital projects is found in Exhibit DRA-17. The following
15 three tables present SDG&E's and DRA's forecasts for capital expenditures for the
16 CSO for each year of 2006 to 2008.

⁵⁷ Exhibit SDG&E-9, page EF-734

Exhibit DRA-11 (Revised August 8, 2007)

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**Table 11-15
Customer Service Operations
2006 Capital Expenditures⁵⁸
(In Thousands of 2005 Dollars)**

Project Description	SDG&E Recorded 2006⁵⁹	SDG&E Forecast 2006	DRA Recommend 2006	Business Case
Dynamic Load Profiling/Load Research	\$710	\$923	\$710	Mandated
Replace TOU Meters (CLOCKS)	259	358	259	Yes
CPP Advanced Metering	452 476	102	452 476	Mandated
Paystations	86 84	106	86 84	Yes
eServices Phase 2: Basic Online Bill Pay and My Account Services	1,225 1,434	225	1,225 1,434	Yes
eServices Phase 3: Expanded Online Bill Pay and My Account Services	487 216	600	487 216	Yes
Upgrade non-supported telephony components	0	150	0	No
Upgrade IVR	0	175	0	No
Message Boards	0	90	0	No
Outbound Dialer Upgrade	0	90	0	No
Misc Server Refresh	0	25	0	No
Remote Agent Pilot	0	200	0	No
Handheld Replacement	564 551	0	564 551	Yes
Customer Service MDTs	0	77	0	Yes
CISCO Controls Enhancement	268 280	301	268 280	Yes
Rate Schedule Engine Technical Upgrade	0	800	0	Yes
CISCO Regression Environment	0	750	0	Yes
Bill Redesign	11	0	11	Yes
Customer Service Field Radio Equip.	247	0	247	Yes
Total Capital Expenditures	\$3,759 \$4,257	\$4,972	\$3,759 \$4,257	

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⁵⁸ Exhibit SDG&E-9, page EF-64 and Response to DRA-SDG&E-110, question 2

⁵⁹ Response to DRA-SDG&E-110, question 2

Exhibit DRA-11 (Revised August 8, 2007)

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**Table 11-16
Customer Service Operations
2007 Capital Expenditures⁶⁰
(In Thousands of 2005 Dollars)**

Project Description	SDG&E 2007 Forecast	DRA Recommend 2007	Business Case
Dynamic Load Profiling/Load Research	\$397	\$397	Mandated
Replace TOU Meters (CLOCKS)	1,119	1,119	Yes
Paystations	27	27	Yes
eServices Phase 3: Expanded Online Bill Pay and My Account Services	253	253	Yes
eServices Phase 4: Expanded Online Service Options	850	0	No
Telephony Automated Call Distributor Replacement	510	0	No
Upgrade IVR	100	0	No
Outbound Dialer Upgrade	10	0	No
Miscellaneous Server Refresh	25	0	No
RAMR Itron Unit Replacement	71	0	No
Handheld Replacement	879	348 328 ⁶¹	Yes
Customer Service MDTs	154	154	Yes
Bill Redesign	1,241	1,241	Yes
CSD Replacement Project	776	776	Yes
Total Capital Expenditures	\$6,412	\$4,285 \$4,295	

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⁶⁰ Exhibit SDG&E-9, page EF-64 and Response to data request DRA-SDG&E-110, Q.2

⁶¹ In Exhibit SDG&E-9, page EF-64, SDG&E is requesting \$879,000 for the Handheld Replacement project. Recorded 2006 capital expenditures showed that ~~\$561,000~~ \$551,000 was spent in 2006; therefore, DRA is recommending that the remainder of the request, equal to ~~\$318,000~~ 328,000, be reflected in the 2007 estimate.

1 implementation; the cumulative total from 2006-2008 for these projects is
 2 **\$70.8** million (**\$17.5** million in 2006, **\$23.7** million in 2007, and **\$29.6**
 3 million in 2008). That the Commission adopt, in this proceeding, utility
 4 management approval as a prerequisite to Commission review.

5 5. That the Commission deny IT capital expenditures for Sempra's capital
 6 projects (in the IT business unit) that were deferred, totaling \$3.0 million
 7 for SDG&E⁵ and \$10.4 million for SCG. These amounts are subsumed in
 8 DRA's recommended capital expenditure adjustments identified in item 4,
 9 above.

10 6. That the Commission adopt DRA's estimates for the Sempra utilities' IT
 11 capital expenditures, totaling **\$83.5** million for 2006-2008 (**\$30.4** million in
 12 2006, **\$29.7** million in 2007, and **\$23.4** million in 2008).

13 Table 17-1 shows a comparison of DRA expense recommendations to the
 14 Sempra utilities' request on a company-wide basis.

Table 17-1
 Sempra - Information Technology 2008 General Rate Case
 2008 Expenses by Department (SS and NSS)
 Expenses in 2005 constant dollars

Description	DRA Recommendation			Sempra Proposed			Sempra > DRA			%
	NSS	SS	Total	NSS	SS	Total	NSS	SS	Total	
SDG&E Incurred Cost	5,228	81,984	87,212	5,866	87,761	93,627	638	5,777	6,415	7.36%
SCG Incurred Cost	-	3,218	3,217	-	3,439	3,439	-	221	221	6.88%
Total IT	5,228	85,202	90,430	5,866	91,200	97,066	638	5,998	6,636	7.34%

22 Sempra data source Exhibits SDG&E/SCG-16, p.JCB-5 and SCG/SDG&E-14, p.5

23 Table 17-1a shows a comparison of DRA's IT capital expenditure
 24 recommendations to Sempra's request by company for 2006-2008.⁶

⁵ Exhibit DRA-7 also discusses and independently identifies deferred IT projects in the Electric Distribution business unit, totaling nearly \$17 million in capital expenditures for 2007-2008. These amounts are also subsumed in DRA's recommended adjustments for projects without business cases.

⁶ A more detailed breakdown comparing the differences in annual capital expenditures appears later in Table 17-6.

Exhibit DRA-17

Revised August 6, 2007

Table 17-1a
Information Technology Capital Expenditures for 2006 - 2008
(in Thousands of 2005 Dollars)

Description (a)	DRA Recommended (b)	Sempra Proposed (c)	Sempra > DRA (d = c - b) (e = d/b)	
SDG&E	21,470,302	49,369,408	27,899,106	129.9%
SCG	62,001,758	104,938,112	42,936,354	69.3%
Total IT	83,472,060	154,307,520	70,835,460	84.9%

III. DISCUSSION / ANALYSIS OF O&M EXPENSES

A. Sempra Utilities Shared and Non-Shared Services

The Sempra utilities request a total of \$97.1 million in shared and Non-Shared services expenses for test year (TY) 2008. This request represents an 11.76% (3.9% annually) or a \$9.8 million increase in expenses over base year 2005.⁷ The request consists of SDG&E and SCG costs of \$93.6 million and \$3.4 million, respectively.

