SDCAN Evaluation of San Diego Gas and Electric Company's Customer Service and External Affairs Activities

Prepared testimony of
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on behalf of
San Diego Consumers' Action Network
California Public Utilities Commission
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Table of Contents

CALIFORNIA PUBLIC UTILITIES COMMISSION
APPLICATION NO. 14-11-003
PREPARED TESTIMONY OF MICHAEL SHAMES
on behalf of
SAN DIEGO CONSUMERS' ACTION NETWORK

I. Overview

This testimony is presented by Michael Shames, Executive Director of San Diego Consumers' Action Network (SDCAN) on issues relating to San Diego Gas & Electric (SDG&E). He has appeared before this Commission on numerous occasions and has been recognized as a subject matter expert on matters relating to both telecommunications and energy. His qualifications are found in Appendix "A".

This testimony presents SDCAN's findings and recommendations and to address two important issues:

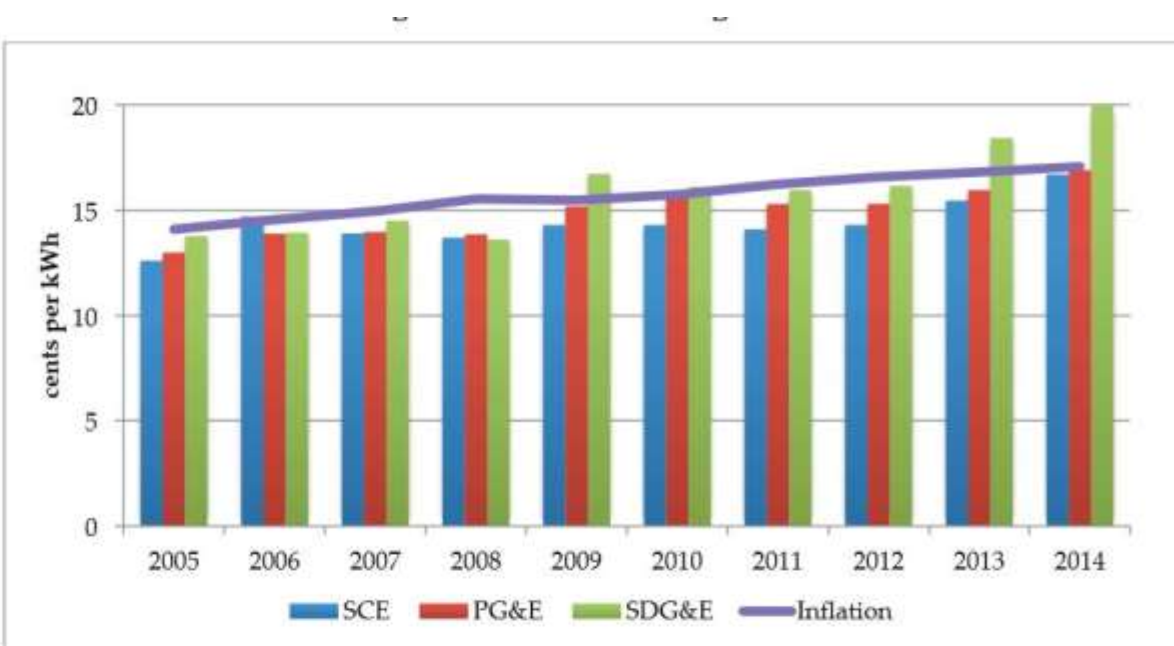
- How SDG&E's revenue and profits have increased during a period when its prices charged to customers have skyrocketed disproportionately and the quality of its customer service has declined;
- The utility's disregard for operational efficiencies.

The testimony also evaluates a number of SDG&E's proposed customer service initiatives. In its showing, SDCAN proposes that the Commission fully reject SDG&E's revenue request for an additional increase of $116 million for TY2016. Instead, its rates should be lowered from its current base margin in accord with the revenue reductions recommended by ORA and TURN, with some additional revenue reductions as set forth below.

SDCAN's evaluation of SDG&E's practices and policies raise a number of disturbing findings. Perhaps the most pronounced one is the extent to which these General Rate Case filings show how SDG&E continues its strategy of exploiting the current rate case system. The Commission must begin greater scrutiny of utility general rate applications in order to correct the imbalances created by its prior rate case decisions.

To wit, since the 2012TY GRC, SDG&E's electric rates jumped well ahead of the other two major utilities in the state: SCE and PG&E.

Figure 1 - CPUC's System Average Rate Comparison



This table is drawn from the CPUC's own Electric and Gas Utility Cost report issued to the Legislature in April 2015 shows how SDG&E's system average rates leapfrogged over the state's other two IOUs since SDG&E's last 2012TY GRC.

SDG&E's significant rate increases occurred despite the fact that natural gas prices dropped for the utility. Accordingly to the U.S. Energy Information Administration; between 2008-2013, there was an almost 50% drop in 'citygate" gas which is the gas purchased by the utilities to ship to customers and close to a 65% drop in "import" natural gas which is the cost that utilities pay for gas used at their power plants.[1] Even though the vast majority of SDG&E power is natural gas-fueled, the costs paid by SDG&E consumers for electric utility service has increased while the primary cost-driver for electricity has dropped.

During this same period, SDG&E's profitability has been very high. As set forth below, SDG&E's profits have almost doubled in the past 10 years and this trend apparently will continue. As recently as May 5, 2015, Sempra Energy announced that: "First-quarter earnings for SDG&E were $147 million in the first quarter 2015, up from $99 million in the year-earlier period, due primarily to higher CPUC-authorized margin, increased earnings from electric transmission operations and the benefit of $13 million from the reduction in the current year to the loss related to the SONGS closure. "[2]. This first quarter earnings report suggests that SDG&E's 2015 earnings will be significantly higher than its record high 2014 earnings.

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[1] http://www.eia.gov/dnav/ng/ng_sum_lsum_dcu_SCA_a.htm

[2] All financial data from Sempra Energy's Financial News site: https://investor.shareholder.com/sre/releases.cfm

In 2014, SDG&E earnings increased to $507 million from $404 million in 2013 – a 25% jump.[3] As set forth in Figure 2 below, SDG&E earnings in 2012 were $484 million, $431 million in 2011 and $369 million in 2010. Notably, in 2010, SDG&E's earnings were only $344 million. By SDG&E's own admission, over the past five years, SDG&E's earnings have increased by almost 50% up to historically high levels.4 In fact, SDG&E's earnings have effectively doubled since it reported earnings of $262 million in 2005 – just 10 years ago, as depicted in Figure 2 below. Its annual earnings increased by double digits in 7 of the 10 years:

Figure 2 - SDG&E's Earnings Increases (by year)

Year	Reported Earnings	% increase
2005	$262 million	-
2006	$237 million	10
2007	$283 million	15
2008	$339 million	20
2009	$344 million	2
2010	$369 million	7
2011	$431 million	17
2012	$484 million	12
2013	$404 million[5]	-17
2014	$507 million	25
Totals	**458,688**	**395**

SDG&E's record profitability has occurred during a period in which natural gas prices dropped significantly and its system average electric rates leapfrogged over that of

[3] About $67 million of the difference was attributable to a one-time charge related to SONGS offset by adoption of the 2012TY GRC.

[4] Per Sempra Energy financial data, SDG&E's earnings were $339 in 2008 and only $283 million in 2007.

[5] The result of a charge for the SONGS closure

the other major IOUs. It would be inaccurate to place full blame upon SDG&E, as the Commission has played a major part by adopting inflated revenue requirements over this time period.

This application presents a serious challenge to this new post-Peevey Commission. A significant amount of budgetary mischief has been uncovered by ORA and other intervenors.[6] The evidentiary record is sufficient for the Commission to not only reject SDG&E's rate increase reject but to *reduce* its authorized revenues by over $100 million. In this proceeding, the Commission has an opportunity to revisit and restore public confidence in the regulatory process by slicing through SDG&E's inflated budgets and "rightsizing" the company's profitability so that it is more reflective of the utility's underwhelming performance.

[6]Exhibit ORA-1-A, p. 2.

II. Summary of Recommendations

The purpose of this testimony is to provide document the clear disconnect between SDG&E's rate increases and its profitability over the past decade. This testimony also examines SDG&E's operational disregard for promoting efficiency and it evaluates some of the utility's Customer Service expenditures and policies. A summary of the recommendations are as follows:

- The Commission must reduce SDG&E earnings to comport with industry norms and should be tied to the prices it charges to customers (relative to other similarly situated utilities).

- As a condition for receiving *any* rate increases, the Commission must require utilities, such as SDG&E, to demonstrate in future applications specifically how it promotes operational efficiencies within its operations.

- In light of its current application's deficiencies, the Commission should adopt the recommendations of ORA and TURN, unless the company is able to quantify and demonstrate with specificity how it has achieved operational efficiencies and how it encourages its employees to pursue such efficiencies.

- SDG&E failed to quantify web-based efficiencies, in violation of the Commission's order in the 2012TY GRC. The 10% imputed efficiency achieved by web-related investments that the Commission deferred in D. 13-05-010 should be applied in this proceeding.

