

**SOUTHERN CALIFORNIA GAS COMPANY  
CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)  
ENERGY DIVISION (ED)  
(ED DATA REQUEST-2021-PART I-COST AND RATE DATA)**

**DATE REQUESTED: JANUARY 4, 2021  
RESPONSE SUBMITTED: JANUARY 20, 2021**

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Please provide the information as requested below. Please submit your response to this data request directly to Bridget Sieren-Smith ([bridget.sieren-smith@cpuc.ca.gov](mailto:bridget.sieren-smith@cpuc.ca.gov)). Questions regarding this data request should be immediately directed to the Originator.

As you know, SB 695 generally requires the CPUC to prepare and submit by May 1st of each year the CPUC's Annual Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913.1 (the "SB 695 Report"). For 2021, the CPUC is embarking on a different approach than in previous years. The CPUC seeks to publish the 2021 SB 695 Report in January 2021 before a tentatively scheduled Cost and Rate En Banc in February 2021.

This data request is issued regarding proposed recommendations of the investor-owned electric and gas utilities (IOU) to limit cost and rate increases consistent with the state's energy and environmental goals for reducing greenhouse gases, as required by Public Utilities Code Section 913.1. The data provided in the response will be included in its entirety in an appendix to the 2021 SB 695 Report.

In preparing this year's proposed recommendations, the IOUs are encouraged to be as specific as possible in identifying and quantifying specific potential cost savings initiatives. While recognizing that the utilities generally propose cost savings initiatives in Test Year General Rate Cases, Public Utilities Code Section 913.1 annually requires that the utilities:

"...study and report to the commission on measures that they recommend be undertaken to limit costs and rate increases."

We therefore request that you limit your response to recommended measures to be undertaken to limit cost and rate increases.<sup>1</sup> Please study and report on the three subject areas in Question 1 through Question 3 below.

**QUESTION 1:**

**Operational Productivity and Efficiency Opportunities**

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<sup>1</sup> Data reflecting rates trends, cost recovery mechanisms, types of cost recovery proceedings, and other data non-specific to studying and reporting on measures recommended to limit cost and rate increases should not be included, except to the extent that such data directly supports the recommendations.

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Please identify and make recommendations for at least five potential operational area cost-cutting strategies:<sup>2</sup>

- A. Changes to office and travel expense prompted by COVID-19 Shelter-At-Home directives, for which the utility considers continued cost savings may be realized beyond the lifting of such directives.
- B. Changes to operational area expense due to use of Information Technology and Data Analytics.
- C. Changes to purchasing expense due to improvements in supply chain management.
- D. Two other recommendations, one of which should be centered in cost-cutting opportunities related to Transmission and Distribution expense.

**RESPONSE 1:**

- A. SoCalGas made several modifications to its existing guidelines, policies and procedures related to office and travel expenses in light of the Shelter-At-Home directives as a result of COVID-19. Although SoCalGas may realize cost savings as a result of some of these changes (e.g. remote work, travel policy), they are temporary and short-term. There are certain ongoing costs that continue to be incurred related to office and travel expenses. SoCalGas is uncertain at this time whether the changes to office and travel expense guidelines, policies and procedures can and will be maintained beyond the lifting of such directives, as they will be influenced by the changing environment in the industry, regulatory agencies, and communities we serve.
- B. As discussed in the Test Year 2019 General Rate Case (GRC), the utilities initiated a Fueling Our Future (FOF) initiative in May 2016 to examine operations to identify opportunities for efficiency improvements.

FOF was an enterprise wide initiative designed to provide an opportunity to examine how we approach, organize and execute work. Built on the premise that within a successful company, opportunities exist to improve performance by better leveraging people, processes and technology, FOF focused on innovating and modernizing processes to meet the future needs of our business and build a better business through reinvestments.

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<sup>2</sup> For dual-fuel utilities, please include at least one item related to gas.

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Along with a cultural focus on continuous improvement, SoCalGas has continued to invest in analytical talent and tools, empowering employees to conduct advanced analytics utilizing innovative approaches. As an example, SoCalGas developed a weather elasticity model to identify those customers least likely to conserve during a winter cold snap – allowing SoCalGas to target outreach with relevant literature. In another case, SoCalGas performed an analysis to determine the key drivers of bad debt – allowing SoCalGas to fine tune its methods of collecting owed monies and reduce the number of customers sent to third-party collections agencies. In addition, SoCalGas identified customers most likely to contact SoCalGas to provide them tools and information to better manage their usage during the peak season, and simplified the payment process to better enable customers to complete transactions in the channels of their choice (e.g., self-service).<sup>3</sup>

Customer Services is utilizing advanced analytics to improve targeting of customers most likely to enroll in paperless billing and notifications. The goal is to increase the paperless adoption rate, reduce our paper footprint, reduce costs related to paper/postage and improve the customer experience of those who prefer a digital experience.<sup>4</sup>

- C. There were no identified major improvements to supply chain management in 2020 that would change purchasing expenses. In addition to navigating COVID-19, Supply Chain used 2020 to continue the transformation to Category Management, a procurement strategy aligning material and operational needs. The shift to Category Management began in 2017 and has been an ongoing approach to leverage data, optimize purchasing, gain efficiencies, and achieve savings throughout our Supply Chain. Some of the refinements undertaken in 2020 include investing in our employees by providing additional trainings, better leveraging data, and exploring modern technologies to replace outdated systems that are costly and/or no longer supported.
- D. As discussed in the TY 2019 GRC, the utilities initiated a FOF initiative in May 2016 to examine operations to identify opportunities for efficiency improvements.

Gas Engineering is developing a standardized playbook to optimize projects and work to improve consistency throughout organization. This will improve the overall efficiency of our line and back office organizations across the transmission and distribution systems. Additionally, SoCalGas is improving the pipeline project close-out

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<sup>3</sup> TY 2019 GRC Testimony Exhibit SCG-03 (SDGE-03)-R (HDS/RC-2, lines 10-20)

<sup>4</sup> TY 2019 GRC Testimony Exhibit SCG-03 (SDGE-03)-R (HDS/RC-6, lines 18-22)

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process to support our Pipeline Safety Enhancement Plan (PSEP) using formal Lean Six Sigma methods.

**QUESTION 2:**

**Managed Service Provider Opportunities**

Please identify and make recommendations for potentially outsourcing work to external companies.

**RESPONSE 2:**

Opportunities to outsource work to external companies are routinely assessed to ensure we are using the most capable and cost-effective resources, whether they are internal or external. SoCalGas does not currently have any specific recommendations for outsourcing work to external companies. However, SoCalGas often utilizes external companies to provide consulting work on projects where the cost of these temporary resources may result in lower costs overall. SoCalGas will continue to examine this practice on an on-going basis.

**QUESTION 3:**

**Alternative Financing Opportunities**

Please identify and make recommendations regarding the applicability within the utility of potential alternative financing mechanisms such as securitization.

**RESPONSE 3:**

Guidance for California Investor Owned Utilities (IOUs) around the issuance and use of proceeds for debt securities and other potential financing mechanisms include the IOUs CPUC Long-Term Debt decisions, the Financing Rule adopted by Decision (D.) 12-06-015, as corrected by D.12-07-003; General Order 24-C; and the capital structure and associated capital ratios adopted by the Commission. These rules and authorities approve the use of multiple financing options available to the IOUs.

SoCalGas recommends that in addition to the financing options authorized above, alternative financing mechanisms, including securitization, should be considered by the Commission, as needed, on a case-by-case basis as there may be circumstances in which certain alternative financing mechanisms may benefit ratepayers by leading to an overall lower cost of financing.