

Application of SOUTHERN CALIFORNIA GAS)
COMPANY for authority to update its gas revenue)
requirement and base rates)
effective January 1, 2024 (U 904-G))

Application No. 22-05-___

Exhibit No.: (SCG-11-WP)

WORKPAPERS TO
PREPARED DIRECT TESTIMONY
OF MARTIN F. LAZARUS
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 2022



2024 General Rate Case - APP
INDEX OF WORKPAPERS

Exhibit SCG-11-WP - SOCALGAS GAS ACQUISITION

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Overall Summary For Exhibit No. SCG-11-WP

Area:	SoCalGas Gas Acquisition
Witness:	Martin F. Lazarus

	In 2021 \$ (000) Incurred Costs			
	Adjusted-Recorded	Adjusted-Forecast		
	2021	2022	2023	2024
Description				
Non-Shared Services	5,081	5,267	5,247	5,247
Shared Services	0	0	0	0
Total	5,081	5,267	5,247	5,247

Note: Totals may include rounding differences.

Southern California Gas Company
 2024 GRC - APP
 Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
 Witness: Martin F. Lazarus

Summary of Non-Shared Services Workpapers:

Description	In 2021 \$ (000) Incurred Costs			
	Adjusted-Recorded	Adjusted-Forecast		
		2021	2022	2023
A. Gas Acquisition	5,081	5,267	5,247	5,247
Total	5,081	5,267	5,247	5,247

Note: Totals may include rounding differences.

Southern California Gas Company
2024 GRC - APP
Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
Witness: Martin F. Lazarus
Category: A. Gas Acquisition
Workpaper: 2SP000.000

Summary for Category: A. Gas Acquisition

	In 2021\$ (000) Incurred Costs			
	Adjusted-Recorded	Adjusted-Forecast		
	2021	2022	2023	2024
Labor	4,604	4,800	4,780	4,780
Non-Labor	478	467	467	467
NSE	0	0	0	0
Total	5,082	5,267	5,247	5,247
FTE	35.8	37.9	38.0	38.0

Workpapers belonging to this Category:

2SP000.000 Gas Acquisition

Labor	4,604	4,800	4,780	4,780
Non-Labor	478	467	467	467
NSE	0	0	0	0
Total	5,082	5,267	5,247	5,247
FTE	35.8	37.9	38.0	38.0

Note: Totals may include rounding differences.

Beginning of Workpaper
2SP000.000 - Gas Acquisition

Southern California Gas Company
2024 GRC - APP
Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
Witness: Martin F. Lazarus
Category: A. Gas Acquisition
Category-Sub: 1. Gas Acquisition
Workpaper: 2SP000.000 - Gas Acquisition

Activity Description:

The Gas Acquisition Department consists of four functional groups reporting to the Vice President -Gas Acquisition: 1) Origination, Energy Trading and Transportation (" front office" - physical gas trading, financial trading, energy and carbon trading, gas scheduling), 2) Governance, Risk & IT ("middle office" - risk management governance and oversight, Information Technology (IT) support) 3) Finance (" back office" - gas accounting, settlements, finance), and 4) Energy Economics and Planning (energy markets forecasting and analysis). Primary activities include: 1) procurement of natural gas supplies (including storage gas) for SoCalGas and SDG&E retail core customers, 2) physical and financial hedging activity for the combined portfolio, 3) procurement of cost-effective green house gas emissions compliance instruments for end-use customers and SoCalGas covered facilities, 4) matching compressed natural gas (CNG) offtake from SoCalGas and SDG&E Natural Gas Vehicle (NGV) stations with RNG in order to generate and monetize environmental credits, 5) sale of low carbon fuel standard environmental credits, 6) contract management related to physical and financial gas transactions, interstate and intrastate transportation capacity, renewable natural gas (RNG), and carbon trading, 7) IT applications, gas management system and desktop computing support, 8) portfolio risk management, 9) energy markets supply and demand analysis and other economic factors, 10) gas and carbon accounting and settlements, and 11) maintenance of a robust system of internal business controls.

Gas Acquisition O&M costs are primarily direct labor driven; therefore, the unit of measure (UOM) used for Gas Acquisition is # of employees supported - FTE.