1. Factors Driving Sempra's Requested Increase in O&M Expenses

According to Sempra, much of its estimated O&M increase from 2005 to 2008 is driven by estimated changes in the Infrastructure Engineering and Operations, Network/Telecommunications Engineering and Operations, and Shared Software Development Services departments.⁸ Sempra states that the three major factors influencing the proposed IT O&M expense increases of \$9.8 million include:⁹

⁷ Exhibit SCG/SDGE-14, pg. JCB-6

⁸ Exhibit SCG/SDGE-14, pg. JCB-7 Ln. 11 - 17

⁹ Exhibit SCG/SDG&E-14, pp. JCB-7 & 8

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1 **D. SCG Non-Shared Services Expenses**

2 According to SCG's testimony, "IT currently does not have any Non-Shared
3 Services costs at SCG."²¹ Therefore, no issues exist for SCG's NSS costs.

4 **E. Proposed New Project-Related O&M Expenses**

5 In Section IV of this report DRA provides a discussion and analysis of IT
6 capital expenditures. DRA identified a large number of projects which did not
7 receive Sempra management approval; in 2006 these projects were not
8 implemented. These projects also have no specified future implementation date.
9 Some projects in 2007 and 2008 also do not have Sempra management approved
10 business cases. Consequently, DRA recommends that Sempra be denied ratepayer
11 funding for them. Concurrently, DRA recommends that Sempra also be denied
12 ratepayer funding for any test year O&M expenses associated with those projects.
13 DRA believes these adjustments are reflected in its expense estimates.

14

15 **IV. DISCUSSION / ANALYSIS OF CAPITAL EXPENDITURES**

16 SDG&E requests a total of \$49.4 million for NSS projects and \$681,618 for
17 SS projects from 2006-2008. SCG requests a total of \$104.9 million for NSS
18 projects and \$4.6 million for SS projects from 2006-2008. Table 17-5 shows the
19 total amount of \$154.3 million, of which \$5.3 million is for SS projects.

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21 DRA reviewed SDG&E's and SCG's requests for new capital projects and
22 recommends a total of \$21.5 million for SDG&E and \$62.0 million for SCG's
23 projects, for a total of \$83.5 million for 2006-2008. Of the \$21.5 million for SDG&E,
24 \$90,404 is for SS projects and approximately \$21.4 million is for NSS projects.
25 Similarly, of the \$62.0 million for SCG, \$3.7 million is for SS projects and \$58.3
26 million is for NSS projects.

²¹ Exhibit SCG-12, p. JCB-1

Exhibit DRA-17

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Table 17 - 5
Sempra Information Technology Capital Projects
2006 through 2008 by Department

Project Name SDG&E	DRA Recommendation			Sempra's Appl. Request			Sempra > DRA				
	Bus. Case	2006	2007	2008	Total	2,006	2,007	2,008	Total	Difference	Percentage
Customer Service Sub Total		3,288,080	2,779,239	4,188,222	10,255,541	3,691,061	4,896,482	7,663,222	16,250,765	5,995,224	58.5%
Utility Operations Sub Total		4,040,550	2,597,513	1,739,635	8,377,698	6,297,667	12,205,909	8,915,999	27,419,575	19,041,877	230.1%
IT Infrastructure, Network and Telecommunication Sub total		1,335,759	715,400	695,500	2,746,659	2,156,850	1,440,400	1,420,500	5,017,750	2,271,091	82.7%
SDG&E Sub Total		8,664,389	6,092,152	6,623,357	21,379,898	12,145,578	18,542,791	17,999,721	48,888,090	27,308,192	127.7%
Shared Services Sub Total		(1,757)	92,161	-	90,404	589,157	92,161	-	681,318	590,914	653.6%
Total SDG&E Submittal		8,662,632	6,184,313	6,623,357	21,470,302	12,734,735	18,634,952	17,999,721	49,369,408	27,899,106	129.9%
Project Name SCG											
Customer Service Sub Total		1,747,548	3,096,460	989,000	5,833,008	4,667,600	4,811,460	3,664,000	13,143,060	7,310,052	125.3%
Utility Operations Sub Total		3,441,120	1,314,504	500,000	5,255,624	5,833,019	2,514,504	8,212,394	16,559,917	11,304,293	215.1%
IT Infrastructure Sub Total		11,916,775	11,230,001	8,695,000	31,841,776	12,978,555	12,765,592	11,265,006	37,009,153	5,167,377	16.2%
Network and Telecommunications Sub Total		1,424,691	6,762,283	6,600,329	14,787,303	8,160,001	13,583,812	11,868,600	33,612,413	18,825,110	127.3%
SCG Shared Services Sub Total		2,578,264	1,077,760	-	3,656,024	3,535,809	1,077,760	-	4,613,569	957,545	26.2%
SCG Sub Total		19,158,157	22,403,248	16,784,329	58,345,734	31,639,175	33,675,368	35,010,000	100,324,543	41,978,809	71.9%
Total SCG Submittal		21,736,421	23,481,008	16,784,329	62,001,768	35,174,984	34,753,128	35,010,000	104,938,112	42,936,354	69.3%
Total SDG&E/SCG		30,399,053	29,665,321	23,407,686	83,472,060	47,909,719	53,388,080	53,009,721	154,307,520	70,835,460	84.9%

Exhibit DRA-17

Revised August 6, 2007

Table 17-7
Sempra Information Technology Capital Projects
2006 through 2008 by Department