- SDG&E request for increased funding of its CCC operations and customer outreach on the basis that customers will have questions about new rates that will be implemented should be rejected on the basis that funding for much of this effort was provided in A. 10-07-009.

- SDCAN recommends that SDG&E invest in E-mail with Artificial Intelligence, functionalities for helping consumers find a rate plans that fits their needs, and online customer surveys as a means of improving customer service while also reducing staffing and associated costs.

- The numbers of missed appointments and customer credits paid out in Service Guarantees to residential customers should be dropping, not increasing.

SDG&E should be required to split the costs of the program between its customers and shareholders until the next SDG&E GRC, at which time, if it provides evidence of reduced mission appointments, the program might, once again, be fully funded by ratepayers.

- SDCAN recommends SDG&E receive no more than $683,000 funding for the Regional Public Affairs department. This is an appropriate recommendation in light of the historical context for these operations and SDG&E's failure to offer a "detailed justification" that this expense outweighs corporate image enhancement, as required by the Commission in D. 13-05-010.

- As a result of credit card overuse by SDG&E employees, SDCAN recommends disallowance of 50% of all of SDG&E forecast travel costs. In seeking ratepayer funding to pay for air travel and lodging, SDG&E failed to engage in regular reviews of employee expense reports to ensure that employees are booking reasonable, low-cost air travel and lodging accommodations. The Commission should require SDG&E to meticulously tracking its use of ratepayer funds particular where its internal policies allow for significant lodging and air travel costs to be incurred. Appropriate tracking of these expenses would allow SDG&E to update and revise the policy if it found that lodging and air travel expenses had become excessive because of the vagueness of the policy allowing too many employees to book overly expensive air travel or lodging. This tracking would include, but are not limited to, tracking and limiting employee first-class air travel and five-star lodging booking, placing an expense cap on employees air travel and lodging requiring review of the accounts that exceed the cap, and requiring employees to book lodging and air travel with preferred partners when available.

III. SDG&E's Simply Rates are Too High

A. Historical Context of This Rate Case

This Commission is presented with a cost of service proceeding that represents only the second fully litigated General Rate Case for SDG&E since A. 84-12-015. As is summarized in the table below, most of SDG&E's rate cases in the past two decades have resulted in rate decreases that hewed closely to the positions of DRA and SDCAN.

The 2008TY General Rate Case proved to be a debacle that had a serious impact upon SDG&E customers. In that 2007 case, SDG&E sought $150 million (12.4%), for TY2008, with further Post-Test Year increases for 2009 through 2011 of $41 million (3.0%), $44 million (3.1%), and $44 million (3.0%), respectively.[7] Notably, SDG&E had started that case, requesting a $230 million rate increase and then dropped the request by $80 million during the pendency of the case.[8] DRA (now ORA) came into that 2007 case saying that SDG&E deserved no more than an $85 million increase. SDCAN's testimony showed that SDG&E deserved no increase whatsoever. The result of that case was crushing for SDG&E customers. The Commission adopted a contested settlement between DRA and SDG&E that gave SDG&E a 13% increase that included very generous attrition increases.

In its 2012TY GRC, the Commission finally issued a decision for contested GRC. D. 13-05-010 was a mixed bag, in that it granted SDG&E a revenue requirement of

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7 D. 08-07-046, p. 2

8 SDG&E used almost an identical strategy in its subsequent 2012TY application. It started with a filing seeking an increase of $238 million and dropped it by $70 million in mid-July down to $168.5 million.

$1.732,830,000, amounting to a $123 million increase over 2012 rates.[9] While this decision gave SDG&E $115 million less than the utility sought, it's "split the baby" decision to give SDG&E any increase resulted in significant rate impacts --- especially as the increase was squeezed into a time-shortened period.

In this case, the Commission is presented with a utility application which is founded upon a revenue requirement that is inflated by over $123 million due to an overly generous Commission decision in D. 10-12-005. SDG&E seeks to further inflate its current $1.790 annual revenue requirement by another $116 million in the first year.[10] All this, as SDG&E's customers continue to grapple with the after-effects of the most debilitating economic recession since 1929.

SDCAN also believes the Commission should note the increasing boldness of SDG&E grab for its customers' green. SDCAN has reviewed the last seven rate cases, spanning a period of over 20 years. In most of those cases, SDG&E sought increases that were only a fraction of what is being sought in this case. In almost every case, SDG&E received yet a fraction again of what it sought. Miraculously, SDG&E survived over 20 years of what it might characterize as "chronic underfunding". Notably, the last two GRC decisions ushered in a period of double-digit annual earnings and a doubling of SDG&E's earnings in less than a decade. The disturbing history of Commission decisions in SDG&E's last seven GRCs is set out below:

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[9] D. 13-05-010, p. 2
[10] Exh. ORA-1-A, p. 2

Figure 3. Comparison of Rate Case Positions and Dispositions
(1984-current)

RATE CASE APPLICATION	Proposed by SDG&E (in $ millions)	Proposed by DRA (in $ millions)	Final Resolution (in $ millions)
A. 84-12-015	$78.5	$6.0	CPUC decision: $14.0
A. 87-12-003	$13.3	$(71.0)	Settled: $(94.9)
A. 91-11-024	$143.4	42.8	Settled: $72.5
A. 98-01-014	$74.7	$(52.5)	Settled: $(10.3)
A. 02-12-028	$81.0	$(52.0)	Contested Settlement $(9.8)[11]
A. 06-12-009	$150.0 (reduced from $240 .0)	$85.0	Contested settlement $138
A. 10-12-005	$240	$(46.0)[12]	Decision: $123
A. 14-11-003	$116 with $193 million cumulative increases in 2017 & 2018	$(58.0) with $109 million cumulative increases in 2017 & 2018[13]	TBD

11 Specifically, the CPUC reported SDG&E electric customers would see a decrease of approximately $8.2 million; and SDG&E gas customers will see an increase of approximately $1.6 million. (http://www.cpuc.ca.gov/PUBLISHED/NEWS_RELEASE/41867.htm)

12 However, DRA conceded to attrition increases of $25M, $32M and $40M in subsequent years.

13 ORA-1 Executive Summary, p. 1

B. SDG&E's Rates Have Leapfrogged Those of Other California Utilities

As noted above, the 2008 and 2012 General Rate Cases were a debacle for SDG&E customers. As a result of those decisions, SDG&E's rates have increased at a rate higher than any other regulated energy utility in California.

As of January 2015, the CPUC's own SB695 Compliance report indicates SDG&E's residential average rates are over 20 cents per kWhr. The majority of the increase has occurred since the last General Rate Case in 2012, where SDG&E's residential rates increased from 15.6 cents per kWhr to 18.4 cents per kWhr.

<u>Figure 4 – IOUs' System Average Rate Comparison</u>

California IOUs	2008	2011	2013	2015
PG&E	$.15 k/Wh	$.15 k/Wh	$.16 k/Wh	$.172 k/Wh
SCE	$.15 k/Wh	$.14 k/Wh	$.16 k/Wh	$.162 k/Wh
SDG&E	$.156 k/Wh	na	$.177 k/Wh**	$.20 k/Wh***

This data, drawn from the IOUs 2015 SB 695 Compliance reports to the CPUC, shows that SDG&E's system average rates during that time frame increased from appx. $.15 kWh to over $.20 cents per kWhr (an increase of almost 30%. In effect, SDG&E's residential customers are currently paying 20% more than SCE customers and almost 15% more than PG&E customers. Notably, in 2008, the residential rates for all three utilities were just about the same (15.6 for SDG&E, 15.0 for both SCE and PG&E). Only after the 2008 and 2012 SDG&E GRC decisions, did SDG&E's rates jump well above California's other two energy utilities while SDG&E reaped record profits and management bonuses. During this same time frame, SDG&E's customers were hit with the most serious economic recession since 1929. Notably, in SDG&E's 2015 SB695 report to the Commission, SDG&E was the only IOU that chose not to disclose its system average rates to the Commission.

Figure 5 - Utility Cost Report: Section 747

Utility Costs	PG&E	SCE	SDG&E
Distribution	32.0%	34.6%	**36.3%**
Purchased Power	32.2%	30.9%	24.4%
Transmission	11.4%	7.5%	**13.2%**
Utility Owned Generation	14.4%	18.0%	16.5%
Bonds & Fees	4.8%	4.0%	3.4%
Management/Programs	5.1%	5.1%	6.2%
Grand Total	**100.00%**	**100.00%**	**100.00%**

Figure 5 data comes from the CPUC's Electric & Gas Utility Cost Section 747 Report to the Governor and Legislature.[14] It shows how SDG&E's higher rates are caused by higher percentages of distribution and transmission costs than the state's other IOUs as well as its disproportionately low purchased power.