Forecast Explanations:

Labor - Base YR Rec

Base year recorded is the most appropriate labor forecast methodology to forecast Gas Acquisition Department labor costs. Base year recorded cost forecasting methodology adjusted for vacancies that occurred primarily in 2021 is appropriate as it represents the most recent recorded Gas Acquisition Department labor costs at a full staffing level. Base year recorded cost adjusted for vacancies and incremental labor cost requirements represents a reasonable baseline forecast supporting full staffing for the Gas Acquisition Department in order to execute its procurement priorities including : 1) procurement of reliable gas supplies for retail core customers, 2) cost effective energy procurement with limited price volatility, 3) cost effective procurement of emissions compliance instruments for customers , 4) activities to support sustainability goals, and 5) compliance with state and federal regulatory requirements and policy.

Non-Labor - 5-YR Average

Gas Acquisition Department non-labor costs consist mainly of industry publication subscription fees, consultants and on-line services, training, attendance at industry conferences and associated travel expenses. A five-year average forecast methodology was used to forecast Gas Acquisition Department non-labor costs. The five-year average forecast methodology reduces variances by leveling costs attributable to routine employee attrition and unusual operating conditions such as the COVID-19 pandemic that occurred in March 2020. As an example, the impact of reduced training and travel due to the COVID-19 pandemic in a certain year would not be representative of a typical year's training and travel O&M expenditures. Therefore, use of the five-year average is the most appropriate forecast methodology as it provides a reasonable basis for developing a forecast of TY 2024 non-labor costs for the Gas Acquisition Department.

Note: Totals may include rounding differences.

Southern California Gas Company
 2024 GRC - APP
 Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
 Witness: Martin F. Lazarus
 Category: A. Gas Acquisition
 Category-Sub: 1. Gas Acquisition
 Workpaper: 2SP000.000 - Gas Acquisition

NSE - 5-YR Average

N/A

Summary of Results:

		In 2021\$ (000) Incurred Costs								
		Adjusted-Recorded					Adjusted-Forecast			
Years		2017	2018	2019	2020	2021	2022	2023	2024	
Labor		3,960	4,234	4,417	4,578	4,604	4,799	4,779	4,779	
Non-Labor		315	454	491	500	478	467	467	467	
NSE		0	0	0	0	0	0	0	0	
Total		4,275	4,688	4,907	5,078	5,081	5,266	5,246	5,246	
FTE		28.3	30.0	33.3	34.8	35.8	37.9	38.0	38.0	

Note: Totals may include rounding differences.

Southern California Gas Company
2024 GRC - APP
Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
Witness: Martin F. Lazarus
Category: A. Gas Acquisition
Category-Sub: 1. Gas Acquisition
Workpaper: 2SP000.000 - Gas Acquisition

Summary of Adjustments to Forecast:

In 2021 \$(000) Incurred Costs										
Forecast Method		Base Forecast			Forecast Adjustments			Adjusted-Forecast		
Years		2022	2023	2024	2022	2023	2024	2022	2023	2024
Labor	Base YR Rec	4,604	4,604	4,604	196	176	176	4,800	4,780	4,780
Non-Labor	5-YR Average	447	447	447	20	20	20	467	467	467
NSE	5-YR Average	0	0	0	0	0	0	0	0	0
Total		5,051	5,051	5,051	216	196	196	5,267	5,247	5,247
FTE	Base YR Rec	35.8	35.8	35.8	2.1	2.2	2.2	37.9	38.0	38.0

Forecast Adjustment Details:

Year	Labor	NLbr	NSE	Total	FTE	Adj Type
2022	196	20	0	216	2.1	1-Sided Adj
Explanation:	<p>Direct Labor - 1) \$88K: fill existing vacancies to sustain a qualified workforce capable of effectively executing department procurement priorities, 2) \$51K: incremental Middle Office Senior Risk Analyst to increase risk governance and oversight encompassing Gas Acquisition's trading portfolios , and 3) \$57K: Front Office Interstate Transportation Analyst to increase interstate / intrastate gas scheduling support. Total forecast direct labor adjustments - \$196K</p> <p>Non-Labor - \$20K: 1) incremental costs due to training, travel, office supplies, subscription and on-line services to help Gas Acquisition remain competitive in the marketplace .</p>					
2022 Total	196	20	0	216	2.1	
2023	176	20	0	196	2.2	1-Sided Adj
Explanation:	<p>Direct Labor - 1) \$12K: fill existing vacancies to sustain a qualified workforce capable of effectively executing department procurement priorities, 2) \$51K: incremental Middle Office Senior Risk Analyst to increase risk governance and oversight encompassing Gas Acquisition's trading portfolios , and 3) \$113K: Front Office Interstate Transportation Analyst to increase interstate / intrastate gas scheduling support. Total forecast direct labor adjustments - \$176K</p> <p>Non-Labor - \$20K: 1) incremental costs due to training, travel, office supplies, subscription and on-line services to help Gas Acquisition remain competitive in the marketplace .</p>					
2023 Total	176	20	0	196	2.2	
2024	176	20	0	196	2.2	1-Sided Adj
Explanation:	<p>Direct Labor - 1) \$12K: fill existing vacancies to sustain a qualified workforce capable of effectively executing department procurement priorities, 2) \$51K: incremental Middle Office Senior Risk Analyst to increase risk governance and oversight encompassing Gas Acquisition's trading portfolios , and 3) \$113K: Front Office Interstate Transportation Analyst to increase interstate / intrastate gas scheduling support. Total forecast direct labor adjustments - \$176K</p> <p>Non-Labor - \$20K: 1) incremental costs due to training, travel, office supplies, subscription and on-line services to help Gas Acquisition remain competitive in the marketplace .</p>					
2024 Total	176	20	0	196	2.2	