Project Name SDG&E	Bus. Case	2006	2007	2008	Total	2006	2007	2008	Total	Sempra's Appl. Request	2007	2008	Total	Sempra > DRA Difference	Percentage
CRSCO Controls Enhancement	Yes	280,117	-	-	280,117	201,386	-	-	201,386	-	-	-	301,386	21,269	7.6%
CRSCO Regression Environment	Yes	-	-	-	-	750,000	-	-	750,000	-	-	-	750,000	750,000	0.0%
Community Choice Aggregation (CCA) - Mandated	No	-	-	1,120,000	1,120,000	-	-	-	-	1,120,000	-	-	1,120,000	-	0.0%
Critical Peak Pricing (CPP)	Yes	476,433	-	-	476,433	-	-	-	-	-	-	-	102,057	(374,376)	-78.6%
CSD Replacement Project	Yes	776,482	-	1,156,222	1,932,704	1,156,222	-	-	1,156,222	-	-	-	1,932,704	776,482	0.0%
Customer Bill Redesign	Yes	1,241,000	-	400,000	1,641,000	1,641,000	-	-	1,641,000	-	-	-	1,641,000	-	0.0%
Customer Service MDT Replacement	Yes	-	-	170,000	170,000	77,000	-	-	77,000	154,000	-	-	401,000	77,000	23.8%
Direct Access	No	-	-	-	-	600,000	-	-	600,000	-	-	-	600,000	600,000	0.0%
Message Boards	No	-	-	-	-	90,000	-	-	90,000	-	-	-	90,000	90,000	0.0%
Meter Reading Routing	No	-	-	-	-	895,000	-	-	895,000	-	-	-	895,000	895,000	0.0%
Call center Server Refresh	No	-	-	-	-	50,000	-	-	50,000	-	-	-	50,000	50,000	0.0%
Outboard Dialer Upgrade	No	-	-	-	-	100,000	-	-	100,000	-	-	-	100,000	100,000	0.0%
Paystation	Yes	84,290	27,000	-	111,290	106,000	-	-	106,000	133,000	-	-	239,000	133,000	19.5%
RAMR Iron Unit Replacement	No	-	-	-	-	71,000	-	-	71,000	-	-	-	71,000	71,000	0.0%
Rating Schedule Engine Technical Upgrade	No	-	-	-	-	800,000	-	-	800,000	-	-	-	800,000	800,000	0.0%
Remote Agent Pilot	No	-	-	-	-	200,000	-	-	200,000	-	-	-	200,000	200,000	0.0%
Telephony Automated Call Distributor Replacement	No	-	-	-	-	1,500,000	-	-	1,500,000	-	-	-	1,500,000	1,500,000	0.0%
SDGE Meter Read Handheld Replacements	Yes	551,243	327,757	-	879,000	879,000	-	-	879,000	-	-	-	879,000	-	0.0%
Single View of Customer	No	-	-	1,342,000	1,342,000	-	-	-	-	1,342,000	-	-	1,342,000	-	0.0%
Upgrade IIR SDGE	No	-	-	1,433,897	1,433,897	-	-	-	-	1,433,897	-	-	1,433,897	-	0.0%
e-Services - Phase 1	Yes	1,433,897	-	-	1,433,897	224,618	-	-	224,618	-	-	-	224,618	(1,209,279)	-84.3%
e-Services - Phase 2	No	-	-	-	-	850,000	-	-	850,000	-	-	-	850,000	850,000	0.0%
e-Services - E-mail Bill Delivery & Web Self-Services	No	-	-	-	-	990,000	-	-	990,000	-	-	-	990,000	990,000	0.0%
e-Services - Enhanced Online Bill Pay and My Account Feature	Yes	215,605	253,000	-	468,605	600,000	-	-	600,000	253,000	-	-	853,000	384,395	82.0%
Upgrade non-supported telephony components	No	-	-	-	-	150,000	-	-	150,000	-	-	-	150,000	150,000	0.0%
Customer Service and Radio Equipment	Yes	246,495	-	-	246,495	-	-	-	-	-	-	-	-	-	0.0%
Customer Service Sub Total		3,288,080	2,779,239	4,188,222	10,255,541	3,691,061	4,896,482	7,663,222	16,250,765	4,896,482	7,663,222	16,250,765	5,995,224	58.5%	
Cost Recovery - CAC	No	-	-	-	-	602,560	-	-	602,560	-	-	-	602,560	602,560	0.0%
Cost Recovery - MDT Replacement	Yes	247,106	397,650	636,140	1,280,896	397,650	-	-	397,650	595,140	-	-	992,790	745,634	10.9%
Cost Recovery - SCADA System Infrastructure Upgrades	Yes	868,016	692,795	692,795	2,253,606	655,154	-	-	655,154	692,795	-	-	1,347,949	(915,833)	-40.3%
EGIS Databases	Yes	-	-	-	-	4,500,000	-	-	4,500,000	-	-	-	4,500,000	4,500,000	0.0%
Electric Metering and Metering Data Mgmt (ECMC)	Yes	484,210	234,998	433,476	1,152,684	417,000	-	-	417,000	315,439	-	-	732,439	(420,245)	-35.9%
Engineering Data Warehouse - Ph 3	Yes	251,163	315,439	-	566,602	486,160	-	-	486,160	315,439	-	-	801,600	235,438	42.3%
Gas Procurement System	Yes	118,037	-	-	118,037	97,615	-	-	97,615	-	-	-	97,615	97,615	8.3%
Integrated OMS and DMS	Yes	808,095	917,431	451,700	2,177,226	884,422	-	-	884,422	917,431	-	-	1,801,853	984,431	45.3%
MDT 3 for Construction Crews Supervisors	No	-	-	-	-	39,000	-	-	39,000	-	-	-	39,000	39,000	0.0%
MDT 3 for Construction Crews Supervisors	Yes	394,117	39,000	-	433,117	260,000	-	-	260,000	39,000	-	-	300,000	(39,000)	-9.0%
New Business Construction Portal - P2	Yes	-	-	-	-	450,000	-	-	450,000	-	-	-	450,000	450,000	0.0%
Proj Mgmt Document Management	No	-	-	-	-	204,000	-	-	204,000	-	-	-	204,000	204,000	0.0%
SCADA Reliability Initiative	Yes	745,931	-	-	745,931	1,413,253	-	-	1,413,253	-	-	-	1,413,253	667,322	89.5%
Vegetation Mgmt	No	-	-	-	-	-	-	-	-	1,900,000	-	-	1,900,000	1,900,000	0.0%
Work Mgmt Cost Estimating	No	-	-	-	-	-	-	-	-	1,100,000	-	-	1,100,000	1,100,000	0.0%
Engineering Data Warehouse - Ph 2	Yes	3,865	-	-	3,865	-	-	-	-	-	-	-	-	-	0.0%
Utility Operations Sub Total		4,040,550	2,597,513	1,739,635	8,377,698	6,297,667	12,205,909	8,915,999	27,419,575	12,205,909	8,915,999	27,419,575	19,041,877	230.1%	
Citrix Thin Client SDGE CCG Project	No	-	-	-	-	253,150	-	-	253,150	-	-	-	253,150	253,150	0.0%
Small Infrastructure Capitalization - SDGE	Yes	53,224	215,000	215,000	483,224	215,000	-	-	215,000	215,000	-	-	430,000	(53,224)	-11.0%
Camp Pendleton Radio Site Upgrade	Yes	5,430	24,900	-	30,330	240,700	-	-	240,700	24,900	-	-	265,600	235,270	77.5%
DC Battery Plant Upgrades	No	-	-	-	-	90,000	-	-	90,000	-	-	-	90,000	90,000	0.0%
Fiber Cable Network Extension and Enhancement	No	-	-	-	-	125,000	-	-	125,000	-	-	-	125,000	125,000	0.0%
Metro Area Ethernet WAN Backbone	No	-	-	-	-	157,500	-	-	157,500	-	-	-	157,500	157,500	0.0%
MW Upgrades Various Locations	No	-	-	-	-	600,000	-	-	600,000	-	-	-	600,000	600,000	0.0%
Outside Cable Plant - Copper	Yes	75,579	95,000	95,000	265,579	95,000	-	-	95,000	600,000	-	-	1,550,579	1,285,000	48.0%
Small Network Voice and Data	Yes	298,074	290,500	290,500	879,074	290,500	-	-	290,500	95,000	-	-	385,500	(9,574)	-2.7%
Telecom Field Capital Purchase (Smart Cap)	Yes	99,859	90,000	95,000	284,859	284,859	-	-	284,859	90,000	-	-	374,859	(10,000)	-3.5%
Service Oriented Architecture	Yes	395,555	-	-	395,555	395,555	-	-	395,555	-	-	-	395,555	395,555	100.0%
Citrix Think Client - SDG&E	Yes	120,508	-	-	120,508	-	-	-	-	-	-	-	-	-	0.0%
Internet Network Security	Yes	(256)	-	-	(256)	-	-	-	-	-	-	-	-	-	0.0%
MPK Data Center 2005	Yes	8,514	-	-	8,514	-	-	-	-	-	-	-	-	-	0.0%
RB Data Center 2005	Yes	113,981	-	-	113,981	-	-	-	-	-	-	-	-	-	0.0%
Electric Distribution Voice Recorder	Yes	45,032	45,032	-	90,064	45,032	-	-	45,032	-	-	-	45,032	(45,032)	-100.0%
Radio Site Upgrades	Yes	5,430	-	-	5,430	-	-	-	-	-	-	-	-	-	0.0%
Voice System Upgrades	Yes	2,697	-	-	2,697	-	-	-	-	-	-	-	-	-	0.0%
Wimax - RSF	Yes	15,936	-	-	15,936	-	-	-	-	-	-	-	-	-	0.0%
Voice Recorder for Procurement	Yes	96,196	-	-	96,196	-	-	-	-	-	-	-	-	-	0.0%
IT Infrastructure, Network and Telecommunication Sub Total		1,335,759	715,400	695,500	2,746,659	2,156,850	1,440,400	1,420,500	5,017,750	1,440,400	1,420,500	5,017,750	2,271,091	82.7%	
SDG&E Sub Total		8,664,389	6,092,152	6,623,357	21,379,898	12,145,578	18,542,791	17,999,721	48,688,090	18,542,791	17,999,721	48,688,090	27,306,192	127.7%	
SDGE Electric Meter Mgmt Inventory - SDGE	Yes	(1,757)	92,161	-	90,404	589,157	-	-	589,157	92,161	-	-	681,318	590,514	653.6%
Shared Services Sub Total		(1,757)	92,161	-	90,404	589,157	92,161	-	681,318	92,161	-	-	773,479	773,479	100.0%
Total SDG&E Subtotal		8,662,632	6,184,313	6,623,357	21,470,302	12,734,735	18,634,952	17,999,721	49,369,408	18,634,952	17,999,721	49,369,408	27,899,106	129.9%	