SDG&E's system average rates have leapfrogged to the highest in the continental United States and the highest in California, by more than 7% as per a Sacramento Municipal Utility District study at Figure 5 below.[15] Nor is the prospect of rate relief in

[14] Report, p. 9, Table 1.3

15 As per discussion above based upon CPUC Utility Cost report. See also: https://www.smud.org/en/residential/customer-service/rate-information/rate-comparison.htm

coming years promising, given SDG&E's cumulative $300 million requested increase over the coming three years.

Figure 6 - Comparison of the Average Residential Monthly Electric Bills

Monthly Average Residential Electric Bill @ 750 kWh per month	
Effective as of January 1, 2015.	
Utility	**Monthly Bill**
SMUD	$93.93
L.A. Dept. of Water & Power	$120.53
Roseville Electric	$113.95
PG&E	$154.44
Modesto Irrigation District	$136.63
Southern California Edison	$143.94
San Diego Gas & Electric	$166.62

Last decade, regulators had anticipated price reductions as very expensive state/CDWR energy contracts began expiring in 2007. A 2002 study of these contracts entered into during the height of the California energy crisis found that many, if not most, of the power purchase contracts' prices peaked in 2007 and dropped thereafter.[16] The majority of the contracts ended in 2013. State regulators and consumers had anticipated that the ending of these CDWR contracts would result in rate reductions for all utility customers, but these reductions have not materialized for SDG&E customers.

Relative to other utilities in California, SDG&E's rates are more – not less – expensive. And SDG&E would have no way of knowing this because, based upon a series of data request inquiries to SDG&E, the utility has not conducted any kind of electric or

16 A Blueprint For Renegotiating California's Worst Electricity Contracts authored by JBS Energy and posted at http://www.jbsenergy.com/Energy/Papers/Blueprint/blueprint.html#_Toc2576601

natural gas rate comparison of its rates with other utilities since 2006 except in rebuttal to testimony in the last GRC.[17]

Notwithstanding SDG&E's protestations that its geographical location and available fuel mix causes its rates to be higher than other utilities, SDG&E's rates were actually the lowest among the three IOUs in California for much of the 1990s and 2000s. Back in the late 1980s, SDG&E sought to merge with Southern California Edison on the basis that its rates would continue to be the highest in the state absent such a merger. SDG&E was wrong. Shortly after regulators reject that merger, SDG&E's average electric rates dropped below those of SCE's for most of that decade.

And in the 2000s, the CPUC's own numbers show how SDG&E's system average rates were lower than SCE's in 2002 and 2006 and within one cent (7%) of SCE's system average rates for the period of 2003-2008. Similarly, SDG&E's rates were lower than those of PG&E in 2002, 2003 and 2006 and within one cent (7%) through 2008. Only after the 2008TY SDG&E GRC decision, did SDG&E's rates jump above California's other two energy utilities. [18] The 2012TY GRC decision doomed SDG&E customers to paying far higher rates through the subsequent three years leading up to this Application.

SDG&E customers are neither ignorant about nor indifferent to SDG&E’s excessive rates. Aside from the anecdotal complaints that arrive daily at SDCAN, SDG&E’s own customer survey data about customer perception of rate fairness indicated that over 50%

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17 SDG&E states that since 2006, it has not engaged in any comparison of its rates of other ratepayer utilities (Attachment B: SDG&E response to SDCAN DR1-27, DR1-29)

18 see: http://www.cpuc.ca.gov/PUC/energy/Electric+Rates/ENGRD/ratesNCharts_elect.htm

of customers consider SDG&E's rates unreasonable back in 2006.[19] It is notable that SDG&E ceased collecting customer data about attitude towards rates, credibility or reliability since the beginning of 2008 although it does still collect such data about customer service satisfaction.

C. SDG&E's Lackluster Efforts to Promote Operational Efficiency

In light of most every single SDG&E operational category seeking revenue increases, SDCAN examined the steps that the utility takes to pursue operational efficiencies. The tenor of SDG&E's cost-cutting zeal was best reflected in a response to a question in which SDCAN asked:

Please identify any outside consultants retained during the January 2010 through December 2014 time period specifically for the purposes of developing cost-cutting or greater operational efficiencies for any department within SDG&E.

SDG&E's response: just one company in 2013.[20]

The core problem is budget methodology: SDG&E's budgeting process is incremental, building upon past budgets based that assume that all future monies are needed and spent. Thus, the company conceded that since, at least, 2005, "... no

19 This survey was provided to the Commission in the 2007 GRC (SDCAN DR8, 1). When SDCAN inquired again for similar data, SDG&E responded in its response to SDCAN DR4-13 to that it had not conducted such a survey since before D.08-07-046 was issued and the new rates went into effect (3rd quarter of 2008).

20 Attachment B: SDG&E response to SDCANDR-1, 17

department followed a complete zero based budgeting process, but instead developed only the level of detail needed to complete the annual prioritization process."[21]

When asked:

“Please identify any cost-cutting measures that generated annual savings in excess of $1,000,000 for any SDG&E department during the January 2010 through December 2014 time period. In this response, please provide a copy of any reports generated by those consultants that were given to any members of senior management. Where the reports, or summary of said reports, were not given to senior management, please so indicate”,

In response, SDG&E could not indicate any annual savings of that magnitude in any of its operations for that four-year period. [22]

When asked to identify any internal awards or formal recognition for innovations or operational efficiencies awarded to any SDG&E department, the utility provided a list of “Move the Needle” awards that four awards to employees for savings that totaled just $28,000 even though the annual savings were allegedly in excess of $15 million annually. [23] It offered no other examples of cost-savings activities within the company.

SDG&E’s lackluster efforts to find greater operational efficiencies and reduce its costs cannot be tolerated by this Commission. As a condition for receiving any rate increases, the Commission must require utilities, such as SDG&E, to demonstrate in future applications specifically how it promotes operational efficiencies within its operations. Moreover, in light of its current application’s deficiencies, the Commission should adopt

21 See Attachment B: SDG&E response to SDCAN DR1-13. It is the word-for-word identical response to a similar question posed in the 2012TY rate case.

[22] See Attachment B: SDG&E response to SDCAN DR1-15

[23] See Attachment B: SDG&E response to SDCAN DR1-18

the recommendations of ORA and TURN, unless the company is able to quantify and demonstrate with specificity how it has achieved operational efficiencies and how it encourages its employees to pursue such efficiencies.

IV. Customer Service Expenditures and Policies

A. Customer Services Reorganization

As noted above, GRCs are complicated by utility reorganizations as it makes staffing and budgeting comparisons exceedingly difficult. After the last GRC, SDG&E chose to reorganize its customer service operations, in particular, its "Residential Customer Services Group" and its "Commercial and Industrial Work Group". SDCAN shares ORA's assessment that SDG&E's forecasted expenditures are unreliable, as will be discussed below.

B. Customer Service Transactions on the Internet

In the 2012TY GRC, SDG&E was critiqued for its failure to adopt new Internet-based services for its customers. At that time, SDG&E reported of only four new programs implemented since 2007 specifically designed to enhance or accelerate responsiveness to customers and/or improve quality of customer service and only one, online brochures, relates to an Internet-based service. [24] In testimony filed at that time, Mr. Shames

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24 A. 10-12-005, Testimony of Michael Shames on behalf of UCAN.

exhorted SDG&E to begin transforming its "call center" into a "contact center" and begin developing a plan to utilize the efficiencies of the Web to improve the customer experience while gaining operational efficiencies. SDCAN and its predecessor organizations have been actively using the Internet since the late 1990s to great effect. Over a decade ago, the importance of this new media was clear. Since then, while the company has made a number of web-based services available, its application does not reflect the efficiencies created by these web-based services.

The Commission should assume that use of new Internet-based functionalities are the normal course of doing business in the 21st Century and require SDG&E to pursue this strategy. In fact, utilizing technology and online communication channels to streamline services and reduce costs related to customer service is a current policy of the federal government. Pursuant to an Executive Order released on April 27, 2011, (Streamlining Service Delivery and Improving Customer Service), Federal Agencies must develop a Customer Service Plan. In that Plan, each agency was required to address how it will improve the experience of its customers which must include the establishment of one major initiative that will use technology to improve the customer experience; and improve customer experience by adopting proven customer service best practices and coordinating across service channels (such as online, phone, in-person, and mail services), and identifying ways to use innovative technologies to accomplish the customer service activities, thereby lowering costs.[25] Where industry has traditionally been considered a leader in innovation, at least when compared to the federal government, it appears that the government is sprinting ahead of SDG&E in the adoption and utilization of innovative technologies and online channels to improve the customer service experience at lower costs.

Further, Next Generation Customer Service has become a commonplace term used by consultants, analysts, the media, and bloggers generally used to refer to web-based customer care solution including the use of social media, chat-bots, and multi-channel integration.[26] But the two drivers fueling this next generation of customer service are as much the drive for lower costs as it is for improved service quality.