Note: Totals may include rounding differences.

SCG/SoCalGas Gas Acquisition/Exh No:SCG-11-WP/Witness: M. Lazarus

Southern California Gas Company
2024 GRC - APP
Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
Witness: Martin F. Lazarus
Category: A. Gas Acquisition
Category-Sub: 1. Gas Acquisition
Workpaper: 2SP000.000 - Gas Acquisition

Determination of Adjusted-Recorded (Incurred Costs):

	2017 (\$000)	2018 (\$000)	2019 (\$000)	2020 (\$000)	2021 (\$000)
Recorded (Nominal \$)*					
Labor	2,726	3,011	3,516	3,780	3,913
Non-Labor	247	377	466	488	492
NSE	0	0	0	0	0
Total	2,973	3,387	3,981	4,268	4,405
FTE	23.8	25.2	27.9	29.1	30.1
Adjustments (Nominal \$) **					
Labor	310	317	0	0	0
Non-Labor	32	39	-8	-24	-14
NSE	0	0	0	0	0
Total	343	357	-8	-24	-14
FTE	0.3	0.3	0.0	0.0	0.0
Recorded-Adjusted (Nominal \$)					
Labor	3,036	3,328	3,515	3,780	3,913
Non-Labor	280	416	458	465	478
NSE	0	0	0	0	0
Total	3,316	3,744	3,973	4,244	4,391
FTE	24.1	25.5	27.9	29.1	30.1
Vacation & Sick (Nominal \$)					
Labor	515	573	667	666	691
Non-Labor	0	0	0	0	0
NSE	0	0	0	0	0
Total	515	573	667	666	691
FTE	4.2	4.5	5.4	5.7	5.7
Escalation to 2021\$					
Labor	409	333	235	132	0
Non-Labor	35	38	33	36	0
NSE	0	0	0	0	0
Total	444	371	268	168	0
FTE	0.0	0.0	0.0	0.0	0.0
Recorded-Adjusted (Constant 2021\$)					
Labor	3,960	4,234	4,417	4,578	4,604
Non-Labor	315	454	491	500	478
NSE	0	0	0	0	0
Total	4,275	4,688	4,907	5,078	5,081
FTE	28.3	30.0	33.3	34.8	35.8

* After company-wide exclusions of Non-GRC costs

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

Note: Totals may include rounding differences.

Southern California Gas Company
2024 GRC - APP
Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
 Witness: Martin F. Lazarus
 Category: A. Gas Acquisition
 Category-Sub: 1. Gas Acquisition
 Workpaper: 2SP000.000 - Gas Acquisition

Summary of Adjustments to Recorded:

		In Nominal \$ (000) Incurred Costs				
Years	2017	2018	2019	2020	2021	
Labor	310	317	-0.056	-0.056	-0.056	
Non-Labor	32	39	-8	-24	-14	
NSE	0	0	0	0	0	
Total	343	357	-8	-24	-14	
FTE	0.3	0.3	0.0	0.0	0.0	

Detail of Adjustments to Recorded:

Year	Labor	NLbr	NSE	FTE	Adj Type
2017	0	0	0	0.0	1-Sided Adj
Explanation:	Remove Non O&M Expenses				
2017	218	41	0	0.1	1-Sided Adj
Explanation:	Add back Gas Acquisition department Cap & Trade labor and non-labor costs per D.15-10-032.				
2017	0	-8	0	0.0	1-Sided Adj
Explanation:	Remove Special Event Tickets				
2017	91	0	0	0.1	1-Sided Adj
Explanation:	Add Pinnacle Conversion Project labor				
2017	1	0	0	0.1	1-Sided Adj
Explanation:	Add Capital labor				
2017	0	0	0	0.0	1-Sided Adj
Explanation:	Exclude labor expenses associated with lobbying activities (FERC 426.4). This adjustment is in addition to other costs that have already been excluded based other specific accounting attributes.				
2017 Total	310	32	0	0.3	
2018	0	0	0	0.0	1-Sided Adj
Explanation:	Remove Aliso Canyon gas leak-related costs as required in D.16-06-054 ordering paragraph #12				
2018	0	0	0	0.0	1-Sided Adj
Explanation:	Remove Non O&M Expenses				
2018	269	51	0	0.1	1-Sided Adj
Explanation:	Add back Gas Acquisition department Cap & Trade labor and non-labor costs per D.15-10-032.				
2018	1	0	0	0.1	1-Sided Adj
Explanation:	Add Capital projects labor				
2018	0	-11	0	0.0	1-Sided Adj

Note: Totals may include rounding differences.

Southern California Gas Company
2024 GRC - APP
Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
Witness: Martin F. Lazarus
Category: A. Gas Acquisition
Category-Sub: 1. Gas Acquisition
Workpaper: 2SP000.000 - Gas Acquisition

<u>Year</u>	<u>Labor</u>	<u>NLbr</u>	<u>NSE</u>	<u>FTE</u>	<u>Adj Type</u>
Explanation:	Remove Special Event Tickets				
2018	48	0	0	0.1	1-Sided Adj
Explanation:	Add Pinnacle Conversion Project labor				
2018	0	0	0	0.0	1-Sided Adj
Explanation:	Exclude labor expenses associated with lobbying activities (FERC 426.4). This adjustment is in addition to other costs that have already been excluded based other specific accounting attributes.				
2018 Total	317	39	0	0.3	
2019	0	0	0	0.0	1-Sided Adj
Explanation:	Remove Non O&M Expenses				
2019	0	-7	0	0.0	1-Sided Adj
Explanation:	Remove Special Event Tickets				
2019	0	0	0	0.0	1-Sided Adj
Explanation:	Exclude labor expenses associated with lobbying activities (FERC 426.4). This adjustment is in addition to other costs that have already been excluded based other specific accounting attributes.				
2019 Total	0	-8	0	0.0	
2020	0	-24	0	0.0	1-Sided Adj
Explanation:	Incremental COVID-related costs that are anticipated to be requested for recovery through a non-GRC Catastrophic Event Memorandum Account (CEMA).				
2020	0	0	0	0.0	1-Sided Adj
Explanation:	Remove Non O&M Expenses				
2020	0	0	0	0.0	1-Sided Adj
Explanation:	Exclude labor expenses associated with lobbying activities (FERC 426.4). This adjustment is in addition to other costs that have already been excluded based other specific accounting attributes.				
2020 Total	0	-24	0	0.0	
2021	0	-13	0	0.0	1-Sided Adj
Explanation:	Incremental COVID-related costs that are anticipated to be requested for recovery through a non-GRC Catastrophic Event Memorandum Account (CEMA).				
2021	0	1	0	0.0	1-Sided Adj
Explanation:	Add Executive Financial Consultant				
2021	0	0	0	0.0	1-Sided Adj
Explanation:	Remove Non O&M Expenses				
2021	0	-1	0	0.0	1-Sided Adj
Explanation:	Remove Special Event Tickets				
2021	0	0	0	0.0	1-Sided Adj

Note: Totals may include rounding differences.

Southern California Gas Company
 2024 GRC - APP
 Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
 Witness: Martin F. Lazarus
 Category: A. Gas Acquisition
 Category-Sub: 1. Gas Acquisition
 Workpaper: 2SP000.000 - Gas Acquisition

<u>Year</u>	<u>Labor</u>	<u>NLbr</u>	<u>NSE</u>	<u>FTE</u>	<u>Adj Type</u>
Explanation:	Exclude labor expenses associated with lobbying activities (FERC 426.4). This adjustment is in addition to other costs that have already been excluded based other specific accounting attributes.				
2021 Total	0	-14	0	0.0	

Note: Totals may include rounding differences.

Southern California Gas Company
2024 GRC - APP
Non-Shared Service Workpapers

Area: SoCalGas Gas Acquisition
Witness: Martin F. Lazarus

Appendix A: List of Non-Shared Cost Centers

Cost Center	Sub	Description
2200-0832	000	VP GAS PROCUREMENT
2200-0834	000	SECONDARY MARKET SERVICES
2200-2485	000	NERBA - CAP AND TRADE GAS ACQUISITION
2200-2580	000	LCFS