Exhibit DRA-17

Revised August 6, 2007

Table 17 - 8
Sempra Information Technology Capital Projects
2006 through 2008 by Department

Bus.	Project Name	DRA Recommendation			Sempra's Application Request			Sempra > DRA			
		2006	2007	2008	Total	2,006	2,007	2,008	Total	Difference	Percentage
No	BCRP										
No	Bill Extraction Equipment	310,119			310,119			500,000	500,000	189,881	222.5%
Yes	Billing Accuracy and Timeliness (BAT) Project	284,550			284,550			1,000,000	1,000,000	715,450	251.8%
Yes	Customer Data Encryption	82,042			82,042			477,600	477,600	395,558	481.0%
Yes	Customer Service MDT Replacement		400,000	275,000	675,000			105,000	105,000	22,968	28.0%
No	High Speed Laser Printers							275,000	275,000		0.0%
No	Voice Recognition Pilot							1,500,000	1,500,000		0.0%
No	Call Center Server Refresh							500,000	500,000		0.0%
No	Outbound Dialer Upgrade							175,000	175,000		0.0%
Yes	PACER Application Upgrade	168,533	150,000		318,533	20,000		130,000	150,000	175,000	117.7%
Yes	PACER MDT Replacement	2,134,623			2,134,623	300,000		300,000	300,000	131,467	41.3%
Yes	Paystation	30,521	110,000		140,521	33,000		300,000	300,000	1,065,377	43.9%
Yes	Remote Automated Meter Reading - App Dev	434,583			434,583	531,000		116,000	116,000	(16,521)	-3.8%
No	Settlement Implementation - Mandated PAR, SI, and Storage		2,428,460	627,000	3,055,460			2,427,460	2,427,460	(1,000)	-0.0%
No	Source Control Server							11,000	11,000		0.0%
No	Upgrade CCC Message Boards							100,000	100,000		0.0%
No	Upgrade IVR SCG							400,000	400,000		0.0%
No	Upgrade NICE Storage							75,000	75,000		0.0%
Yes	Customer Contract Replacement	1,683			1,683						0.0%
Yes	E-Service Phase 2	(2,024,023)			(2,024,023)					2,024,023	-100.0%
Yes	CSD Replacement	25,843			25,843						0.0%
Yes	Bill Redesign - SCG	298,356			298,356						0.0%
Yes	Customer Contact CTR - Datamart Update										0.0%
Yes	Customer Contact - Record Caller										0.0%
Yes	Check Imaging System	(19,262)			(19,262)						0.0%
Yes	Customer Service Sub Total	1,747,348	3,098,460	985,000	5,830,808	4,667,600		4,811,460	3,864,000	7,310,652	125.3%
Yes	Locate and Mark	2,155,367	274,504		2,429,871	1,150,134		274,504	2,424,638	(6,233)	-0.2%
No	M&R Field Work Automation (MARS)							925,000	925,000		0.0%
Yes	New Business Construction Portal - Phase 3	267,780	40,000		307,780	200,000		40,000	240,000	(67,780)	-22.0%
Yes	Operator Qualification Program	12,953			12,953	357,885		357,885	344,932	2683.0%	
Yes	Pipeline Integrity - SoCalGas	1,005,030	1,000,000	500,000	2,505,030	1,500,000		1,500,000	9,112,394	263.8%	
No	Work Scheduling and Dispatching Project					700,000		700,000	3,500,000		0.0%
Yes	Utility Operations Sub Total	3,441,120	1,314,504	500,000	5,255,624	5,833,019		2,514,504	16,559,917	11,304,293	215.1%
Yes	Active Directory Enhancement	165,267			165,267	132,000			132,000	(33,267)	-20.1%
Yes	Backup Growth & Enhancement	840,109	520,000		1,360,109	1,755,000		520,000	2,795,000	914,891	48.7%
No	Client Project Phase 3										0.0%
No	Contract Critical Process Upgrade										0.0%
No	Customer Relationship and Inquiry Project	515,433			515,433	396,000			396,000		0.0%
Yes	Desktop Management System	161,961			161,961	214,755			214,755	(52,794)	-32.3%
Yes	Distributed Server Lab Enhancement	1,087,938	760,000		1,847,938	1,055,643			405,643	243,782	60.6%
Yes	Enterprise Server Storage Growth	502,220			502,220	365,721			516,565	45,722	9.7%
Yes	Enterprise Server Storage	100,305			100,305	984,000		760,000	2,504,000	(103,938)	-4.0%
Yes	Enterprise Access Management (EAM) (IAM)	151,692	1,135,000	550,000	1,786,692	1,135,000		1,135,000	1,885,000	(100,305)	-5.6%
Yes	Enterprise Encryption Phase 1		1,000,000		1,000,000			1,000,000	(151,692)	(15.2%)	
Yes	Enterprise Security Logging							523,150	523,150		0.0%
No	Enterprise Server Capacity Upgrade							935,591	935,591		0.0%
Yes	Information Lifecycle Management	842,148	289,000		1,131,148	289,000			578,000	(553,148)	-48.9%
No	IT Asset Management							600,000	600,000		0.0%
No	IT Catalog & License Management							760,500	760,500		0.0%
Yes	IT/EXO Spam/Cap	566,628	1,000,000	1,000,000	2,566,628	806,452		1,000,000	2,806,452	239,824	9.3%
Yes	MPV Server Room	822,639	395,000		1,217,639	752,452		481,000	1,628,452	(410,813)	-25.2%
Yes	MS/2003 Server Room	152,208			152,208	135,122			135,122		0.0%
Yes	MS Server Room	851,493	455,000		1,306,493	222,562			655,000	(1,079)	-0.2%
Yes	SCADA Gas Transmission Network Security	413,566			413,566	480,000			480,000	66,434	16.1%
Yes	Sharepoint	59,287			59,287	102,085			102,085	42,798	72.2%
Yes	Tape Backup for Transmission Servers	76,392			76,392	162,271			162,271	85,879	112.4%
Yes	Unix Refresh - Project 2005	348,162			348,162	492,000			492,000	143,838	41.3%
Yes	UNIX Refresh Project	2,407,955	3,000,000	2,800,000	8,207,955	2,045,336		3,000,000	7,845,336	(362,619)	-4.4%
Yes	WinTel Server Refresh	910,354	2,550,001	1,328,000	4,788,355	2,225,000		2,550,001	417,646	7.3%	
No	Wireless / Remote Network Security								685,000		0.0%
Yes	WSI Test Environment	68,473			68,473	130,551			130,551	62,078	90.7%
Yes	Printer Virtualization	451,888			451,888					(451,888)	-100.0%
Yes	Intrusion Detection	19,945			19,945					(19,945)	-100.0%
Yes	Web Services Infrastructure	7,530			7,530					(7,530)	-100.0%
Yes	IT Infrastructure Sub Total	11,916,175	11,230,001	8,895,000	31,841,176	12,978,555		12,765,592	37,009,153	5,167,377	16.2%