In the last SDG&E GRC, the Commission adopted that a funding methodology that recognized the declining workload attributable to increased web functionalities. [27] Specifically, the Commission adopted a forecast of answered calls based upon the most recent two-year average. Further, SDG&E was expressly directed by the Commission:

"to provide in its next GRC filing a description of all of its internet-related and social media functions that are available to its customers or that it is planning, the reasons for providing those functions and their cost effectiveness, and how the call centers have been or will be integrated or utilized to provide those functions. The Commission will examine

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25 See Executive Order—Streamlining Service Delivery and Improving Customer Service, April 27, 2011 http://www.whitehouse.gov/the-press-office/2011/04/27/executive-order-streamlining-service-delivery-and-improving-customer-ser

26 See e.g. Capgemini, Next Generation Customer Service Strategies: Harnessing the Power of the Internet and Web 2.0 for Delivering Customer Care, Telecom & Media Insighs, Issue 52 available http://www.capgemini.com/m/en/tl/Next_Generation_Customer_Service_Strategies.pdf, Melissa Mayfield, The Next Generation of Customer Service, Dynamic Work/Life Solutions Blog available at http://blog.eniweb.com/wwweniwebcom/blog/bid/66703/The-Next-Generation-of-Customer-Service.

27 D. 13-05-010, p. 470

in SDG&E's next GRC application whether SDG&E should be doing more in these areas, or if it has achieved an appropriate balance in providing its customers with a variety of tools and information."[28]

No such description was forthcoming from the utility in the instant application. Instead, SDG&E provided a list of social media and functionalities with no reference to cost-effectiveness and savings.[29] Moreover, it does not address a number of the web-based initiatives that SDG&E implemented since 2012. For example, it references SDG&E's chat functionality that allows for more customers to be served by customer service representatives, but declines to assign any savings or efficiencies to this functionality.[30]

Additionally, SDG&E fails to mention its "CSR on-line customer helpdesk tool" which was a customer service web-based initiative introduced by SDG&E in 2011. It is an ".... implement online helpdesk support tools for CSRs which include "co-browsing" capabilities, CSR and customer chat functionality, and call-back and/or other online customer collaboration tools " and was budgeted at over $2 million.[31] Nor does it mention any multi-channel integration.

SDG&E's proposed expenditure is also undermined by SDG&E's failure to specifically identify and predict operational efficiencies. SDG&E Customer Services Operations claims to not have prepared any analysis on the cost effectiveness or efficacy of using Web-based services as a substitution for or complement to other customer outreach

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28 D. 13-05-010, p. 473
29 SDG&E-14 (Testimony of Bradley Baugh) Appendix A
30 Id, p. BMB-A-5
31 A. 10-12-005, Exhibit SDG&E-13, p. 45 (Fong)

functions since 2002.[32] Absent some clearer picture from SDG&E of utility-wide integration of web upgrades as well as a vision for the efficiencies achievable through the upgrades, the Commission should infer operational efficiencies.

ORA's review of SDG&E's Customer Services operations notes, anecdoctally, SDG&E's adjusted-recorded expenses declined each year over the six year period (2009-2014). SDG&E's adjusted-recorded expenses declined by $8.478 million between 2009 and 2014 from $42.620 million in 2009 to $34.142 million in 2014.[33] Yet, rather than anticipate a continued trend of cost savings, ORA accepts a Non-Shared Customer Service Operations Expenses budget that exceeds SDG&E's recorded 2014 expenditures of $34,142,000.[34] It doesn't note the reason for much of this decline nor does it even list call volume trends for these departments. Yet, while SDG&E acknowledges that its call volume has dropped steadily since 2005, it forecasts an *increase* in 2014 on the basis that customers will call about rate changes.[35]

SDG&E's 2014 forecast is undermined by facts. For 2014, Mr. Baugh estimates a total of 2,080,069 ESS calls. Yet, in response to an SDCAN data request, SDG&E concedes that the 2014 number of ESS calls was 1,833,513 – a drop of over 10% from the previous

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32 Attachment B: SDG&E response to SDCAN DR1-55
33 Exh ORA-13, p. 16
34 Exh ORA-13, Table 13-9.
35 Exh. SDG&E-14, p. BMB-51, 55

year.[36] Moreover, SDG&E makes no mention of web-based efficiencies as it seeks effectively the same budget for CCC Operations as it had enjoyed in the past.[37]

SDCAN maintains that the drop in customer calls is directly attributable to many of the significant web-related investments made by the utility since 2012. However, ORA's recommendation includes increased expenditures in the two operations that are most benefitted by web-based savings: Customer Contact Center Operations and Customer Contact Center Support. SDG&E's requests for increases for both of these Non-Shared Customer Service Operations and ORA's recommendations permitted some of these increases. SDCAN recommends that any increase should be rejected by the Commission. Instead, the 10% imputed efficiency that the Commission deferred to apply in D. 13-05-010 should be applied in this proceeding.

C. SDG&E is Double Charging Its Customers

In its testimony, SDG&E attempts to increase funding for its CCC operations and customer outreach on the basis that customers will have questions about new rates that will be implemented. However, SDG&E has already sought and received funding for customer education and staffing for these activities in A. 10-07-009. In A. 10-07-009 (Dynamic Pricing), SDG&E sought and received funding from the Commission to provide

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[36] Attachment B: SDG&E response to SDCAN DR1-24(a)
[37] Id, at BMB-53

similar web-based functionalities. In testimony in that proceeding,[38] SDG&E represents (and seeks funding) for the following web-based outreach functionalities:

> Consistent with notification requirements adopted for CPP-D in D.08-02-034 and proposed for PSW, customers on PSH will be notified no later than 3 p.m. the day before a ReduceYourUse Day. Customers may elect to be notified of a ReduceYourUse Day by email message, text message, or alphanumeric pager. Notification will also be posted on the SDG&E website. SDG&E will work with customers to maintain accurate and current PSH customer notification information. p. WGS-17
>
> This section presents the estimated $10,105,000 in incremental[20] Customer Service related direct costs to implement and manage PSH for which SDG&E is seeking recovery in this Application. These costs consist of outreach and education activities (outreach, direct communications, research and website) needed to educate customers on the PSH rate option, along with operations costs to implement and manage the rate. p. WGS-22
>
> SDG&E will use multiple customer communications channels such as bill inserts, paid media, direct mail, e-mail and outreach events to deliver information about PSH to residential customers. Customers will be directed to the SDG&E website to get more detailed information on PSH and to sign up for My Account. p. WGS-24
>
> SDG&E estimates incremental PSH website costs of approximately $1,016,000 over the 6-year timeframe, 2010-2015, as presented in Table WGS-13. These costs consist of website enhancements to provide customers with PSH online education material, online support tools, video tutorials, and other web solutions. The online support tools will be available to assist customers in managing their energy usage and resulting energy bills by allowing customers to view and analyze their usage and billing data, set usage and bill thresholds and be notified when these thresholds are met, and perform rate analysis between PSH and their OAR to determine if PSH is the right rate for them. The goal of these enhancements is to improve the functionality of SDG&E's website so that, over time, the website will be the primary vehicle for customers to learn about and choose to take service on PSH., p.WGS-28
>
> SDG&E is purchasing a new online presentment and rate analysis tool which will be integrated into SDG&E's website, specifically the *My Account* web portal. The functionality of this new online tool will provide customers the ability to perform rate analysis between the newly available dynamic rates along with additional

38 The testimony is sponsored by William G. Saxe (WGS) and Daniel J. Shulman (DJS) in A. 10-07-009.

usage analytics and goal setting features as described in the section below. The tool will require SDG&E to purchase additional infrastructure and requires extensive integration to implement the tool into *My Account* and SDG&E IT environments. DJS -4

Each of the functionalities for which SDG&E is seeking funding in those proceedings mirror, if not fully duplicate, the functionalities justifications in Mr. Baugh's testimony for which SDG&E seeks funding in this proceeding.

In its rebuttal testimony, SDCAN would expect SDG&E to address these issues. And it would expect SDG&E to discuss not just the functionalities, but the qualities of its web upgrades. Forrester Research summarizes those qualities as "customized by the end user, aggregated at the point of use, relevant to the moment, and social as a rule, not an exception"[39] SDCAN asserts that customer experience is a combination of what consumers do, think, and feel. Conversely, SDG&E seems to be focused on what customers *do* almost to the exclusion of how its customers *feel* about the web upgrades.

With the experience that SDCAN has gleaned from representing telecommunications, insurance and financial services customers, SDCAN believes that there are some Web-based services that SDG&E has not yet but should be investing in during this GRC cycle. They include:

1. *E-mail with Artificial Intelligence*. This function, like live chat, offers immediate responses to customers with common questions. Currently SDG&E's web site states: "do

39 http://www.forrester.com/rb/Research/future_of_online_customer_experience/q/id/55309/t/2

not send us an e-mail if you have an emergency." This is entirely wrong. In the 21st century, texts or e-mails should be the most appropriate means of reporting an emergency.

2. *Interactive Rate Finder*. This function would assist customers with the ability to choose a rate plan that is a best fit for their needs. As SDG&E begins to offer dynamic pricing rates to its customers, an adaptation to its existing "Energy Waves" service to find and describe a rate best suited for that customer's energy profile would be useful. Currently, SDG&E's website is deficient in the following manner:

- It has no means by which residential customers can easily discern the most appropriate rate available for their usage
- It has no means by which customers can compare different rates.
- It has no means by which customers can backcast to compare how they would have fared under different rates from which they could have selected.

Not only would these functionalities be useful for customers but it would reduce SDG&E CCC staffing and revenue requirement.

3. *Customer Feedback*. Customers like surveys and the feedback that surveys provide is useful to a provider who is interested in improving service. This is a very low-cost means of collecting useful data and which customers often appreciate. Based upon SDG&E data responses discussed above, the company has not looked into this functionality.

These three functionalities could be very useful for both the company and SDG&E customers. Moreover, all of them have the ability to save SDG&E money -- in all likelihood more than it would cost to initiate these functions. The e-mail functions can reduce CSR phone time and improve productivity. Rate finder would also reduce additional CSR time and it is already funded in the Dynamic Pricing application process (A. 10-07-009) so it does not require any GRC-based funding. Finally, the customer feedback mechanism will reduce the need for any surveys for which SDG&E requests funding.[40]

D. Customer Service Guarantees

In D.99-05-030, the Commission adopted customer service guarantees and associated customer credits if SDG&E fails to fulfill those guarantees. This component provides a credit to customers if SDG&E does not meet its scheduled appointment time for service visits at the customer's premises. Service Guarantees require the utility to pay an SDG&E customer a credit for between $15 and $50 if SDG&E does not arrive within its scheduled time frame and does not notify the customer about the delay in advance. The amount of the credit depends on the type of service visit. These guarantees require SDG&E to meet service appointment commitments and dates for new service establishment. This program began July 1, 1999.

SDG&E's testimony is silent on the issue of the Service Guarantee. However, as it has not sought to modify D. 99-05-030, the Commission can presume it is continuing. Therefore, if the utility is unable to meet an appointment commitment with a customer for

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40 Exh. SDG&E-14, BMB-83,86,87,90, 109, see also Exh ORA-13, p. 34, 37

services at the customer's premises when access is required, SDG&E will credit $50 to the customer's account.[41]

SDCAN inquired into the status of this program in discovery. It asked:

Please provide any and all statistics on the aggregate of payments made to customers and number of customers who availed themselves of the service guarantees adopted in D. 99-05-030. Included in this request are any memos, reports or documents that review the results of and effectiveness of the service guarantees.

SDG&E responded only partially:

"SDG&E is unaware of any memos, reports or documents that review the results and effectiveness of the service guarantee program".[42]

SDG&E provided information about the numbers of missed appointments and credits paid to customers.[43]

Year	Appointments Scheduled	Appointments Missed	Credits Paid to Customer
2010	127,066	47	$1,780
2011	101,386	59	$2,150
2012	84,436	66	$2,580
2013	77,605	84	$3,885
2014	68,195	139	$5,400
Totals	**458,688**	**395**	**$15,795**

SDCAN is concerned recommends that this trend shows a significantly growing number of appointments missed and credits paid to customers. In light of so many technological communication improvements, these missed appointments and customer credits should be dropping, not increasing. SDG&E should be obligated to split the costs of the program with shareholders until the next SDG&E GRC, at which time, if it provides

41 SDG&E-46 WP, HSE-WP-23
42Attachment B: SDG&E response to SDCAN DR1-23
43 Id

evidence of reduced mission appointments, the program might, once again, be fully funded by ratepayers.

V. Excessive Public Outreach and Travel Expenses

A. Regional Public Affairs

SDCAN also recommends $683,000 funding for the Regional Public Affairs department. This is an appropriate recommendation in light of the historical context for these operations. Most notably, in D.08-07-046, the Commission put SDG&E on notice about costs for public affairs and outreach after DRA (now, ORA) proposed a disallowance of certain public affairs costs. The Commission did not adopt ORA's proposed disallowance but did conclude the following:

> [W]e will require SDG&E and SoCalGas to maintain detailed contemporaneous documentation of the actual activities, the service or information provided, including data on the numbers of customers who receive this service or information, as a part of the documentation for the next GRC if the companies wish to receive ratepayer funding for these activities. In effect, the companies are on notice that the bar has been raised and a ***more detailed justification is required for all public affairs and outreach expense to demonstrate genuine customer benefit that outweighs any incidental corporate image[] enhancement***.[44] (Emphasis added.)

However, contrary to meeting a raised bar for customer benefit, SDG&E continues to request funding for the Regional Public Affairs department and for parts of the External Affairs department to engage in activities in support of lobbying and corporate image enhancement. In this application, SDG&E seeks $1,687,000 for funding its Regional

[44] D.08-07-046, p. 74.

Public Affairs department but fails to offer a "detailed justification" that this expense outweighs corporate image enhancement [45]

In its data requests, SDCAN asked: "Please provide the annual budgets for all expenses relating to the operations of the SDG&E Regional Public Affairs division during the January 2010 through December 2014 time period. These expenses should include the monies available for any consulting or services provided by other Sempra affiliates, the parent company or any third-party vendors. To the extent that this information is not included in testimony or workpapers, please provide this information"

SDG&E provided the following budgets for this department:[46]

SDGE Regional Public Affairs	2010	2011	2012	2013	2014
Total Budget	**$1,366,953**	**$ 747,073**	**$ 611,130**	**$ 686,952**	**$ 950,073**

It also represented that "SDG&E does not budget to the granularity for specific expenses. No additional funding is provided by other Sempra affiliates, the parent company or any third-party vendors. 2010 budget was provided in the 2012 GRC." So SDG&E's number reflects only the expenses for this department.

Yet, in SDG&E's testimony, it represents that Regional Public Affairs recorded $1,687,000 in expenses in 2013 and seeks the same in this application. SDCAN suggests that in light of its refusal to comply with the Commission's order and its response to

[45] Exh. SDG&E-10, p. JTW-8

[46] Attachment B, SDG&E response to SDCAN DR1-37

SDCAN's data request, at most, SDG&E should receive the 2013 expenditures of $686,952 for its 2016TY.

2. SDG&E Travel and Reimbursement Policies

Another common abuse by SDG&E is its travel extravagances. Utility employees have racked up over $53 million in credit card travel usage in just four years. Previously, SDG&E employees total travel credit card charges were amounted to less than $2 million over a two-year period. Based upon SDG&E's own numbers, use of travel credit cards has exploded.

SDCAN is concerned that SDG&E's travel expenses have become even more extravagant since that case. In this proceeding, SDCAN requested data on the expenses incurred for the American Express travel cards that SDG&E issues to its employees. The numbers were dramatic. Whereas in 2008-2009, SDG&E's credit card charges averaged $850,000 per year[47], the annual number had jumped to $13 million by 2014. [48] On a per card basis, the charges on its travel cards averaged $18,571 per card in 2014 compared to $6,100 in 2009 and $12,213 in 2010. As set forth in Figure 7 below, SDG&E's travel expenditures have skyrocketed and its ability to track the nature of these expenses that it seeks to pass on to customers is highly limited. [49]

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[47] A. 10-12-005, Testimony of Michael Shames on behalf of UCAN, p. 90
[48] Attachment B, SDG&E response to SDCAN DR1-46
[49] Id

Figure 7 - SDG&E Travel Credit Card Purchases by Employees

AMEX Card Data		
Year	# of Cards	Charge Volume
2014	701	$ 13,215,783.00
2013	650	$ 11,492,813.00
2012	663	$ 11,187,879.00
2011	666	$ 9,098,675.00
2010	655	$ 8,012,819.00
Total	3335	$ 53,007,969.00

SDCAN submits that a factor driving this increase in charge volume is Sempra/SDG&E's policy guidelines for air travel, car rental, lodging and expense reimbursement. The air travel guidelines put very few restrictions on employees other than to use coach for domestic travel *when feasible*. However, officers and business unit presidents of SDG&E and the other Sempra companies may use first class for travel exceeding two hours and non-officers may use first class when flying with non-officers. For international travel business class is allowed or first class if business class is unavailable. The remaining guidelines are all recommendations that employees should take under consider such as the use of connecting flights, alternate airports, and flexible time frames in savings of $200 or more can be achieved. The car rental guidelines require little more than to consider renting a car from the preferred car rental agencies with which SDG&E/Sempra has negotiated rates. The lodging guidelines also encourage staying at the preferred hotels with negotiated rates and other hotels when the rates are economical with an exception for those attending seminars or conferences who may lodge at the site of event. With regards to expenses, employees will generally be reimbursed for all business-related lodging expenses. When SDG&E was asked about its travel policies in 2011, it indicated it was unable to track the number of first class seats purchased or the quality of the hotels in which its employees stayed.

SDCAN maintains that this skyrocketing use of travel credit cards by employees is also attributable to the fact that SDG&E has no travel expense reimbursement caps. Travel reimbursement requests are reviewed for appropriateness on a case-by-case basis by the employee's in-line supervisor in cases where the employee's in-line supervisor has approval authority for the amount of the expense reimbursement. While SDG&E's approval system at least allows for some anecdotal cost review, there does not appear to be a system in place to alert SDG&E as excessive costs incurred over time. However, in seeking ratepayer funding to pay for air travel and lodging, SDG&E should be engaging in regular reviews of employee expense reports to ensure that employees are booking reasonable, low-cost air travel and lodging accommodations.