Exhibit DRA-17

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Table 17 - 8 (continued)
Sempra Information Technology Capital Projects
2006 through 2008 by Department

Revised August 6, 2007

Project Name	Bus. Case	DRA Recommendation			Sempra's Application Request			Sempra > DRA		
		2006	2007	2008	Total	2,007	2,008	Total	Difference	Percentage
SCG										
Battery Plant Monitoring	Yes	-	126,400	-	126,400	400,000	126,400	526,400	400,000	316.5%
Channel Bank Upgrade	Yes	138,234	148,000	-	286,234	400,000	148,000	548,000	261,766	91.5%
Command Center Monitoring Wall Replacement	No	-	-	-	-	-	-	936,100	936,100	0.0%
Distributed Sniffer Expansion	No	-	-	-	-	142,417	-	142,417	142,417	0.0%
E911	No	-	-	-	-	1,946,001	-	1,946,001	1,946,001	0.0%
Enterprise QoS	No	-	-	-	-	140,511	-	140,511	140,511	0.0%
GCT Recabling to support VoIP	No	-	-	-	-	1,009,069	1,150,000	2,159,069	2,159,069	0.0%
Internal DNS/DHCP Upgrade	No	-	-	-	-	257,806	-	257,806	257,806	0.0%
LAN/WAN Equipment Refresh Project	No	-	-	-	-	1,817,292	2,014,444	6,314,639	6,314,639	0.0%
MW Upgrade - Various Locations	Yes	-	369,000	2,475,000	2,844,000	325,388	369,000	3,169,388	325,388	11.4%
Network Router & Switch Security Upgrade	Yes	350,998	-	-	350,998	95,000	-	95,000	(255,998)	-72.9%
Network Security Perimeter Refresh	No	-	-	-	-	400,000	-	800,000	800,000	0.0%
Out of Band Network Device Management Core Terminal Sen	No	-	-	-	-	187,500	-	187,500	187,500	0.0%
PACER RMSC Replacement	Yes	80,984	-	-	80,984	80,000	-	80,000	(84)	-1.2%
Small Network Voice and Data Projects (Small Cap)	Yes	104,889	120,000	120,000	344,889	120,000	120,000	360,000	15,111	4.4%
Speech Recognition	No	-	-	-	-	130,000	-	130,000	130,000	0.0%
Telecom Small Cap Test Equip/Infrastructure (Small Cap)	Yes	231,614	270,000	270,000	771,614	270,000	270,000	810,000	38,386	5.0%
Upgrade Wireless LAN Infrastructure	No	-	-	-	-	277,453	-	277,453	277,453	0.0%
UPS to Support VoIP Equipment	No	-	-	-	-	233,256	214,682	447,938	214,682	0.0%
Video Conferencing	Yes	334,256	-	-	334,256	293,600	419,533	693,133	358,877	107.7%
Voice Mail Replacement	No	-	-	-	-	473,068	-	473,068	473,068	0.0%
Voice System Replacement Project	Yes	80,132	5,728,883	3,735,329	9,544,344	2,421,183	5,728,883	11,885,395	2,341,051	24.5%
Voice System Security & Mgmt	No	-	-	-	-	819,000	-	819,000	819,000	0.0%
VoIP Testing Lab and Testing Tools	Yes	25,672	-	-	25,672	267,183	-	292,855	267,183	940.8%
Wimax - Aliso	Yes	69,397	-	-	69,397	61,600	-	130,997	61,600	-11.2%
Network Backup Upgrade @ RB Data Center	Yes	8,515	-	-	8,515	-	-	8,515	(8,515)	-100.0%
Network and Telecommunications Sub Total		1,424,691	6,762,283	6,600,329	14,787,303	8,160,001	13,583,812	33,612,413	18,825,110	127.3%
Budget System Project	Yes	542,916	-	-	542,916	520,000	-	1,062,916	(22,916)	-4.2%
Gas Meter Mgmt Inventory - SCG	Yes	507,691	203,305	-	710,996	1,490,900	203,305	1,694,205	583,209	52.5%
Safety Information Mgmt System (SIMS)	Yes	1,245,820	-	-	1,245,820	838,554	-	2,084,374	(838,554)	-32.7%
MSAP ERP Edition 2005 Upgrade	Yes	100,997	874,455	-	975,452	686,355	-	1,560,810	585,358	60.0%
Fleet Clearing and Reassignments	Yes	66,177	-	-	66,177	-	-	66,177	(66,177)	-100.0%
Project Portfolio Management System	Yes	452,929	-	-	452,929	-	-	452,929	(452,929)	-100.0%
SAP License Purchase 2005	Yes	(738,454)	-	-	(738,454)	-	-	(738,454)	738,454	-100.0%
Enterprise Contract Management	Yes	188	-	-	188	-	-	188	(188)	-100.0%
SCG Shared Services Sub Total		2,576,264	1,077,760	-	3,654,024	3,635,809	1,077,760	4,613,569	957,545	26.2%
SCG Sub Total		19,158,157	22,403,248	16,784,329	58,345,734	31,639,175	33,675,968	100,324,543	41,978,809	71.9%
Total SCG Submittal		21,736,421	23,481,008	16,784,329	62,001,758	35,174,984	34,753,128	104,938,112	42,936,354	69.3%
Total SDG&E/SCG		30,399,053	29,665,321	23,407,686	83,472,060	47,909,719	53,388,080	154,307,520	70,835,460	84.9%