Another limited cost safeguard that SDG&E has in place is its negotiated rates with preferred partners. Though SDG&E has negotiated some rates with preferred partners there is no indication that those rates are the best available or that they are reasonable. Nor is it particularly reasonable to charge ratepayers for some discounted rates off of high-end luxury hotels and first-class airfare. This spending trend was not unexpected; in the 2008-2009 time frame, charges on this card increased from $693,379 to $1,024,979, or almost

50% in just one year's time.[50] SDG&E's response to SDCAN's data request shows an increase of travel credit card purchases in excess of 1200% in just five years' time.[51]

What is clear is that SDG&E employees are charging a significant amount of costs to ratepayer accounts for travel We also know that guidelines for the use of company credit cards for SDG&E's travel policy is recommended only; it does not require its employees to utilize negotiated rates, even if available. These guidelines show little acknowledgement or concern for their limited ratepayer source.

SDCAN urges the Commission to review SDG&E's corporate travel policy and place reasonable restrictions to ensure SDG&E employees are adhering to prudent purchasing practices when traveling. As a prerequisite for any ratepayer funding, SDG&E should be required to tracking and limiting employee first-class air travel and five-star lodging booking, placing an expense cap on employees air travel and lodging requiring review of the accounts that exceed the cap, and requiring employees to book lodging and air travel with preferred partners when available.

Additionally, SDG&E's failure to document its travel expenditures justifies that shareholders share in the costs of all travel for which ratepayer funding is sought. Accordingly, SDCAN recommends a disallowance of 50% of all of SDG&E forecast travel costs.

Second, SDG&E should be meticulously tracking its use of ratepayer funds particular where its internal policies allow for significant lodging and air travel costs to be

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[50] A. 10-12-005, Testimony of Michael Shames on behalf of UCAN, p. 90

51 Attachment B, SDG&E response to SDCAN DR1-46 compared to SDG&E's 2009 charges of $1,024,979

incurred. Appropriate tracking of these expenses would allow SDG&E to update and revise the policy if it found that lodging and air travel expenses had become excessive because of the vagueness of the policy allowing too many employees to book overly expensive air travel or lodging. While SDG&E employees should be afforded safe and comfortable lodging and air travel there are reasonable limits, which if employed, would keep costs low without sacrificing comfort or safety.

One potential cost limit could be the imposition of expense caps to an SDG&E's employees travel and lodging account. SDG&E could set these caps as a means of monitoring how much individual employees are expending on lodging and airfare. Where an employee meets or exceeds their cap, SDG&E management could retain the right to override the cap, but would know that the employees account would need to be reviewed as to whether his or her position requires more travel than anticipated or if the employee could be booking more economical lodging and air travel accommodations. Unfortunately, SDG&E's broad guidelines do not place any type of cap on expenses incurred by traveling employees. All that is required is some proof that it is a business expense.

APPENDIX A

QUALIFICATIONS OF MICHAEL SHAMES

Michael Shames has an extensive background in utility-related matters and regulation. Mr. Shames was the co-founder of Utility Consumers' Action Network and is currently SDCAN's Executive Director. A 1978 graduate of UCLA, Mr. Shames received his Bachelor of Arts in Public Administration and went on to receive a Juris Doctorate in 1982 from the University of San Diego School of Law. During his studies at the University of San Diego, Mr. Shames developed the model for SDCAN. From the outset, SDCAN was designed to represent residential and small business consumers in the highly technical areas of utility rate regulation.

During his 27-year tenure as Executive Director at UCAN and his 3 years at SDCAN, Mr. Shames has participated in numerous regulatory proceedings before the PUC. In addition to all SDG&E general rate cases since 1986 and most major statewide electric utility proceedings, Mr. Shames has played a major role in telecommunications issues before the PUC. He has prepared expert testimony in the MCI-Sprint merger case, the Pacific Bell Marketing Case and the Cingular Investigation of 2003. He also has provided expert testimony in each of SDG&E's last five rate cases, in SDG&E's Advanced Meter Initiative proceeding and, most recently, SDG&E's Sunrise Transmission application. Since 2007, he has served on SDG&E's Technical Advisory Panel for AMI deployment. Prior to that, he also served on SDG&E's Technical Advisory Panel for Energy Efficiency program implementation. And Mr. Shames has been appointed to numerous oversight panels by the Public Utilities Commission during his 21-year career. In 1997, Mr. Shames was appointed by the California Public Utilities Commission to serve on two advisory boards: The California Board for Energy Efficiency and the Consumer Education Advisory Panel. And the California Senate appointed Mr. Shames to serve on the Joint Task Force on Privacy Reform.

In addition to his work before the PUC, Mr. Shames has also participated in several regulatory hearings on behalf of SDCAN before the California Department of Insurance. He presented expert testimony on the use of telecommunications technologies in insurance redlining in RH-292, which investigated "redlining" in the insurance industry and RH-313. These proceedings determined timelines for prior approval rate regulations procedures.

Mr. Shames has repeatedly appeared before the California Energy Commission and California Legislative Oversight Committee on Energy and Public Utilities as a recognized consumer representative. He has spoken on assorted utility consumer issues at the National Association of State Utility Consumer Advocates (NASUCA) and the National Association of Regulatory Utility Commissioners (NARUC) conferences as well as a number of other conferences. He has testified in hearings before the Public Utilities Commission on cellular and electric regulation cases. And he was selected to serve on the Advisory Board of the Competition Policy Institute based in Washington DC. In addition to his work for SDCAN, Mr. Shames has served as an adjunct professor at University of San Diego, School of Business, where he taught between 1991 and 1995. His articles on utility issues have been published in most of the state's major newspapers and scholastic journals, including the Energy Law Journal on California's Electric deregulation in summer 2003. He has published articles in Public Utilities Reports, Harvard Business Review and has contributed chapters to two books on deregulation. [Preserving Consumer Protection and Education in a Deregulated Electric Services Industry., Who Benefits From Privatization, Hossain & Malbon, Eds. (Routledge, 1998) and "Consumer Principles for Electric Utility Reform", in Electric Utilities Moving into the 21st Century, Enholm & Malko, eds. PUR Inc. (1994)]

Mr. Shames has also been appointed to local boards to serve as a consumer representative, including the County Water Authority Panel on Utility Costs (1989), the San Diego City Task Force on Sewer and Water Rates (1992), and the San Diego County Public Works Board (1993). He has also been honored as Distinguished Advocate for a Non-Profit Agency - University of San Diego School of Law and has received two awards from the San Diego Press Club for his advocacy work.

APPENDIX B

SDG&E Data Responses to SDCAN DR-01 Cited in this Testimony

13. Please identify (by list) any departments at SDG&E which employed a zero-based budgeting process (i.e. all budget items are reviewed and built-up from zero) during the January 2010 through December 2014 time period.

SDG&E Response:

For the 2010-2014 time periods, the planning process was primarily an incremental approach. The focus was on changes in business needs and/or key drivers and how to prioritize new or changing activities within the annual budget targets. As a result, no department followed a complete zero based budgeting process, but instead developed only the level of detail needed to complete the annual prioritization process.

15. Please identify any cost-cutting measures that generated annual savings in excess of $1,000,000 for any SDG&E department during the January 2010 through December 2014 time period. In this response, please provide a copy of any reports generated by those consultants that were given to any members of senior management. Where the reports, or summary of said reports, were not given to senior management, please so indicate.

SDG&E Response:

Cost-cutting or operations streamlining initiatives proposed or undertaken in 2010-2013 are addressed in Question 14, with associated documents provided. More specifics related to 2014 are addressed in Question 16.

17. Please identify any outside consultants retained during the January 2010 through December 2014 time period specifically for the purposes of developing cost-cutting or greater operational efficiencies for any department within SDG&E.

SDG&E Response:

Line	Title	Vendor	Period
1	Best Practices and Benchmarking	The LAB Consulting	2013

18. Please identify any internal awards or formal recognition for innovations or operational efficiencies awarded to any SDG&E department during the January 2010 through December 2014 time period. In so doing, please:

a. Specify the existence of an internal management award system by which individual employees are recognized for innovations or operational efficiencies.
b. Indicate which innovations or operational efficiencies earned such awards, (if any) during the 2010-2014 time period.
c. Quantify the savings generated by such innovations or operational efficiencies that earned recognition.
d. Quantify the cost of the payments or other cash-value items bestowed upon any employees that received such recognition.
e. If SDG&E does not conduct specific studies to evaluate expected benefits relative to costs as compared to actual benefits relative to costs. Please explain why SDG&E does not conduct studies or otherwise evaluate whether the actual benefits relative to costs are comparable to expected benefits and expected costs that it uses when requesting rate increases to fund these programs.