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Exhibit DRA-18 (Revised August 9, 2007)

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**Table 18-1
DRA's Shared Services – SCG Book Expenses
(In Thousands of 2005 Dollars)**

Description (a)	DRA Recommended (b)	SCG Proposed (c)	Amount SCG>DRA (d=c-b)	Percentage SCG>DRA (e=d/b)
SCG Incurred Costs	\$ 86,417	\$ 89,008	\$ 2,591	3%
Allocation Out				
To SDGE	\$ 12,923	\$ 13,341	\$ 418	3%
To Corporate Center/Other	\$ 1,125	\$ 1,139	\$ 14	1%
Sub-Total Allocations				
Out	\$ 14,048	\$ 14,480	\$ 432	3%
Book Expense:				
SCG Retain	\$ 72,369	\$ 74,528	\$ 2,159	3%
Billed in from SDG&E	\$ 76,894	\$ 81,373	\$ 4,479	6%
SCG Book Expense	\$ 149,263	\$ 155,901	\$ 6,638	4%

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5 Table 18-2 compares DRA's recommended with SDG&E's proposed estimates
6 for Test Year (TY) 2008:

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**Table 18-2
DRA's Shared Services – SDG&E Book Expenses
(In Thousands of 2005 Dollars)**

Description (a)	DRA Recommended (b)	SDGE Proposed (c)	Amount SDGE>DRA (d=c-b)	Percentage SDGE>DRA (e=d/b)
SDGE Incurred Costs	\$ 176,449	\$ 186,381	\$ 9,932	6%
Allocation Out				
To SCG from SDGE	\$ 76,893	\$ 81,367	\$ 4,474	6%
To Corporate Center/Other	\$ 17,111	\$ 17,516	\$ 405	2%
Sub-Total Allocations				
Out	\$ 94,004	\$ 98,883	\$ 4,879	5%
Book Expense:				
SCG Retain	\$ 82,445	\$ 87,498	\$ 5,053	6%
Billed in from SCG	\$ 12,923	\$ 13,341	\$ 418	3%
SDGE Book Expense	\$ 95,368	\$ 100,839	\$ 5,471	6%

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The following summarizes DRA's recommendations:

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1. That the Utilities improve their Shared Service Database to incorporate the ability to make comparisons between forecast and recommendations;

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2. That \$1,728,000 for the Utilities Shared Services Administrative and General (A&G) Costs not be allocated to SDG&E and SCG for the test year 2008, for the following reasons;

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Exhibit DRA-18 (Revised August 9, 2007)

1 request funding in the next applicable general rate case.⁴⁹ For the years 2003 through
 2 2005, SDG&E's NGV was under spent by \$477,722.⁵⁰ However, the Utilities expect
 3 SDG&E's NGV to be overspent by December 31, 2007.

Table 18- 16
DRA's Shared Services – Customer Services Information
(In thousands of 2005 Dollars)

Customer Services Information	DRA Recommended	SDGE Proposed	Amount SDGE>DRA	Percentage SDGE>DRA
SDGE Incurred Cost				
Customer Services	\$ -	\$ -	\$ -	0%
Customer Services - Major Markets	\$ 309	\$ 309	\$ -	0%
Customer Services - Mass Markets	\$ -	\$ -	\$ -	0%
Customer Services Comm. & Research	\$ 3,882	\$ 5,853	\$ 1,971	51%
	\$ 4,191	\$ 6,162	\$ 1,971	47%
Allocations Out				
To SCG	\$ 2,370	\$ 2,668	\$ 298	13%
To Corporate Center/Other	\$ -	\$ -	\$ -	0%
Sub-Total Allocations Out	\$ 2,370	\$ 2,668	\$ 298	13%
Book Expense:				
SDGE Retain	\$ 1,821	\$ 3,494	\$ 1,673	92%
Billed in from SCG	\$ 1,098	\$ 1,098	\$ -	0%
SDGE Book Expense	\$ 2,919	\$ 4,592	\$ 1,673	57%

XI. DISCUSSION: Customer Services Operations (SCG)

Customer Services Operations at SCG provides Shared Services to SCG and SDG&E for the management of branch offices, meter reading, customer service field, customer services contact center, and other customer service support activities. DRA has reviewed the costs and proposes no adjustments.

⁴⁹ See Exhibit SDGE/SCG-16 or SCG/SDGE-14, Chapter VI, page PEB-18.

⁵⁰ See response to DR SDGE-70 DFB, Question 16.

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CHAPTER 1
SOUTHERN CALIFORNIA GAS COMPANY
CUSTOMER SERVICES OPERATIONS
OPERATION AND MAINTENANCE EXPENSES
AND CAPITAL EXPENDITURES

I. INTRODUCTION

This chapter presents DRA's analysis and recommendations regarding Southern California Gas Company's (SCG's) Non-Shared Services Customer Services Operations (CSO) operation and maintenance (O&M) expenses and capital expenditures for Test Year 2008 (TY2008).

SCG sets forth its request for Non-Shared Services O&M expenses and capital expenditures for Customer Service Operations in Exhibit SCG-7. The O&M expenses for CSO are recorded in Federal Energy Regulatory Commission (FERC) Accounts 184, 870, 878, 879, 880, 893, 901, 902, 903, and 904.

II. SUMMARY OF RECOMMENDATIONS

The following summarizes DRA's recommendations:

1. DRA is recommending ~~\$94.344~~ \$94.399 million for FERC Account 879, which is an adjustment of ~~\$6.644~~ \$6.583 million to SCG's request.
2. DRA recommends that the Commission continue to require SCG to in-test all meters removed after ten or more years of service, including the 100,000 meters associated with meter families that are removed because they fail the MPCP parameters.
3. DRA is recommending \$87.416 million for FERC Account 903, which is an adjustment of \$1.208 million to SCG's request.
4. DRA is recommending an uncollectible rate of 0.221% compared to SCG's proposed uncollectible rate of 0.261%.

Table 32-1 compares DRA's recommended with SCG's proposed O&M expense estimates for TY2008 Customer Service Operations:

Exhibit DRA-32 (Revised August 8, 2007)

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**Table 32-1
Customer Services Operations
Comparison of SCG's and DRA's Forecasts for TY 2008
(In Thousands of 2005 Dollars)**

Account Description (a)	DRA Recommended (b)	SCG Proposed¹ (c)	Amount SCG>DRA (d=c-b)	Percentage SCG>DRA (e=d/b)
184.4 -Clearing Accts- Customer Service	\$5,201	\$5,201	\$0	0%
870.650 -Operation Supervision & Engineering	\$2,321	\$2,321	\$0	0%
878 -Meter & House Regulator	\$412	\$412	\$0	0%
879 -Customer Installation	\$94,344 \$94,399	\$100,982	\$6,644 \$6,583	7%
880 -Other Expenses (Dispatch)	\$9,516	\$9,516	\$0	0%
893.2 -Maintenance of Services-Gas Engineering	\$537	\$537	\$0	0%
901 -Supervision (Customer Service Office Technology)	\$1,577	\$1,577	\$0	0%
902 -Meter Reading & Measurement Data Ops.	\$29,974	\$29,974	\$0	0%
903 -Customer Records & Collections	\$87,416	\$88,624	\$1,208	1%
904 -Uncollectibles Expenses	0.221%	0.261%		
Total	\$231,295 \$231,353	\$239,144	\$7,849 \$7,791	3.4% 3.3%

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Table 32-2 compares DRA's recommended with SCG's proposed annual aggregate capital expenditure estimates for 2006-2008:

¹ Exhibit SCG-7, page JPP-4

Exhibit DRA-32 (Revised August 8, 2007)

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Table 32-2
Customer Services Operations
Comparison of SCG's and DRA's Capital Expenditure Forecasts for 2006-2008
(In Thousands of 2005 Dollars)

Year (a)	DRA Recommended (b)	SCG Proposed ² (c)	Amount SCG>DRA (d=c-b)	Percentage SCG>DRA (e=d/b)
2006	\$1,731 \$1,748	\$4,667	\$2,936 \$2,919	170% 167%
2007	\$3,095	\$4,811	\$1,716	55%
2008	\$989	\$3,664	\$2,675	270%

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III. DISCUSSION / ANALYSIS OF O&M EXPENSES

A. Adjusted Recorded Expenses for Customer Service Operations

Table 32-3 provides an overview of SCG's Customer Service Operations recorded adjusted data from 2003 to 2006 and TY 2008 forecast.

² Exhibit SCG-7, page JPP-4

Exhibit DRA-32 (Revised August 8, 2007)

- Investigating and stopping gas leaks on customer premises
- Investigating and resolving high bill inquiries
- Altering customer owned service extensions or meter connections
- Removing, replacing and maintaining existing customers' meters.

SCG is requesting \$100.982 million, which is \$12.722 million or 14% above 2005 adjusted recorded expenses for FERC Account 879 for TY2008. SCG's request is also \$10.5 million or 12% above the most recent 2006 adjusted recorded expenses for FERC Account 879. DRA recommends ~~\$94.341~~ \$94.399 million or an adjustment of ~~\$6.644~~ \$6.583 million to SCG's request for FERC Account 879 for TY2008. DRA is recommending an increase of ~~\$6.081~~ \$6.139 million or 7% above 2005 adjusted recorded expenses for FERC Account 879. Table 32-3 above shows SCG's adjusted recorded expenses for FERC Account 879 have been relatively stable at \$87.8 million in 2003 to \$90.5 million in 2006, which equates to an increase of 3% over the three year period. Table 32-4 presents SCG's and DRA's forecasts for FERC Account 879 for TY 2008.

**Table 32-4
FERC Account 879
Comparison of SCG's and DRA's Forecasts for TY 2008
(In Thousands of 2005 Dollars)**

Account Description (a)	Recorded Adjusted 2005	DRA Recommended (b)	SCG Proposed ⁴ (c)	Amount SCG>DRA (d=c-b)	Percentage SCG>DRA (e=d/b)
879.0	\$88,038	\$93,678 \$93,736	\$99,849	\$6,171 \$6,113	6.6% 6.5%
879.3	\$222	\$663	\$1,133	\$470	71.0%
Total	\$88,260	\$94,341 \$94,399	\$100,982	\$6,644 \$6,583	7%

1. FERC Sub-Account 879.0 – Customer Installation Expense

SCG is requesting \$99.849 million for FERC Sub-Account 879.0 for TY2008. SCG's request represents an increase of \$11.811 million, or 13% over 2005

⁴ Exhibit SCG-7, page JPP-4

Exhibit DRA-32 (Revised August 8, 2007)

1 recorded adjusted expenses. DRA recommends ~~\$93.678~~ \$93.736 million for FERC
2 Sub-Account 879.0 for TY2008, which is an adjustment of ~~\$6.174~~ \$6.113 million to
3 SCG's request. DRA's recommendation provides SCG with an increase of ~~\$5.640~~
4 \$5.698 million or 6% above 2005 adjusted recorded expenses. SCG's field services
5 activities are tracked under the following job order types:

- 6 • Change of Account – To initiate or close gas service without entering the
7 customer's premises
- 8 • Credit & Collections – to collect payments for delinquent bills
- 9 • Customer Service Order – to conduct appliance checks
- 10 • Fumigation – to perform the close and restoration of service for fumigation
- 11 • Gas Leak – to investigate for gas leaks
- 12 • High Bill Investigation – to investigate the causes of a high bill
- 13 • Meter Work – Capital – to set meters at newly constructed homes and
14 businesses
- 15 • Meter Work – O&M – to replace customer meters
- 16 • Miscellaneous – to perform miscellaneous meter and regulator work
- 17 • Non-Residential – to perform service work for commercial and industrial
18 customers
- 19 • Non-Pay Turn On – to restore service after it was closed for non-payment
20 of the gas bill
- 21 • Read Verify – to verify the meter read or other conditions at the customer
22 premises
- 23 • Turn On/Shut Off – to initiate and close service when entrance to the
24 customer's premises is required
- 25 • Not Grouped – to perform other activities not covered elsewhere
- 26 • Incompletes – orders not able to be completed.