SDG&E Response:

a. SDG&E currently has a "Move the Needle" award, instituted in 2014, that recognizes employees and teams for accomplishments, such as innovations and operational efficiencies. In 2013, SDG&E also had an "Innovation" award that specifically recognized employees and teams for innovations.
b. The following table includes the "Innovation" and "Move the Needle" awards associated with innovations and operational efficiencies.

Award System	Innovation / Efficiency	Award to Employee(s)	Estimated Savings
Move the Needle	Business Efficiencies in ERO	$0	$2M annually, starting 2014
Move the Needle	Cal Trans & Qualcomm Solution	$4,000	$48,000 in 2014
Move the Needle	Call Center Shift Optimization	$0	$145,000 annually, partial savings starting 2014
Move the Needle	Consolidating Contracts and Licenses for IT	$10,000	$5M annually, starting 2014
Move the Needle	FAA Approval to fly an Unmanned Aircraft System (UAS)	$6,000	Qualitative - Safety

Response to Question 18 (Continued)

Move the Needle	Palomar LTSA Elimination	$8,000	$6M annually, starting 2014
Innovation Event	Borrego Springs Micro Grid	$5,500	Qualitative - Customer Service, Reliability
Innovation Event	CBM Algorithms and Analytics	$3,000	Capital deferment savings of approximately $360,000 annually for 2013-2017
Innovation Event	CMP Patrols, Detailed, QC/QA HRFA Inspections Process Inefficiencies	$0	$130,000 in 2013
Innovation Event	Energy RFP to replace SONGS generation	$1,200	Qualitative - Commodity, Reliability
Innovation Event	EV Charging Model and Smart Kiosk	$0	Qualitative - Customer Service
Innovation Event	Grassroots Steel Cross Arm Cover	$0	Qualitative - Safety
Innovation Event	Green Button	$0	Qualitative - Customer Service
Innovation Event	Meteorology Forecasting/Fire Index - (EDO TEAM)	$3,650	Qualitative - Safety, Reliability
Innovation Event	Mover Services	$0	Qualitative - Customer Service
Innovation Event	Patent App Filing Marker Ball	$0	Patent application
Innovation Event	Patent App Filing - Plug Smart	$0	Patent application
Innovation Event	Patent App Filing Adaptive Distance Protection	$0	Patent application
Innovation Event	Patent App Filing Apptus Fault Detection	$0	Patent application
Innovation Event	Patent App Filing Detect Falling Conductor	$0	Patent application
Innovation Event	Patent App Filing EV Charging Detection	$0	Patent application
Innovation Event	Patent App Filing Ground Pot Rise Sensor	$0	Patent application

Response to Question 18 (Continued)

Innovation Event	Patent App Filing Portable work Platform Steel Poles	$0	Patent application
Innovation Event	Patent ID - Dulling Steel	$0	Patent identification
Innovation Event	Patent ID - Glove Inflator / Tester	$0	Patent identification
Innovation Event	Patent ID - Solar Connector	$0	Patent identification
Innovation Event	Patent Smart Transformer	$3,000	Patent
Innovation Event	Solar Power Prediction/ Marine Layer Location Prediction (MLLP Engine)	$0	Qualitative - Reliability
Innovation Event	Temporary Reconfiguration of TL13821/22 Design	$4,000	Qualitative

c. See response (b) above.
d. See response (b) above.
e. See benefits in (b) above. Some of these awards do not have specific cost savings, for example:
   i. This recognition for employee efforts is intended to stimulate an enhanced culture of innovation, and not necessarily linked to cost savings
   ii. In some cases, the benefits are qualitative (e.g. enhanced customer experience)
   iii. Some innovations identified an opportunity for a patent, not cost savings

19. Please state whether any SDG&E employees were sent to professional conferences during the January 2010 through December 2014 time period whose topic was specifically focused on cost-cutting utility operations. If so, please identify the date, employees who attended and the title of said conference.

SDG&E Response:

SDG&E does not maintain a list of employees sent to professional conferences. Notwithstanding this, GRC Case Management has surveyed the GRC witness teams and other company personnel and has not identified any responsive information.

20. Throughout its testimonies SDG&E indicates that there is a need to hire new employees for various positions. Please state the total number of incremental positions SDG&E anticipates creating between 2016 and 2019 (i.e. above and beyond existing positions) . Please also provide a table that for each incremental position states:

a. the title of the position,
b. the department,
c. whether the position is newly created or previously in existence,
d. whether the position is Full-Time Equivalent or Part-Time Equivalent,
e. the anticipated salary to be offered for the position, and
f. if the position was previously in existence the total amount of previously designated salary for that position that remains available for the position.

SDG&E Response:

The current General Rate Case application, A.14-11-003, presents a case for the required 2016 Revenue to operate San Diego Gas and Electric in a safe and reliable way. The years between 2016 and 2019 are covered in the Post-Test year Direct Testimony of Sandra K. Hrna (Exhibit SDG&E-37). In that testimony, Witness Hrna describes the mechanism for arriving at a 2017 and 2018 post-test year revenue requirement. However, nowhere in that testimony, or anywhere in the reminder of the case, are hired new employees for various positions discussed for the years between 2016 and 2019. Therefore, SDG&E does not have the information available for this question and cannot provide an answer.

23. Please provide any and all statistics on the aggregate of payments made to customers and number of customers who availed themselves of the service guarantees adopted in D. 99-05-030. Included in this request is any memos, reports or documents that review the results of and effectiveness of the service guarantees.

SDG&E Response:

Please see the table below for the requested information.

Year	Appointments Scheduled	Appointments Missed	Credit to Customer
2010	127,066	47	$1,780
2011	101,386	59	$2,150
2012	84,436	66	$2,580
2013	77,605	84	$3,885
2014	68,195	139	$5,400
Totals	**458,688**	**395**	**$15,795**

SDG&E does not have any memos, reports or documents that review the results of or effectiveness of the service guarantee. However, SDG&E does track monthly activity levels, and a copy of such report for 2014 is attached as an example (please see "SDCAN-SDG&E-DR-01-Q23 Attachment.pdf").

24. Please provide the corporate goals and performance, if any, for the January 2010 through December 2014 time period for the following indicators:

a) Percent of calls answered by a live agent compared to total calls answered;
b) Number of complaints about field workers;
c) Number of complaints about power quality;
d) Number of incidents of low or high voltage conditions
e) Number of complaints about customer service representatives

SDG&E Response:

a) There is no corporate goal regarding the percent of calls answered by a live agent compared to total calls answered. The table below reflects the percent of calls answered by a live agent compared to total calls answered.

Year	ESS Calls	% of Total	IVR Calls	% of Total	Web & Mobile	% of Total	Email	% of Total	Chat	% of Total	Total Contacts
2010	2,353,875	76.04%	565,140	18.26%	12,808	0.41%	163,718	5.29%	0	0.00%	3,095,541
2011	2,242,137	75.62%	522,581	17.62%	41,811	1.41%	158,485	5.35%	0	0.00%	2,965,014
2012	2,127,497	74.15%	521,666	18.18%	63,620	2.22%	156,330	5.45%	0	0.00%	2,869,113
2013	2,066,645	72.76%	535,836	18.86%	171,461	6.04%	62,209	2.19%	4,295	0.15%	2,840,446
2014	1,833,513	68.07%	624,353	23.18%	176,147	6.54%	50,711	1.88%	8,905	0.33%	2,693,629

b) There is no corporate goal regarding complaints about field workers. The table below reflects the number of field technician complaints. Although there are other groups that work in the field, this is the only group that is currently being tracked.

	2010	2011	2012	2013	2014
Field Service Technicians Complaints	78	108	67	66	53

c) There is no specific corporate goal for power quality or incidents of high/low voltage conditions; however, SDG&E designs its systems to meet the Customer Service Voltages required in SDG&E's electric tariffs, Rule 2, Section B.2. SDG&E does not specifically track "complaints about power quality," but instead tracks customer inquiries which include general informational requests, general requests for field measurements, as well as requests for field measurements and troubleshooting assistance when the customer suspects that a power quality issue may exist in either the utility's or the customers' electric system. SDG&E investigates customer inquiries on power quality concerns and responds to each inquiry. This response typically includes a check of system monitors, a site visit, a physical check of service and metering to verify voltage. On a proactive basis, SDG&E also provides workshops, written materials, and limited technical assistance to help customers resolve internal power quality problems. Data on customer inquiries, site visits, and workshops is provided in the following table.

Year	Power Quality Check-Up/Audits	Site Investigations	Workshops	Cumulative Workshop Customer Attendees
2010	72	14	2	155
2011	60	27	3	262
2012	74	26	1	112
2013	64	31	2	159
2014	92	40	3	85

d) There is no corporate goal regarding complaints about the number of incidents of low or high voltage conditions. SDG&E investigates customer inquiries on high or low voltage concerns and responds to each inquiry. This response typically includes a check of system monitors, a site visit, a physical check of service and metering to verify voltage, and corrective action, if necessary. A summary of the number of inquiries and investigations is provided in the following table.

Inquiry Description	Number of Customer Inquiries				
	2010	2011	2012	2013	2014

Voltage Problem – Computer	12	10	10	6	5
Voltage Problem - Computer - Rural	1	4	0	1	4
Voltage Complaint - Large Commercial	25	21	24	19	24
Voltage Complaint - Large Commercial – Rural	11	5	5	10	3
Voltage Problem - High Voltage	311	255	279	268	265
Voltage Problem - Low/Just Started	677	641	647	628	697

27. Please provide any documents, reports or memos produced for the general public by SDG&E since 2000 which compare SDG&E system average rates and/or customer class rates to other investor-owned or municipal utilities.

SDG&E Response:

SDG&E provided the Union Tribune (U-T) with a version of the residential electric comparison provided in the rebuttal testimony of Robert Hansen in A.06-12-009 (please see response to Q29) which provided the basis for the information provided in the attached article

29. Please provide any documents, reports or memos produced for the Public Utilities Commission by SDG&E since 2000 which compare SDG&E system average rates and/or customer class rates to other investor owned or municipal utilities.

SDG&E Response:
As part of SDG&E's 2008 GRC Phase 1 application, SDG&E submitted rebuttal testimony (witness, Robert Hansen)which included a comparison of average monthly residential electric bills for 2005 of the Top 100 IOUs by revenue based on data available from the Energy Information Administration (EIA).

Additionally, as part of SDG&E's 2012 GRC Phase 1 application, SDG&E submitted rebuttal testimony (witness, Cynthia Fang)which included a comparison of average monthly residential electric bills for 2009 of the Top 100 IOUs by revenue based on data available from the EIA.

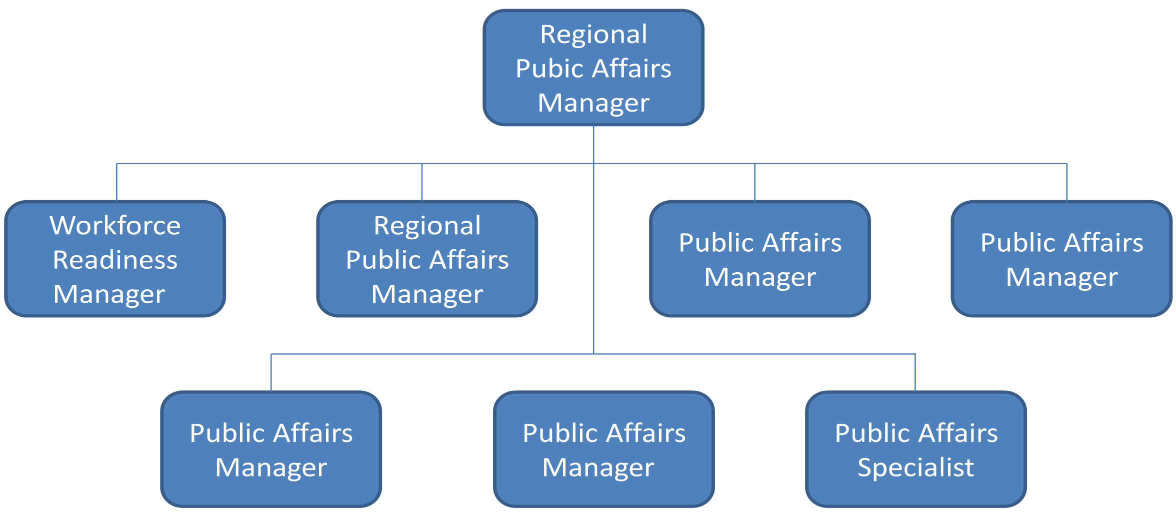
Separately attached: Robert Hansen's Rebuttal: SDCAN-SDG&E-DR-01_Q29_A0612009_Hansen_Rebuttal.pdf
Cynthia Fang's Rebuttal: SDCAN-SDG&E-DR-01_Q29_A1012005_Fang_Rebuttal.pdf

36. Please provide a detailed staffing breakdown (org chart) of all employees who work for or provide services under the auspices of SDG&E's Regional Public Affairs. This detailed breakdown should include a job description for each of the employees in this division.

SDG&E Response:

Listing of Job Descriptions for all employees within the Regional Public Affairs Division at SDG&E

San Diego Gas & Electric Regional Public Affairs



Response to Question 36 (Continued)

Title	Description of Duties	Number of Employees
Regional Public Affairs Manager	Manages the public information and education function in an operating region. Directs regional planning that prioritizes and integrates public policy, education, community involvement, communications, and environmental plans to maximize available resources. Manages the public affairs activities to assist construction and operations activities to minimize government intervention and expense to customers. Manage operation issues, such as trench cut fees, storm water, street resurfacing, and traffic controls.	2
Public Affairs Manager/Workforce Readiness Manager	Manages local government compliance with current Franchise Licenses to ensure efficient operations and lowest costs to ratepayers. Provides energy efficiency program updates, program informational briefs, safety and emergency briefs, gas and electric tariff updates and public policy communications affecting customers including underserved communities.	5
Public Affairs Specialist	Monitors the development of ordinances and regulations likely to impact company operations in SD City, SD County and regional governmental agencies. Analyzes local ordinances and identifies impacts to ratepayers. Provides information on company operations and the use of natural gas, electricity and related products. Responds to customer inquiries and issues.	1

37. Please provide the annual budgets for all expenses relating to the operations of the SDG&E Regional Public Affairs division during the January 2010 through December 2014 time period. These expenses should include the monies available for any consulting or services provided by other Sempra affiliates, the parent company or any third-party vendors. To the extent that this information is not included in testimony or workpapers, please provide this information.

SDG&E Response:

SDG&E does not budget to the granularity for specific expenses. No additional funding is provided by other Sempra affiliates, the parent company or any third-party vendors. 2010 budget was provided in the 2012 GRC.

SDGE Regional Public Affairs	**2010**	**2011**	**2012**	**2013**	**2014**
Total Budget	**$1,366,953**	**$ 747,073**	**$ 611,130**	**$ 686,952**	**$ 950,073**

46. Please identify the number of employees during each year during the January 2010 through December 2014 time period who have been issued a company credit card with which they can charge travel or entertainment expenditures.

SDG&E Response:

The table shown below has the number of cards issued for the years requested.

AMEX Card Data		
Year	**# of Cards**	**Charge Volume**
2014	701	$ 13,215,783.00
2013	650	$ 11,492,813.00
2012	663	$ 11,187,879.00
2011	666	$ 9,098,675.00
2010	655	$ 8,012,819.00
Total	3335	$ 53,007,969.00

54. In regards to the Customer Communications department and its need for additional funding. Please provide any reports, memos or analysis conducted by SDG&E since 2002 which compared the efficacy and cost of using third-party vendors compared to in-house employees for the communications needs of SDG&E performed by this department.

SDG&E Response:

SDG&E is not aware of any analysis comparing the efficacy and cost of using third-party vendors to in-house employees for SDG&E communications needs since 2002. SDG&E uses a combination of internal and external resources for this function. This often depends on whether the position or expertise is needed part-time or full-time.

55. Please provide any reports, memos or analysis developed by Customer Services Operations that discuss the cost effectiveness or efficacy of using Web-based services as a substitution for or complement to other customer outreach functions since 2002.

SDG&E Response:

There have been no reports, memos or analysis developed by Customer Services Operations, Information, and Technologies that discuss the cost effectiveness or efficacy of using web-based services as a substitution for or complement to other customer outreach functions.

56. Please provide an accounting for all of SDG&E's customer-service related web costs for the years 2007-2014. This should include the costs attributable to web-content development and the cost of web maintenance for customer information and customer service, but should not include meter data measurement costs.

SDG&E Response:

Costs for the years 2007 to 2009 were provided in response to a data request in SDG&E's TY 2012 GRC proceeding (UCAN Data Request NOI-DR-01):

Year	2009$
2007	$405,000
2008	$742,000
2009	$582,000

For the years 2010 to 2013, costs for sdge.com web content development and web maintenance are:

Year	Nominal$
2010	$ 583,000
2011	$ 519,000 + $1,742,000 capital for SDGE.com Redesign
2012	$ 795,000 + $22,000 capital for SDGE.com Redesign
2013	$1,027,000

2014 financial information will not be available until after SDG&E makes its 10-K filing with the SEC in early 2015. It is currently expected that SDG&E will provide the adjusted recorded 2014 financial information to SDCAN in March 2015.

60. Please provide an accounting of third-party expenditures for the CICS (F1-F5) during the January 2010 through December 2014 time period.

SDG&E Response:

See table below for an accounting of third party expenditures for Commercial and Industrial Services during 2010-2013. 2014 financial information will not be available until after SDG&E makes its 10-K filing with the SEC in early 2015. It is currently expected that SDG&E will provide the adjusted recorded 2014 financial information to SDCAN in March 2015.

	Constant 2013$			
Description	**2010**	**2011**	**2012**	**2013**
Consulting	392	55,426	250,364	24,975
Contract Labor	22,190	22,328	76,341	258,497
Purchased Services	81,099	257,946	186,821	256,036
Grand Total	**103,681**	**335,700**	**513,526**	**539,508**