27 SCG's incremental request of \$11.811 million above 2005 adjusted recorded
28 expenses for FERC Sub-Account 879.0 is comprised of 1) increase in CSF order
29 volume; 2) increase of off-production expense; 3) increase of supervisor expense; 4)
30 increase of regulator replacement; 5) increase of gas engine and boiler

Exhibit DRA-32 (Revised August 8, 2007)

1 assessments; 6) request to conduct time studies; and 7) request for a new gas
 2 quality monitoring program. DRA is recommending an increase of ~~\$5.640~~ \$5.698
 3 million for FERC Sub-Account 879.0 for TY2008. Table 32-5 presents a breakdown
 4 of SCG's and DRA's forecasted increase above recorded adjusted 2005 expenses
 5 for FERC Account 879.0.

6 **Table 32-5**
 7 **FERC Account 879.0**
 8 **Customer Installation Expenses (Field Service)**
 9 **SCG's and DRA's Forecasted Increase Above Recorded Adjusted 2005**
 10 **(In Thousands of 2005 Dollars)**
 11

Description	DRA Recommended Increase	SCG Proposed Increase ⁵	Difference
Increase in order volume & associated expenses	\$2,823	\$5,730	\$2,907
Off Production Expense	0	2,042 1,984	2,042 1,984
Supervisor Expense	896	1,124	228
Regulator replacement	916	916	0
Gas Engine & Boiler Assessments	915 973	915 973	0
Time Studies	90	334	244
Gas Quality Monitoring	0	750	750
Total	\$5,640 \$5,698	\$11,811	\$6,171 \$6,113

12 **a. Increases in Order Volume &**
 13 **Associated Expenses**

14 SCG forecasted the TY2008 field service order volume by applying the five
 15 year average of activity frequency factor (2001 to 2005) for each order type per
 16 active meter to the active meter forecast for TY2008. The following are exceptions
 17 to the use of the 5-year average methodology by SCG.⁶

- 18 1. Fumigation Orders – SCG used the 3-year order frequency because the
 19 current fumigation (2003 to 2005).
- 20 2. Meter Work (Capital) – SCG used Mr. Emmrich's forecast of meter growth.
- 21 3. Meter Work (O&M) – SCG forecast 180,000 meter replacements per year.

⁵ Exhibit SCG-7-WP, pages JPP-WP-20 to JPP-WP-23

⁶ Exhibit SCG-7, page JPP-24

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1 DRA also accepts SCG's request of \$916,000 to increase its replacement of
2 regulators without overpressure protection. Some of the pre-1983 regulators without
3 overpressure protection that SCG proposes to replace will be for meters over 35
4 years of age which will help to reduce SCG's stock of aging meters. DRA also
5 expects that some of the meter work to replace meters over 35 years of age will
6 coincide with replacement of regulators without overpressure protection which will
7 generate some productivity. It takes an average of 56.58 minutes to replace a
8 regulator at an average labor cost of \$28.57, and an average of 65.20 minutes to
9 replace a meter and regulator at an average labor cost of \$32.93, for a difference of
10 8.62 minutes or an average labor cost of \$4.36.¹⁸ DRA finds that the cost to replace
11 a meter while replacing a regulator will increase efficiency and productivity.
12 Therefore, DRA anticipates that replacement of regulator will also help to reduce the
13 stock of meters over 35 years of age as well as the replacement of meters over 35
14 years of age will help to reduce the pre-1983 regulators.

15 **b. Off Production Expense** 16 **(Meetings and Training)**

17 SCG forecasts an increase of ~~\$2.042~~ \$1.984 million for increased meetings
18 and training time in TY2008.¹⁹ DRA recommends that the increase of ~~\$2.042~~
19 \$1.984 million for increased meetings and training in TY2008 be denied. SCG offers
20 three primary reasons that are driving the increase in training time. First, SCG
21 states that it has hired and trained a large number of new employees in recent
22 years. Second, SCG states that gas appliance technologies are changing. Third,
23 SCG states that driving in Southern California has become increasingly
24 challenging.²⁰

¹⁸ Response to DRA-SCG-94, question 1

¹⁹ Exhibit SCG-7-WP, page JPP-WP-35

²⁰ Exhibit SCG-7, page JPP-25, lines 20 to 22

Exhibit DRA-32 (Revised August 8, 2007)

1 **IV. DISCUSSION / ANALYSIS OF CAPITAL EXPENDITURES**

2 SCG is requesting Information Technology (IT) related capital expenditures
3 for CSO of \$4.667 million in 2006, \$4.811 million in 2007, and \$3.664 million in
4 2008. DRA is recommending IT related capital expenditures for CSO of ~~\$1.734~~
5 \$1.748 million in 2006, \$3.095 million in 2007, and \$989,000 in 2008. Based on a
6 response to a data request, SCG provided the recorded 2006 capital expenditures.
7 As can be seen in Table 32-16, SCG's recorded 2006 capital expenditures of ~~\$1.734~~
8 \$1.748 million were less than forecasted 2006 capital expenditures of \$4.667 million
9 for SCG's Customer Service Operations.⁶³ To reflect the impact of the lower
10 recorded 2006 capital expenditures from the higher 2006 capital expenditures
11 forecast, DRA reduced the PACER MDT Replacement project by ~~\$2.936~~ \$2.919
12 million in 2006 for SCG's Customer Services Operations.

13 DRA recommends removing those IT capital projects that do not have
14 completed business cases from DRA's forecast. DRA's discussion on SCG's
15 process for IT capital projects is found in Exhibit DRA-17. The following three tables
16 present SCG's and DRA's forecast for capital expenditures for the CSO for each
17 year of 2006 to 2008.

⁶³Response to DRA-SDG&E-110-JJT, question 2

Exhibit DRA-32 (Revised August 8, 2007)

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2
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Table 32-17
Customer Service Operations
2006 Capital Expenditures⁶⁴
(In Thousands of 2005 Dollars)

Project Description	SCG Recorded 2006⁶⁵	SCG Forecast 2006	DRA Recommend 2006	Business Case
Paystation	50 51	34	50 51	Yes
Outbound Dialer Upgrade	0	20	0	No
Billing Accuracy and Timelines (BAT)	250 284	477	250 284	Yes
PACER Application Upgrade	143 169	300	143 169	Yes
PACER MDT Replacement	2,016 2,135	3,200	2,016 2,135	Yes
Customer Data Encryption	82	105	82	Yes
Remote Access Meter Reading (RAMR) – IT Costs	377 435	531	377 435	Yes
2006 Recorded CSO Capital Projects Not in SCG's 2006 Forecast				
Bill Extraction Equipment	309 310		309 310	
Customer Contract Replacement	4 2		4 2	
E-Services Phase 2	(1,798) (2,024)		(1,798) (2,024)	
CSD Replacement	22 25		22 25	
Bill Redesign	298		298	
Check Imaging System	(19)		(19)	
Total Capital Expenditures	\$1,731 \$1,748	\$4,667	\$1,731 \$1,748	

7

⁶⁴ Exhibit SCG-7, page JPP-101, Response to DRA-SCG-118-SWC, and Response to DRA-SDG&E-110, question 2

⁶⁵ Response to DRA-SDG&E-110, question 2